

## DCR

## 1HFY21 Result Review: Stance Upgraded to BUY

Equity Research | Real Estate Investment Trust | Wednesday, 20 January, 2021

DCR has announced its 2QFY21 result where it posted profit after tax of Rs 3.4bn in 1HFY21 as compared to profit after tax of Rs 4bn in same period last year, down by 14.9% YoY.

The company has posted the revenue of Rs 1.5bn against Rs 1.8bn in SPLY, recording a decline of 17.6% YoY. We note that this negative growth is attributed to the waivers, the management had provided to its tenants amid Covid-19 crises.

Administrative expenses have been declined by 11.2% YoY to Rs 215mn as compared to Rs 242mn during SPLY.

Other income has been declined by 30.1% YoY to Rs 77mn as compared to Rs 111mn during the same period last year on account of lower rate of return on fixed income securities.

According to the management, annual increment of rent is currently kept on hold which would be increased once the economic activity has fully recovered. Tax on REIT dividends has been increased to 25% from 7.5%. The company is still under negotiations with the Government to decrease it again to provide incentives to investors.

DCR is currently trading at FY21E PE of 8.37x. We have a **BUY** stance on the script with a DDM based Jun-21 TP of Rs 12 which provides an upside potential of 16%. Furthermore, it also offers an attractive dividend yield of 12% which makes the total return of 28%.

Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Rental Income	815	851	4.2% ▼	1,418	1,698	16.5% ▼
Marketing Income	44	55	19.4% ▼	61	97	37.0% ▼
<b>Total Income</b>	<b>860</b>	<b>906</b>	<b>5.1% ▼</b>	<b>1,479</b>	<b>1,796</b>	<b>17.6% ▼</b>
SG&A Expenses	-115	-125	7.8% ▼	-215	-242	11.2% ▼
<b>Operating Profit</b>	<b>744</b>	<b>781</b>	<b>4.7% ▼</b>	<b>1,264</b>	<b>1,553</b>	<b>18.6% ▼</b>
Other Income	22	56	60.4% ▼	77	111	30.1% ▼
Management Fee	-22	-23	4.7% ▼	-38	-47	18.6% ▼
Trustee Remn.	-4	-4	4.7% ▼	-6	-8	18.6% ▼
<b>Profit Before Change in FV</b>	<b>737</b>	<b>806</b>	<b>8.6% ▼</b>	<b>1,291</b>	<b>1,603</b>	<b>19.4% ▼</b>
Change in fair value	2,128	2,418	12.0% ▼	2,128	2,418	12.0% ▼
<b>Profit Before Taxation</b>	<b>2,865</b>	<b>3,224</b>	<b>11.1% ▼</b>	<b>3,419</b>	<b>4,020</b>	<b>14.9% ▼</b>
Taxation	0	0	-	0	0	-
<b>Profit After Taxation</b>	<b>2,865</b>	<b>3,224</b>	<b>11.1% ▼</b>	<b>3,419</b>	<b>4,020</b>	<b>14.9% ▼</b>
Distributable EPU	0.33	0.36	8.6% ▼	0.58	0.72	19.4% ▼
Dividend	0.33	0.35	5.7% ▼	0.58	0.70	17.1% ▼
Bonus	-	-	-	-	-	-

Closing Period: 12 Feb 21 - 18 Feb 21

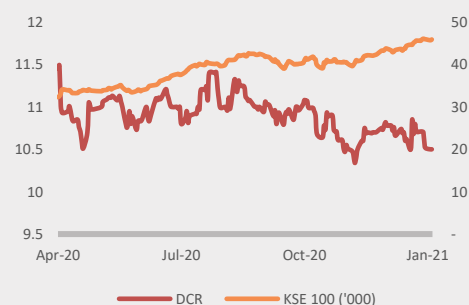
SG&A Expenses to T.Income	-13.4%	-13.8%	0.4% ▼	-14.6%	-13.5%	1.1% ▲
Other Income to T.Income	2.6%	6.2%	3.6% ▼	5.2%	6.2%	0.9% ▼
Mgmt. Fee to T.Income	-2.6%	-2.6%	0.0% ▲	-2.6%	-2.6%	0.0% ▼
Trustee Remn. to T.Income	-0.4%	-0.4%	0.0% ▲	-0.4%	-0.4%	0.0% ▼
Net Margin	85.8%	89.0%	3.2% ▼	87.3%	89.2%	2.0% ▼

Source: ACPL Research, Company Financials

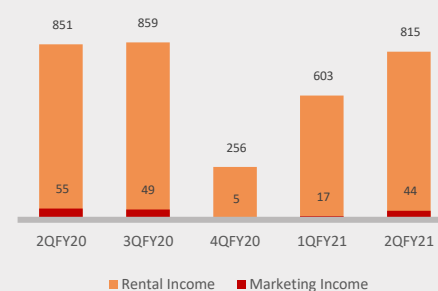
## Key Statistics

Symbol	DCR
TP - Dec 21	12.00
LDCP	10.39
Upside (%)	15.50
Free Float ('mn)	556
Market Cap. (Rs.'mn)	23,104

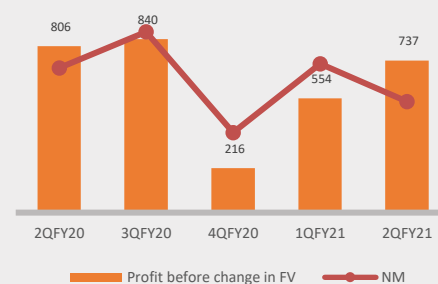
## DCR vs KSE 100



## Rental vs Marketing Income (Rs'mn)



## PBCFV (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

M. Fawad Naveed

Phone: (+92) 42 38302028; Ext: 117  
Email: fawad@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Rental Income	2,527	2,842	3,047	3,344	2,814	2,954	3,250	3,575
Marketing Income	138	168	210	183	151	136	150	165
<b>Total Income</b>	<b>2,664</b>	<b>3,010</b>	<b>3,257</b>	<b>3,527</b>	<b>2,965</b>	<b>3,090</b>	<b>3,400</b>	<b>3,740</b>
Administrative & Operating Expenses	-345	-428	-484	-513	-396	-426	-469	-516
<b>Net Operating Income</b>	<b>2,319</b>	<b>2,582</b>	<b>2,773</b>	<b>3,014</b>	<b>2,568</b>	<b>2,664</b>	<b>2,930</b>	<b>3,223</b>
Other income	109	123	113	140	192	200	220	242
Management Fee	-70	-77	-83	-90	-77	-80	-88	-97
FED on Management Fee	-11	0	0	0	0	0	0	0
SST on Management Fee	-11	-10	-11	-12	-10	-10	-11	-13
Trustee Remuneration	-12	-13	-14	-15	-13	-13	-15	-16
SST on Trustee Remuneration	-2	-2	-2	-2	-2	-2	-2	-2
Reversal of provision for WWF	0	3	0	0	0	0	0	0
Charity Expense	-2	0	0	0	0	0	0	0
<b>Profit before change in fair value of investment property</b>	<b>2,321</b>	<b>2,606</b>	<b>2,776</b>	<b>3,034</b>	<b>2,659</b>	<b>2,759</b>	<b>3,035</b>	<b>3,338</b>
Change in fair value of investment property / unrealized gain	15,422	1,181	2,279	3,835	5,459	4,508	4,186	4,605
<b>Profit before taxation</b>	<b>17,743</b>	<b>3,787</b>	<b>5,055</b>	<b>6,870</b>	<b>8,118</b>	<b>7,267</b>	<b>7,221</b>	<b>7,943</b>
Income tax expense	0	0	0	0	0	0	0	0
<b>Profit for the year</b>	<b>17,743</b>	<b>3,787</b>	<b>5,055</b>	<b>6,870</b>	<b>8,118</b>	<b>7,267</b>	<b>7,221</b>	<b>7,943</b>
<b>EPU</b>	<b>7.98</b>	<b>1.70</b>	<b>2.27</b>	<b>3.09</b>	<b>3.65</b>	<b>3.27</b>	<b>3.25</b>	<b>3.57</b>
<b>Distributable EPU</b>	<b>1.04</b>	<b>1.17</b>	<b>1.25</b>	<b>1.36</b>	<b>1.20</b>	<b>1.24</b>	<b>1.36</b>	<b>1.50</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Rental Income		12.5%	7.2%	9.8%	-15.9%	5.0%	10.0%	10.0%
Marketing Income		21.9%	25.1%	-13.1%	-17.1%	-10.0%	10.0%	10.0%
<b>Total Income</b>		<b>13.0%</b>	<b>8.2%</b>	<b>8.3%</b>	<b>-15.9%</b>	<b>4.2%</b>	<b>10.0%</b>	<b>10.0%</b>
Administrative & Operating Expenses		23.8%	13.2%	6.0%	-22.8%	7.6%	10.0%	10.0%
<b>Net Operating Income</b>		<b>11.3%</b>	<b>7.4%</b>	<b>8.7%</b>	<b>-14.8%</b>	<b>3.7%</b>	<b>10.0%</b>	<b>10.0%</b>
Other income		13.0%	-8.3%	23.7%	37.5%	4.2%	10.0%	10.0%
Management Fee		11.3%	7.4%	8.7%	-14.8%	3.7%	10.0%	10.0%
FED on Management Fee		-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SST on Management Fee		-10.9%	7.4%	8.7%	-14.8%	3.7%	10.0%	10.0%
Trustee Remuneration		11.3%	7.4%	8.7%	-14.8%	3.7%	10.0%	10.0%
SST on Trustee Remuneration		3.4%	7.4%	8.7%	-14.8%	3.7%	10.0%	10.0%
Reversal of provision for WWF		0.0%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Charity Expense		-88.8%	-100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Profit before change in fair value of investment property</b>		<b>12.3%</b>	<b>6.5%</b>	<b>9.3%</b>	<b>-12.4%</b>	<b>3.8%</b>	<b>10.0%</b>	<b>10.0%</b>
Change in fair value of investment property / unrealized gain		-92.3%	93.0%	68.3%	42.3%	-17.4%	-7.1%	10.0%
<b>Profit before taxation</b>		<b>-78.7%</b>	<b>33.5%</b>	<b>35.9%</b>	<b>18.2%</b>	<b>-10.5%</b>	<b>-0.6%</b>	<b>10.0%</b>
Income tax expense		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Profit for the year</b>		<b>-78.7%</b>	<b>33.5%</b>	<b>35.9%</b>	<b>18.2%</b>	<b>-10.5%</b>	<b>-0.6%</b>	<b>10.0%</b>
<b>EPU</b>		<b>-78.7%</b>	<b>33.5%</b>	<b>35.9%</b>	<b>18.2%</b>	<b>-10.5%</b>	<b>-0.6%</b>	<b>10.0%</b>
<b>Distributable EPU</b>		<b>12.3%</b>	<b>6.5%</b>	<b>9.3%</b>	<b>-12.4%</b>	<b>3.8%</b>	<b>10.0%</b>	<b>10.0%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
OP Margin	%	87.04	85.79	85.13	85.45	86.63	86.20	86.20	86.20
ROE	%	44.07	9.07	11.97	14.86	15.83	13.00	12.00	12.24
ROCE	%	5.72	6.16	6.53	6.49	4.99	6.24	6.23	6.22
ROA	%	43.40	8.93	11.76	14.61	15.60	16.80	15.17	15.17
Liquidity Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	9.86	7.56	3.41	3.51	2.96	2.56	2.82	3.12
Quick	x	8.90	6.96	2.92	3.01	2.42	2.02	2.29	2.58
Activity Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Receivables Days		11.69	11.05	14.35	15.54	26.34	25.27	22.98	20.89
Payables Days		82.16	67.03	61.58	55.11	7.68	7.14	6.49	5.90
Investment Ratios		FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		1.04	1.15	1.20	1.32	1.25	1.20	1.32	1.45
Div. Yield	%	10.01	11.07	11.55	12.70	12.03	11.55	12.71	13.98
Dividend Cover	x	7.67	1.48	1.89	2.34	2.92	2.72	2.46	2.46
Retention	%	0.34	1.88	3.88	3.26	3.26	3.26	3.26	3.26
Payout	%	99.66	98.12	96.12	96.74	96.74	96.74	96.74	96.74
No. of Shares	('m)	2223.7	2223.7	2223.7	2223.7	2223.7	2223.7	2223.7	2223.7
EPU		7.98	1.70	2.27	3.09	3.65	3.27	3.25	3.57
Distributable EPU		1.04	1.17	1.25	1.36	1.20	1.24	1.36	1.50
Un-Distributable EPU		6.94	0.53	1.02	1.72	2.45	2.03	1.88	2.07
BVPS		18.11	18.77	18.99	20.79	23.06	25.13	27.06	29.18
P/E	x	9.96	8.87	8.32	7.61	8.69	8.37	7.61	6.92
P/BV	x	0.57	0.55	0.55	0.50	0.45	0.41	0.38	0.36

Source: ACPL Research, Company Financials

## DISCLAIMER

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

### VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

### DEFINITION OF TERMS

<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

### VALUATION METHODOLOGY

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

### RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

### RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

### OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com