October 28, 2026
REP 019

KOHC: 1QFY27 Result Review — Earnings beat expectations on higher gross margins

AKD Securities Limited

Kohat Cement Company Ltd. (KOHC) announced its 1QFY27 financial results, reporting earnings of PkR3.3bn (EPS: PkR3.60), compared to PkR2.9bn (EPS: PkR3.20) in SPLY, up 13%YoY, primarily due to higher retention prices and gross margin expansion. Earnings came in above our expectation, primarily due to lower-than-anticipated cost of goods sold.

- Revenue increased by 15%YoY to PkR11.8bn from PkR10.3bn in SPLY, driven by 17%YoY higher retention prices, which outweighed the 3%YoY decline in total offtakes to 0.68mn tons amid absence of exports.
- Gross margins expanded to 41.8% from 33.9% in SPLY (4QFY26: 40.8%), primarily due to higher retention prices and increase in local sales mix .
- Operating expenses rose by 35%YoY to PkR310mn, primarily due to increase in admin expenses.
- Other income declined by 36%YoY to PkR938mn from PkR1.5bn in SPLY, despite the 19%YoY increase in cash & ST investment likely due to negative return on equities .
- Finance cost declined by 30%YoY to PkR28mn from PkR40mn in SPLY.
- Company recorded an effective tax rate of 37% during 1QFY27, compared to 34% in SPLY.
- We maintain a 'BUY' stance on KOHC, with Dec'26 target price of PkR194/sh, supported by i) demand recovery with improving macros, ii) stable coal prices, iii) improving cost efficiencies, and iv) lower royalty rates.

KOHC: Income Statement

PkRmn	1QFY27	1QFY26	YoY	4QFY26	QoQ
Sales	11,837	10,287	15%	9,630	23%
COGS	6,892	6,800	1%	5,697	21%
Gross Profit	4,945	3,488	42%	3,933	26%
Gross Margins	41.8%	33.9%		40.8%	
Opex	310	229	35%	525	-41%
Other Income	938	1,467	-36%	1,403	-33%
Finance Cost	28	40	-30%	36	-23%
PBT	5,219	4,486	16%	4,553	15%
Taxation	1,906	1,542	24%	1,265	51%
ETR	37%	34%		28%	
NPAT	3,313	2,944	13%	3,287	0.8%
EPS (PkR)	3.60	3.20		3.58	

Source: PSX & AKD Research

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- 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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