

# Day Break

Thursday, 25 April 2019

## COMPANY UPDATE

### Lucky Cement Limited

Cement

<b>Recommendation</b>	<b>BUY</b>
Target Price:	31-Dec-19 602.2
Last Closing:	24-Apr-19 374.1
Upside:	61.0
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)	121.0	853.9	
Exchange	KSE ALL		
<b>Price Info.</b>	90D	06M	12M
Abs. Return	(20.1)	(12.5)	(43.8)
Lo	369.6	369.6	369.6
Hi	503.8	532.4	665.4

### Key Company Financials

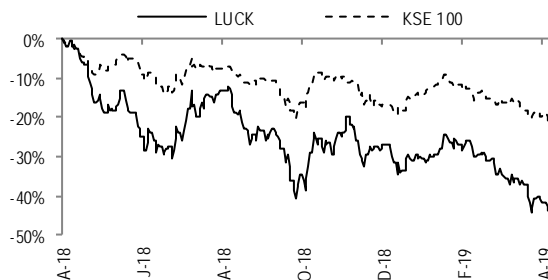
Period End: Jun

PKRbn	FY18A	FY19E	FY20F	FY21F
Total Revenue	47.5	52.3	56.5	63.6
Net Income	12.2	11.6	12.3	13.4
EPS (PKR)	37.7	35.8	38.1	41.4
DPS (PKR)	8.0	7.5	8.0	8.5
Total Assets	97	109	118	128
Total Equity	86	96	105	116

### Key Financial Ratios

ROE (%)	14.1	12.1	11.7	11.5
P/E (x)	9.9	10.4	9.8	9.0
P/B (x)	2.5	1.4	1.3	1.1
DY (%)	2.1	2.0	2.1	2.3

### Relative Price Performance



### About the Company

Lucky Cement Company Limited was incorporated in Pakistan on September 18, 1993. The Company manufactures and markets Cement. The Company has also issued GDRs which are listed and traded on the Professional Securities Market of the LSE.

Source: Bloomberg, PSX &amp; IGI Research

Analyst

**Muhammad Saad, ACCA**

Research Analyst

Tel: (+92-21) 111-234-234 Ext.: 816

muhammad.saad@igi.com.pk

## Cements

### LUCK: Lower dispatches and high input costs to drag 3QFY19 earnings down by 24%YoY to PKR 7.65/share

- Lucky Cement Limited's (LUCK) board meeting is scheduled on 26<sup>th</sup> Apr-19 to announce financial result for 3QFY19, wherein we expect the company to post unconsolidated earnings of PKR 2.48bn (EPS: PKR 7.65), down by 24%YoY
- This will bring 9MFY19E earnings to PKR 7.98bn (EPS: PKR 24.66) as against PKR 9.80bn (EPS: PKR 30.31) reported in the similar period of the preceding year.
- The decline in earnings is primarily driven by a) flattish sales growth (+1%YoY) - led by 22%YoY decrease in local dispatches mitigated largely by a +9YoY improvement in local retentions and a substantial rise in invaluable clinker exports; and b) significant rise in cost structure owing to +25YoY depreciation of PKR against the greenback, +23%YoY increase in gas tariff and mounting inflationary pressures.

### LUCK: 3QFY19E earnings down by +24%YoY to PKR 7.65/share

Lucky Cement Limited's (LUCK) board meeting is scheduled on 26<sup>th</sup> Apr-19 to announce financial result for 3QFY19, wherein we expect the company to post unconsolidated earnings of PKR 2.48bn (EPS: PKR 7.65), down by 24%YoY, compared to PKR 3.26bn (EPS: PKR 10.06) in the same period last year. This will bring 9MFY19E earnings to PKR 7.98bn (EPS: PKR 24.66) as against PKR 9.80bn (EPS: PKR 30.31) reported in the similar period of the preceding year. The decline in earnings is primarily driven by a) flattish sales growth (+1%YoY) led by 22%YoY decrease in local dispatches mitigated largely by a +9YoY improvement in local retentions and a substantial rise in invaluable clinker exports; and b) significant rise in cost structure owing to +25YoY depreciation of PKR against the greenback, +23%YoY increase in gas tariff and mounting inflationary pressures.

Exhibit:

### LUCK Result Highlights - Unconsolidated

Period end (JUN) - PKRmn	3QFY19	3QFY18	YoY	9MFY19	9MFY18	YoY
Net Sales	12,483	12,417	1%	37,438	35,671	5%
Gross Profit	3,550	4,207	-16%	10,974	13,093	-16%
Sell. / Dist. & Admin	954	793	20%	2,888	2,163	34%
Non-Operating Income	722	840	-14%	2,329	2,035	14%
EBIT	3,019	3,885	-22%	9,544	11,979	-20%
Financial Charges	-	-	n/a	-	-	n/a
Pre-tax Profits	3,019	3,885	-22%	9,544	11,979	-20%
Taxation	543	630	-14%	1,568	2,178	-28%
Post-tax Profits	2,475	3,255	-24%	7,976	9,802	-19%
EPS	7.65	10.06		24.66	30.31	
DPS	-	-		-	-	
<b>Key Ratios</b>						
Gross Margin (%)	28.4	33.9		29.3	36.7	
Net Margin (%)	19.8	26.2		21.3	27.5	
Effective Tax Rate (%)	18.0	16.2		16.4	18.2	

Source: Company Accounts, IGI Research

No. of Shares : 323mn

## Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

**Rating system:** IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

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)

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, Last Closing: Latest closing price, Market Cap.: Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. EPS: Earnings per Share. DPS: Dividend per Share. ROE: Return on equity is the amount of net income returned as a percentage of shareholders' equity. P/E: Price to Earnings ratio of a company's share price to its per-share earnings. P/B: Price to Book ratio used to compare a stock's market value to its book value. DY: The dividend yield is dividend per share, divided by the price per share. CY/FY: Calendar/Fiscal/Financial Year. YoY/ QoQ/ MoM: Year-on-Year, Quarter-on-Quarter, Month-on-Month. Th /Mn /Bn /Tn: Thousands/Million/Billion/Trillion.

IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

© Copyright 2019 IGI Finex Securities Limited

## Contact Details

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Manager	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk
Ihsan Mohammad	Branch Manager (Peshawar)	Tel: (92-91) 5253035	ihsan.mohammad@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: www.igisecurities.com.pk

### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2 ,  
Fax: (+92-21) 32429607

### Lahore Office

Shop # G-009, Ground Floor,  
Packages Mall  
Tel: (+92-42) 38303560-69  
Fax: (+92-42) 38303559

### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaqat Road  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road  
Tel: (92-61) 4512003, 4571183

### Peshawar Office

2nd Floor, The Mall Tower,  
35 The Mall Saddar Cantt.  
Tel: (92-91) 5273035, 5223882

### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road  
Tel: (+92-68) 5871652-3  
Fax: (+92-68) 5871651

### Abbottabad Office

Ground Floor, Al Fatah Shopping Center ,  
Opp. Radio Station, Mansehra Road  
Tel: (+92-99) 2408243 - 44

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2019 IGI Finex Securities Limited