

Day Break

Thursday, 26 January 2017

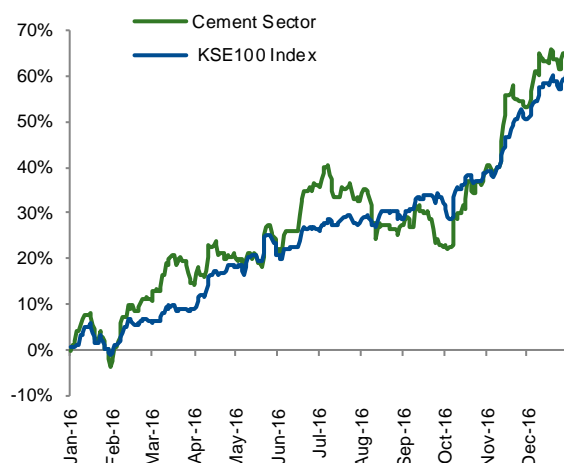
Sector Update

Cement Sector	TP	Upside	P/E	D.yld
LUCK	949	8%	20	2%
ACPL	371	3%	14	3%

LUCK	2QFY17	YoY	1HFY17	YoY
EPS	11.0	9%	21.0	9%
DPS	-	0%	-	0%

ACPL	2QFY17	YoY	1HFY17	YoY
EPS	6.6	13%	12.6	26%
DPS	-	0%	-	0%

Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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Cements

LUCK & ACPL Result Preview for 2QFY17

- Lucky Cement Ltd (LUCK) is schedule to announce its 2QFY17 financial result on 26th Jan-17, where we expect company to post PAT of 3.57bn (EPS PKR 11.03) as compared to 3.29bn (EPS PKR 10.16) observed in corresponding period last year, up by 9%YoY.
- The financial result of Attock Cement Pakistan Ltd (ACPL) for 2QFY17 is scheduled to be announced on 27th Jan-17. We expect company to post PAT of 757mn (EPS PKR 6.61) as compared to 671mn (EPS PKR 5.86) observed last year same period, up by +13%YoY.
- We maintain our 'HOLD' call on ACPL and LUCK with Dec-17 TP of PKR 371/share (+3%) and PKR 949/share (+8%), respectively.

LUCK: 2QFY17E earnings expected to clock in at 11.03/share

Lucky Cement Ltd (LUCK) is scheduled to announce its 2QFY17 financial result on 26th Jan-17, where we expect company to post PAT of 3.57bn (EPS PKR 11.03) as compared to 3.29bn (EPS PKR 10.16) observed in corresponding period last year, up by +9%YoY. We anticipate earnings accretion on the back of higher volumetric growth (+3%YoY) with higher inclination towards domestic sales resulting in surge of topline by +8%YoY. On quarterly basis, we expect gross margins to squeeze (~370bps) on the back of rebounding international coal and FO price. Finance cost is expected to remain muted while hefty cash balance will keep other income stout.

Exhibit:

LUCK Financial Highlights

	2QFY17E	2QFY16	YoY	1HFY17E	1HFY16	YoY
<i>Income Statement</i>						
Revenue	12,389	11,500	8%	22,955	21,827	5%
Gross Profit	5,818	5,456	7%	11,169	10,194	10%
Sell & Admin	749	788	-5%	1,483	1,628	-9%
Other Exp	456	368	24%	870	707	23%
Other Inc	485	303	60%	937	661	42%
PBT	5,095	4,588	11%	9,746	8,502	15%
Tax	1,529	1,301	17%	2,942	2,247	31%
Net profit	3,567	3,287	9%	6,804	6,255	9%
EPS	11.03	10.16		21.04	19.34	
<i>Key Ratios</i>						
Gross Margin	47%	47%		49%	47%	
Net Margin	29%	29%		30%	29%	
Effective Tax Rate	30%	28%		30%	26%	

Source: IGI Research, Company Financials

ACPL: Earnings to rise by +13%YoY in 2QFY17

The financial result of Attock Cement Pakistan Ltd (ACPL) for 2QFY17 is scheduled to be announced on 27th Jan-17. We expect company to post PAT of 757mn (EPS PKR 6.61) as compared to 671mn (EPS PKR 5.86) observed last year same period, up by +13%YoY. The revenue of company is likely to rise by +8%YoY on account of growth in total dispatches by 10%YoY. On quarterly basis, margin attrition is likely to be observed on the back of elevated coal prices and higher reliance on grid. Other income is likely to shrink as capital requirement for expansion will deplete short term investments.

Exhibit:

ACPL Financial Highlights

	2QFY17E	2QFY16	YoY	1HFY17E	1HFY16	YoY
<i>Income Statement</i>						
Revenue	3,814	3,531	8%	7,173	6,397	12%
Gross Profit	1,500	1,249	20%	2,895	2,242	29%
Sell & Admin	381	395	-4%	760	682	11%
Other Exp	78	61	28%	152	117	30%
Other Inc	52	62	-16%	113	150	-24%
PBT	1,082	849	27%	2,076	1,581	31%
Tax	325	178	83%	628	428	47%
Net profit	757	671	13%	1,448	1,153	26%
EPS	6.61	5.86		12.64	10.07	
<i>Key Ratios</i>						
Gross Margin	39%	35%		40%	35%	
Net Margin	20%	19%		20%	18%	
Effective Tax Rate	30%	21%		30%	27%	

Source: IGI Research, Company Financials

Recommendation

We maintain our 'HOLD' call on ACPL and LUCK with Dec-17 TP of PKR 371/share (+3%) and PKR 949/share (+8%), respectively.

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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):

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