

Kohat Cement Company Limited

Entering into real estate business | Stock split

REP-300

Entering into real estate business

- As per the PSX notice, the Board of Directors of Kohat Cement Company Limited (KOHC) has approved the establishment of a wholly-owned subsidiary, Ultra Properties (Private) Limited, to undertake real estate development, marketing, and rental operations.
- The initiative marks the company's formal entry into the property development space, subject to requisite regulatory approvals.
- In line with this strategy, the company will lease one of its existing investment properties to the newly formed subsidiary. The subsidiary is expected to develop multi-story commercial building (s), intended for rental income generation.
- To facilitate this, the Board has sanctioned an investment of up to PKR 750mn, which may be extended in the form of equity and/or interest-bearing loans.

Stock Split

- The Board has approved a sub-division of the company's shares by reducing the par value from PKR 10/share to PKR 2/share, resulting in a 5:1 stock split. The move is likely to improve the share liquidity, we view.

Outlook and Recommendation

- Currently, we have BUY call on the stock with a target price of PKR 505/share by Jun'26. The stock is trading at an attractive forward P/E of 6.1x for FY26 and 5.2x for FY27.
- Our positive outlook is supported by multiple factors, including an expected recovery in local cement demand, the upcoming addition of a coal-based captive power plant that is likely to enhance energy efficiency and margins, and KOHC's cost advantage due to lower raw material costs compared to Punjab-based manufacturers.

Disclaimer: This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.

Rao Aamir Ali

D: +92 21 32461106

UAN: +92 21 111 245 111, Ext: 242

amir.rao@arifhabibltd.com