

Day Break

Tuesday, 18 April 2017

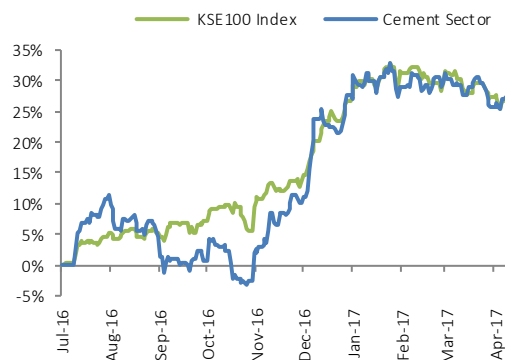
Sector Update

Cement Sector	TP	Upside	P/E	D.Yld
LUCK	949	11%	19	2%
DGKC	274	21%	11	3%

Earnings	3QFY17	YoY	9MFY17	YoY
LUCK	11.07	7%	32.83	10%
DGKC	4.99	-5%	15.27	5%

Dividend	3QFY17	YoY	9MFY17	YoY
LUCK	-	0%	-	0%
DGKC	-	0%	-	0%

Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

Analyst

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Cements

DGKC & LUCK Result Preview for 3QFY17

- D.G. Khan Cement Company Ltd. (DGKC) is scheduled to announce its 3QFY17 financial result on 19thApr-17, where we expect company to post PAT of PKR 2.19bn (EPS PKR 4.99), down by 5%YoY as compared to PKR 2.30bn (EPS PKR 5.25) registered in corresponding period last year.
- Lucky Cement Ltd (LUCK) is scheduled to announce its 3QFY17 financial result on 22nd Apr-17, where we expect company to post PAT of 3.58bn (EPS PKR 11.07) as compared to PKR 3.36bn (EPS PKR 10.39) observed in corresponding period last year, up by +7%YoY.
- We recommend 'BUY' call on LUCK and DGKC with Dec-17 TP of PKR 949/share and PKR 274/share, offering upside potential of +11% and +21% respectively.

DGKC: 3QFY17 earnings expected at PKR 4.99/share

D.G. Khan Cement Company Ltd. (DGKC) is scheduled to announce its 3QFY17 financial result on 19thApr-17, where we expect company to post PAT of PKR 2.19bn (EPS PKR 4.99), down by 5%YoY as compared to PKR 2.30bn (EPS PKR 5.25) registered in corresponding period last year. We anticipate muted growth in revenues at PKR 7.78bn, up by 1%YoY on the back of meager growth in total dispatches. Gross margins are expected to remain under pressure owing to rising coal prices. Increase in short term borrowing during 2QFY17 will keep finance cost inflated.

Exhibit:

DGKC Result Highlights

PKRmn	9MFY17E	9MFY16	YoY	3QFY17E	3QFY16	YoY
Net Sales	22,474	21,318	5%	7,787	7,683	1%
Gross Profit	9,603	8,895	8%	3,264	3,408	-4%
S&A Exp	1,120	982	14%	354	354	0%
Finance Cost	240	99	144%	77	37	110%
Pre-tax Profits	9,199	8,928	3%	3,122	3,349	-7%
Post-tax Profits	6,688	6,378	5%	2,186	2,299	-5%
EPS	15.27	14.56	5%	4.99	5.25	-5%

Key Ratios

Gross Margin (%)	43	42	42	44
Net Margin (%)	30	30	28	30
Effective Tax Rate (%)	27	29	30	31

Source: Company Accounts, IGI Research

LUCK: Earnings expected to clock at 11.07/share, up by 7%YoY

Lucky Cement Ltd (LUCK) is scheduled to announce its 3QFY17 financial result on 22nd Apr-17, where we expect company to post PAT of 3.58bn (EPS PKR 11.07) as compared to PKR 3.36bn (EPS PKR 10.39) observed in corresponding period last year, up by +7%YoY. We anticipate earnings accretion on the back of growth in

domestic dispatches of +6%YoY. For 9MFY17, earnings are likely to observe healthy growth of 10%YoY to PKR 10.62bn (EPS PKR 32.83) on account of rising share of local sales and additional clinker volumes, nullifying the impact of deteriorating exports (-25%YoY). Finance cost is expected to remain at lower end while hefty short term investment and cash balance will keep other income stout. We expect impact of efficiency gains from new 10MW WHR plant in next quarter as plant started operations in Mar-17.

Exhibit:

LUCK Result Highlights

PKRmn	9MFY17E	9MFY16	YoY	3QFY17E	3QFY16	YoY
Net Sales	35,697	33,472	7%	12,255	11,645	5%
Gross Profit	17,471	15,878	10%	5,805	5,684	2%
S&A Exp	2,179	2,355	-7%	634	727	-13%
Finance Cost	12	21	-42%	5	3	65%
Pre-tax Profits	15,093	13,395	13%	5,187	4,893	6%
Post-tax Profits	10,616	9,614	10%	3,579	3,359	7%
EPS	32.83	29.73	10%	11.07	10.39	7%

Key Ratios

Gross Margin (%)	49	47		47	49
Net Margin (%)	30	29		29	29
Effective Tax Rate (%)	30	28		31	31

Source: Company Accounts, IGI research

Recommendation

We recommend 'BUY' call on LUCK and DGKC with Dec-17 TP of PKR 949/share and PKR 274/share, offering upside potential of +11% and +21% respectively.

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec - 2017

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

DCF (Discounted Cash Flow)

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