

DCR

9MFY20 Result Review: BUY stance maintained

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DCR has announced its 3QFY20 result where it posted profit after tax of Rs 4.8bn (Distributable EPU: Rs2.19) in 9MFY20 as compared to profit after tax of Rs 5.1bn in same period last year, down by 5.4% YoY. We attribute this decline in PAT to the decline in the change in fair value by 15.8% YoY as compared to last year.

The company has posted the revenue of Rs 2.7bn against Rs 2.6bn in SPLY, recording a growth of 3.8% 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 14.2% YoY during the period.

Administrative expenses have been declined by 3.4% YoY to Rs 332mn as compared to Rs 343mn during SPLY. Other income has been increased by 72% YoY to Rs 164mn in 9MFY20 as compared to Rs 96mn during the same period last year on account of higher rate of return on fixed income securities.

Taking into consideration the challenging situation prevailed across the country, the management of DCR, has decided to waive 25% rentals of the tenants of "The Harbour Front" and full rentals of the closed tenants of Clifton Mall for the month of April 2020.

DCR is currently trading at FY21E PE of 7.06x. We maintain our **BUY** stance on the script with a DDM based Jun-21 TP of Rs.14 which provides an upside potential of 36%. Furthermore, it also offers an attractive dividend yield of 14% which makes the total return of 50%.

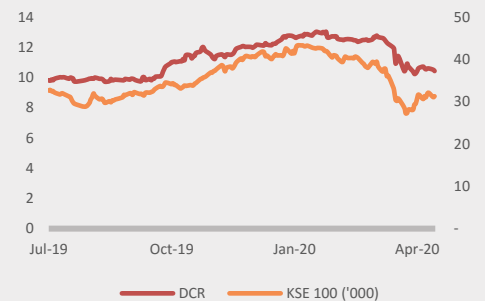
Rupees' millions	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Rental Income	859	864	0.6% ▼	2,557	2,477	3.2% ▲
Marketing Income	49	41	18.4% ▲	146	128	14.2% ▲
Total Income	908	906	0.3% ▲	2,704	2,606	3.8% ▲
SG&A Expenses	-89	-116	23.2% ▼	-332	-343	3.4% ▼
Operating Profit	819	790	3.7% ▲	2,372	2,262	4.9% ▲
Other Income	54	39	38.8% ▲	164	96	72.0% ▲
Management Fee	-25	-24	3.7% ▲	-71	-68	4.9% ▲
Trustee Remn.	-4	-4	3.7% ▲	-12	-11	4.9% ▲
Profit Before Change in FV	840	797	5.4% ▲	2,443	2,268	7.7% ▲
Change in fair value	0	0	-	2,418	2,872	15.8% ▼
Profit Before Taxation	840	797	5.4% ▲	4,860	5,140	5.4% ▼
Taxation	0	0	-	0	0	-
Profit After Taxation	840	797	5.4% ▲	4,860	5,140	5.4% ▼
Distributable EPU	0.38	0.36	5.4% ▲	2.19	1.02	114.3% ▲
Dividend	0.35	0.33		1.10	0.99	
Bonus	-	-		1.05	-	
Closing Period: 8 Apr 20 - 16 Apr 20						
SG&A Expenses to T.Income	-9.8%	-12.8%	3.0% ▼	-12.3%	-13.2%	0.9% ▼
Other Income to T.Income	5.9%	4.3%	1.6% ▲	6.1%	3.7%	2.4% ▲
Mgmt. Fee to T.Income	-2.7%	-2.6%	0.1% ▲	-2.6%	-2.6%	0.0% ▲
Trustee Remn. to T.Income	-0.5%	-0.4%	0.0% ▲	-0.4%	-0.4%	0.0% ▲
Net Margin	92.5%	88.0%	4.5% ▲	90.3%	87.1%	3.3% ▲

Source: ACPL Research, Company Financials

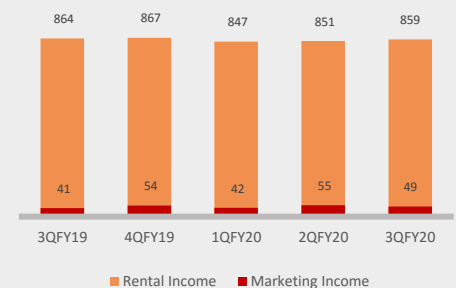
Key Statistics

Symbol	DCR
TP - Jun 21	14.00
LDCP	10.30
Upside (%)	35.92
Free Float ('mn)	556
Market Cap. (Rs.'mn)	22,904

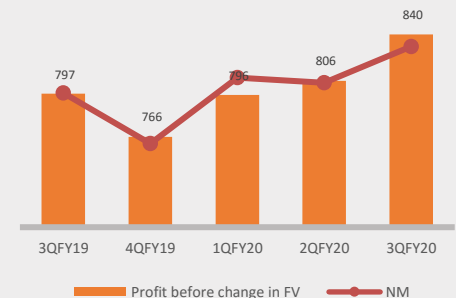
DCR vs KSE 100



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	3,177	3,495	3,845	4,229
Marketing Income	138	168	210	183	150	165	181	199
Total Income	2,664	3,010	3,257	3,527	3,327	3,660	4,026	4,428
Administrative & Operating Expenses	-345	-428	-484	-513	-433	-518	-569	-626
Net Operating Income	2,319	2,582	2,773	3,014	2,894	3,142	3,456	3,802
Other income	109	123	113	140	216	238	262	288
Management Fee	-70	-77	-83	-90	-96	-104	-114	-125
FED on Management Fee	-11	0	0	0	0	0	0	0
SST on Management Fee	-11	-10	-11	-12	-12	-13	-15	-16
Trustee Remuneration	-12	-13	-14	-15	-14	-16	-17	-19
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
Profit before change in fair value of investment property	2,321	2,606	2,776	3,034	2,986	3,245	3,569	3,926
Change in fair value of investment property / unrealized gain	15,422	1,181	2,279	3,835	3,224	4,489	4,937	5,431
Profit before taxation	17,743	3,787	5,055	6,870	6,210	7,734	8,507	9,358
Income tax expense	0	0	0	0	0	0	0	0
Profit for the year	17,743	3,787	5,055	6,870	6,210	7,734	8,507	9,358
EPU	7.98	1.70	2.27	3.09	2.79	3.48	3.83	4.21
Distributable EPU	1.04	1.17	1.25	1.36	1.34	1.46	1.61	1.77

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Rental Income		12.5%	7.2%	9.8%	-5.0%	10.0%	10.0%	10.0%
Marketing Income		21.9%	25.1%	-13.1%	-18.0%	10.0%	10.0%	10.0%
Total Income		13.0%	8.2%	8.3%	-5.7%	10.0%	10.0%	10.0%
Administrative & Operating Expenses		23.8%	13.2%	6.0%	-15.7%	19.7%	10.0%	10.0%
Net Operating Income		11.3%	7.4%	8.7%	-4.0%	8.6%	10.0%	10.0%
Other income		13.0%	-8.3%	23.7%	54.9%	10.0%	10.0%	10.0%
Management Fee		11.3%	7.4%	8.7%	5.6%	8.6%	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%	5.6%	8.6%	10.0%	10.0%
Trustee Remuneration		11.3%	7.4%	8.7%	-4.0%	8.6%	10.0%	10.0%
SST on Trustee Remuneration		3.4%	7.4%	8.7%	-4.0%	8.6%	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%
Profit before change in fair value of investment property		12.3%	6.5%	9.3%	-1.6%	8.7%	10.0%	10.0%
Change in fair value of investment property / unrealized gain		-92.3%	93.0%	68.3%	-16.0%	39.2%	10.0%	10.0%
Profit before taxation		-78.7%	33.5%	35.9%	-9.6%	24.5%	10.0%	10.0%
Income tax expense		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit for the year		-78.7%	33.5%	35.9%	-9.6%	24.5%	10.0%	10.0%
EPU		-78.7%	33.5%	35.9%	-9.6%	24.5%	10.0%	10.0%
Distributable EPU		12.3%	6.5%	9.3%	-1.6%	8.7%	10.0%	10.0%

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	87.00	85.85	85.85	85.85
ROE	%	44.07	9.07	11.97	14.86	12.53	14.28	14.37	14.45
ROCE	%	5.72	6.16	6.53	6.49	6.27	6.18	6.18	6.18
ROA	%	43.40	8.93	11.76	14.61	13.27	15.05	15.06	15.06
Liquidity Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	9.86	7.56	3.41	3.51	3.23	3.43	3.72	4.04
Quick	x	8.90	6.96	2.92	3.01	2.73	2.93	3.21	3.53
Activity Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Receivables Days		11.69	11.05	14.35	15.54	16.47	14.98	13.62	12.38
Payables Days		82.16	67.03	61.58	55.11	65.40	54.64	49.67	45.16
Investment Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
DPS		1.04	1.15	1.20	1.32	1.30	1.41	1.55	1.71
Div. Yield	%	10.10	11.17	11.65	12.82	12.61	13.71	15.08	16.58
Dividend Cover	x	7.67	1.48	1.89	2.34	2.15	2.46	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	2.79	3.48	3.83	4.21
Distributable EPU		1.04	1.17	1.25	1.36	1.34	1.46	1.61	1.77
Un-Distributable EPU		6.94	0.53	1.02	1.72	1.45	2.02	2.22	2.44
BVPS		18.11	18.77	18.99	20.79	22.28	24.35	26.62	29.12
P/E	x	9.87	8.79	8.25	7.55	7.67	7.06	6.42	5.83
P/BV	x	0.57	0.55	0.54	0.50	0.46	0.42	0.39	0.35

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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