

Flash Note

Wednesday, 19 September 2018



Cements

D.G. Khan Cement Company Limited (DGKC)

Expansion ancillary tax benefit pushes FY18 EPS to close at PKR 20.17

- D.G. Khan Cement Company Limited (DGKC) announced its financial results for FY18 with unconsolidated earnings clocking in at PKR 8.84bn (EPS: PKR 20.17), up by +11%YoY, as compared to PKR 7.98bn (EPS: PKR 18.20) in the same period last year. On a quarterly basis, 4QFY18 unconsolidated earnings stood at PKR 3.87bn (EPS: PKR 8.83), up by +154%YoY, as against PKR 1.52bn (EPS: PKR 3.47) in the corresponding quarter last year.
- The Company announced a dividend of PKR 4.25/share along with the result.
- Net sales of the Company during the year grew by +2%YoY to PKR 30.67bn despite an upbeat dispatches performance. This was largely owed to the industry's failure to pass over enhanced FED, up by 25%YoY during the year due to intense competition thereof.
- Gross Profits of the Company fell by 26%YoY, largely due to a) compressed retention prices during the year (courtesy increase in FED prices) and particularly due to significant rise in input costs during the year stemming from elevated Coal and FO prices globally and PKR devaluation against the greenback. Accordingly, gross margins of the Company for the year fell to 29% in contrast to 39% in the corresponding period last year.
- Application of substantial tax credit on setting up of expansion plant (Hub Plant) has resulted in overall tax income situation of PKR 1.47bn (+3.35/share) as against a charge of PKR 3.18bn (-7.26/share) in FY17.

Exhibit:

DGKC Result Highlights

Period end (JUN) - PKRmn	4QFY18	4QFY17	YoY	FY18	FY17	YoY
Net Sales	7,293	7,503	-3%	30,668	30,136	2%
Gross Profit	1,571	2,630	-40%	8,740	11,845	-26%
Sell. / Dist. & Admin	377	407	-8%	1,523	1,530	0%
Non-Operating Income	1,388	501	177%	3,027	2,118	43%
EBIT	884	2,547	-65%	7,889	11,541	-32%
Financial Charges	201	111	82%	519	383	36%
Pre-tax Profits	682	2,436	-72%	7,370	11,158	-34%
Taxation	(3,185)	915	n/m	(1,468)	3,183	-146%
Post-tax Profits	3,868	1,521	154%	8,838	7,975	11%
EPS	8.83	3.47	154%	20.17	18.20	
DPS	4.25	7.50		4.25	7.50	

Key Ratios

Gross Margin (%)	21.5	35.0		28.5	39.3	
Net Margin (%)	53.0	20.3		28.8	26.5	
Effective Tax Rate (%)	(466.7)	37.6		(19.9)	28.5	

Source: Company Accounts, IGI Research

No. of Shares : 438mn

Analyst

Muhammad Saad

muhammad.saad@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 816

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Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Umesh Solanki	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	umesh.solanki@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of
Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Lahore Office

5-F.C.C. Ground Floor,
Syed Maratib Ali Road, Gulberg II
Tel: (+92-42) 35777863-70, 35876075-76
Fax: (+92-42) 35763542

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaqat Road
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road
Tel: (+92-68) 5871653-6, 5871652
Fax: (+92-68) 5871651

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-992) 408243 - 44

Abbottabad Office

Ground Floor, Al Fatah Shopping Center,
Opp. Radio Station, Mansehra Road
Tel: (+92-99) 2408243 - 44

Stock Exchange Office

Room # 719, 7th Floor, PSX Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Peshawar Office

2nd Floor, The Mall Tower,
35 The Mall Peshawar Cantt.
Tel: (92-91) 5253035, 5278448

Sialkot Office

Suite No. 10 & 11, 1st Floor, Soni Square,
Mubarik Pura
Tel: (+92-52) 3258437, 3258762