

DG Khan Cement ~ aggrandized demand...

DG Khan Cement (DGKC) is a key player in the northern zone, operating with the production capacity of **4.42mn** tons/annum. DGKC will announce 1QFY16 result on October 28, 2015 wherein, as per our estimations, company may post an EPS of Rs **3.08/sh** as against **Rs 2.64/sh** reported in the same period last year.

DG KHAN Cement

Profit & Loss Statement

Rs. 000	1QFY15	1QFY16	%Change
Turnover	5,811,545	6,270,657	8%
Cost Of Sales	(3,985,511)	(4,089,134)	3%
Gross Profit	1,826,034	2,181,523	19%
Admin Exp	(119,403)	(122,866)	3%
Distribution cost	(208,972)	(217,122)	4%
Other Expenses	(226,016)	(233,927)	3%
Finance Cost	(66,695)	(65,361)	-2%
Other income	436,857	445,594	2%
Profit before tax	1,641,805	1,987,842	21%
Taxation	(484,366)	(636,109)	31%
PAT	1,157,439	1,351,732	17%
EPS (Rs)	2.64	3.08	17%

Source: Company result

- Heightened local demand is in an increasing mode. The dispatches in **1QFY16** stood at **0.913mn** against **0.89mn** in the same period last year translating into **2%** increase this year;
- Given Eid festivals and floods situation in parts of Punjab and KPK, dispatches of cement bags remained slow in **1QFY16**. We expect cement bags dispatches to increase considerably in **2QFY16**;
- Sales revenue may go up to **8%** during **1QFY16**. Lower imported coal price (going below \$50/ton) and fuel prices helped in controlling costs;
- With higher sales and lowering costs, we expect gross margin to increase to 35% from 31% reported in the same period last year;
- **Finance cost** may lower due to uninterrupted re-payments of long-term debt which may result in increasing net profit margin up to 20% - 21%;

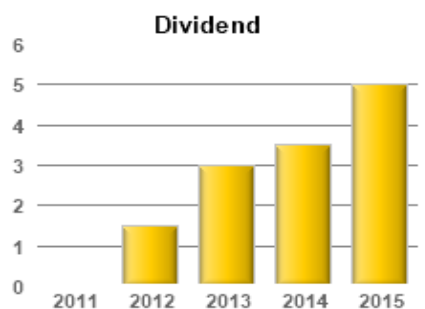
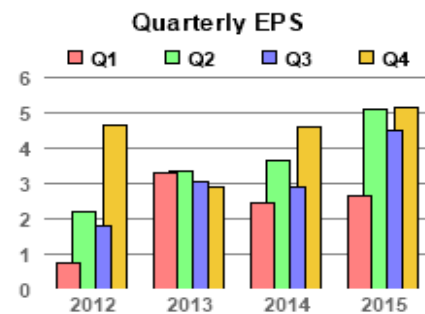
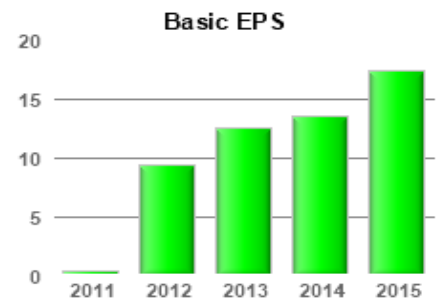
Valuations: low PE vs peers

DGKC deciphers FY16E PE of **6.5x-7x** as against peer **Bestway & Lucky Cement PE of 9x & 12x-13x** respectively.

DGKC Statistics

Avg Vol (12M)	4,985,437.20
52 Week Low	76.99
52 Week High	164.25
Market Cap	61.45B
Beta	1.61
Face Value	10
Total No. Shares	438.12M

Source: SCS Research



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