

Day Break

Friday, 26 July 2019

Company Update

Exhibit: LUCK's overall dispatches for FY19 have reduced; decrease in local sales covered up by invaluable clinker exports

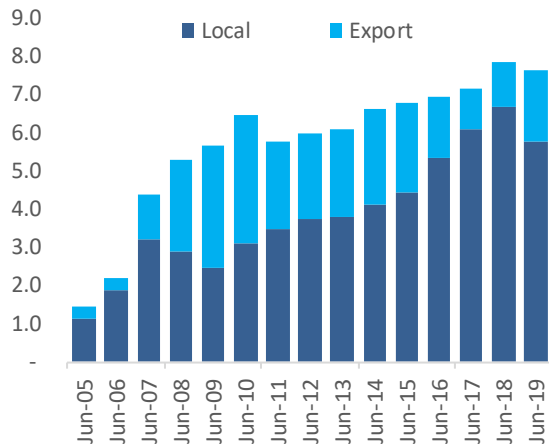
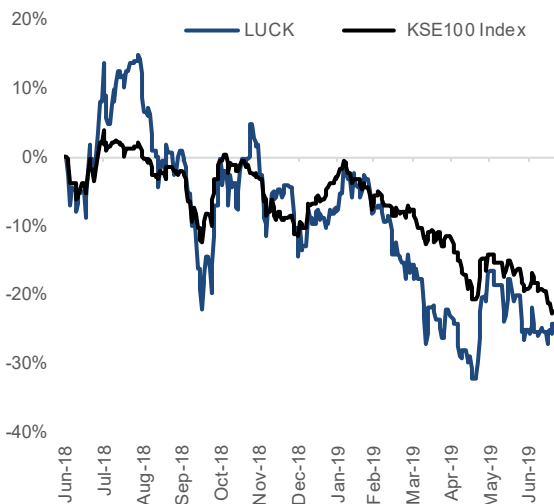


Exhibit: Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Cements

LUCK FY19E EPS: PKR 31.53 (down 16%YoY), ACPL's down by 55%YoY to PKR 14.32

- We expect LUCK to post unconsolidated earnings of PKR 1.90bn (EPS: PKR 5.88), down by 21%YoY, compared to PKR 2.40bn (EPS: PKR 7.41) in the same period last year bringing FY19E earnings to PKR 10.20bn (EPS: PKR 31.53) as against PKR 12.20bn (EPS: PKR 37.72) reported in the similar period of the preceding year.
- We expect ACPL to post earnings of PKR 591mn (EPS: PKR4.30), down by 77%YoY, compared to PKR 2.57bn (EPS: PKR 18.72) in the same period last year bringing FY19E earnings to PKR 1.97bn (EPS: PKR 14.32) as against PKR 4.40bn (EPS: PKR 32.02) reported in the same period last year.
- The decline in earnings is primarily driven by lesser or stable domestic sales due to overall demand contraction, flattish retentions and elevated cost structure.

LUCK: 4QFY19E unconsolidated earnings down by 21%YoY to PKR 5.88/share; FY19E EPS to be PKR 31.53, down by 16%YoY.

Lucky Cement Limited's (LUCK) board meeting is scheduled on 27th Jul-19 to announce financial result for 4QFY19, wherein we expect the company to post unconsolidated earnings of PKR 1.90bn (EPS: PKR 5.88), down by 21%YoY, compared to PKR 2.40bn (EPS: PKR 7.41) in the same period last year. This will bring FY19E earnings to PKR 10.20bn (EPS: PKR 31.53) as against PKR 12.20bn (EPS: PKR 37.72) reported in the similar period of the preceding year. The decline in FY19E earnings is primarily driven by a) negative sales growth (4%YoY) led by 15%YoY decrease in local dispatches mitigated largely by a +4YoY improvement in local retentions and a substantial rise in invaluable clinker exports; and b) significant rise in cost structure owing to +24%YoY average depreciation of PKR against the greenback, +23%YoY increase in gas tariff and mounting inflationary pressures.

We expect the Company to declare a full and final dividend of PKR 7.0/share along with the result.

Exhibit:

LUCK Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	10,006	11,871	-16%	47,527	47,542	0%
Gross Profit	2,763	3,860	-28%	14,023	16,952	-17%
Sell. / Dist. & Admin	950	919	3%	3,933	3,082	28%
Non-Operating Income	727	560	30%	3,076	2,595	19%
EBIT	2,300	3,139	-27%	12,051	15,119	-20%
Financial Charges	68	-	n/a	68	-	n/a
Pre-tax Profits	2,233	3,139	-29%	11,983	15,119	-21%
Taxation	331	744	-56%	1,787	2,922	-39%
Post-tax Profits	1,902	2,395	-21%	10,196	12,197	-16%
EPS	5.88	7.41		31.53	37.72	
DPS	7.00	8.00		7.00	8.00	

Key Ratios

Gross Margin (%)	27.6	32.5	29.5	35.7
Net Margin (%)	19.0	20.2	21.5	25.7
Effective Tax Rate (%)	14.8	23.7	14.9	19.3

Source: Company Accounts, IGI Research

No. of Shares : 323mn

Company Update

Exhibit: No growth in domestic dispatches witnessed, substantial rise in invaluable clinker exports push overall exports

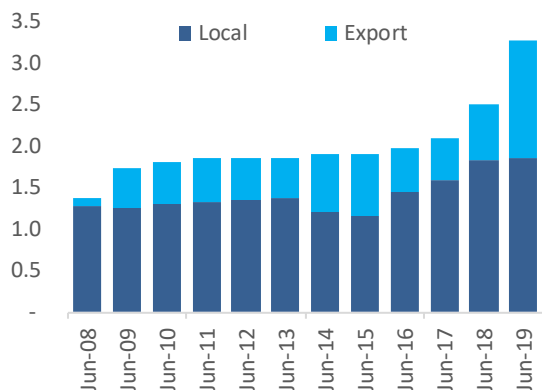
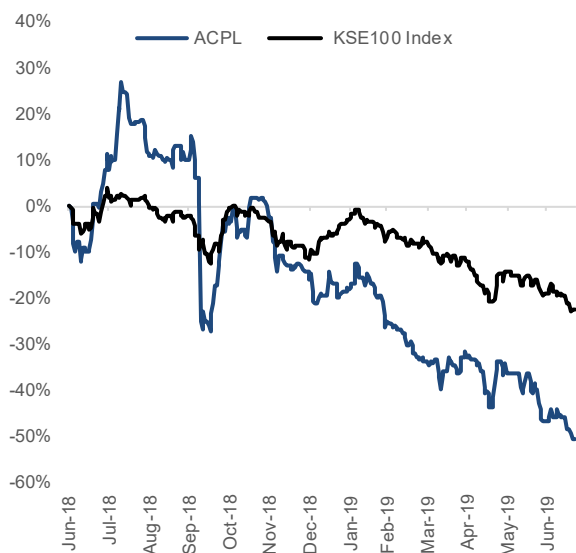


Exhibit: ACPL's Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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ACPL: 4QFY19E unconsolidated EPS down by 77%YoY to PKR 4.30; FY19E EPS to clock in at PKR 14.32, down by 55%YoY

Attock Cement Pakistan Limited's (ACPL) board meeting is scheduled on 29th Jul-19 to announce financial result for 4QFY19, wherein we expect the company to post earnings of PKR 591mn (EPS: PKR4.30), down by 77%YoY, compared to PKR 2.57bn (EPS: PKR 18.72) in the same period last year. This will bring FY19E earnings to PKR 1.97bn (EPS: PKR 14.32) as against PKR 4.40bn (EPS: PKR 32.02) reported in the same period last year.

The substantial decline in FY19E earnings is reflective of base effect anomaly present in FY18 earnings due to the mammoth tax benefit claimed therein with respect to expansion plant commissioned last year.

The decline in FY19E earnings is primarily driven by a) flattish domestic dispatches growth and similar retentions as compared to the comparative year mitigated largely by substantial rise in invaluable clinker exports; b) significant rise in cost structure owing to +24%YoY average depreciation of PKR against the greenback and mounting inflationary pressures; and c) enhanced finance cost post commissioning of expansion plant.

We expect the Company to declare a full and final dividend of PKR 4.0/share along with the result.

Exhibit:

ACPL Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	5,035	5,027	0%	21,186	16,884	25%
Gross Profit	1,456	1,492	-2%	5,066	5,187	-2%
Sell. / Dist. & Admin	493	856	-42%	1,973	1,704	16%
Non-Operating Income	35	17	106%	198	61	3.3x
EBIT	956	622	54%	3,148	3,381	-7%
Financial Charges	202	99	2.1x	687	251	2.7x
Pre-tax Profits	755	523	44%	2,461	3,129	-21%
Taxation	164	(2,050)	n/m	493	(1,270)	n/m
Post-tax Profits	591	2,573	-77%	1,967	4,400	-55%
EPS	4.30	18.72		14.32	32.02	
DPS	4.00	8.00		4.00	8.00	

Key Ratios

Gross Margin (%)	28.9	29.7		23.9	30.7	
Net Margin (%)	11.7	51.2		9.3	26.1	
Effective Tax Rate (%)	21.7	n/m		20.0	n/m	

Source: Company Accounts, IGI Research

No. of Shares : 137mn

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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):

(Reserve Based DCF Valuation)

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