

Day Break

Tuesday, 28 January 2020

COMPANY UPDATE

Lucky Cement Limited

Cement

Recommendation **NEUTRAL**

Target Price: Dec/20 462.3

Last Closing: 27-Jan-20 491.8

Upside: - 6.0

Valuation Methodology: Discounted Cash Flow (DCF)

Time Horizon: 11M

Market Data

Bloomberg Tkr. LUCK PA

Shares (mn) 323.4

Free Float Shares (mn) 129.4

Free Float Shares (%) 40.0%

Market Cap (PKRbn | USDmn) 159.0 | 1,028.0

Exchange KSE 100

Price Info. 90D 06M 12M

Abs. Return (100.0) (100.0) (100.0)

Lo - - -

Hi 498.4 498.4 503.8

Key Company Financials

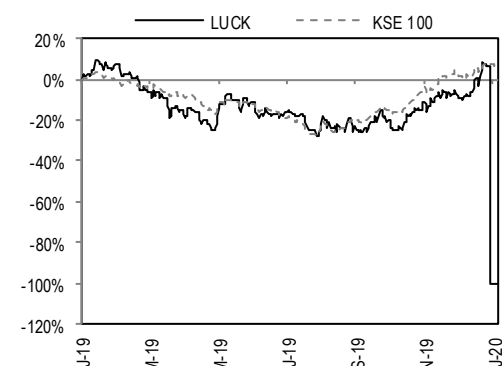
Period End: Jun

PKRbn	FY19a	FY20e	FY21f	FY22f
Total Revenue	48.0	43.3	52.5	57.8
Net Income	10.5	3.5	4.7	7.2
EPS (PKR)	32.4	10.9	14.5	22.1
DPS (PKR)	6.5	2.5	3.0	4.5
Total Assets	125.1	124.0	129.4	135.2
Total Equity	94.3	95.7	99.6	105.8

Key Financial Ratios

ROE (%)	14.7	11.6	3.7	4.8
P/E (x)	15.2	45.2	33.9	22.2
P/B (x)	1.8	1.7	1.7	1.6
DY (%)	1.3	0.5	0.6	0.9

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Cements

LUCK: 2QFY20E EPS to decline by 59%YoY to PKR 3.82, 1HFY20 comes to PKR 6.77

- ✓ Lucky Cement Limited's (LUCK) board meeting is scheduled on 29th Jan-19 to announce financial result for 2QFY20, wherein we expect the company to post unconsolidated earnings of PKR 1.23bn, down by 59% YoY, compared to PKR 3.01bn in the same period last year.
- ✓ Moreover, we expect LUCK to continue enjoying a lower effective tax rate of around 10%, thanks to available tax credits. No dividends are expected along with the result

2QFY20E earnings to drop by 59%YoY to PKR 3.82/share; 1HFY20 EPS to close at PKR 6.77

Lucky Cement Limited's (LUCK) board meeting is scheduled on 29th Jan-19 to announce financial result for 2QFY20, wherein we expect the company to post unconsolidated earnings of PKR 1.23bn (EPS: PKR 3.82), down by 59% YoY, compared to PKR 3.01bn (EPS: PKR 9.30) in the same period last year. This will bring 1HFY20E earnings to PKR 2.19bn (EPS: PKR 6.77), down by 60% YoY, as against PKR 5.50bn (EPS: PKR 17.01) reported in the similar period of the preceding year.

Net sales of the Company during 2QFY20E are expected to decline materially by 13% YoY, courtesy lower dispatches made and depressed retention prices during the quarter as against the comparative period. Similarly, gross profits of the Company are also expected to recede by 53% YoY with further injury anticipated from enhanced cost structure stemming from increased gas prices, incremental depreciation of new plant and enhanced raw material prices by the government, despite lower coal prices. Moreover, we expect LUCK to continue enjoying a lower effective tax rate of around 10%, thanks to available tax credits. No dividends are expected along with the result.

Exhibit: LUCK Result Highlights

PKRmn	2QFY20	2QFY19	YoY	1HFY20	1HFY19	YoY
Net Sales	11,751	13,550	-13%	21,380	24,955	-14%
Gross Profit	1,895	4,000	-53%	3,387	7,424	-54%
Sell. / Dist. & Admin	1,373	1,003	37%	2,649	1,934	37%
Non-Operating Income	1,050	962	9%	1,980	1,607	23%
EBIT	1,396	3,634	-62%	2,438	6,526	-63%
Pre-tax Profits	1,371	3,634	-62%	2,393	6,526	-63%
Taxation	137	626	-78%	203	1,025	-80%
Post-tax Profits	1,234	3,008	-59%	2,190	5,501	-60%
EPS	3.82	9.3		6.77	17.01	
Key Ratios						
Gross Margin (%)	16.1	29.5		15.8	29.7	
Net Margin (%)	10.5	22.2		10.2	22	
Effective Tax Rate (%)	10.0	17.2		8.5	15.7	

Source: Company Accounts, IGI Research

No. of Shares: 323mn

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

Time Horizon: Dec – 2019

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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