

D.G. KHAN CEMENT COMPANY LIMITED

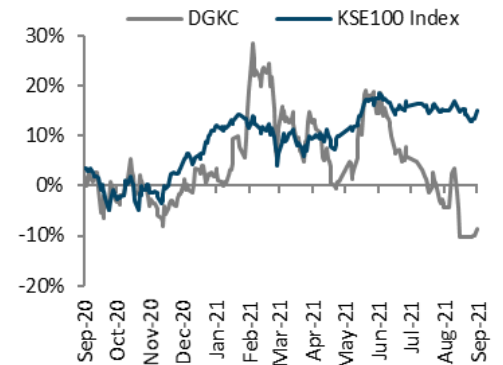
4QFY21: Result review

Tuesday, September 14, 2021

D.G. Khan Cement Company Limited released its FY21 annual result today, reporting a PAT of PKR 3.7Bn (EPS: PKR 8.5), compared to LAT of PKR 2.2Bn (LPS: PKR 4.9). The 4QFY21 PAT clocked-in at PKR 0.9Bn (EPS: PKR 2.0), compared to LAT of PKR 0.3Bn (LPS: PKR 0.7) and PAT of PKR 2.0Bn (EPS: PKR 4.7) in 4QFY20/3QFY21 respectively. The improvement in FY21 profitability was based on higher cement bag prices (↑6% YoY) and higher cement dispatches. The company also announced a dividend of PKR 1.0/sh for FY21. Key highlights of the result are summarized below:

- DGKC reported sales of PKR 45.1Bn (↑19% YoY) on the back of higher dispatches and ex-factory cement prices. The topline increased to PKR 12.4Bn (↑66/14% YoY/QoQ) in 4QFY21, owing to sharp increase in cement retail prices (↑11/2% YoY/QoQ).
- FY21 gross margins increased to 17.9%, compared to 4.2% in FY20, primarily on the back of higher retention prices. The gross margins for 4QFY21 increased to 17.6% in 4QFY21, an accretion of 10.8ppt YoY due to higher dispatches and retention prices. While on a quarterly basis, the gross margin declined by 5.2ppt due to higher cost of coal inventory.
- The administration expense and distribution costs showcased modest changes, to clock-in at PKR 0.65Bn (↓2% YoY) and PKR 1.95Bn (↑9% YoY).
- The other expenses declined sharply by 39% YoY and dropped to PKR 414Mn, resulting in improved profitability in FY21. On the other hand, other income improved slightly to PKR 2.6Bn (↑8% YoY), due to net impairment gain.
- Finance cost during the year was reported at PKR 2.9Bn, a massive decline of 37% YoY, mainly on account of stable interest rates and lower debt levels.
- Further analysis will be done once detailed results are out.

DGKC vs. KSE-100 Index



%	3M	6M	12M
Absolute	-20	-18	-11
Relative to KSE	-18	-26	-22

D.G. Khan Cement Company Limited— (PSX: DGKC) Earnings Snapshot

(PKR Mn)	4QFY21	4QFY20	YoY	3QFY21	QoQ	FY21	FY20	YoY
Revenue	12,360	7,462	66%	10,885	14%	45,108	38,033	19%
Cost of sales	10,182	6,954	46%	8,404	21%	37,036	36,447	2%
Gross Profit	2,178	508	329%	2,481	-12%	8,072	1,586	409%
Gross Margin	17.6%	6.8%		22.8%		17.9%	4.2%	
Admin Expenses	179	141	27%	158	13%	647	659	-2%
Sales & Dist Costs	551	338	63%	407	36%	1,950	1,783	9%
Operating Profit	1,448	29	N.M.	1,916	-24%	5,475	-856	N.M.
Other Expenses	124	66	87%	242	-49%	414	676	-39%
Other Income	571	633	-10%	1,676	-66%	2,632	2,430	8%
EBIT	1,894	596	218%	3,350	-43%	7,692	897	757%
Finance Cost	697	994	-30%	695	0%	2,921	4,653	-37%
PBT	1,197	-398	N.M.	2,656	-55%	4,771	-3,756	N.M.
Taxation	324	-90	N.M.	608	-47%	1,050	-1,598	N.M.
PAT	873	-308	N.M.	2,048	-57%	3,721	-2,159	N.M.
EPS	1.99	-0.70		4.67		8.49	-4.93	

Source: Company Accounts, BMA Research

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Buy	>15% expected total return
Hold	10%-15% expected total return
Underperform	<10% expected total return
*Total stock return = capital gain + dividend yield	

Old rating system

Overweight	Total sector return > expected market return
Marketweight	Expected market return
Underweight	Total stock return < expected market return

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)