



DG Khan Cement ~ Robust operations

DG Khan Cement (DGKC) is one of the leading cement manufacturer in Pakistan with production capacity of 4.020 mn tons/annum. DGKC announced FY14 results on September 16th 2014, where company posted earnings of Rs 13.68/sh with final cash dividend of Rs 3.5/share.

Analyst: Saad Hashmi

Tel: +9221 32410942

Mob: +92 332 255 6205

Supervised by Faisal Shaji ~ Research Head

www.scstrade.com

Summary of P&L	Rs'000		% Chg
	FY13	FY14	
Sales	24,915,924	26,542,509	6.5%
Cost Of Sales	15,589,917	17,284,941	10.9%
Gross Profit	9,326,007	9,257,568	-0.7%
Administrative expenses	405,579	480,468	18.5%
Selling and Distribution expenses	1,751,174	1,445,225	-17.5%
Other operating expenses	544,806	518,745	-4.8%
Other Income	1,466,289	1,647,126	12.3%
Profit from operations	8,090,737	8,460,256	4.6%
Finance cost	994,879	608,859	-38.8%
Profit before taxation	7,095,858	7,851,397	
Taxation	1,593,689	1,885,899	
Profit After Tax	5,502,169	5,965,498	
EPS	12.56	13.62	

DGKC Statistics

Avg Volume (52 Weeks)	4,261,722
Close	PKR 83.00
52 Weeks High	PKR 97.75
52 Weeks Low	PKR 67.35
Market Capitalization	35.27 bn
Beta	1.26
Total No. of Shares	438.12 mn

Source: Research deptt. Standard Capital

The thrust of increase in revenue is due to increase in cement prices. Net profit margin improved in FY14 to **22.48%** as compared to **22.08%** in FY13. The thrust of improvement in profits is due to improved selling & distribution cost. Timely repayment of debt resulted reduced finance cost and improved other income resulted growth in PBT.

FY15 Expectations

Glaring Triggers

Debts~ DGKC is timely repaying its long term debts which resulting lower finance cost on Y-o-Y basis. Hence, we expect that DGKC will post higher profits in FY15.

Local demand~ Federal and Provincial govt. has jointly allocated over Rs 1 trillion for PSDP in FY15 budget. Recent floods have destroyed the infrastructure in Punjab. Redevelopment of infrastructure will boost the cement demand in FY15.

Valuations

DGKC yield attractive PE of 6.1x with high earning growth in FY15.

We give positive stance on DGKC.

Anti dumping in SA~ In case of heavy duty imposition which will result exports to SA unprofitable will deteriorate the EPS by Re 0.60/sh but on the other hand aggrandizing local demand will nullify the effects.