

## DCR

## 9MFY22 Result Review: Stance Reiterated to HOLD



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DCR has announced its 9MFY22 result where it posted a profit after tax of Rs 4.10bn as compared to profit after tax of Rs 4.13bn in the same period last year, down by 0.6% YoY.

The company has posted a revenue of Rs 2.58bn against Rs 2.19bn in SPLY, recording a surge of 17.5% 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 11% YoY to Rs 369mn. Other income has been declined by 26% YoY to Rs 75mn as compared to Rs 102mn during the same period last year. Lastly, the management fee has been increased by 20% YoY to Rs 71mn as compared to Rs 59mn during the same period last year.

DCR is currently trading at FY22E PE of 10.74x. Furthermore, the scrip is also trading at FY22E P/B of 0.55x which offers a discount of 16% relative to its historical 3-year average of 0.65. We have a **HOLD** stance on the scrip with a DDM based Dec-22 TP of Rs 15 which provides an upside potential of 0.33%. Furthermore, it also offers an attractive dividend yield of 10% which makes the total return of 10.33%.

Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Rental Income	922	779	18.3% ▲	2,581	2,197	17.5% ▲
Marketing Income	64	48	33.4% ▲	157	109	44.6% ▲
<b>Total Income</b>	<b>985</b>	<b>826</b>	<b>19.2% ▲</b>	<b>2,739</b>	<b>2,306</b>	<b>18.8% ▲</b>
SG&A Expenses	-122	-117	3.9% ▲	-369	-332	11.1% ▲
<b>Operating Profit</b>	<b>863</b>	<b>709</b>	<b>21.7% ▲</b>	<b>2,369</b>	<b>1,973</b>	<b>20.1% ▲</b>
Other Income	26	24	7.3% ▲	75	102	26.4% ▼
Management Fee	-26	-21	21.7% ▲	-71	-59	20.1% ▲
Trustee Remn.	-4	-4	21.7% ▲	-12	-10	20.1% ▲
<b>Profit Before Change in FV</b>	<b>855</b>	<b>706</b>	<b>21.2% ▲</b>	<b>2,351</b>	<b>1,997</b>	<b>17.7% ▲</b>
Change in fair value	0	0	-	1,751	2,128	17.7% ▼
<b>Profit Before Taxation</b>	<b>855</b>	<b>706</b>	<b>21.2% ▲</b>	<b>4,102</b>	<b>4,125</b>	<b>0.6% ▼</b>
Taxation	0	0	-	0	0	-
<b>Profit After Taxation</b>	<b>855</b>	<b>706</b>	<b>21.2% ▲</b>	<b>4,102</b>	<b>4,125</b>	<b>0.6% ▼</b>
Distributable EPU	0.38	0.32	21.2% ▲	1.21	0.90	34.7% ▲
Dividend	0.39	0.33	18.2% ▲	1.42	0.91	56.0% ▲
Bonus	-	-	-	-	-	-

Closing Period: 27 April 22 - 29 April 2022

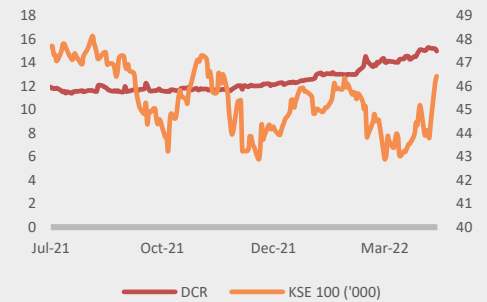
	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
SG&A Expenses to T.Income	-12.3%	-14.2%	1.8% ▼	-13.5%	-14.4%	0.9% ▼
Other Income to T.Income	2.7%	3.0%	0.3% ▼	2.7%	4.4%	1.7% ▼
Mgmt. Fee to T.Income	-2.6%	-2.6%	0.1% ▲	-2.6%	-2.6%	0.0% ▲
Trustee Remn. to T.Income	-0.4%	-0.4%	0.0% ▲	-0.4%	-0.4%	0.0% ▲
Net Margin	86.9%	85.4%	1.5% ▲	85.8%	86.6%	0.8% ▼

Source: ACPL Research, Company Financials

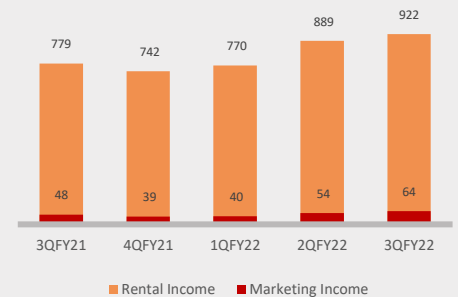
## Key Statistics

Symbol	DCR
TP - Dec 22	15.00
LDCP	14.95
Upside (%)	0.33
Free Float ('mn)	555
Market Cap. (Rs.'mn)	33,155

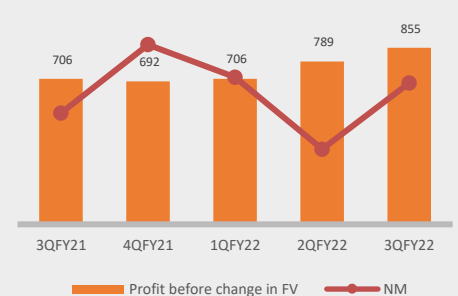
## DCR vs KSE 100



## 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	3,438	3,679	3,936	4,212
Marketing Income	183	151	147	187	206	226	249
<b>Total Income</b>	<b>3,527</b>	<b>2,965</b>	<b>3,086</b>	<b>3,625</b>	<b>3,885</b>	<b>4,163</b>	<b>4,461</b>
Administrative & Operating Expenses	-513	-396	-422	-508	-544	-583	-625
<b>Net Operating Income</b>	<b>3,014</b>	<b>2,568</b>	<b>2,664</b>	<b>3,118</b>	<b>3,341</b>	<b>3,580</b>	<b>3,837</b>
Other income	140	192	130	100	107	114	123
Management Fee	-90	-77	-80	-94	-100	-107	-115
<b>Profit before taxation</b>	<b>6,870</b>	<b>8,118</b>	<b>8,610</b>	<b>6,634</b>	<b>7,602</b>	<b>8,149</b>	<b>8,403</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>6,634</b>	<b>7,602</b>	<b>8,149</b>	<b>8,403</b>
<b>EPU</b>	<b>3.09</b>	<b>3.65</b>	<b>3.87</b>	<b>2.98</b>	<b>3.42</b>	<b>3.66</b>	<b>3.78</b>
<b>Distributable EPU</b>	<b>1.36</b>	<b>1.20</b>	<b>1.21</b>	<b>1.39</b>	<b>1.49</b>	<b>1.60</b>	<b>1.71</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Rental Income	9.8%	-15.9%	4.4%	17.0%	7.0%	7.0%	7.0%
Marketing Income	-13.1%	-17.1%	-2.6%	27.0%	10.0%	10.0%	10.0%
<b>Total Income</b>	<b>8.3%</b>	<b>-15.9%</b>	<b>4.1%</b>	<b>17.5%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.2%</b>
Administrative & Operating Expenses	6.0%	-22.8%	6.4%	20.4%	7.2%	7.2%	7.2%
<b>Net Operating Income</b>	<b>8.7%</b>	<b>-14.8%</b>	<b>3.7%</b>	<b>17.0%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.2%</b>
Other income	23.7%	37.5%	-32.1%	-23.5%	7.2%	7.2%	7.2%
Management Fee	8.7%	-14.8%	3.7%	17.0%	7.2%	7.2%	7.2%
<b>Profit before change in fair value of investment property</b>	<b>9.3%</b>	<b>-12.4%</b>	<b>1.1%</b>	<b>15.1%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.2%</b>
Change in fair value of investment property / unrealized gain	68.3%	42.3%	8.5%	-40.2%	21.1%	7.2%	0.0%
<b>Profit before taxation</b>	<b>35.9%</b>	<b>18.2%</b>	<b>6.1%</b>	<b>-23.0%</b>	<b>14.6%</b>	<b>7.2%</b>	<b>3.1%</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>-23.0%</b>	<b>14.6%</b>	<b>7.2%</b>	<b>3.1%</b>
<b>EPU</b>	<b>35.9%</b>	<b>18.2%</b>	<b>6.1%</b>	<b>-23.0%</b>	<b>14.6%</b>	<b>7.2%</b>	<b>3.1%</b>
<b>Distributable EPU</b>	<b>9.3%</b>	<b>-12.4%</b>	<b>1.1%</b>	<b>15.1%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.2%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
OP Margin	%	85.45	86.63	86.34	86.00	86.00	86.00	86.00
ROE	%	14.86	15.83	14.99	10.92	11.70	11.77	11.39
ROCE	%	6.49	4.99	4.62	5.08	5.10	5.10	4.78
ROA	%	14.61	15.60	14.82	10.73	11.52	11.53	10.41
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	3.51	2.96	4.22	4.70	4.39	4.64	4.14
Quick	x	3.01	2.42	3.71	4.18	3.87	4.12	3.62
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Receivables Days		15.54	26.34	19.03	16.20	15.12	14.11	13.17
Payables Days		55.11	7.68	21.74	18.06	16.85	15.73	14.68
Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
DPS		1.32	1.25	1.24	1.50	1.50	1.75	1.75
Div. Yield	%	8.83	8.36	8.29	10.03	10.03	11.71	11.71
Dividend Cover	x	2.34	2.92	3.12	1.99	2.28	2.09	2.16
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	2.98	3.42	3.66	3.78
Distributable EPU		1.36	1.20	1.21	1.39	1.49	1.60	1.71
Un-Distributable EPU		1.72	2.45	2.66	1.59	1.93	2.07	2.07
BVPS		20.79	23.06	25.82	27.31	29.23	31.14	33.17
P/E	x	10.96	12.50	12.36	10.74	10.03	9.36	8.73
P/BV	x	0.72	0.65	0.58	0.55	0.51	0.48	0.45

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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