

Flash Note

Tuesday, 25 August 2020

Cements

Lucky Cement Limited (LUCK)

Lower dispatches, massively curtailed non-operating income and raised effective tax rate hamper LUCKs 4QFY20 EPS to PKR 1.26, down by 59%QoQ

- Lucky Cement Limited (LUCK) announced its financial result for 4QFY20 wherein it reported net profitability of PKR 409mn (EPS: PKR 1.26), down by 59%QoQ, as against PKR 999mn (EPS: PKR 3.09) in 3QFY20. This concluded FY20 with full year earnings of PKR 3.34bn (EPS: PKR 10.34), down by a massive 68%YoY as against PKR 10.49bn (EPS: PKR 32.44) reported in FY19.
- Net Sales of the Company during 4QFY20, as against 3QFY20 declined by 16%QoQ. This was led primarily by drop in dispatches by 14%QoQ amid lockdown situation that persisted during the quarter and marginal decline in retention prices amid intense competition.
- Cost structure of the Company dropped by 8%, likely due to decline in fuel prices during the period. To note global coal and FO prices remained subdued during the reporting quarter as against sequential quarter. Resultantly, gross margins improved to 16% as against 12% reported in 3QFY20. Distribution costs of the Company declined by 26%QoQ, largely led by decline in sales volumes and drop in freight charges during the period amid subdued diesel prices.
- Major hit to earnings come from massive decline in non-operating income of the Company that dropped by a substantial 85%QoQ to PKR 197mn, possibly due to curtailed dividend income from subsidiary companies and lower electricity sales to national grid. Effective Tax Rate of the Company jumped up to 25% as against 7% registered in the sequential quarter.

Exhibit: LUCK Result Highlights						
Period end (JUN) - PKRmn	4QFY20	3QFY20	QoQ	FY20	FY19	YoY
Net Sales	9,423	11,237	-16%	41,871	48,021	-13%
Gross Profit	1,551	1,302	19%	6,077	13,984	-57%
Sell. / Dist. & Admin	1,035	1,362	-24%	4,889	3,957	24%
Non-Operating Income	197	1,280	-85%	3,186	3,242	-2%
EBIT	626	1,124	-44%	3,996	12,221	-67%
Financial Charges	84	44	89%	176	-	n/a
Pre-tax Profits	542	1,079	-50%	3,820	12,221	-69%
Taxation	133	80	66%	476	1,731	-73%
Post-tax Profits	409	999	-59%	3,344	10,490	-68%
EPS	1.26	3.09		10.34	32.44	
DPS	-	-		-	6.50	
Key Ratios						
Gross Margin (%)	16.5	11.6		14.5	29.1	
Net Margin (%)	4.3	8.9		8.0	21.8	
Effective Tax Rate (%)	24.6	7.4		12.5	14.2	

Source: Company Accounts, IGI Research

No. of Shares: 323mn

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Time Horizon: Dec – 2020

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(Discounted Cash Flow)

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IGI Finex Securities Limited

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Research Identity Number: BRP009

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