

**Lucky Cement Limited**  
Result Preview

PSX: LUCK Bloomberg: LUCK PA Reuters: LUKC.PSX

Pakistan Research

## 1QFY23 EPS likely to clock in at PKR 22.38, up 9% YoY

- Lucky Cement board meeting is scheduled on 27th October 2022 to consider 1QFY23 financial result. We expect the company to report consolidated EPS of PKR 22.38 in 1QFY23, up 9% YoY, compared to an EPS of 20.57 in 1QFY22.
- On unconsolidated basis, the company is expected to post an EPS of PKR 10.74 in 1QFY23, up 6% YoY, on account of higher cement prices.
- Revenue from cement operations is anticipated to grow by 8% YoY to PKR 18.2bn in 1QFY23. Though cement dispatches of the company are likely to decline by 25% YoY owing to higher rains followed by flash floods in the outgoing quarter, however, higher cement retention prices of 78% YoY is likely to offset the dispatches decline.
- Gross margin of the company is anticipated to remain stagnant at 28% compared to 27% SPLY, as the company increases cheaper coal quantum in its coal mix.
- Other income of the company is likely to decline by 23% to YoY to 1.14bn, this is primarily due to lower dividends announced by ICI.
- Lucky Cements is likely to report an effective tax rate of 27% compared to 24% SPLY. Higher tax rate is likely due to the introduction of new taxation policy in FY23 budget.
- We have a "BUY" recommendation on LUCK with our June-23 price Target of PKR 875/share, providing an upside of 41%.

### Key Data

PSX Ticker	LUCK
Target Price (PKR)	875
Current Price (PKR)	508
Upside/(Downside) (%)	+41%
Dividend Yield (%)	0.0%
Total Return (%)	+ 41%
12-month High (PKR)	818
12-month Low (PKR)	407
Outstanding Shares (mn)	323
Market Cap (PKR mn)	160,904
Year End	June

Source: Company Accounts, Akseer Research

### Financial Estimates (PKR mn) – Unconsolidated

	1QFY22	1QFY23F	YoY
Net Sales	16,915	18,191	8%
Cost of Sales	12,298	13,081	6%
<b>Gross Profit</b>	<b>4,618</b>	<b>5,110</b>	<b>11%</b>
Selling & Admin. Exp	1,347	1,051	-22%
Other Income	1,472	1,141	-23%
Other expenses	347	333	-4%
Finance cost	93	140	50%
<b>Profit before tax</b>	<b>4,302</b>	<b>4,727</b>	<b>10%</b>
Taxation	1,018	1,251	23%
<b>Net Income</b>	<b>3,283</b>	<b>3,476</b>	<b>6%</b>
<b>EPS – Unconsolidated</b>	<b>10.15</b>	<b>10.75</b>	
<b>EPS - Consolidated</b>	<b>20.57</b>	<b>22.38</b>	

Source: Company Accounts, Akseer Research

### Key Financial Ratios – Consolidated

	FY20A	FY21A	FY22A	FY23E	FY24F	FY25F
EPS	19.0	70.7	91.2	107.1	113.3	164.0
EPS Growth	-45.9%	272.8%	29.0%	17.4%	5.8%	44.8%
DPS	-	-	-	-	-	-
PER	27.0	7.2	5.6	4.8	4.5	3.1
Dividend Yield	-	-	-	-	-	-
EV/EBITDA	16.3	6.4	6.2	4.0	3.5	2.3
P/B	1.3	1.1	0.8	0.7	0.6	0.6
ROE	5.6%	18.0%	18.2%	15.8%	14.9%	19.7%

Source: Company Financials, Akseer Research

**Altamash Hemani**  
[altamash.hemani@alphacapital.com.pk](mailto:altamash.hemani@alphacapital.com.pk)

### Valuation Basis

Our PT for Lucky Cement Limited (LUCK) has been computed using Some of the parts (SOTP) valuation. We have used a risk-free rate of 13%, beta of 1.0 & market risk premium of 6% to arrive at cost of equity of 19%.

### Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of 875/share. Our price target indicates an upside of 41%. Our investment case is based on i) Brownfield expansion at Pezu, iii) healthy dividend contribution from Auto project, ICI and coal-based power project.

### Risks

Key risks to our investment thesis include (1) lower than estimated earnings from overseas cement operations 2) higher than anticipated increase in input cost (Coal, FO, Gas), 3) lower than anticipated growth in cement demand 4) lower than estimated increase in cement prices 5) Lower than forecasted automobile sales 6) downward revision in tariff for power project and 7) lower than expected growth in profitability of ICI.

### Company Description

Lucky Cement Limited (LUCK) is a manufacturer and supplier of cement. It produces various types of cement such as the Ordinary Portland Cement (OPC), clinkers, block cement and the sulfate resistant cement. The company has manufacturing plants in both North and South regions of the country, and also in Iraq and Congo. The company operates as a group company of Yunus Brothers Group and have exposure to chemical (ICI) and power generation business.

### Financial Highlights - LUCK

Income Statement (PKR mn) - Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
Net sales	123,768	207,159	331,462	424,359	451,140	486,831
Cost of sales	104,811	159,614	268,291	339,972	368,751	384,666
<b>Gross Profit</b>	<b>18,957</b>	<b>47,545</b>	<b>63,171</b>	<b>84,387</b>	<b>82,389</b>	<b>102,166</b>
SG & A	11,870	15,531	17,585	24,369	25,714	28,296
<b>Operating Profit</b>	<b>7,087</b>	<b>32,014</b>	<b>45,586</b>	<b>60,018</b>	<b>56,675</b>	<b>73,870</b>
Other income	2,376	2,928	7,337	4,517	7,640	11,007
Other charges	1,203	4,915	4,466	2,490	2,869	3,993
Finance cost	2,367	1,464	7,095	20,939	17,022	15,347
<b>Profit before tax</b>	<b>8,931</b>	<b>33,002</b>	<b>47,036</b>	<b>47,570</b>	<b>50,890</b>	<b>71,948</b>
Taxation	1,614	4,773	10,613	8,802	9,445	13,571
<b>Profit after tax</b>	<b>7,317</b>	<b>28,229</b>	<b>36,423</b>	<b>38,768</b>	<b>41,445</b>	<b>58,377</b>
NCI	1,185	5,371	6,925	4,145	4,805	5,339
<b>Attributable to parent</b>	<b>6,132</b>	<b>22,858</b>	<b>29,497</b>	<b>34,623</b>	<b>36,639</b>	<b>53,038</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) - Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
PPE	190,789	215,582	276,029	296,103	289,864	284,945
Other LT assets	32,295	35,007	51,932	55,342	57,808	59,957
Non-Current Assets	223,084	250,590	327,961	351,445	347,672	344,902
Current assets	68,803	110,808	175,726	203,352	228,370	243,606
<b>Total Assets</b>	<b>291,887</b>	<b>361,398</b>	<b>503,687</b>	<b>554,797</b>	<b>576,042</b>	<b>588,508</b>
Non-Current liabilities	99,601	113,524	154,606	155,577	155,423	144,830
Current liabilities	60,799	90,848	149,323	153,426	143,338	146,890
<b>Total Liabilities</b>	<b>160,400</b>	<b>204,371</b>	<b>303,929</b>	<b>309,004</b>	<b>298,761</b>	<b>291,720</b>
Equity	131,487	157,026	199,758	245,794	277,281	296,789
<b>Total Equity &amp; liabilities</b>	<b>291,887</b>	<b>361,398</b>	<b>503,687</b>	<b>554,797</b>	<b>576,042</b>	<b>588,509</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) - Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
Net Income	7,317	28,229	36,423	38,768	41,445	58,377
Non-cash Charges	8,147	8,814	8,926	15,110	16,428	17,010
<b>Operating Cash flows</b>	<b>10,391</b>	<b>20,723</b>	<b>(6,116)</b>	<b>68,332</b>	<b>62,703</b>	<b>100,425</b>
<b>FCFF</b>	<b>(51,136)</b>	<b>(11,231)</b>	<b>(77,502)</b>	<b>50,311</b>	<b>66,441</b>	<b>100,786</b>
Net borrowings	51,637	12,818	80,210	(5,454)	(10,735)	(9,170)
<b>FCFE</b>	<b>(1,438)</b>	<b>335</b>	<b>(2,785)</b>	<b>27,793</b>	<b>41,843</b>	<b>79,164</b>
Net change in cash	(2,539)	(2,355)	3,524	35,060	31,885	40,295
<b>Closing cash</b>	<b>15,732</b>	<b>13,377</b>	<b>16,901</b>	<b>51,961</b>	<b>83,846</b>	<b>124,142</b>

Source: Company Accounts, Akseer Research

**Disclaimer**

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

**Valuation Methodology**

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

**Ratings Criteria**

JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

**Research Dissemination Policy**

The JV endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

**Analyst Certification**

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

**Contact Details****Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8, off.

Shahrah-e-Faisal

T: +92-21-34320359 -60

E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

**Alpha Capital (Pvt) Limited** (Formerly: Alfa Adhi Securities (Pvt) Limited)

3<sup>rd</sup> Floor, Shaheen Chambers, A-4 Central Commercial Area,

KCH Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: [info@alfaadhi.pk](mailto:info@alfaadhi.pk)