



KSE100 Closing 11329.77 (10.62 points)

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Pakistan Research
Cement | Co. update

DGKC review Increased revenue but decreased EPS...

DG Khan Cement (DGKC) has been striving very hard to maintain its market position in these times of intense competition and has managed to do so by being the second largest producer in the Northern zone.

It could be seen from the company's final accounts that the revenue increased by 14% on account of sale of cement bag at around Rs400 per 50kg bag in the North. This consequently resulted in an increase in gross profit of 62% which is 42% higher as compared to prior year, in margin terms.

The 23% increase in profit from operations was caused by highly reduced operating expenses which witnessed a decline of 80%. However, this decline was overshadowed by the 148% hike in selling and distribution cost. Operating income of Rs1.1bn, too, maintained the PBIT, hence resulting in a 17% increase.

The net profit of Rs0.17bn has been mainly affected by the increased deferred taxation but the net margin has increased by 1% only due to high sales revenue.

However, the increased selling cost and deferred taxation adversely affected the EPS of the company, which has deteriorated by 36% to Rs0.45/sh as compared to the prior year.

P&L a/c Rs '000	FY10	FY11	% chg.
Sales	16,275,354	18,577,198	14%
COS	13,569,994	14,192,229	5%
GP	2,705,360	4,384,969	62%
Administrative exp.	(172,436)	(211,362)	23%
Selling & distribution exp.	(994,418)	(2,470,599)	148%
Other operating exp.	(189,015)	(37,964)	-80%
Other operating income	911,672	1,106,662	21%
Impairment on investment	-	(118,836)	
PBIT	2,261,163	2,652,870	17%
Finance cost	(1,902,760)	(2,051,678)	8%
PBT	358,403	601,192	68%
Taxation	(125,381)	(430,231)	243%
PAT	233,022	170,961	-27%
EPS	0.70	0.45	-36%

Source:KSE announcement

The company seems to be dealing quite efficiently with the high coal cost which has crossed US\$140/ton, resulting in a decrease in COGS by 8% (as a percentage of sales).

As a result of the shrunken net profit the company has declared no dividend.

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DGKC closing	Rs20.18/sh
High	Rs20.30/sh
Low	Rs20.06/sh
Chg	0.45%
52 week hi	Rs32.30/sh
52 week low	Rs19.00/sh
Beta	1.47
Total # of sh.	365.09mn
Free float	200.80mn

*ACCA (affiliate)

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