

Flash Note

Thursday, 27 October 2016

Cements

DGKC: Earnings clocked in at PKR 4.35/share, up by +11%YoY

- Profitability increased by +11%YoY to PKR 1.91bn (EPS: PKR 4.35) in 1QFY17 as compared to PKR 1.72bn (EPS: PKR 3.93) reported in same period last year.
- Revenue grew by +6%YoY to PKR 6.60bn in 1QFY17 on the back of +6%YoY expected growth in total dispatches (local +12%YoY, exports -28%YoY).
- Gross Margin jumped by +601bpYoY to 44% in 1QFY17 due to a) increase in total dispatches, b) commencement of 30MW coal based CPP, c) low cost energy production from FO and gas, and d) lower coal prices.
- Other Income supported the bottom-line with increase of +8%YoY during 1QFY17.
- Effective tax rate surged to 31% in 1QFY17 as compared to 24% reported in corresponding period last year.
- DGKC is in process of installing green field 3mn tons cement plant which is expected to come online in 3QFY18.

Recommendation

The scrip is currently trading at FY17E P/E of 7.86x and with our Jun-17 TP of PKR 257, stock provides upsides of +47%. Hence we maintain our **'BUY'** call on the scrip.

Exhibit: Financial Highlights

PKR mn	1QFY17	1QFY16	YoY	4QFY16	QoQ
Revenue	6,599	6,244	6%	8,386	-21%
Gross Profit	2,911	2,379	22%	3,773	-23%
Selling and Admin	380	316	20%	213	79%
Other Income	517	480	8%	575	-10%
PBT	2,766	2,273	22%	3,553	-22%
Tax	858	552	56%	1,141	-25%
Net profit	1,908	1,722	11%	2,411	-21%
EPS	4.35	3.93		5.50	
DPS	0.00	0.00		6.00	
Key Ratios					
Gross Margin	44%	38%		45%	
Net Margin	29%	28%		29%	
Effective Tax Rate	31%	24%		32%	

Source: IGI Research, Company Financials

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Recommendation	Rating System
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Time Horizon: Jun - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

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