

Flash Note: DGKC 2QFY24 result wrap

- D.G. Khan Cement Company Limited (DGKC) has announced its 2QFY24 standalone earnings of PKR0.39bn (EPS: PKR0.90) versus earnings of PKR0.54bn (EPS: PKR1.24) SQLY. Declared results are slightly below our expectations due to higher cost of sales. Company hasn't announced any interim cash dividend.
- Net sales were up 11/13% QoQ/YoY to PKR18.3bn. QoQ increase in net sales is primarily due to 89% QoQ increase in export dispatches. Moreover, local dispatches also increased 4% QoQ. Company has reported gross profit of PKR2.33bn this quarter. Gross margin declined to 12.7% in the outgoing quarter due to higher proportionate sales of low margin clinker. Moreover, company also relied upon higher cost coal inventory till the month of December when new shipments were scheduled to land.
- Distribution cost increased 36%/294% QoQ/YoY to PKR0.69bn due to axle load implementation and higher export share. Other income increased 83% YoY to PKR1.34bn due to dividend income from MCB and NML. Effective tax rate remained at 40% this quarter.
- Further analysis will be done once detailed accounts are available.

PKRmn	2QFY24	1QFY24	2QFY23	QoQ	YoY	1HFY24	1HFY23	YoY
Net Sales	18,267	16,517	16,176	11%	13%	34,784	29,761	17%
Cost of Sales	15,937	13,304	13,992	20%	14%	29,241	25,504	15%
Gross Profit	2,330	3,213	2,184	-27%	7%	5,543	4,257	30%
Dist. Exp.	693	509	176	36%	294%	1,202	509	136%
Admin Exp	295	285	215	4%	37%	580	426	36%
Other Opt Exp.	9	57	105	-84%	-91%	66	121	-45%
Other Income	1,337	826	731	62%	83%	2,163	1,392	55%
Finance Cost	2,028	2,088	1,610	-3%	26%	4,116	3,204	28%
PBT	660	1,083	809	-39%	-18%	1,743	1,390	25%
Tax	266	422	266	-37%	0%	688	458	50%
PAT	394	660	543	-40%	-27%	1,054	932	13%
EPS (PKR)	0.90	1.51	1.24			2.41	2.13	
DPS (PKR)	0	0	0			0	0	
<i>GP Margin</i>	12.76%	19.45%	13.50%			15.94%	14.30%	
<i>Effective tax rate</i>	40.30%	38.97%	32.88%			39.47%	32.95%	

Source: PSX, Alfalah CLSA Research