

Day Break

Wednesday, 22 April 2020

COMPANY UPDATE

Lucky Cement Limited

Cement

Recommendation NEUTRAL

Target Price: Dec/20 422.4

Last Closing: 21-Apr-20 459.7

Upside / (Down side) %: (8.12)

Valuation Methodology: Discounted Cash Flow (DCF)

Time Horizon: 8M

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) 148.7 | 963.3

Exchange KSE 100

Price Info. 90D 06M 12M

Abs. Return (4.5) 31.9 18.4

Lo 310.3 310.3 310.3

Hi 560.1 560.1 560.1

Key Company Financials

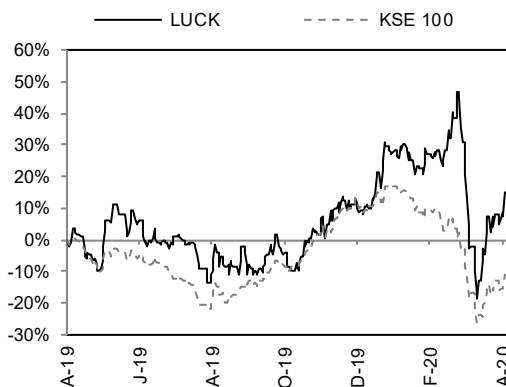
Period End: Jun

PKRbn	2020e	2021f	2022f	2023f
Total Revenue	38.1	39.1	50.7	58.1
Net Income	2.1	3.3	4.6	5.8
EPS (PKR)	6.5	10.1	14.1	17.8
DPS (PKR)	1.5	2.5	3.0	4.0
Total Assets	122.0	122.5	129.2	134.9
Total Equity	94.3	97.1	100.9	105.7

Key Financial Ratios

ROE (%)	2.2	3.4	4.6	5.6
P/E (x)	70.8	45.3	32.5	25.8
P/B (x)	1.6	1.5	1.5	1.4
DY (%)	0.3	0.5	0.7	0.9

Relative Price Performance



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Cements

LUCK: 3QFY20E EPS to decline by 97%YoY to PKR 0.28, 9MFY20E comes to PKR 6.27

- ✓ LUCK's board meeting is scheduled on 23rd Apr-20 to announce financial result for 3QFY20, wherein we expect the company to post unconsolidated earnings of PKR 0.28/share, down by 97%YoY compared to earnings of PKR 8.64/share in the same period last year.
- ✓ Net sales of the Company during 3QFY20E are expected to shy away by 7%YoY largely due to substantially reduced domestic retention prices
- ✓ Gross profits of the Company are expected to recede to 7% with 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.

3QFY20E earnings to drop by 97%YoY to PKR 0.28/share; 9MFY20 EPS to close at PKR 6.27

Lucky Cement Limited's (LUCK) board meeting is scheduled on 23rd Apr-20 to announce financial result for 3QFY20, wherein we expect the company to post unconsolidated net earnings of PKR 90mn (EPS: PKR 0.28), down by almost 97%YoY, compared to earnings of PKR 2.79bn (EPS: PKR 8.64) in the same period last year. This will bring 9MFY20E earnings to PKR 2.03bn (EPS: PKR 6.27), down by 76%YoY, as against profit of PKR 8.29bn (EPS: PKR 25.65) reported in the similar period of the preceding year.

Net sales of the Company during 3QFY20E are expected to shy away by 7%YoY despite a rise of +13%YoY in overall dispatches, largely due to substantially reduced domestic retention prices (decline of ~26%YoY). Similarly, gross profits of the Company are also expected to recede to 7% 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. We expect LUCK to continue enjoying a lower effective tax rate of around 10%, thanks to available tax credits.

Exhibit: LUCK Result Highlights

Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	11,624	12,566	-7%	32,835	37,521	-12%
Gross Profit	827	3,836	-78%	4,051	11,260	-64%
Sell. / Dist. & Admin	1,430	1,049	36%	3,922	2,983	31%
Non-Operating Income	825	743	11%	2,534	2,349	8%
EBIT	135	3,225	-96%	2,382	9,750	-76%
Pre-tax Profits	100	3,225	-97%	2,299	9,750	-76%
Taxation	10	431	-98%	273	1,456	-81%
Post-tax Profits	90	2,793	-97%	2,027	8,294	-76%
EPS	0.28	8.64		6.27	25.65	
Key Ratios						
Gross Margin (%)	7.1	30.5		12.3	30.0	
Net Margin (%)	0.8	22.2		6.2	22.1	
Effective Tax Rate (%)	10.0	13.4		11.9	14.9	

Source: Company Accounts, IGI Research

No. of Shares : 323mn