

# Flash Note

Thursday, 23 April 2020

## Cements

### D. G. Khan Cement Company Limited (DGKC)

#### Losses continue for DGKC; 3QFY20 LPS: PKR (2.29) – accumulates 9MFY20 to PKR (4.22)

- ✓ D. G. Khan Cement Company Limited (DGKC) announced its financial results for 3QFY20 with unconsolidated net loss of PKR 1.0bn (LPS: PKR 2.29), down by -1.1xYoY, as compared to profitability of PKR 883mn (EPS: PKR 2.02) reported in the same period last year. This brings 9MFY20 unconsolidated net loss to PKR 1.9bn (LPS: PKR 4.22) as against a profit of PKR 2.6bn (EPS: PKR 5.99) reported in the comparative period.
- ✓ Net sales of the Company during 3QFY20 trimmed by 9%YoY as against the comparative period, primarily due to sharp decline in retention prices in the quarter under review.
- ✓ Gross profit margins of the Company have been reduced significantly to 0.6% as against 17% recorded in the comparative period. This, in addition to declined retention prices, is due to enhanced cost structure of the Company stemming from increased gas prices and enhanced raw material prices by the Punjab government, despite lower coal prices.
- ✓ Finance costs of the Company surged by 32%YoY, largely driven by substantial increase in short term borrowing requirements of the Company and rise in benchmark interest rates during 3QFY20 as against the comparative period.

Exhibit: <b>DGKC Result Highlights</b>						
Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	9,683	10,608	-9%	30,571	30,376	1%
Gross Profit	56	1,781	-97%	1,078	4,965	-78%
Sell. / Dist. & Admin	596	535	11%	1,963	1,495	31%
Non-Operating Income	612	573	7%	1,797	1,718	5%
EBIT	(432)	1,724	-0.3x	352	4,662	-92%
Financial Charges	1,204	912	32%	3,659	2,260	62%
Pre-tax Profits	(1,636)	813	-2.0x	(3,358)	2,402	1.4x
Taxation	(633)	(71)	9.0x	(1,507)	(222)	6.8x
Post-tax Profits	(1,003)	883	-1.1x	(1,850)	2,625	-0.7x
EPS	(2.29)	2.02		(4.22)	5.99	
DPS	-	-		-	-	
<b>Key Ratios</b>						
Gross Margin (%)	0.6	16.8		3.5	16.3	
Net Margin (%)	(10.4)	8.3		(6.1)	8.6	
Effective Tax Rate (%)	38.7	(8.7)		44.9	(9.3)	

Source: Company Accounts, IGI Research

No. of Shares : 438mn

#### Analyst

Muhammad Saad

[muhammad.saad@igi.com.pk](mailto:muhammad.saad@igi.com.pk)

Tel: (+92-21) 111-234-234 Ext.: 816