

LUCK: FY21 unconsolidated earnings clock in at PKR 43.51/share

- Lucky Cement held its board meeting on Saturday and disclosed its financial results today. The company reported FY21 unconsolidated earnings of PKR 43.51/share, up 3.2x YoY. The increase in earnings is primarily attributable to higher retention prices and healthy surge in despatches. On consolidated basis, LUCK FY21 earnings clocked in at PKR 70.69/share, up 3x YoY. However, in contrast to our expectation the company did not announce any dividend for the period.
- During FY21, LUCK's revenue grew 50% YoY to PKR 62.9bn, primarily driven by 31% YoY increase in volumes. Net sales for the 4QFY21 stood at PKR 15.8bn up 68% YoY on the back of higher despatches (up 29% YoY) and an increase in average cement prices in the country (up 19% YoY in North and 2% YoY in South).
- Gross margins during FY21 clocked in at 30% as compared to 15% in FY20. The increase in margins is attributable to higher retention prices during the year while an increase in volumes and lower energy cost further augmented the margins for the period. On a quarterly basis, gross margins settled at a lower level of 27%, primarily owing to a surge in coal prices (during 4Q, average coal prices were ~USD 104/ton and peaked to a high of USD 117/ton).
- Other income increased 2.4x YoY owing to higher dividends from LMC and ICI, while other charges during the year grew ~3.0x YoY on the back of improved profitability, possibly due to a higher amount being allocated to WPPF, WWF.
- We have a 'BUY' stance on LUCK. Our Dec-21 price target (PT) of PKR 1,265/share provides a potential upside of 45%.

Key Data

PSX Ticker	LUCK
Target Price (PKR)	1,265
Current Price (PKR)	873
Upside/(Downside) (%)	+ 45%
Dividend Yield (%)	0.0%
Total Return (%)	+ 45%
12-month High (PKR)	904
12-month Low (PKR)	305
Outstanding Shares (mn)	323.4
Market Cap (PKR mn)	282,183
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimate (PKR mn) - Unconsolidated

	4QFY20	4QFY21	YoY	FY20	FY21	YoY
Net Sales	9,423	15,838	68%	41,871	62,941	50%
Cost of Sales	7,872	11,586	47%	35,794	43,985	23%
Gross Profit	1,551	4,252	174%	6,077	18,956	212%
Distri. & Admin. Exp.	1,035	1,286	24%	4,889	6,116	25%
Other Income	197	661	237%	3,186	5,846	84%
Other Charges	87	344	297%	378	1,361	261%
Finance Cost	84	87	3%	176	333	89%
Profit Before Tax	542	3,197	490%	3,820	16,992	345%
Taxation	133	814	512%	476	2,922	514%
Net Income	409	2,383	483%	3,344	14,070	321%
EPS - Unconsolidated	1.26	7.37		10.34	43.51	
EPS - Consolidated	4.58	14.32		18.96	70.69	
DPS	-	-		-	-	

Source: Company Accounts, Akseer Research

Key Financial Ratios - Consolidated

	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
EPS	45.83	35.03	18.96	70.69	127.04	164.77
EPS Growth	-9%	-24%	-46%	273%	80%	30%
DPS	13.00	6.50	-	-	10.00	15.00
PER	19.0	24.9	46.0	12.3	6.9	5.3
Dividend Yield	1.5%	0.7%	0.0%	0.0%	1.1%	1.7%
EV/EBITDA	11.1	14.7	23.9	9.3	4.9	3.8
P/B	2.6	2.3	2.1	1.8	1.2	1.1
ROE	14.8%	9.9%	5.6%	18.0%	20.0%	22.0%

Source: Company Accounts, Akseer Research

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Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of 1,265/share. Our price target indicates an upside of 45%. Our investment case is based on i) improved fundamentals of local cement operations ii) Brownfield expansion at Pezu, iii) healthy growth in auto sales and margins from Auto project, iv) expansion in overseas cement operations v) contribution from 660MW coal-based power project and vi) increase in earnings from ICI.

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						
	FY18A	FY19A	FY20A	FY21	FY22F	FY23F
Net sales	97,542	108,296	123,768	207,159	339,777	384,911
Cost of sales	71,944	84,507	104,811	159,614	257,199	287,544
Gross Profit	25,598	23,789	18,957	47,545	82,578	97,367
SG & A	7,323	9,130	11,870	15,531	20,679	23,261
Operating Profit	18,276	14,659	7,087	32,014	61,899	74,106
Other income	2,767	3,000	2,376	2,928	2,951	5,168
Other charges	2,204	1,904	1,203	4,915	2,297	2,889
Finance cost	830	1,610	2,367	1,464	17,124	16,705
Share from Associate	1,865	1,013	3,038	4,439	4,979	5,371
Profit before tax	19,873	15,158	8,931	33,002	50,408	65,052
Taxation	3,700	2,811	1,614	4,773	4,586	6,367
Profit after tax	16,174	12,347	7,317	28,229	45,822	58,685
NCI	1,354	1,019	1,185	5,371	4,740	5,403
Attributable to Parent	14,820	11,328	6,132	22,858	41,082	53,281

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21	FY22F	FY23F
PPE	73,865	135,476	190,789	215,725	293,298	290,273
Other LT assets	22,175	26,810	32,295	35,007	43,530	45,647
Non-Current Assets	96,040	162,286	223,084	250,732	336,828	335,921
Current assets	69,083	64,735	68,803	110,665	145,952	167,407
Total Assets	165,123	227,021	291,887	361,398	482,780	503,327
Non-Current liabilities	22,957	49,372	99,601	113,524	170,715	156,415
Current liabilities	32,591	52,379	60,799	90,848	82,468	79,938
Total Liabilities	55,548	101,751	160,400	204,371	253,183	236,353
Equity	109,575	125,270	131,487	157,026	229,597	266,974
Total Equity & liabilities	165,123	227,021	291,887	361,398	482,780	503,327

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21	FY22F	FY23F
Net Income	16,174	12,347	7,317	28,229	45,822	58,685
Non-cash Charges	5,811	6,400	8,147	8,814	14,442	15,047
Operating Cash flows	14,406	20,375	10,391	20,866	74,669	64,401
FCFF	(5,550)	(46,034)	(51,136)	(11,231)	(1,694)	67,532
Net borrowings	7,138	27,885	51,637	12,818	49,276	(11,294)
FCFE	913	(19,460)	(1,438)	335	32,015	41,169
Net change in cash	(1,891)	(16,112)	(2,539)	(2,355)	58,765	19,861
Closing cash	34,382	18,270	15,732	13,377	72,142	92,002

Source: Company Accounts, Akseer Research

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