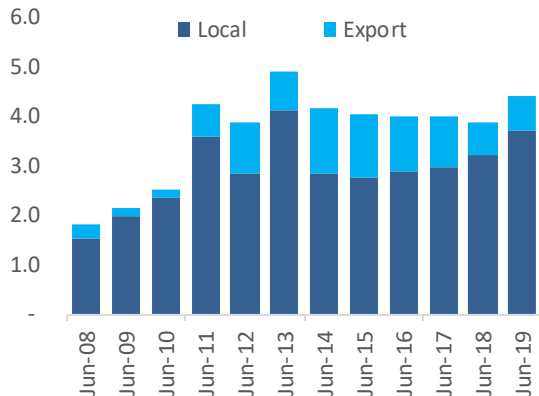


# Day Break

Monday, 16 September 2019

## Company Update

**Exhibit:** DGKC's dispatches have increased during the period after a long period of stable offtakes, courtesy incremental sales from Hub plant.



**Exhibit:** DGKC's Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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## Cements

### DGKC: FY19E EPS to clock in at PKR 7.94, down by 61%YoY

- D. G. Khan Cement Company Limited's (DGKC) board meeting is scheduled today on 16<sup>th</sup> Sep-19 to announce financial result for 4QFY19, wherein we expect the company to post unconsolidated earnings of PKR 855mn (EPS: PKR 1.95), down by 78%YoY
- This will bring FY19E earnings to PKR 3.48bn, down by 61%YoY, as against PKR 8.84bn reported in the similar period of the preceding year.
- Though net sales of the Company during FY19E are expected to rise remarkably, significant rise in cost structure and a colossal rise in finance cost of the Company are expected to heavily drawdown net earnings.
- We expect the Company to declare a full and final dividend of PKR 1.75/share along with the result.

### 4QFY19E earnings to drop by 78%YoY to PKR 1.95/share; FY19E EPS to close at PKR 7.94

D. G. Khan Cement Company Limited's (DGKC) board meeting is scheduled today on 16<sup>th</sup> Sep-19 to announce financial result for 4QFY19, wherein we expect the company to post unconsolidated earnings of PKR 855mn (EPS: PKR 1.95), down by 78%YoY, compared to PKR 3.87bn (EPS: PKR 8.83) in the same period last year. This will bring FY19E earnings to PKR 3.48bn, down by 61%YoY, as against PKR 8.84bn reported in the similar period of the preceding year. Though net sales of the Company during FY19E are expected to rise remarkably by +36%YoY, courtesy incremental sales made from Hub plant and enhanced retention prices during the period, major drawdown in net earnings is expected to stem from significant rise in cost structure driven by +24%YoY depreciation of PKR against the greenback, +23%YoY rise in gas tariff and incremental depreciation expense post capitalization of Hub plant. Further injury is also drawn from a colossal rise in finance cost of the Company owing to substantial increase in quantum of short term borrowings, significant rise in benchmark interest rates during the period and unwinding of finance cost to P&L post commencement of Hub plant.

We expect the Company to declare a full and final dividend of PKR 1.75/share along with the result.

Exhibit:

#### DGKC Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	11,274	7,293	55%	41,650	30,668	36%
Gross Profit	2,179	1,571	39%	7,144	8,740	-18%
Sell. / Dist. & Admin	443	377	18%	1,938	1,523	27%
Non-Operating Income	550	1,388	-60%	2,268	3,027	-25%
EBIT	2,179	884	2.5x	6,841	7,889	-13%
Financial Charges	1,173	201	5.8x	3,433	519	6.6x
Pre-tax Profits	1,005	682	47%	3,408	7,370	-54%
Taxation	150	(3,185)	-105%	(72)	(1,468)	-95%
Post-tax Profits	855	3,868	-78%	3,480	8,838	-61%
EPS	1.95	8.83		7.94	20.17	
DPS	1.75	4.25		1.75	4.25	

#### Key Ratios

Gross Margin (%)	19.3	21.5	17.2	28.5
Net Margin (%)	7.6	53.0	8.4	28.8

Source: Company Accounts, IGI Research

No. of Shares : 438mn

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