

DGKC: Earnings arrived in at PKR3.29; surpassing expectations

- D.G. Khan Cement Company Limited (DGKC) announced its financial result for 3QFY22 whereby, it declared net profit of PKR1,442mn (EPS PKR3.29), higher than our expected earnings of PKR1,296mn (EPS PKR2.96) and PKR2,048mn (EPS PKR4.67) of 3QFY21 and PKR1,269mn (EPS PKR2.90) of 2QFY22, -30%YoY/+14%QoQ.. This takes total 9MFY22 earnings to PKR3,619mn (EPS PKR8.26), marking an increase of 27%YoY. We attribute this out-performance to gross margins arriving above our forecast.
- Net sales of the company increased/decreased by 46%YoY/3%QoQ to PKR15,862mn. Similarly, net sales of 9MFY22 grew by 32%YoY to clock in at PKR43,297mn.
- Gross margins have clocked in at 18.59% (down 4.2ppt on YoY basis but up 1.64ppt QoQ); higher than our anticipated gross margin of 17.46%. This sequential increase in gross margins is mainly attributable to optimal operation of coal based CPP and low-cost coal inventory; courtesy higher mix of Afghan coal.
- Distribution cost of the company increased by 27%YoY, however, declined by 27%QoQ sequentially. The YoY rise in distribution cost is largely ascribed to increased freight charges associated with higher export sales.
- Non-Operating income of the company massively declined on both YoY and QoQ basis to PKR667mn. The YoY decrease in other income is mainly due to absence of on-off cumulative dividend of PKR15/share by MCB booked in same period last year.
- Finance cost increased by 32%YoY/14%QoQ due to higher borrowing requirements amid higher interest rate regime, we opine.
- Effective tax rate during the quarter under review was 26% compared to 25% of 2QFY22 and 23% of 3QFY21.

DGKC Financial Highlights

PKRmn	3QFY22	QoQ	YoY	9MFY22	YoY
Net Sales	15,862	-3%	46%	43,297	32%
Cost of Sales	12,913	-5%	54%	35,490	32%
Gross Profit	2,949	7%	19%	7,807	32%
Distribution Cost	507	-27%	25%	1,518	9%
Administrative Cost	184	1%	17%	552	18%
Other Operating Cost	52	-52%	-78%	386	49%
Other Income	667	-11%	-60%	1,960	-3%
Finance Cost	916	14%	32%	2,454	10%
Profit Before Tax	1,958	16%	-26%	4,818	35%
Taxation	516	25%	-15%	1,199	161x
Profit After Tax	1,442	13.6%	-29.6%	3,619	27.1%
EPS (PKR)	3.29			8.26	

Source: Company Accounts, Next Research

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Annexure

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