

Day Break

Wednesday, 19 August 2020

COMPANY UPDATE

Lucky Cement Limited

Cement

Recommendation **NEUTRAL**

Target Price: Dec/20 574.2

Last Closing: 13-Aug-20 611.8

Upside (%): - 6.1

Valuation Methodology: Discounted Cash Flow (DCF)

Time Horizon: 5M

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) 197.8 | 1,281.9

Exchange KSE 100

Price Info. 90D 06M 12M

Abs. Return 33.0 25.8 85.2

Lo 439.6 310.3 310.3

Hi 616.7 616.7 616.7

Key Company Financials

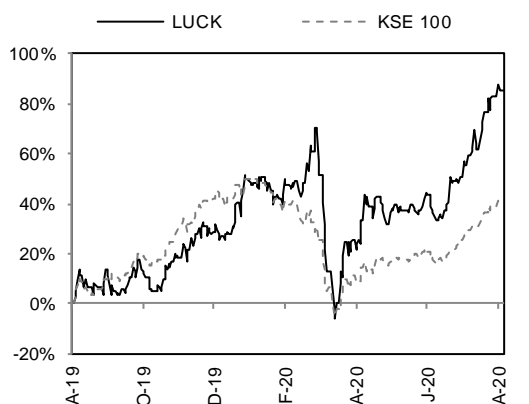
Period End: Jun

PKRbn	2019a	2020e	2021f	2022f
Total Revenue	48.0	42.1	55.1	66.0
Net Income	10.5	3.5	6.5	9.4
EPS (PKR)	32.4	10.9	20.1	29.1
DPS (PKR)	6.5	2.5	4.5	6.0
Total Assets	125.1	124.0	131.6	141.2
Total Equity	94.3	95.8	101.5	109.4

Key Financial Ratios

ROE (%)	14.7	11.6	3.7	6.6
P/E (x)	18.9	55.9	30.4	21.0
P/B (x)	2.3	2.1	2.1	1.9
DY (%)	1.1	0.4	0.7	1.0

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Cements

LUCK: 4QFY20E earnings to decline by 47%QoQ to PKR 1.65/share, FY20E to close at PKR 10.73/share

- ✓ LUCK's board meeting is scheduled on 25th Aug-20 to announce financial result for 4QFY20, wherein we expect the company to post unconsolidated earnings of PKR 1.65/share, down by 47%QoQ compared to earnings of PKR 3.09/share in 3QFY20.
- ✓ As against 3QFY20, net sales of the Company are expected to shy away by 15%QoQ largely on the back of reduced dispatches sold amid countrywide lockdown situation during the period.
- ✓ Gross margins of the Company are expected to decline to 9% as against 12% reported sequentially. This is largely due to heavy underutilization of South plant, restricting LUCK to optimally spread out its fixed overheads.

4QFY20E earnings to drop by 47%QoQ to PKR 1.65/share; FY20E EPS to close at PKR 10.73

Lucky Cement Limited's (LUCK) board meeting is scheduled on 25th Aug-20 to announce financial result for 4QFY20, wherein we expect the company to post unconsolidated net earnings of PKR 534mn (EPS: PKR 1.65), down by almost 47%QoQ and 76%YoY. This will conclude FY20E earnings to PKR 3.47bn (EPS: PKR 10.73), down by 67%YoY, as against profit of PKR 10.49bn (EPS: PKR 32.44) reported in the similar period of the preceding year. We expect the Company to declare a final cash dividend of PKR 2.50/share along with the result.

Exhibit: LUCK Result Highlights

Period end (JUN) - PKRmn	4QFY20	3QFY20	QoQ	FY20	FY19	YoY
Net Sales	9,551	11,237	-15%	41,999	48,021	-13%
Gross Profit	844	1,302	-35%	5,371	13,984	-62%
Sell. / Dist. & Admin	1,047	1,362	-23%	4,901	3,957	24%
Non-Operating Income	900	1,280	-30%	3,889	3,242	20%
EBIT	630	1,124	-44%	4,001	12,221	-67%
Financial Charges	50	44	12%	142	-	n/a
Pre-tax Profits	580	1,079	-46%	3,859	12,221	-68%
Taxation	46	80	-42%	389	1,731	-78%
Post-tax Profits	534	999	-47%	3,469	10,490	-67%
EPS	1.65	3.09		10.73	32.44	
DPS	2.50	-		2.50	6.50	
Key Ratios						
Gross Margin (%)	8.8	11.6		12.8	29.1	
Net Margin (%)	5.6	8.9		8.3	21.8	
Effective Tax Rate (%)	8.0	7.4		10.1	14.2	

Source: Company Accounts, IGI Research

No. of Shares : 323mn

As against 3QFY20, net sales of the Company during 4QFY20E are expected to shy away by 15%QoQ largely on the back of reduced dispatches sold (down ~18%QoQ) amid countrywide lockdown situation during the period. This is despite ~+4%QoQ expected improvement in LUCK's overall retention prices. Gross margins of the Company, however, are expected to decline to 9% as against

12% reported sequentially. This is largely due to heavy underutilization of South plant, restricting LUCK to optimally spread out its fixed overheads. To recall, lockdown conditions in Sindh were more severe in intensity and extended as compared to North. Utilization levels of the Company for 4QFY20E are expected to remain at 60% (North: 63% | South: 56%) as against 73% achieved in 3QFY20 (North: 62% | South: 89%). Other income of the Company is expected to revert to normal levels of PKR 0.9bn as against PKR 1.28bn reported in 3Q whereas low effective tax rate is expected to continue, courtesy available tax credits.

Exhibit: Quarterly region wise sales volume of LUCK

South sales volume and capacity utilization for 4QFY20 was heavily affected due to severe lockdown in Sindh

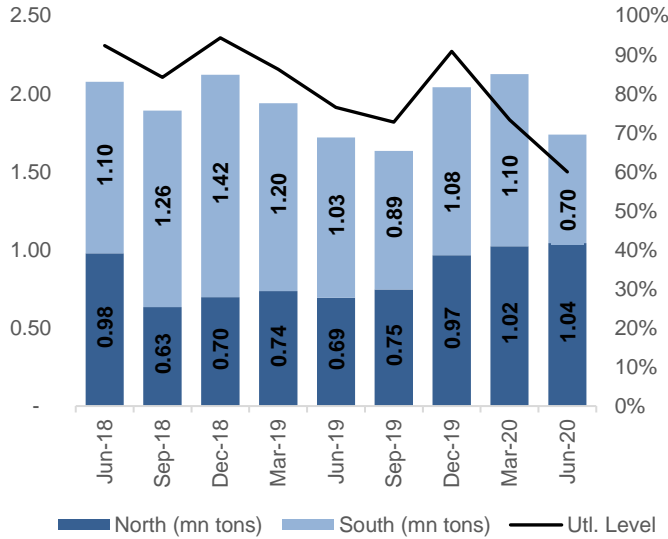
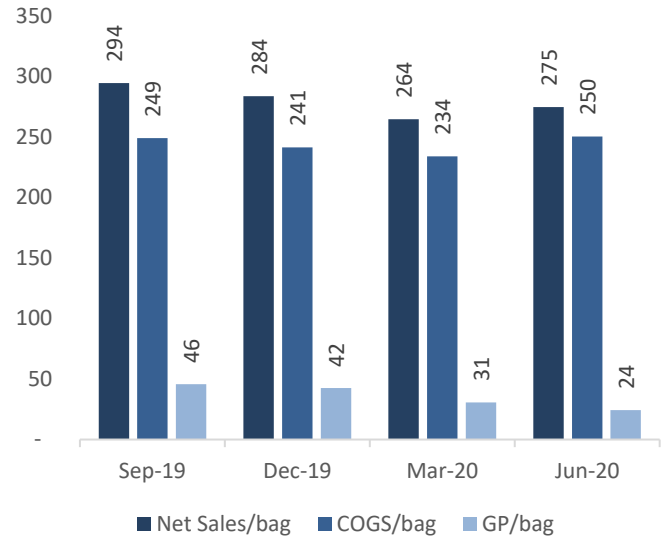


Exhibit: Per bag financial performance data of LUCK

Underutilization of South plant kept cost structure per bag high for 4QFY20, thus dragging profitability despite increase in retentions



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