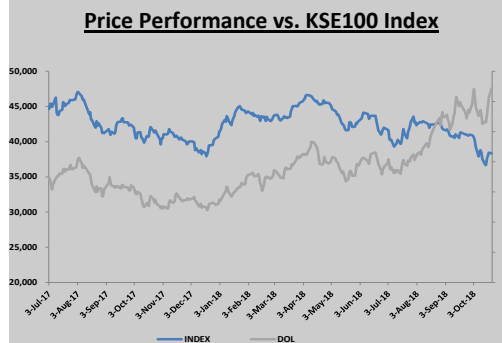


- Descon Oxychemical Limited (DOL) Board of Directors meeting will be held today to consider unaudited financial result for the 1QCY19. We expect company to post an EPS of Rs.2.40
- Sequential (QoQ) increase in EPS of the company can be attributed to better selling prices, as selling price of H2O2 hovered around Rs.105/kg in the quarter versus average selling prices of Rs.83/kg in the 4QFY18.
- We expect full year earning to clock in at Rs.7.63/share. Our June-19 base TP for the company stands at Rs.45.78/share, which offers an upside of ~42% (despite recent price performance).
- We see no significant increase in COGS for the quarter, which will result in increased gross margin for the company. However, we see gross margins to shrink going forward on the back of recent increase in gas prices effective from October 18.

### Redemption of Preference Shares

- Company in its Extraordinary General Meeting held on 27th July, 2018 has passed a resolution, which has given the company sole option to redeem its preference shares. Company may redeem these preference shares by using its own profit or through funds obtained from any other source (sponsor or through loans obtained from financial institutions). If company decides to redeem preference shares partially it will be done on a pro rata basis for all shareholders.
- If company decides to redeems its preference shares in light of the resolution, it will be materially positive for equity shareholders. Incase debt is used it would avoid possible dilution and will result in tax efficient capital structure. Redemption will also result in better cash flows and companies ability to pay out a cash dividend.

KATS Symbol	DOL
Reuters Symbol	DOL.KA
<b>Target Price</b>	<b>Rs. 45.78</b>
LDCP	Rs32.20
Outstanding Shares (mn)	102
Free Float (mn)	40.80
Market Cap (mn Rs)	3,309.09



Source: PSX

### EPS Estimates

	FY18	FY19E
Diluted EPS	1.86	7.63
P/E	17.31	4.2

Source: Co Financials, AS Research

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**Disclaimer**

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**Analyst Certification**

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**Valuation Methodology**

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method ( P/E, P/B, Justified P/B & P/E etc.)
- Discounted Cash flow Method
- Equity and Asset based valuation

**Rating**

BUY	Total return more than 20% from last closing of market price
HOLD	Total return is in between 10% and 20% from last closing of market price
REDUCE	Total return is less than 10% from last closing market price