

Flash Note

Wednesday, 24 April 2019

Cements

D. G. Khan Cement Company Limited (DGKC)

Elevated cost structure outweigh volumetric increase in sales; pushes 3QFY19 EPS to PKR 2.02, down by 29%YoY

- D. G. Khan Cement Company Limited (DGKC) announced its financial results for 3QFY19 with unconsolidated earnings clocking in at PKR 883mn (EPS: PKR 2.02), down by 29%YoY, as compared to PKR 1.24bn (EPS: PKR 2.82) reported in the same period last year. This brings 9MFY19 EPS to PKR 5.99, down by 47%YoY, as against PKR 11.34 reported in the similar period of the preceding year.
- Net Sales of the Company have increased by +39%YoY, largely led by enhanced dispatches made during the quarter, courtesy excess plant capacity available in contrast to previous year coupled with improved retention prices.
- Gross profits of the Company have reduced by 7%YoY, primarily driven by deteriorated margins led by a) 25%YoY PKR depreciation, b) 20% YoY increase in FED, c) 23%YoY rise in gas tariff; and d) impact of incremental depreciation post commencement of DGKC Hub plant.
- Finance cost of the Company leaped up by 7 folds, primarily on account of unwinding of finance cost to income statement post inauguration of DGKC Hub Plant and a sharp rise in benchmark interest rates.
- Positive taxation largely on account of unused tax credits available on investments made in DGKC Hub Plant further supported net margins.

Exhibit:

DGKC Result Highlights

Period end (JUN) - PKRmn	3QFY19	3QFY18	YoY	9MFY19	9MFY18	YoY
Net Sales	10,608	7,612	39%	30,376	23,375	30%
Gross Profit	1,781	1,919	-7%	4,965	7,169	-31%
Sell. / Dist. & Admin	535	390	37%	1,495	1,146	30%
Non-Operating Income	573	446	28%	1,718	1,639	5%
EBIT	1,724	1,788	-4%	4,662	7,006	-33%
Financial Charges	912	125	7.3x	2,260	318	7.1x
Pre-tax Profits	813	1,663	-51%	2,402	6,688	-64%
Taxation	(71)	427	n/m	(222)	1,718	n/m
Post-tax Profits	883	1,236	-29%	2,625	4,970	-47%
EPS	2.02	2.82		5.99	11.34	
DPS	-	-		-	-	
Key Ratios						
Gross Margin (%)	16.8	25.2		16.3	30.7	
Net Margin (%)	8.3	16.2		8.6	21.3	
Effective Tax Rate (%)	n/m	25.7		n/m	25.7	

Source: Company Accounts, IGI Research

No. of Shares : 438mn

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