

Flash Note

Thursday, 26 January 2017

Cement

LUCK: Earnings clocked in at PKR 11.75/share in 2QFY17

- Earnings for Lucky Cement Ltd (LUCK) elevated by +16%YoY to PKR 3.80bn (EPS PKR 11.75) in 2QFY17, taking profitability for 1HFY17 to PKR 7.04bn (EPS PKR 21.76), up by +13%YoY.
- Revenue surged by +12%YoY to PKR 12.88bn in 2QFY17, taking 1HFY17 revenue to PKR 23.44bn on the back of +23%YoY/+12.5%YoY growth in domestic/total dispatches and ~0.24mn tons of clinker sales.
- Gross margin declined by 161bpsQoQ in 2QFY17 due to rebounding coal & FO prices.
- Other expense shot up by +2.0xYoY to PKR 743mn in 2QFY17 compared to PKR 380mn reported in same period last year.
- Other income went up by +64%YoY to PKR 498mn in 2QFY17, owing to hefty balance sheet liquidity.
- Expansion projects under process:

Projects	Description	Location	Commercial Operation Date
Brownfield Expansion	1.25mn tpa	South	Dec-17
Greenfield Expansion	2.3mn tpa	Punjab	In process of seeking approval
WHR Plant	10MW	Pezu	Feb-17
Coal based power project	660MW	South	Jun-20
Cement plant	1.18mn tpa	Congo	Dec-16
Brownfield Expansion	0.87mn tpa	Iraq	Aug-17

Recommendation

We maintain our 'HOLD' call on the scrip with our Dec-17 TP of PKR 949/share, offering upside of +8% from last closing. LUCK is currently trading at FY17E P/E of 19.6x.

Exhibit:

LUCK Financial Highlights

	2QFY17	2QFY16	YoY	1HFY17	1HFY16	YoY
Revenue	12,875	11,500	12%	23,442	21,827	7%
Gross Profit	6,315	5,456	16%	11,666	10,194	14%
Sell & Admin	811	788	3%	1,545	1,628	-5%
Fin cost	4	15	-73%	7	17	-60%
PBT	5,255	4,588	15%	9,906	8,502	17%
Net profit	3,800	3,287	16%	7,037	6,255	13%
EPS	11.75	10.16		21.76	19.34	
<i>Key Ratios</i>						
Gross Margin	49%	47%		50%	47%	
Net Margin	30%	29%		30%	29%	
Effective Tax Rate	28%	28%		29%	26%	

Source: IGI Research, Company Financials

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec - 2017

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):

DCF (Discounted Cash Flow)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, 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.

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