

**Lucky Cement Limited**  
Result Preview

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

Pakistan Research

**LUCK: 4QFY22 EPS likely to clock in at PKR 1.52, down 79% YoY**

- Luck's board meeting is scheduled today to consider FY22 financial results. We expect the company to post an EPS of PKR 36.5, down 16% YoY compared to 43.5 in SPLY. This decline is mainly attributable higher effective tax rate.
- Topline of the company is anticipated to grow by 34% YoY to PKR 84.0bn in FY22. This is on the back of 43% YoY higher cement retention prices despite 6% YoY decline in cement dispatches.
- Gross margins are likely to contract by 6.3% and settle at 23.8% in FY22, compared to 30.1% in SPLY. This is mainly on account of abrupt rise in coal price by 121% YoY along with non-availability of cheaper gas.
- Other income is expected to grow by 19% YoY to PKR 6.9bn during the year owing to PKR 1.5bn technical services fee charged to JV in Congo. Just to recall, PKR 792mn included in other income is non recurring.
- Despite a growth of 10% in pre-tax profit, company's net profit is expected to decline by 7% YoY during FY22 on the back of 10% super tax imposed on FY22 earnings.
- On quarterly basis, LUCK's EPS is likely to clock in at PKR 1.52, down 79% YoY. This decline is mainly due to higher tax expense booked in 4Q owing to super tax. Topline of the company is anticipated to grow by 59% YoY to PKR 25.2bn due to 66% YoY higher retention prices. However, gross margins are expected to shrink 3pp to 24% owing to 120% YoY higher coal price and gas availability issue.
- We have a "BUY" recommendation on LUCK with SOTP based Price Target of PKR 923/share, providing an upside of 104%.

**Key Data**

PSX Ticker	LUCK
Target Price (PKR)	923
Current Price (PKR)	452
Upside/(Downside) (%)	+ 104%
Dividend Yield (%)	0.0%
Total Return (%)	+ 104%
12-month High (PKR)	889
12-month Low (PKR)	407
Outstanding Shares (mn)	323.4
Market Cap (PKR mn)	146,166
Year End	June

Source: Company Accounts, Akseer Research

**Financial Estimates (PKR mn)**

	4QFY21	4QFY22E	YoY	FY21	FY22E	YoY
Net Sales	15,838	25,156	59%	62,941	84,046	34%
Cost of Sales	11,586	19,134	65%	43,985	64,038	46%
<b>Gross Profit</b>	<b>4,252</b>	<b>6,022</b>	<b>42%</b>	<b>18,956</b>	<b>20,007</b>	<b>6%</b>
Selling & Admin. Exp	1,286	1,679	31%	6,116	6,461	6%
Other Income	661	601	-9%	5,846	6,956	19%
Other expenses	344	374	8.7%	1,361	1,497	10%
Finance cost	87	12	-87%	333	283	-15%
<b>Profit before tax</b>	<b>3,197</b>	<b>4,558</b>	<b>43%</b>	<b>16,992</b>	<b>18,723</b>	<b>10%</b>
Taxation	814	4,066	399%	2,922	6,922	137%
<b>Net Income</b>	<b>2,383</b>	<b>492</b>	<b>-79%</b>	<b>14,070</b>	<b>11,800</b>	<b>-16%</b>
EPS	7.37	1.52	-79%	43.51	36.49	-16%

Source: Company Accounts, Akseer Research

**Key Financial Ratios**

	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
EPS	32.4	10.3	43.5	36.5	31.2	31.7
EPS Growth	-14%	-68%	321%	-16%	-15%	2%
DPS	6.5	0.0	0.0	0.0	0.0	5.8
PER	13.9	43.7	10.4	12.4	14.5	14.3
Dividend Yield	1.4%	0.0%	0.0%	0.0%	0.0%	1.3%
EV/EBITDA	10.0	29.1	9.0	8.5	12.5	11.7
P/B	1.6	1.5	1.3	1.2	1.1	1.0
ROE	11.1%	3.4%	12.4%	9.4%	7.4%	7.1%

Source: Company Financials, Akseer Research

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Our PT for Lucky Cement Limited (LUCK) has been computed using free cash flow to equity (FCFE) method. 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 923/share. Our price target indicates an upside of 104%. 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)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	48,021	41,871	62,941	84,046	105,793	106,603
Cost of sales	34,038	35,794	43,985	64,038	91,772	92,897
<b>Gross Profit</b>	<b>13,984</b>	<b>6,077</b>	<b>18,956</b>	<b>20,007</b>	<b>14,021</b>	<b>13,706</b>
SG & A	3,932	4,889	6,116	6,461	6,247	5,859
<b>Operating Profit</b>	<b>10,052</b>	<b>1,188</b>	<b>12,840</b>	<b>13,547</b>	<b>7,775</b>	<b>7,847</b>
Other income	3,242	3,186	5,846	6,956	6,303	6,360
Other charges	1,048	378	1,361	1,497	1,262	1,293
Finance cost	3,242	3,186	5,846	6,956	6,303	6,360
<b>Profit before tax</b>	<b>12,221</b>	<b>3,820</b>	<b>16,992</b>	<b>18,723</b>	<b>12,659</b>	<b>12,859</b>
Taxation	1,731	476	2,922	6,922	2,658	2,700
<b>Profit after tax</b>	<b>10,490</b>	<b>3,344</b>	<b>14,070</b>	<b>11,800</b>	<b>10,000</b>	<b>10,159</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	57,276	60,155	62,390	77,783	90,268	88,716
Other LT assets	34,434	47,246	53,302	47,252	47,252	47,252
Non-Current Assets	91,710	107,401	115,692	125,034	137,519	135,968
Current assets	33,379	28,468	40,676	47,635	57,604	67,610
<b>Total Assets</b>	<b>125,089</b>	<b>135,868</b>	<b>156,368</b>	<b>172,670</b>	<b>195,124</b>	<b>203,578</b>
Non-Current liabilities	7,193	7,729	12,781	16,336	21,662	30,829
Current liabilities	23,578	28,955	30,387	31,690	40,249	31,252
<b>Total Liabilities</b>	<b>30,771</b>	<b>36,685</b>	<b>43,168</b>	<b>48,026</b>	<b>61,911</b>	<b>62,081</b>
Equity	94,318	99,184	113,200	124,643	133,213	141,496
<b>Total Equity &amp; liabilities</b>	<b>125,089</b>	<b>135,868</b>	<b>156,368</b>	<b>172,670</b>	<b>195,124</b>	<b>203,578</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn)						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	10,490	3,344	14,070	11,810	10,085	10,245
Non-cash Charges	3,321	3,854	4,283	4,426	4,924	5,934
<b>Operating Cash flows</b>	<b>7,507</b>	<b>(8,115)</b>	<b>(542)</b>	<b>21,047</b>	<b>11,470</b>	<b>3,671</b>
<b>FCFF</b>	<b>(12,118)</b>	<b>(14,686)</b>	<b>(6,774)</b>	<b>1,407</b>	<b>(5,814)</b>	<b>(668)</b>
Net borrowings	2,900	5,479	2,112	(826)	4,326	10,000
<b>FCFE</b>	<b>(19,460)</b>	<b>(1,438)</b>	<b>335</b>	<b>1,415</b>	<b>36,592</b>	<b>58,389</b>
Net change in cash	(11,778)	(7,841)	(4,991)	783	(1,613)	7,404
<b>Closing cash</b>	<b>15,657</b>	<b>7,817</b>	<b>2,825</b>	<b>3,608</b>	<b>1,995</b>	<b>9,400</b>

Source: Company Accounts, Akseer Research

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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.

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