

DCR

6MFY20 Result Review: BUY stance maintained

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DCR has announced its 2QFY20 result where it posted profit after tax of Rs 4.02bn (Distributable EPU: Rs0.72) in 6MFY20 as compared to profit after tax of Rs 4.34bn in same period last year, down by 7.4% YoY. We attribute this decline in PAT to the decline in the change in fair value by 16% YoY as compared to last year.

The company has posted the revenue of Rs 1.7bn against Rs 1.6bn in SPLY, recording a growth of 5.3% YoY. We note that this growth is attributed to the upward revision of rents as per the rental agreements. The marketing income has also shown an impressive growth of 12.2% YoY during the period.

The company had successfully been able to contain its administrative expenses as the administrative expenses to total income ratio has marginally been increased by 0.1 ppts.

Other income has been increased by 94.6% YoY to Rs 111mn in 6MFY20 as compared to Rs 57mn during the same period last year on account of higher rate of return on fixed income securities.

DCR is currently trading at FY20E PE of 8.7x. Furthermore, the script is trading at a FY20E P/B of 0.55x which offers a discount of 19% relative to its historical 5-year average of 0.67x. We maintain our **BUY** stance on the script with a DDM based Dec-20 TP of Rs.14 which provides an upside potential of 9%. Furthermore, it also offers an attractive dividend yield of 11% which makes the total return of 20%.

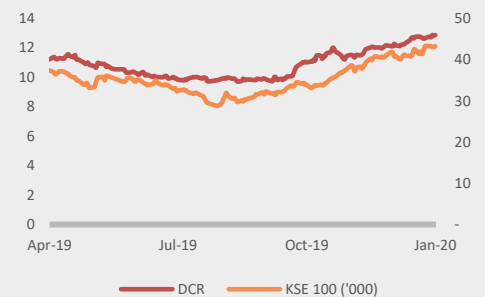
Rupees' millions	2QFY20	2QFY19	YoY	6MFY20	6MFY19	YoY
Rental Income	851	814	4.5% ▲	1,698	1,613	5.3% ▲
Marketing Income	55	45	23.4% ▲	97	87	12.2% ▲
Total Income	906	859	5.5% ▲	1,796	1,700	5.6% ▲
SG&A Expenses	-125	-122	2.4% ▲	-242	-227	6.7% ▲
Operating Profit	781	737	6.0% ▲	1,553	1,473	5.5% ▲
Other Income	56	33	73.3% ▲	111	57	94.6% ▲
Management Fee	-23	-22	6.0% ▲	-47	-44	5.5% ▲
Trustee Remn.	-4	-4	6.0% ▲	-8	-7	5.5% ▲
Profit Before Change in FV	806	740	8.9% ▲	1,603	1,471	8.9% ▲
Change in fair value	2,418	2,872	15.8% ▼	2,418	2,872	15.8% ▼
Profit Before Taxation	3,224	3,612	10.7% ▼	4,020	4,343	7.4% ▼
Taxation	0	0	-	0	0	-
Profit After Taxation	3,224	3,612	10.7% ▼	4,020	4,343	7.4% ▼
Distributable EPU	0.36	0.33	8.9% ▲	0.72	0.66	8.9% ▲
Dividend	0.35	0.33		0.70	0.66	
Bonus	0%	0%		0%	0%	
SG&A Expenses to T.Income	-13.8%	-14.2%	0.4% ▼	-13.5%	-13.4%	0.1% ▲
Other Income to T.Income	6.2%	3.8%	2.4% ▲	6.2%	3.3%	2.8% ▲
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	89.0%	86.2%	2.8% ▲	89.2%	86.6%	2.7% ▲

Source: ACPL Research, Company Financials

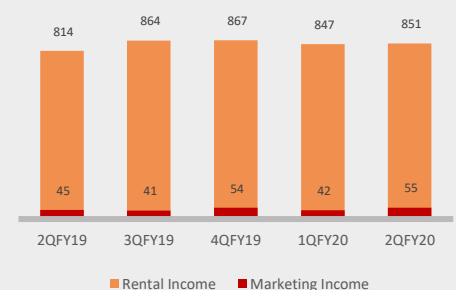
Key Statistics

Symbol	DCR
TP - Dec 20	14.00
LDGP	12.85
Upside (%)	8.95
Free Float ('mn)	556
Market Cap. (Rs.'mn)	28,575

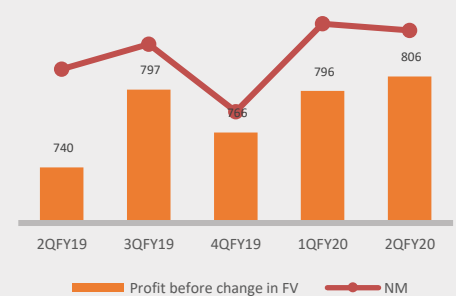
DCR vs KSE 100



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	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Rental Income	2,527	2,842	3,047	3,344	3,671	4,030	4,423	4,855
Marketing Income	138	168	210	183	159	138	120	104
Total Income	2,664	3,010	3,257	3,527	3,830	4,167	4,543	4,959
Administrative & Operating Expenses	-345	-428	-484	-513	-557	-606	-661	-722
Net Operating Income	2,319	2,582	2,773	3,014	3,272	3,561	3,882	4,237
Other income	109	123	113	140	152	165	180	196
Management Fee	-70	-77	-83	-90	-98	-107	-116	-127
FED on Management Fee	-11	0	0	0	0	0	0	0
SST on Management Fee	-11	-10	-11	-12	-13	-14	-15	-17
Trustee Remuneration	-12	-13	-14	-15	-16	-18	-19	-21
SST on Trustee Remuneration	-2	-2	-2	-2	-2	-2	-3	-3
Reversal of provision for WWF	0	3	0	0	0	0	0	0
Charity Expense	-2	0	0	0	0	0	0	0
Profit before change in fair value of investment property	2,321	2,606	2,776	3,034	3,295	3,585	3,908	4,266
Change in fair value of investment property / unrealized gain	15,422	1,181	2,279	3,835	5,916	4,582	5,080	5,620
Profit before taxation	17,743	3,787	5,055	6,870	9,211	8,167	8,988	9,886
Income tax expense	0	0	0	0	0	0	0	0
Profit for the year	17,743	3,787	5,055	6,870	9,211	8,167	8,988	9,886
EPU	7.98	1.70	2.27	3.09	4.14	3.67	4.04	4.45
Distributable EPU	1.04	1.17	1.25	1.36	1.48	1.61	1.76	1.92

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Rental Income		12.47%	7.23%	9.76%	9.76%	9.76%	9.76%	9.76%
Marketing Income		21.88%	25.10%	-13.11%	-13.11%	-13.11%	-13.11%	-13.11%
Total Income		12.95%	8.23%	8.29%	8.58%	8.82%	9.01%	9.16%
Administrative & Operating Expenses		23.84%	13.24%	6.00%	8.58%	8.82%	9.01%	9.16%
Net Operating Income		11.33%	7.40%	8.69%	8.58%	8.82%	9.01%	9.16%
Other income		12.99%	-8.32%	23.72%	8.58%	8.82%	9.01%	9.16%
Management Fee		11.33%	7.40%	8.68%	8.58%	8.82%	9.01%	9.16%
FED on Management Fee		-100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SST on Management Fee		-10.88%	7.40%	8.68%	8.58%	8.82%	9.01%	9.16%
Trustee Remuneration		11.33%	7.41%	8.68%	8.58%	8.82%	9.01%	9.16%
SST on Trustee Remuneration		3.39%	7.45%	8.65%	8.58%	8.82%	9.01%	9.16%
Reversal of provision for WWF		0.00%	-100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Charity Expense		-88.82%	-100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Profit before change in fair value of investment property		12.30%	6.52%	9.30%	8.58%	8.82%	9.01%	9.16%
Change in fair value of investment property / unrealized gain		-92.34%	92.99%	68.28%	54.25%	-22.55%	10.87%	10.63%
Profit before taxation		-78.66%	33.49%	35.89%	34.08%	-11.33%	10.05%	9.99%
Income tax expense		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Profit for the year		-78.66%	33.49%	35.89%	34.08%	-11.33%	10.05%	9.99%
EPU		-78.66%	33.49%	35.89%	34.08%	-11.33%	10.05%	9.99%
Distributable EPU		12.30%	6.52%	9.30%	8.58%	8.82%	9.01%	9.16%

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	85.45	85.45	85.45	85.45
ROE	%	44.07	9.07	11.97	14.86	17.63	14.34	14.46	14.55
ROCE	%	5.72	6.16	6.53	6.49	6.23	6.21	6.19	6.17
ROA	%	43.40	8.93	11.76	14.61	17.33	14.09	14.20	14.28
Liquidity Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	9.86	7.56	3.41	3.51	3.87	4.26	4.70	5.20
Quick	x	8.90	6.96	2.92	3.01	3.36	3.76	4.20	4.69
Activity Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Receivables Days		11.69	11.05	14.35	15.54	14.31	13.15	12.07	11.05
Payables Days		82.16	67.03	61.58	55.11	50.76	46.64	42.79	39.20
Investment Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
DPS		1.04	1.15	1.20	1.32	1.43	1.56	1.70	1.86
Div. Yield	%	8.09	8.95	9.34	10.27	11.15	12.14	13.23	14.44
Dividend Cover	x	7.67	1.48	1.89	2.34	2.89	2.35	2.38	2.40
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	4.14	3.67	4.04	4.45
Distributable EPU		1.04	1.17	1.25	1.36	1.48	1.61	1.76	1.92
Un-Distributable EPU		6.94	0.53	1.02	1.72	2.66	2.06	2.28	2.53
BVPS		18.11	18.77	18.99	20.79	23.50	25.61	27.96	30.55
P/E	x	12.31	10.96	10.29	9.42	8.67	7.97	7.31	6.70
P/BV	x	0.71	0.68	0.68	0.62	0.55	0.50	0.46	0.42

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

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Market Weight	Neutral
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