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REP 019

KOHC: 1QFY26 Result Review — Royalty hike squeezes margins

AKD Securities Limited

Kohat Cement Company Ltd. (KOHC) announced its 1QFY26 financial results, reporting earnings of PkR2.9bn (EPS: PkR3.2), compared to PkR3.4bn (EPS: PkR3.7) in SPLY, down 14%YoY, due to decline in gross margins. However, earnings were above our expectations due to higher than anticipated other income.

- Revenue inclined 2%YoY to PkR10.3bn, wherein, 18%YoY increase in offtakes overshadowed 13%YoY decrease in retention prices.
- Gross margins witnessed a decline to 33.9% from 42.8% in SPLY, driven by increase in royalty rates in KPK region. Notably, royalty rates in KPK region increased to PkR350/ ton compared to PkR250/ton during SPLY.
- Other income remained largely flat YoY to PkR1.5bn, where lower yields offsets the impact of 24%YoY increase in cash & short-term investments.
- Finance cost declined by 66%YoY to PkR40mn from PkR116mn in SPLY, owing to reduction in outstanding debt and easing interest rates.
- Company recorded effective tax rate of 34% during 1QFY26, compared to 33% in SPLY and 33% in 4QFY25.
- We maintain a 'Buy' stance on KOHC with a Jun'26 DCF target price of PkR158.6/sh. Our bullish view is supported by i) the company's attractive valuation, trading at the lowest EV/EBITDA in our universe, ii) efficient energy mix to keep gross margins higher, and iii) strong stream of other income.

KOHC: Income Statement

PkRmn	1QFY26	1QFY25	YoY	4QFY25	QoQ
Sales	10,287	10,084	2%	8,720	18%
COGS	6,800	5,770	18%	6,000	13%
Gross Profit	3,488	4,314	-19%	2,721	28%
Gross Margins	33.9%	42.8%	-	31.2%	-
Opex	229	227	1%	222	3%
Other Income	1,467	1,471	0%	1,303	13%
Finance Cost	40	116	-66%	80	-50%
PBT	4,486	5,160	-13%	3,525	27%
Taxation	1,542	1,721	-10%	1,171	32%
ETR	34%	33%	-	33%	-
NPAT	2,944	3,439	-14%	2,354	25%
EPS (PkR)	3.20	3.74	-	2.56	-

Source: PSX & AKD Research

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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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Neutral > 0% to < 15% expected total return

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