

## DGKC and ACPL: 1QFY25 result previews

- We present 1QFY25 earnings expectations for, DG Khan Cement Company Ltd (DGKC) and Attock Cement Pakistan Limited (ACPL).
- DGKC is expected to post flat YoY earnings growth mainly owing to drop of 22% YoY in local dispatches and trimmed margins, which may be countered by lower finance costs.
- We expect ACPL to post an 84% YoY drop in earnings owing to absence of gain on sale of stake in its Iraq subsidiary recorded last year. Excluding the same, ACPL earnings are expected to improve by 3% YoY.
- Going forward, cement companies with significant exposure to the Southern market are expected to continue facing margin pressure in the near term. ACPL primarily caters to the Southern market, while a significant 30-35% of DGKC's volumes consist of local sales from the South.

### Improved retention to support revenue; dull volumes persist

We present 1QFY25 earnings expectations for DG Khan Cement Company Ltd (DGKC) and Attock Cement Pakistan Limited (ACPL). We anticipate flat YoY growth in revenue for DGKC and a higher revenue for ACPL due to better retention prices. Cement companies with significant exposure to the Southern market are expected to continue facing margin pressure in the near term. ACPL operates primarily in the South, catering to that market, while a significant 30-35% of DGKC's volumes consist of local sales from the South.

### DGKC: Sequential earnings improvement; flat YoY

DGKC's board is scheduled to meet today to discuss 1QFY25 financial results. We expect DGKC to post 1QFY25 earnings of Rs660mn translating into an EPS of Rs1.5, flat YoY. A sequential improvement in earnings is however anticipated, as the previous quarter faced very low margins due to reduced plant utilization, which led to insufficient coverage of fixed costs. During the quarter, top-line is expected to reach Rs16.4bn, remaining flat YoY. Local dispatches (60%+ in the mix) declined on both YoY and QoQ basis, but higher retention prices are likely to support revenue figures. We anticipate gross margins to clock in at 17%, a ~2.5ppt YoY drop. Finance cost is expected to decline 13% YoY to clock in at Rs1.8bn owing to decrease in borrowing rates.

#### DGKC – Key Stats from Earnings preview

(Rs mn)	1QFY25E	1QFY24	YoYΔ	4QFY24	QoQΔ
Net Sales	16,444	16,517	0%	16,988	-3%
Gross Profit	2,781	3,213	-13%	1,341	107%
<b>PAT</b>	<b>660</b>	<b>661</b>	<b>0%</b>	<b>(1,692)</b>	<b>NM</b>
EPS (Rs)	1.51	1.51	0%	(3.86)	NM
DPS (Rs)	0.00	0.00		0.00	

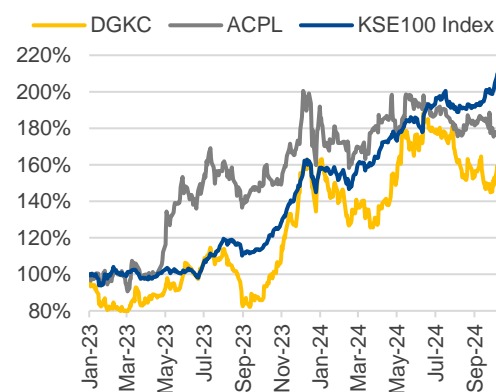
Source: Company announcements, JS Research

**Muhammad Waqas Ghani, CFA**

waqas.ghani@js.com

+9221 111-574-111 Ext: 3096

#### Price performance relative to KSE100



Source: PSX, JS Research

**Bloomberg Code:** DGKC PA

**Market Price:** Rs78.19

**Market Cap:** Rs343bn, US\$123mn

**1-yr ADTO:** 4.4mn shares, Rs343mn, US\$1.2mn

**1-yr High / Low:** Rs95.32 / 49.44

**Estimated free float:** 219mn shares (50%)

## ACPL: Stable margins owing to better retention

ACPL's board is scheduled to meet on 18<sup>th</sup> October, 2024 to discuss 1QFY25 financial results. We expect ACPL to post 1QFY25 earnings of Rs236mn translating into an EPS of Rs1.75, an 84% YoY drop owing to absence of one-off gain on sale of stake in its Iraq subsidiary recorded last year.

Excluding the one-time gain, earnings are expected to improve by 3% YoY. During the quarter, top-line is expected to clock in at Rs7.6bn, jump of 14% YoY and 11% QoQ. Gross margins are projected to remain stable on a YoY basis.

### ACPL – Key Stats from Earnings preview

(Rs mn)	1QFY25E	1QFY24	YoYΔ	4QFY24	QoQΔ
Net Sales	7,600	6,660	14%	6,843	11%
Gross Profit	1,291	1,133	14%	1,230	5%
<b>PAT</b>	<b>240</b>	<b>1,544</b>	<b>-84%</b>	<b>1,348</b>	<b>-82%</b>
EPS (Rs)	1.75	11.24	-84%	9.81	-82%
DPS (Rs)	0.00	0.00		4.00	

Source: Company announcements, JS Research

**Bloomberg Code:** ACPL PA

**Market Price:** Rs107.95

**Market Cap:** Rs15bn, US\$53mn

**1-yr ADTO:** 0.1mn shares, Rs12mn, US\$0.04mn

**1-yr High / Low:** Rs107.95 / 79.87

**Estimated free float:** 27mn shares (20%)

### Key statistics

	FY25F		FY26F		Market Cap (Rs mn)
	P/E (x)	DY (%)	P/E (x)	DY (%)	
DGKC	5.63	2%	3.72	3%	34,257
ACPL	8.71	3%	6.00	6%	14,835

Source: PSX, JS Research

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