

Flash Note

Monday, 26 October 2020

Cements

Lucky Cement Limited (LUCK)

Resumed demand, improved retentions and revival of non-operating income boost overall performance; 1QFY21 earnings jump by 5.5x to PKR 6.89/share

- Lucky Cement Limited (LUCK) announced its financial result for 1QFY21 wherein, on an unconsolidated basis, it reported earnings of PKR 2.23bn (EPS: PKR 6.89), up by a substantial 5.5x, as against earnings of PKR 409mn (EPS: PKR 1.26) in 4QFY20. The Company announced nil dividends along with the result.
- Net Sales of the Company during 1QFY21, on an unconsolidated basis, as against 4QFY20 improved by 52%QoQ. This was largely driven by recovery in sales volumes (+37%QoQ) following reopening of domestic economy post Covid-19 led lockdowns and higher retentions amid improved cements sales price, particularly in the North region, reduced FED and lower dealer discounts.
- Gross profit margin of the Company jacked up to 28%, as against 17% registered in the sequential quarter largely driven by improved retentions and reduced cost structure. Cost of Goods Sold per bag reduced to PKR 207/bag as against PKR 216/bag recorded in 4QFY20, possibly due to gains from subdued global coal prices during the quarter.
- Selling & Distribution Costs of the Company improved by 59%QoQ ascribed to increased freight charges associated with higher export sales made during the quarter as compared to sequential quarter.
- Non-Operating Income of the Company resumed, albeit still below normal quarterly levels, owed to substantial dividend income from associate investments and possibly higher electricity sales in peak season.
- Effective Tax Rate of the Company stood at 17% as against 25% recorded in 4QFY20, likely led by higher export sales mix.

Exhibit: LUCK Result Highlights

Period end (JUN) - PKRmn	1QFY21	1QFY20	YoY	4QFY20	QoQ
Net Sales	14,335	9,629	49%	9,423	52%
Gross Profit	3,995	1,492	2.7x	1,551	2.6x
Sell. / Dist. & Admin	1,643	1,276	29%	1,035	59%
Non-Operating Income	602	930	-35%	197	3.1x
EBIT	2,753	1,042	2.6x	626	4.4x
Financial Charges	68	20	3.4x	84	-19%
Pre-tax Profits	2,685	1,022	2.6x	542	5.0x
Taxation	459	66	7.0x	133	3.5x
Post-tax Profits	2,226	956	2.3x	409	5.5x
EPS	6.89	2.96		1.26	
DPS	-	-		-	
Key Ratios					
Gross Margin (%)	27.9	15.5		16.5	
Net Margin (%)	15.5	9.9		4.3	
Effective Tax Rate (%)	17.1	6.5		24.6	

Source: Company Accounts, IGI Research

No. of Shares : 323mn

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IGI Finex Securities Limited

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Research Identity Number: BRP009

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