

Result announcement: 2QFY22

Cements

D.G. Khan Cement Company Limited

Earnings: D.G. Khan Cement Company Limited (DGKC) announced its 2qFY22 financial results. As per the results, the company reported earnings growth of +10%y (+40%q) to PKR 1,269mn (PKR 2.9/share) compared to last year PKR 1,152mn (PKR 2.6/share). This brings 1hFY22 cumulative earnings to PKR 2,177mn (PKR 5.0/share); up +172%y.

Dividends/Payouts: The Company did not announce any dividends along with the result.

Operating performance: During the period under review, the company recorded a +43%y (+46%q) net sales growth to PKR 16,282mn. However, the company's gross margins during the period dropped by 4.25% on a yearly basis to 17%. Similarly, on a quarterly basis, gross margins also dipped by 2%. The company's EBIT increased to PKR 2,485mn, up by +16%y. Similarly, on a quarterly basis, EBIT is up by +30%q. Major support came from the other income component, which rose to PKR 749mn compared to last quarter PKR 543mn (up by +38%q) and last year PKR 314mn (up by 2.4x). This low base growth, in our opinion, is due to the absence of MCB bank dividends in 2020 (MCB did not pay 2q & 3q interim dividends during 2020). Financing cost increased to PKR 806mn, up by +6%y and +9%q. Effective tax charge clocked in at 25% compared to 23% last quarter.

Exhibit: Financial Highlights of D.G. Khan Cement Limited (DGKC)								
Latest result published for: 2q'22								
Period (PKRmn)	2q'22	1q'22	2021	4q'21	3q'21	2q'21	1q'21	2020
Net Sales	16,282	11,153	45,108	12,360	10,885	11,348	10,514	38,033
Gross Profit	2,759	2,099	8,072	2,178	2,481	2,406	1,008	1,586
Admin	183	185	647	179	158	156	154	659
S/m/d	694	317	1,950	551	407	383	609	1,783
Other Income	749	543	2,632	466	1,676	314	70	2,283
EBIT	2,485	1,913	7,692	1,790	3,350	2,134	314	897
Finance cost	802	736	2,921	697	695	757	771	4,653
Taxation	414	270	1,050	324	608	225	(107)	(1,598)
Profit after tax	1,269	908	3,721	768	2,048	1,152	(351)	(2,159)
EPS	2.9	2.1	8.5	1.8	4.7	2.6	(0.8)	(4.9)
DPS	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0
Source: Company accounts, IGI Research, PSX						No. of shares: (mn) 438.1		

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Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

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