

DCR

9MFY21 Result Review: Stance Upgraded to BUY

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DCR has announced its 9MFY21 result where it posted profit after tax of Rs 4.13bn as compared to profit after tax of Rs 4.86bn in same period last year, down by 15.1% YoY.

The company has posted the revenue of Rs 2.3bn against Rs 2.7bn in SPLY, recording a decline of 14.7% 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 slightly been increased by 0.3% YoY to Rs 332mn. Other income has been declined by 38% YoY to Rs 102mn as compared to Rs 164mn 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 8.45x. We have a **BUY** stance on the script with a DDM based Dec-21 TP of Rs 11 which provides an upside potential of 7.32%. Furthermore, it also offers an attractive dividend yield of 11.5% which makes the total return of 18.8%.

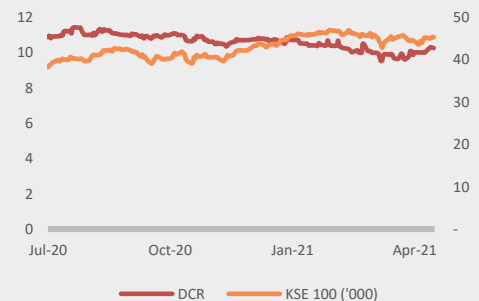
Rupees' millions	3QFY21	3QFY21	YoY	9MFY21	9MFY20	YoY
Rental Income	779	859	9.3% ▼	2,197	2,557	14.1% ▼
Marketing Income	48	49	3.0% ▼	109	146	25.6% ▼
Total Income	826	908	9.0% ▼	2,306	2,704	14.7% ▼
SG&A Expenses	-117	-89	31.3% ▲	-332	-332	0.3% ▲
Operating Profit	709	819	13.4% ▼	1,973	2,372	16.8% ▼
Other Income	24	54	54.4% ▼	102	164	38.0% ▼
Management Fee	-21	-25	13.4% ▼	-59	-71	16.8% ▼
Trustee Remn.	-4	-4	13.4% ▼	-10	-12	16.8% ▼
Profit Before Change in FV	706	840	16.0% ▼	1,997	2,443	18.2% ▼
Change in fair value	0	0	-	2,128	2,418	12.0% ▼
Profit Before Taxation	706	840	16.0% ▼	4,125	4,860	15.1% ▼
Taxation	0	0	-	0	0	-
Profit After Taxation	706	840	16.0% ▼	4,125	4,860	15.1% ▼
Distributable EPU	0.32	0.38	16.0% ▼	0.90	1.10	18.2% ▼
Dividend	0.33	0.35	5.7% ▼	0.91	1.05	13.3% ▼
Bonus	-	-	-	-	-	-
Closing Period: 1 May 21 - 7 May 21						
SG&A Expenses to T.Income	-14.2%	-9.8%	4.3% ▲	-14.4%	-12.3%	2.2% ▲
Other Income to T.Income	3.0%	5.9%	2.9% ▼	4.4%	6.1%	1.7% ▼
Mgmt. Fee to T.Income	-2.6%	-2.7%	0.1% ▼	-2.6%	-2.6%	0.1% ▼
Trustee Remn. to T.Income	-0.4%	-0.5%	0.0% ▼	-0.4%	-0.4%	0.0% ▼
Net Margin	85.4%	92.5%	7.1% ▼	86.6%	90.3%	3.7% ▼

Source: ACPL Research, Company Financials

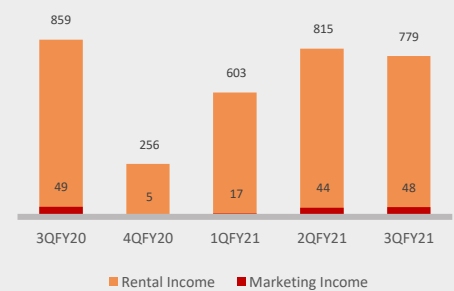
Key Statistics

Symbol	DCR
TP - Dec 21	11.00
LDCP	10.25
Upside (%)	7.32
Free Float ('mn)	556
Market Cap. (Rs.'mn)	22,793

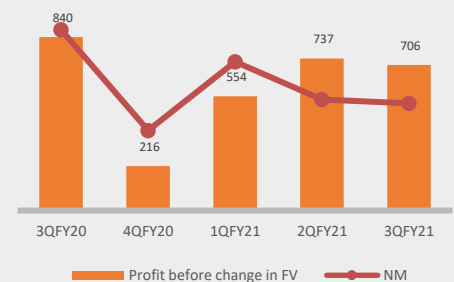
DCR vs KSE 100



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	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
Total Income	2,664	3,010	3,257	3,527	2,965	3,090	3,400	3,740
Administrative & Operating Expenses	-345	-428	-484	-513	-396	-426	-469	-516
Net Operating Income	2,319	2,582	2,773	3,014	2,568	2,664	2,930	3,223
Other income	109	123	113	140	192	139	153	168
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
Profit before change in fair value of investment property	2,321	2,606	2,776	3,034	2,659	2,698	2,967	3,264
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
Profit before taxation	17,743	3,787	5,055	6,870	8,118	7,206	7,154	7,869
Income tax expense	0	0	0	0	0	0	0	0
Profit for the year	17,743	3,787	5,055	6,870	8,118	7,206	7,154	7,869
EPU	7.98	1.70	2.27	3.09	3.65	3.24	3.22	3.54
Distributable EPU	1.04	1.17	1.25	1.36	1.20	1.21	1.33	1.47

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%
Total Income		13.0%	8.2%	8.3%	-15.9%	4.2%	10.0%	10.0%
Administrative & Operating Expenses		23.8%	13.2%	6.0%	-22.8%	7.6%	10.0%	10.0%
Net Operating Income		11.3%	7.4%	8.7%	-14.8%	3.7%	10.0%	10.0%
Other income		13.0%	-8.3%	23.7%	37.5%	-27.6%	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%
Profit before change in fair value of investment property		12.3%	6.5%	9.3%	-12.4%	1.5%	10.0%	10.0%
Change in fair value of investment property / unrealized gain		-92.3%	93.0%	68.3%	42.3%	-17.4%	-7.1%	10.0%
Profit before taxation		-78.7%	33.5%	35.9%	18.2%	-11.2%	-0.7%	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%	18.2%	-11.2%	-0.7%	10.0%
EPU		-78.7%	33.5%	35.9%	18.2%	-11.2%	-0.7%	10.0%
Distributable EPU		12.3%	6.5%	9.3%	-12.4%	1.5%	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	86.63	86.20	86.20	86.20
ROE	%	44.07	9.07	11.97	14.86	15.83	12.90	11.89	12.13
ROCE	%	5.72	6.16	6.53	6.49	4.99	6.24	6.22	6.21
ROA	%	43.40	8.93	11.76	14.61	15.60	16.66	15.01	14.99
Liquidity Ratios		FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	9.86	7.56	3.41	3.51	2.96	2.56	2.93	3.34
Quick	x	8.90	6.96	2.92	3.01	2.42	2.02	2.39	2.81
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	1.17	1.29	1.42
Div. Yield	%	10.15	11.22	11.71	12.88	12.20	11.45	12.59	13.85
Dividend Cover	x	7.67	1.48	1.89	2.34	2.92	2.76	2.49	2.49
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	3.24	3.22	3.54
Distributable EPU		1.04	1.17	1.25	1.36	1.20	1.21	1.33	1.47
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	27.05	29.17
P/E	x	9.82	8.75	8.21	7.51	8.57	8.45	7.68	6.98
P/BV	x	0.57	0.55	0.54	0.49	0.44	0.41	0.38	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%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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