



DGKC: 2QFY26 Result Review — Earnings increased on expansion in gross margins



AKD Securities Limited

D.G. Khan Cement Company Ltd. (DGKC) announced its 2QFY26 financial results, reporting earnings of PkR3.7bn (EPS: PkR8.4), compared to PkR2.7bn (EPS: PkR6.2) in SPLY, up 36%YoY. Earnings came above our expectations, mainly due to higher-than-expected retention prices and lower COGS.

- Revenue declined by 4%YoY to PkR20.8bn, compared to PkR21.7bn in SPLY, due to 8%YoY drop in total offtakes along with a 2%YoY decline in avg. retention prices.
- Gross margins improved to 8-year high of 31.8% from 25.1% in SPLY, mainly due to i) higher proportion of local sales in sales mix, ii) higher export and south retention prices, and iii) decline in international coal prices.
- Operating expenses declined by 1%YoY to PkR1.5bn, mainly due to 23%YoY decline in export offtakes, though higher fuel prices partially offset the impact.
- Other income increased by 5%YoY to PkR1.2bn during 2QFY26 from PkR1.1bn in SPLY, as higher cash & short term investments outweigh the decline in yields.
- Finance cost slashed by 71%YoY to PkR304mn, led by 16%YoY reduction in outstanding debt amid easing interest rates.
- Taxation during the quarter clocked in at PkR1.9bn, effective tax rate of 34% compared to 30%/37% in SPLY/1QFY26, respectively.
- 1HFY26 earnings accumulated to PkR5.9bn (EPS: PkR13.4), up 66%YoY from PkR3.5bn (EPS: PkR8.0) in SPLY, due to higher sales, improved margins, and lower finance cost.
- We have a 'BUY' stance on the stock with Dec'26 SOTP target price of PkR389/sh. Our positive outlook is driven by expected improvement in profitability amid supported gross margins, higher offtakes, improved utilization, and easing interest rates.

DGKC: Income Statement

PkRmn	2QFY26	2QFY25	YoY	1QFY26	QoQ	1HFY26	1HFY25	YoY
Sales	20,782	21,690	-4%	19,808	5%	40,590	36,991	10%
COGS	14,165	16,239	-13%	15,506	-9%	29,670	28,546	4%
Gross Profit	6,617	5,451	21%	4,303	54%	10,919	8,445	29%
Gross Margins	31.8%	25.1%		21.7%		26.9%	22.8%	
Opex	1,456	1,466	-1%	1,271	15%	2,726	2,587	5%
Other Income	1,179	1,119	5%	1,010	17%	2,189	2,157	2%
Finance Cost	304	1,050	-71%	431	-29%	735	2,640	-72%
Taxation	1,914	1,166	64%	1,269	51%	3,183	1,680	89%
ETR	34%	30%		37%		35%	32%	
NPAT	3,694	2,719	36%	2,160	71%	5,854	3,523	66%
EPS	8.43	6.21	-	4.93	-	13.36	8.04	-

Source: PSX & AKD Research

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To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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BUY > 15% expected total return
NEUTRAL > 0% to < 15% expected total return
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