



Date

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Applicable Criteria

- Methodology | Corporate Ratings (Jun 18)
- Methodology | Criteria | Rating Modifier (Jun 18)
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale (Jun 18)

Related Research

- Sector Study | Cement (Nov 18)

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PACRA Maintains Entity Ratings of D.G. Khan Cement Company Limited

Rating Type	Entity	
	Current (16-Nov-2018)	Previous (03-May-2018)
Action	Maintain	Initial
Long Term	AA-	AA-
Short Term	A1+	A1+
Outlook	Stable	Stable
Rating Watch	-	-

DG Khan Cement’s ratings 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 healthy EBITDA margins. The third manufacturing unit of the company has started its operations at Hub site which added 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. 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 profile reflects moderate leveraging, however comfort can be drawn from good operating cashflows, supplemented by dividend stream. Association of the company with Nishat Group is a consideration.

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 slowdown in economic growth, interest rate fluctuation and delay in infrastructure projects may affect the ratings. Industry’s dynamics encompassing expected challenges of supply glut, substantial decline in local demand or deterioration in cement prices will negatively affect the ratings.

About the Entity

DG Khan Cement, operates as the third largest cement manufacturer of the country with total cement capacity of 7.1mln 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.

