

# Flash Note

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Securities

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## Cements

### DGKC: Tax reversal lifts up quarterly earnings to PKR 6.5/share up by +87%QoQ

- D.G Khan Cement Company Limited (DGKC) announced its financial results for 1QFY18 with unconsolidated earnings clocking at PKR 2.84bn (EPS: PKR 6.48) up by +49%YoY (+87%QoQ) as compared to PKR 1.91bn (EPS PKR 4.35) in the same period last year.
- Company's gross margins dropped by 8.8%YoY to arrive at 35.3% during 1QFY18 owing to rising coal and falling cement sales prices.
- However, a tax reversal of PKR 364mn in 1QFY18 as against tax charge of PKR 858mn in the same period last year has lifted the overall bottom-line.
- Consequently, company's net profit margins improved to 37.7% compared to 20.3% recorded in 4QFY17.

Exhibit

### DGKC Result Highlights

Period end (JUN) - PKRbn	1Q'FY18	4Q'FY17	QoQ	1Q'FY17	YoY
Net Sales	7,527	7,503	0%	6,599	14%
Gross Profit	2,655	2,630	1%	2,911	-9%
Sell. / Dist. & Admin	382	407	-6%	380	0%
EBIT	2,562	2,547	1%	2,839	-10%
Financial Charges	89	111	-20%	74	20%
Pre-tax Profits	2,473	2,436	2%	2,766	-11%
Taxation	(364)	915	n.m.	858	n.m.
Post-tax Profits	2,837	1,521	87%	1,908	49%
EPS	6.48	3.5	87%	4.35	49%
DPS	-	7.50	-	-	-

### Key Ratios

Gross Margin (%)	35.3	35.0	44.1
Net Margin (%)	37.7	20.3	28.9
Effective Tax Rate (%)	n.m.	60.2	45.0

Source: Company Accounts, IGI Research

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