

Flash Note

Thursday, 17 September 2020

Cements

D. G. Khan Cement Company Limited (DGKC)

Heavy finance costs continue to hamper results despite decline in cost structure; 4QFY20 loss clocks in at PKR 0.70/share – FY20 concludes at a loss of PKR 4.93/share

- D. G. Khan Cement Company Limited (DGKC) announced its financial result for 4QFY20 wherein, on an unconsolidated basis, it reported a net loss of PKR 308mn (LPS: PKR 0.70), as against loss of PKR 1.0bn (LPS: PKR 2.29) in 3QFY20. This concluded FY20 with an accumulated loss of PKR 2.16bn (LPS: PKR 4.93) as against net profitability of PKR 1.61bn (EPS: PKR 3.67) reported in FY19. The Company announced nil dividends along with the result.
- Net Sales of the Company during 4QFY20, as against 3QFY20 declined by 23%QoQ. This was largely driven by drop in sales volumes (down by ~22%QoQ) amid lockdown situation that persisted during the quarter due to Covid-19.
- Gross profits of the Company improved to PKR 508mn, as against PKR 56mn in 3QFY20, largely due to decline in input costs, majorly fuel and power, amid substantial decline in coal and FO prices during the quarter.
- Financial charges dropped by 17% largely due to lower short term borrowing requirements during the quarter and lesser outstanding balance of long term loans in the beginning of the quarter as against 3QFY20.

Exhibit :DGKC Result Highlights								
Period end (JUN) - PKRmn	4QFY20	4QFY19	YoY	3QFY20	QoQ	FY20	FY19	YoY
Net Sales	7,462	10,141	-26%	9,683	-23%	38,033	40,517	-6%
Gross Profit	508	397	28%	56	9.0x	1,586	5,362	-70%
Sell. / Dist. & Admin	479	439	9%	596	-20%	2,442	1,934	26%
Non-Operating Income	633	710	-11%	612	4%	2,430	2,427	0%
EBIT	692	655	6%	(432)	2.6x	1,044	5,317	-80%
Financial Charges	994	1,044	-5%	1,204	-17%	4,653	3,304	41%
Pre-tax Profits	(399)	(412)	-3%	(1,636)	-76%	(3,756)	1,991	-1.9x
Taxation	(90)	604	-0.2x	(633)	-86%	(1,598)	381	-4.2x
Post-tax Profits	(308)	(1,015)	-70%	(1,003)	-69%	(2,159)	1,610	-1.3x
EPS	(0.70)	(2.32)		(2.29)		(4.93)	3.67	
DPS	-	1.00		-		-	1.00	
Key Ratios								
Gross Margin (%)	6.8	3.9		0.6		4.2	13.2	
Net Margin (%)	(4.1)	(10.0)		(10.4)		(5.7)	4.0	
Effective Tax Rate (%)	22.6	n/m		38.7		42.5	19.1	

Source: Company Accounts, IGI Research

No. of Shares : 438mn

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