

DCR

1HFY23 Result Review: Stance Upgraded to BUY

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DCR has announced its 1HFY23 result where it posted a profit before change in fare value of Rs 1.91bn as compared to a profit before change in fare value of Rs 1.5bn in the same period last year, up by 27.9% YoY amid a substantial increase in rental income.

The company has posted a revenue of Rs 2.06bn against Rs 1.66bn in SPLY, recording a growth of 23.8% YoY. Operating profit has increased by 24.9% to Rs 1.88bn.

Furthermore, SG&A expenses have increased by 17.5% YoY to Rs 291mn while other income has improved by 117% YoY to Rs 106mn. Lastly, the management fee has been increased by 24.4% YoY to Rs 56mn as compared to Rs 45mn during the same period last year.

DCR is currently trading at FY23E PE of 7.89x. Furthermore, the scrip is also trading at FY23E P/B of 0.46x which offers a discount of 14% relative to its historical 3-year average of 0.53. We have a **BUY** stance on the scrip with a DDM-based Dec-23 TP of Rs 14 which provides an upside potential of 4.4%. Furthermore, it also offers an attractive dividend yield of 12.26% which makes the total return of around 17%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Rental Income	1,031	889	16.0% ▲	2,056	1,660	23.8% ▲
Marketing Income	62	54	14.9% ▲	116	94	23.7% ▲
Total Income	1,094	944	15.9% ▲	2,172	1,754	23.8% ▲
SG&A Expenses	-157	-150	5.2% ▲	-291	-248	17.5% ▲
Operating Profit	936	794	17.9% ▲	1,881	1,506	24.9% ▲
Other Income	56	27	108.4% ▲	106	49	117.4% ▲
Management Fee	-28	-24	17.1% ▲	-56	-45	24.4% ▲
Trustee Remn.	-5	-4	17.1% ▲	-9	-8	24.4% ▲
Profit Before Change in FV	955	789	21.0% ▲	1,913	1,495	27.9% ▲
Change in fair value	488	1,751		488	1,751	72.1% ▼
Profit Before Taxation	1,443	2,541	43.2% ▼	2,401	3,246	26.0% ▼
Taxation	0	0	-	0	0	-
Profit After Taxation	1,443	2,541	43.2% ▼	2,401	3,246	26.0% ▼
Distributable EPU	0.43	0.35	21.0% ▲	0.86	0.67	27.9% ▲
Dividend	0.43	0.37	16.2% ▲	0.86	0.70	22.9% ▲
Bonus	-	-		0.00	-	

Closing Period: Jan 26, 2023 to Jan 28, 2023

	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
SG&A Expenses to T.Income	-14.4%	-15.9%	1.5% ▼	-13.4%	-14.1%	0.7% ▼
Other Income to T.Income	5.1%	2.8%	2.3% ▲	4.9%	2.8%	2.1% ▲
Mgmt. Fee to T.Income	-2.6%	-2.5%	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	87.3%	83.6%	3.7% ▲	88.1%	85.3%	2.8% ▲

Source: ACPL Research, Company Financials

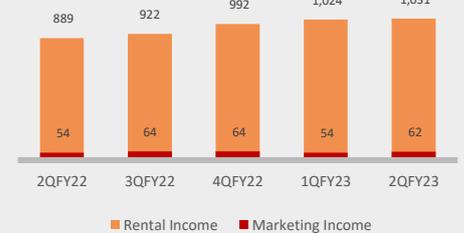
Key Statistics

Symbol	DCR
TP - Dec 23	14.00
LDPCP	13.46
Upside (%)	4.4
Free Float ('mn)	556
Market Cap. (Rs.'mn)	29,931

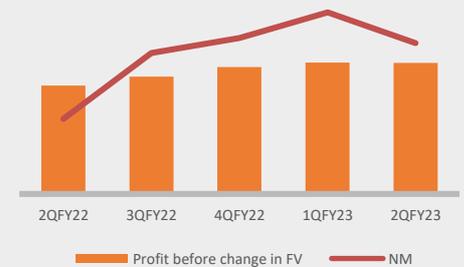
DCR vs KSE 100



Rental vs Marketing Income (Rs'mn)



PBCFV (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Rental Income	2,814	2,939	3,574	4,113	4,385	4,675	4,984
Marketing Income	151	147	222	233	263	297	335
Total Income	2,965	3,086	3,795	4,346	4,648	4,972	5,319
Administrative & Operating Expenses	-396	-422	-516	-582	-623	-666	-713
Net Operating Income	2,568	2,664	3,279	3,763	4,025	4,305	4,606
Other income	192	130	127	213	228	244	261
Management Fee	-77	-80	-98	-113	-121	-129	-138
Profit before taxation	8,118	8,610	9,763	6,135	8,768	9,053	9,359
Income tax expense	0	0	0	0	0	0	0
Profit for the year	8,118	8,610	9,763	6,135	8,768	9,053	9,359
EPU	3.65	3.87	4.39	2.76	3.94	4.07	4.21
Distributable EPU	1.20	1.21	1.47	1.72	1.84	1.97	2.11

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Rental Income	-15.9%	4.4%	21.6%	15.1%	6.6%	6.6%	6.6%
Marketing Income	-17.1%	-2.6%	50.3%	5.0%	13.0%	13.0%	13.0%
Total Income	-15.9%	4.1%	23.0%	14.5%	6.9%	7.0%	7.0%
Administrative & Operating Expenses	-22.8%	6.4%	22.5%	12.8%	6.9%	7.0%	7.0%
Net Operating Income	-14.8%	3.7%	23.1%	14.8%	6.9%	7.0%	7.0%
Other income	37.5%	-32.1%	-2.7%	68.0%	6.9%	7.0%	7.0%
Management Fee	-14.8%	3.7%	23.1%	14.8%	6.9%	7.0%	7.0%
Profit before change in fair value of investment property	-12.4%	1.1%	21.8%	16.8%	6.9%	7.0%	7.0%
Change in fair value of investment property / unrealized gain	42.3%	8.5%	9.6%	-64.4%	102.6%	0.0%	0.0%
Profit before taxation	18.2%	6.1%	13.4%	-37.2%	42.9%	3.3%	3.4%
Income tax expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit for the year	18.2%	6.1%	13.4%	-37.2%	42.9%	3.3%	3.4%
EPU	18.2%	6.1%	13.4%	-37.2%	42.9%	3.3%	3.4%
Distributable EPU	-12.4%	1.1%	21.8%	16.8%	6.9%	7.0%	7.0%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
OP Margin	%	86.63	86.34	86.39	86.60	86.60	86.60	86.60
ROE	%	15.83	14.99	15.29	9.25	12.35	11.96	11.64
ROCE	%	4.99	4.62	4.93	5.45	5.45	12.84	3.61
ROA	%	15.60	14.82	14.60	8.83	11.80	26.67	7.31
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	2.96	4.22	5.07	5.74	6.22	6.27	6.48
Quick	x	2.42	3.71	4.55	5.23	5.70	5.75	5.96
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Receivables Days		26.34	19.03	15.48	13.52	12.64	11.81	11.04
Payables Days		7.68	21.74	17.75	15.74	14.72	13.76	12.86
Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
DPS		1.25	1.24	1.50	1.65	1.85	1.95	2.10
Div. Yield	%	9.29	9.21	11.14	12.26	13.74	14.49	15.60
Dividend Cover	x	2.92	3.12	2.93	1.67	2.13	2.09	2.00
Retention	%	-4.54	-2.53	-1.82	5.00	0.00	0.00	0.00
Payout	%	104.54	102.53	101.82	95.00	100.00	100.00	100.00
No. of Shares	('m)	2223.7	2223.7	2223.7	2223.7	2223.7	2223.7	2223.7
EPU		3.65	3.87	4.39	2.76	3.94	4.07	4.21
Distributable EPU		1.20	1.21	1.47	1.72	1.84	1.97	2.11
Un-Distributable EPU		2.45	2.66	2.92	1.04	2.10	2.10	2.10
BVPS		23.06	25.82	28.71	29.82	31.92	34.04	36.15
P/E	x	11.26	11.13	9.14	7.82	7.31	6.84	6.39
P/BV	x	0.58	0.52	0.47	0.45	0.42	0.40	0.37

Source: ACPL Research, Company Financials

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

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- II. Dividend Discount Model
- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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