



Date
04-May-2018

Analysts
Jhangeer Hanif
jhangeer@pacra.com

Sehar Fatima
sehar.fatima@pacra.com

+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Corporate Rating Methodology (Jul 17)
- Methodology | Correlation between long-term and short-term rating scale (Jun 17)
- Methodology | Criteria Modifiers (Jun 17)

Related Research

- Sector Study | Cement (Nov 17)

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

PACRA Assigns Initial Entity Rating to D.G. Khan Cement Company Limited

Rating Type	Entity
	Current (04-May-2018)
Action	Initial
Long Term	AA-
Short Term	A1+
Outlook	Stable
Rating Watch	-

DG Khan Cement’s rating reflect company’s strong position in the cement industry emanating from its third highest market share in terms of capacity. The company’s two existing manufacturing units (Khairpur Site and DG Khan Site) are operating at full capacity. The profitability is fortified by cost-efficient operational framework translating in strong EBITDA margins. The company has planned commencement of its third manufacturing unit (Hub Site) in Jun-18 which will add capacity of 2.7mln tpa to the company’s existing capacity. This will assist the company in improving its market share amid industry wide capacity expansions going on. In addition to this, the company is eyeing new export fronts and exploring new opportunities to channel exports in cost-efficient manner. The business profile of the company is strengthened by high capacity utilization, strong local demand, rebounding dispatches on exports front. Furthermore, the established dividend stream of the company from investments in Nishat Group companies continues to augment the bottom-line of the company. The company’s financial risk remains low mainly reflected from moderately leveraged capital structure and robust equity base. The rating derive benefit/comfort from (i) the company’s association with Nishat Group, (ii) strong local demand on the back of rising economic and infrastructure activity.

The ratings are dependent on upholding of the company’s business vis-à-vis financial risk profile. Any significant deterioration in the sector’s outlook particularly any unfavorable change in demand and expansion matrix, thereby exerting pressure on prices and margins, may negatively impact the ratings.

About the Entity

DG Khan Cement, operates as the third largest cement manufacturer of the country with total cement capacity of 4.2mln tons p.a. DG Khan Cement, listed on PSX, is owned by Nishat Group (~49%), mainly through associated companies (32%), followed by sponsor family members (~17%). The overall control of the company vests in seven member board including the CEO. Mrs. Naz Mansha and Mr. Raza Mansha, the Chairperson and the CEO, both represent sponsoring family on board. Two board members (including CEO) hold executive positions while four are non executives including one independent director. The CEO, Mr. Raza Mansha is associated with the company in capacity of CEO since 2003.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.