

## DCR

## FY21 Result Review: Stance Reiterated to BUY

Equity Research | Real Estate Investment Trust | Monday, 4 October, 2021



DCR has announced its FY21 result where it posted a profit after tax of Rs 8.6bn as compared to profit after tax of Rs 8.1bn in the same period last year, up by 6.1% YoY.

The company has posted a revenue of Rs 3.1bn against Rs 2.9 bn in SPLY, recording a surge of 4.1% YoY. We note that this growth is attributed to the withdrawal of waivers provided by the management to its tenants amid the Covid-19 crisis.

Administrative expenses have been increased by 6.4% YoY to Rs 422mn. Other income has been declined by 32% YoY to Rs 130mn as compared to Rs 192mn during the same period last year on account of a lower rate of return on fixed-income securities. Lastly, the management fee has been increased by 3.7% YoY to Rs 80mn as compared to Rs 77mn during the same period last year

According to the management, the annual increment of rent is currently kept on hold which would be increased once the economic activity has fully recovered.

DCR is currently trading at FY22E PE of 8.87x. We have a **BUY** stance on the script with a DDM based Jun-22 TP of Rs 13 which provides an upside potential of 11%. Furthermore, it also offers an attractive dividend yield of 11.56% which makes the total return of 23%.

Rupees' millions	4QFY21	4QFY21	YoY	FY21	FY20	YoY
Rental Income	742	256	189.5% ▲	2,939	2,814	4.4% ▲
Marketing Income	39	5	673.0% ▲	147	151	2.6% ▼
<b>Total Income</b>	<b>780</b>	<b>261</b>	<b>198.8% ▲</b>	<b>3,086</b>	<b>2,965</b>	<b>4.1% ▲</b>
SG&A Expenses	-89	-65	37.5% ▲	-422	-396	6.4% ▲
<b>Operating Profit</b>	<b>691</b>	<b>196</b>	<b>252.1% ▲</b>	<b>2,664</b>	<b>2,568</b>	<b>3.7% ▲</b>
Other Income	28	28	2.8% ▲	130	192	32.1% ▼
Management Fee	-21	-6	252.1% ▲	-80	-77	3.7% ▲
Trustee Remn.	-3	-1	252.2% ▲	-13	-13	3.7% ▲
<b>Profit Before Change in FV</b>	<b>692</b>	<b>216</b>	<b>220.2% ▲</b>	<b>2,689</b>	<b>2,659</b>	<b>1.1% ▲</b>
Change in fair value	3,793	3,041	24.7% ▲	5,921	5,459	8.5% ▲
<b>Profit Before Taxation</b>	<b>4,485</b>	<b>3,257</b>	<b>37.7% ▲</b>	<b>8,610</b>	<b>8,118</b>	<b>6.1% ▲</b>
Taxation	0	0	-	0	0	-
<b>Profit After Taxation</b>	<b>4,485</b>	<b>3,257</b>	<b>37.7% ▲</b>	<b>8,610</b>	<b>8,118</b>	<b>6.1% ▲</b>
Distributable EPU	0.31	0.10	220.2% ▲	1.21	1.20	1.1% ▲
Dividend	0.33	0.20	65.0% ▲	1.24	1.25	0.8% ▼
Bonus	-	-	-	-	-	-

Closing Period: 31 July 21 - 06 Aug 2021

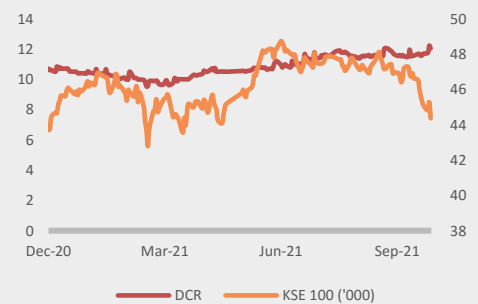
	4QFY21	4QFY21	YoY	FY21	FY20	YoY
SG&A Expenses to T.Income	-11.4%	-24.9%	13.4% ▼	-13.7%	-13.4%	0.3% ▲
Other Income to T.Income	3.6%	10.6%	6.9% ▼	4.2%	6.5%	2.3% ▼
Mgmt. Fee to T.Income	-2.7%	-2.3%	0.4% ▲	-2.6%	-2.6%	0.0% ▼
Trustee Remn. to T.Income	-0.4%	-0.4%	0.1% ▲	-0.4%	-0.4%	0.0% ▼
Net Margin	88.7%	82.8%	5.9% ▲	87.1%	89.7%	2.5% ▼

Source: ACPL Research, Company Financials

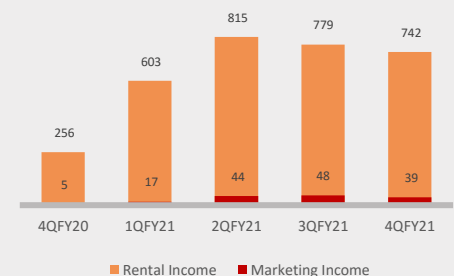
## Key Statistics

Symbol	DCR
TP - Jun 22	13.00
LDCP	11.72
Upside (%)	11
Free Float ('mn)	556
Market Cap. (Rs.'mn)	26,062

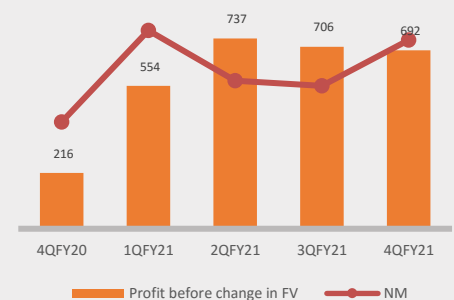
## DCR vs KSE 100



## 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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Rental Income	3,344	2,814	2,939	2,939	3,233	3,556	3,911
Marketing Income	183	151	147	147	162	178	196
<b>Total Income</b>	<b>3,527</b>	<b>2,965</b>	<b>3,086</b>	<b>3,086</b>	<b>3,395</b>	<b>3,734</b>	<b>4,108</b>
Administrative & Operating Expenses	-513	-396	-422	-426	-468	-515	-567
<b>Net Operating Income</b>	<b>3,014</b>	<b>2,568</b>	<b>2,664</b>	<b>2,660</b>	<b>2,926</b>	<b>3,219</b>	<b>3,541</b>
Other income	140	192	130	116	127	140	154
Management Fee	-90	-77	-80	-80	-88	-97	-106
<b>Profit before taxation</b>	<b>6,870</b>	<b>8,118</b>	<b>8,610</b>	<b>6,471</b>	<b>7,118</b>	<b>7,830</b>	<b>8,153</b>
Income tax expense	0	0	0	0	0	0	0
<b>Profit for the year</b>	<b>6,870</b>	<b>8,118</b>	<b>8,610</b>	<b>6,471</b>	<b>7,118</b>	<b>7,830</b>	<b>8,153</b>
<b>EPU</b>	<b>3.09</b>	<b>3.65</b>	<b>3.87</b>	<b>2.91</b>	<b>3.20</b>	<b>3.52</b>	<b>3.67</b>
<b>Distributable EPU</b>	<b>1.36</b>	<b>1.20</b>	<b>1.21</b>	<b>1.20</b>	<b>1.32</b>	<b>1.45</b>	<b>1.60</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Rental Income	9.8%	-15.9%	4.4%	0.0%	10.0%	10.0%	10.0%
Marketing Income	-13.1%	-17.1%	-2.6%	0.0%	10.0%	10.0%	10.0%
<b>Total Income</b>	<b>8.3%</b>	<b>-15.9%</b>	<b>4.1%</b>	<b>0.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
Administrative & Operating Expenses	6.0%	-22.8%	6.4%	1.0%	10.0%	10.0%	10.0%
<b>Net Operating Income</b>	<b>8.7%</b>	<b>-14.8%</b>	<b>3.7%</b>	<b>-0.2%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
Other income	23.7%	37.5%	-32.1%	-11.2%	10.0%	10.0%	10.0%
Management Fee	8.7%	-14.8%	3.7%	-0.2%	10.0%	10.0%	10.0%
<b>Profit before change in fair value of investment property</b>	<b>9.3%</b>	<b>-12.4%</b>	<b>1.1%</b>	<b>-0.7%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
Change in fair value of investment property / unrealized gain	68.3%	42.3%	8.5%	-35.8%	10.0%	10.0%	0.0%
<b>Profit before taxation</b>	<b>35.9%</b>	<b>18.2%</b>	<b>6.1%</b>	<b>-24.8%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>4.1%</b>
Income tax expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Profit for the year</b>	<b>35.9%</b>	<b>18.2%</b>	<b>6.1%</b>	<b>-24.8%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>4.1%</b>
<b>EPU</b>	<b>35.9%</b>	<b>18.2%</b>	<b>6.1%</b>	<b>-24.8%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>4.1%</b>
<b>Distributable EPU</b>	<b>9.3%</b>	<b>-12.4%</b>	<b>1.1%</b>	<b>-0.7%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
OP Margin	%	85.45	86.63	86.34	86.20	86.20	86.20	86.20
ROE	%	14.86	15.83	15.07	10.63	10.96	11.27	11.02
ROCE	%	6.49	4.99	6.86	6.27	6.27	6.26	32.90
ROA	%	14.61	15.60	21.85	15.05	15.06	15.08	72.10
Liquidity Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	3.51	2.96	2.56	2.19	2.32	2.46	2.62
Quick	x	3.01	2.42	2.02	1.65	1.78	1.93	2.09
Activity Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		15.54	26.34	25.31	25.31	23.01	20.92	19.02
Payables Days		55.11	7.68	7.22	7.15	6.50	5.91	5.37
Investment Ratios		FY19A	FY20E	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		1.32	1.25	1.24	1.23	1.35	1.49	1.64
Div. Yield	%	11.26	10.67	10.58	10.51	11.56	12.71	13.99
Dividend Cover	x	2.34	2.92	3.12	2.36	2.36	2.36	2.24
Retention	%	3.26	-4.54	-2.53	-2.53	-2.53	-2.53	-2.53
Payout	%	96.74	104.54	102.53	102.53	102.53	102.53	102.53
No. of Shares	('m)	2223.7	2223.7	2223.7	2223.7	2223.7	2223.7	2223.7
EPU		3.09	3.65	3.87	2.91	3.20	3.52	3.67
Distributable EPU		1.36	1.20	1.21	1.20	1.32	1.45	1.60
Un-Distributable EPU		1.72	2.45	2.66	1.71	1.88	2.07	2.07
BVPS		20.79	23.06	25.69	27.37	29.22	31.25	33.28
P/E	x	8.59	9.80	9.69	9.76	8.87	8.06	7.33
P/BV	x	0.56	0.51	0.46	0.43	0.40	0.38	0.35

Source: ACPL Research, Company Financials

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

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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