

# Day Break

Wednesday, 22 April 2020

## COMPANY UPDATE

### Lucky Cement Limited

Cement

<b>Recommendation</b>	<b>NEUTRAL</b>		
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		
<b>Price Info.</b>	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

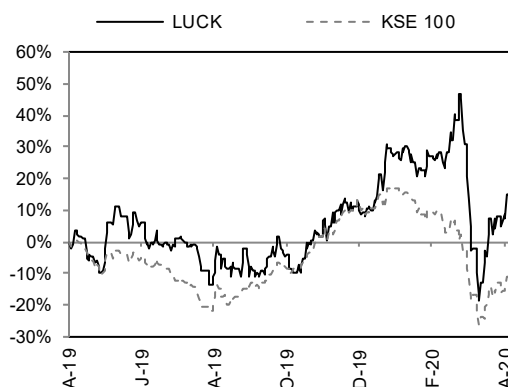
Period End: Jun

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



Source: Bloomberg, PSX & IGI Research

#### Muhammad Saad

Analyst

muhammad.saad@igi.com.pk

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

## 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 23<sup>rd</sup> 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 23<sup>rd</sup> 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	
<b>Key Ratios</b>						
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

## 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. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. 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 – 2020

**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.

IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

© Copyright 2020 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
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	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	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@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

<b>Lahore Office</b> Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559	<b>Islamabad Office</b> 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
<b>Faisalabad Office</b> Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815	<b>Rahim Yar Khan Office</b> Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651
<b>Multan Office</b> Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183	

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2020 IGI Finex Securities Limited