

Flash Note

Friday, 23 October 2020

Cements

D. G. Khan Cement Company Limited (DGKC)

Heavy cost structure and absence of material dividend income hampers overall performance; 1QFY21 loss clocks in at PKR 0.80/share

- D. G. Khan Cement Company Limited (DGKC) announced its financial result for 1QFY21 wherein, on an unconsolidated basis, it reported a net loss of PKR 351mn (LPS: PKR 0.80), as against loss of PKR 308bn (LPS: PKR 0.70) in 4QFY20. The Company announced nil dividends along with the result.
- Net Sales of the Company during 1QFY21, as against 4QFY20 improved by 41% QoQ. This was largely driven by recovery in sales volumes (+32% QoQ) following reopening of domestic economy post Covid-19 led lockdowns and higher retentions amid improved cements sales price in the North region, reduced FED and lower dealer discounts.
- Gross profit margin of the Company improved to PKR 10%, as against 7% registered in the sequential quarter largely driven by improved retentions.
- Selling & Distribution Costs of the Company improved by 59% QoQ ascribed to increased freight charges associated with higher export sales made during the quarter as compared to sequential quarter.
- Non-Operating Income of the Company dropped a significant 89% QoQ, owed to cessation of dividends from group companies (majorly MCB) as per guidelines issued by the State Bank of Pakistan to commercial banks and Companies obtaining reduced financing facility from Commercial Banks in the wake of Covid-19.
- Finance cost of the Company declined by a material 22% QoQ largely due to series of rate cuts in benchmark interest rate in the previous quarter, the financial impact of which is apparent in the current quarter.

Exhibit: DGKC Result Highlights

Period end (JUN) - PKRmn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Net Sales	10,514	9,069	16%	7,462	41%
Gross Profit	1,008	(538)	-287%	508	98%
Sell. / Dist. & Admin	763	636	20%	479	59%
Non-Operating Income	70	553	-87%	633	-89%
EBIT	314	(623)	n/m	692	-55%
Financial Charges	771	1,256	-39%	994	-22%
Pre-tax Profits	(457)	(1,879)	-76%	(399)	15%
Taxation	(107)	(451)	-76%	(90)	18%
Post-tax Profits	(351)	(1,428)	-75%	(308)	14%
EPS	(0.80)	(3.26)		(0.70)	
DPS	-	-		-	
Key Ratios					
Gross Margin (%)	9.6	(5.9)		6.8	
Net Margin (%)	(3.3)	(15.7)		(4.1)	
Effective Tax Rate (%)	23.3	24.0		22.6	

Source: Company Accounts, IGI Research

No. of Shares : 438mn

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IGI Finex Securities Limited

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