

DGKC has announced its FY22 result where it posted profit after tax of Rs2.97bn (EPS: Rs6.78) as compared to a profit after tax of Rs3.72bn (EPS: Rs8.49) in the same period last year, down by 20.1% YoY owing to higher taxation and other charges.

The company had posted a revenue of Rs58.04bn against Rs45.10bn in SPLY, recording a growth of 28.7% YoY amid better retention prices.

The gross margin has stayed the same at 18% as improvement in domestic cement prices offset the impact of higher coal prices, energy tariff and PKR devaluation. SG&A expenses have declined by 3.7% YoY to Rs2.5bn as compared to Rs2.59bn during SPLY.

Furthermore, other charges and finance cost have increased by 151.7% YoY and 22.3% YoY respectively. Lastly, effective taxation has jumped to 50.6% as compared to 22% in SPLY due to imposition of super tax by the government.

DGKC is currently trading at a FY23E P/E of 4.87x. The scrip is also trading at a FY23E P/B of 0.23x which offers a discount of 31% relative to its historical 3-year average of 0.34x. We have a **BUY** stance on the scrip with a DCF based Jun-23 TP of Rs80 which provides an upside potential of 32%.

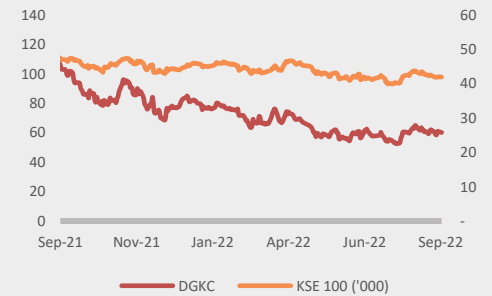
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	14,747	12,360	19.3% ▲	58,044	45,108	28.7% ▲
Cost of Sales	-12,126	-10,182	19.1% ▲	-47,616	-37,036	28.6% ▲
<b>Gross Profit</b>	<b>2,621</b>	<b>2,178</b>	<b>20.4% ▲</b>	<b>10,428</b>	<b>8,072</b>	<b>29.2% ▲</b>
SG&A Expenses	-430	-730	41.1% ▼	-2,500	-2,597	3.7% ▼
<b>Operating Profit</b>	<b>2,192</b>	<b>1,448</b>	<b>51.4% ▲</b>	<b>7,928</b>	<b>5,475</b>	<b>44.8% ▲</b>
Other Charges	-657	-124	428.6% ▲	-1,043	-414	151.7% ▲
Other Income	784	571	37.3% ▲	2,705	2,632	2.8% ▲
Finance Cost	-1,118	-697	60.3% ▲	-3,571	-2,921	22.3% ▲
Profit Before Taxation	1,201	1,197	0.4% ▲	6,020	4,771	26.2% ▲
Taxation	-1,848	-324	470.3% ▲	-3,048	-1,050	190.2% ▲
<b>Profit After Taxation</b>	<b>-647</b>	<b>873</b>	<b>174.1% ▼</b>	<b>2,972</b>	<b>3,721</b>	<b>20.1% ▼</b>
<b>Earnings Per Share</b>	<b>-1.48</b>	<b>1.99</b>	<b>174.1% ▼</b>	<b>6.78</b>	<b>8.49</b>	<b>20.1% ▼</b>
<b>Dividend</b>	<b>1.00</b>	<b>1.00</b>		<b>1.00</b>	<b>1.00</b>	
<b>Bonus</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	
Closing Period: Oct 15, 2022 to Oct 28, 2022						
Gross Margin	17.8%	17.6%	0.2% ▲	18%	18%	0.1% ▲
SG&A Expenses to Sales	-2.9%	-5.9%	3.0% ▼	-4.3%	-5.8%	1.4% ▼
Other Income to Sales	5.3%	4.6%	0.7% ▲	4.7%	5.8%	1.2% ▼
Ex. Gain / (Loss) to Sales	-2.9%	-5.9%	3.0% ▼	-4.3%	-5.8%	1.4% ▼
Effective Taxation	-153.9%	-27.1%	126.8% ▲	-50.6%	-22.0%	28.6% ▲
<b>Net Margin</b>	<b>-4.4%</b>	<b>7.1%</b>	<b>11.5% ▼</b>	<b>5.1%</b>	<b>8.2%</b>	<b>3.1% ▼</b>

Source: ACPL Research, Company Financials

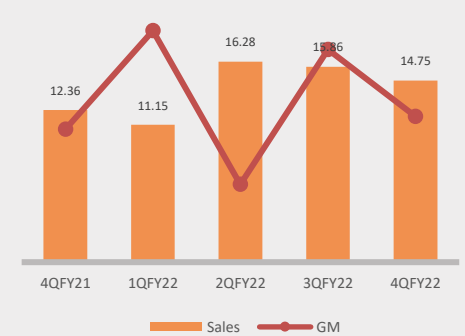
## Key Statistics

Symbol	DGKC
TP - Jun 23	80.00
LDGP	61.05
Upside (%)	32
Free Float ('mn)	219
Market Cap. (Rs. 'mn)	26,624

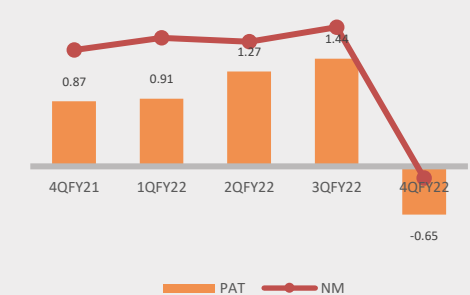
## DGKC vs KSE 100



## Sales (Rs'bn) vs Gross Margin



## PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	40,517	38,033	45,108	58,044	76,727	79,825	84,214
Cost of sale	35,154	36,447	37,036	47,616	62,980	65,525	68,990
<b>Gross profit</b>	<b>5,362</b>	<b>1,586</b>	<b>8,072</b>	<b>10,428</b>	<b>13,747</b>	<b>14,300</b>	<b>15,224</b>
Selling and promotion expenses	629	659	647	751	806	838	884
Administration expenses	1,306	1,783	1,950	1,749	1,918	1,996	2,105
Other operating expenses	538	530	414	1,043	931	968	1,022
<b>Operating Profit</b>	<b>2,868</b>	<b>- 1,532</b>	<b>5,165</b>	<b>6,877</b>	<b>10,092</b>	<b>10,498</b>	<b>11,213</b>
Other operating income	2,427	2,430	2,527	2,714	2,526	2,526	2,526
Finance cost	3,304	4,653	2,921	3,571	4,413	3,250	2,879
Profit before taxation	1,991	- 3,756	4,771	6,020	8,204	9,774	10,859
Taxation	381	- 1,598	1,050	3,048	2,707	3,225	3,584
<b>Profit after taxation</b>	<b>1,610</b>	<b>- 2,159</b>	<b>3,721</b>	<b>2,972</b>	<b>5,497</b>	<b>6,548</b>	<b>7,276</b>
EPS	<b>3.67</b>	<b>- 4.93</b>	<b>8.49</b>	<b>6.78</b>	<b>12.55</b>	<b>14.95</b>	<b>16.61</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	32.1%	-6.1%	18.6%	28.7%	32.2%	4.0%	5.5%
Cost of sale	60.3%	3.7%	1.6%	28.6%	32.3%	4.0%	5.3%
<b>Gross profit</b>	<b>-38.6%</b>	<b>-70.4%</b>	<b>409.0%</b>	<b>29.2%</b>	<b>31.8%</b>	<b>4.0%</b>	<b>6.5%</b>
Selling and promotion expenses	0.6%	4.8%	-1.8%	16.1%	7.3%	4.0%	5.5%
Administration expenses	45.4%	36.6%	9.3%	-10.3%	9.7%	4.0%	5.5%
Other operating expenses	-77.1%	-1.6%	-21.8%	151.7%	-10.7%	4.0%	5.5%
<b>Operating Profit</b>	<b>-41.0%</b>	<b>-153.4%</b>	<b>-437.1%</b>	<b>33.1%</b>	<b>46.8%</b>	<b>4.0%</b>	<b>6.8%</b>
Other operating income	-19.8%	0.1%	4.0%	7.4%	-7.0%	0.0%	0.0%
Finance cost	536.3%	40.8%	-37.2%	22.3%	23.6%	-26.4%	-11.4%
Profit before taxation	-73.0%	-288.7%	-227.0%	26.2%	36.3%	19.1%	11.1%
Taxation	-126.0%	-519.2%	-165.7%	190.2%	-11.2%	19.1%	11.1%
<b>Profit after taxation</b>	<b>-81.8%</b>	<b>-234.1%</b>	<b>-272.4%</b>	<b>-20.1%</b>	<b>84.9%</b>	<b>19.1%</b>	<b>11.1%</b>
EPS	<b>-81.8%</b>	<b>-234.1%</b>	<b>272.4%</b>	<b>-20.1%</b>	<b>84.9%</b>	<b>19.1%</b>	<b>11.1%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	13.24	4.17	17.89	17.97	17.92	17.91	18.08
NP Margin	%	3.97	-5.68	8.25	5.12	7.16	8.20	8.64
OP Margin	%	7.08	-4.03	11.45	11.85	13.15	13.15	13.31
ROE	%	2.27	-3.24	5.06	2.69	4.75	5.38	5.67
ROCE	%	1.43	-1.89	3.17	1.89	3.34	3.88	4.08
ROA	%	1.28	-1.67	2.70	2.72	4.78	5.41	5.60
Cost per ton	'mn	6.71	6.86	5.39	11.26	10.99	11.44	12.10
EBITDA per ton	'mn	1.13	0.40	1.33	1.61	2.39	2.46	2.58
Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	0.98	0.91	0.91	0.34	0.37	0.45	0.55
Acid-test	x	0.46	0.42	0.38	-0.10	-0.08	0.02	0.15
Cash to current liab.	x	0.01	0.01	0.02	-0.43	-0.36	-0.23	-0.08
Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Average Inventory		2,545,827	4,033,527	3,540,792	3,388,705	4,702,064	5,463,486	5,718,997
Inventory Turnover	x	14	9	10	14	13	12	12
Inventory Days		26	40	35	26	27	30	30
Receivables Days		11	22	14	14	14	14	14
Payables Days		83	113	147	104	104	104	104
Operating Cycle		-46	-51	-99	-64	-63	-60	-60
Utilization	%	79	76	93	92	81	81	81
Export Revenue	%	95	81	71	71	67	69	69
Local Revenue	%	5	19	29	29	33	31	31
Export Market Share	%	0	0	1	0	0	0	0
Local Market Share	%	0	0	11	0	0	0	0
Total Market Share	%	0	0	11	0	0	0	0
Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EPS		3.67	-4.93	8.49	6.78	12.55	14.95	16.61
DPS		1.00	0.00	1.00	1.00	1.00	1.00	1.00
Div. Yield	%	1.49	0.00	1.64	1.64	1.64	1.64	1.64
Dividend Cover		3.67	0.00	8.49	6.78	12.55	14.95	16.61
BVPS		161.89	152.11	167.71	252.61	264.36	277.83	292.67
Payout	%	27.22	0.00	11.77	14.74	7.97	6.69	6.02
Retention	%	72.78	100.00	88.23	85.26	92.03	93.31	93.98
No. of Shares	'mn	438	438	438	438	438	438	438
P/E		18.24	-12.39	7.19	9.00	4.87	4.08	3.68
Sales per share		92.48	86.81	102.96	132.48	175.13	182.20	192.22
P/BV		0.41	0.40	0.36	0.24	0.23	0.22	0.21
Price to Sales		0.72	0.70	0.59	0.46	0.35	0.34	0.32
Gearing Ratios		FY19A	FY20E	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	0.58	0.71	0.60	0.42	0.42	0.39	0.39
L.T. Debt to Equity	x	0.23	0.33	0.26	0.13	0.09	0.04	0.00
Total Debt to Assets		0.33	0.37	0.32	0.42	0.42	0.39	0.39
L.T. Debt to Assets		<b>0.13</b>	<b>0.17</b>	<b>0.14</b>	<b>0.13</b>	<b>0.09</b>	<b>0.04</b>	<b>0.00</b>
Interest Cover	x	0.87	-0.33	1.77	1.93	2.29	3.23	3.89

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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