

## Cements

### LUCK: 2QFY24 Management Call Takeaways

- LUCK held its corporate briefing session to discuss 1HFY24 financial results. Management also provided further details on key developments and future outlook for the Company.
- The Company reported unconsolidated 1HFY24 earnings of PKR 13.7bn (EPS PKR 46.79 @ 293mn shares), up by +2.06xy/y compared to PKR 7.1bn (EPS PKR 24.33 @ 293mn shares) in the similar period last year.
- LUCK has been working towards cost cutting strategies, the company has new energy projects in place with the capacity of 103MW, after the completion of the 28.8MW wind power project LUCK would be able to meet ~50% of its energy requirements by itself adding to better gross margins.
- Foreign cement operations of the company have contributed significantly towards the earnings of the company, almost 40% of the company's earnings are now USD pegged which adds towards the sustainability of the earnings.

Lucky Cement Limited (LUCK) held its corporate briefing session to discuss 1HFY24 financial results. Management also provided further details on key developments and future outlook for the Company.

#### LUCK reported earnings growth of +2.06xy/y to PKR 46.8/share during 1HFY24

The Company reported unconsolidated 1HFY24 earnings of PKR 13.7bn (EPS PKR 46.79 @ 293mn shares), up by +2.06xy/y compared to PKR 7.12bn (EPS PKR 24.30 @ 293mn shares) in the similar period last year. The Company did not announce any cash dividend along with the result.

Earnings improved on the back of rise in volumetric dispatches, the dispatches were up by 23.4%/y due to significant increase in exports.

Domestic cement sales increased by 12.2% to reach 3.3 MT in 1HFY24, Export volumes witnessed an incline of 59.4%/y. Market share of LUCK stood at 16.5% compared to 14.9% during the same period last year.

Pre-tax operating performance increased significantly by 91%/y to PKR 17.1bn in 1HFY24.

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### Key highlights from management conference call

- LUCK has been working towards cost cutting strategies, the company has new energy projects in place with the capacity of 103MW, after the completion of the 28.8MW wind power project during 4QFY24 LUCK would be able to meet 50% of its energy requirements by itself adding to better gross margins.
- During 2QFY24, the gross margins were higher due to the coal inventory which was sourced at low prices, the company does not expect the gross margins to sustain in the long run if the coal prices rise.
- Foreign cement operations contributed significantly towards the earnings of the Company, after the addition of 1.8 MT clinker production facility in Iraq the company expects almost 40% of its earnings pegged to USD, which adds to the sustainability of the earnings.
- LUCK expects the cement demand to stay under pressure during the 2HFY24 due to the elections, Ramadan and EID, they expect cement demand to rise in the 4QFY24 owing to better allocation to PSDP. The outlook for 2HFY24 as per the Company is stable to weak.
- Other income had a significant contribution in the earnings of the company during the 2QFY24 owing to the dividend of PKR 1.4bn received from Lucky Motor Corporation (LMC), as per the company the dividend was entitled last year but the cash flow came in this year and the dividend has nothing to do with the performance of the automobile sector.
- LUCK is not proceeding with the acquisition of LOTCHEM due to non-fulfillment of conditions as per the share purchase agreement within the stipulated timelines.
- LUCK foresees a good potential in the JV deal with National Resources Limited. LUCK is to invest PKR 1bn for the exploration and mining of metals (i.e., Gold and Copper). Out of the total PKR 1bn, PKR 475mn have already been invested. The project is supposed to be a long-term project, the pre-feasibility study is to take approximately 18 months and the CAPEX to initiate in 4 years' time.

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