

## LUCK - FY21 unconsolidated earnings to clocks in at PKR 43.61/share

- Lucky Cement is scheduled to hold its board meeting tomorrow to consider FY21 results. We expect the company to post unconsolidated earnings of PKR 7.47/share, up 4.9x YoY for 4QFY21, taking FY21 earnings to PKR 43.61/share (up 3.2x YoY). The increase in earnings is primarily attributable to higher retention prices and healthy surge in despatches. Along with the result, LUCK is also expected to announce a dividend of PKR 7.00/share.
- Revenue for the 4QFY21 is expected at PKR 16.2bn up 72% YoY on the back of higher despatches (up 30% YoY) and an increase in average cement prices in the country (up 19% YoY in North and 2% YoY in South).
- We expect gross margins to settle at 27% compared to 16% in the same period last year. Our rationale for the betterment of gross margins is based on improvement in retention prices and changed sales mix (tilted towards local sales). However, on a sequential basis, gross margins are expected to contract 9pps, owing to an increase in coal prices (during 4Q, average coal prices were ~USD 104/ton and peaked to a high of USD 117/ton).
- Selling and admin expenses are expected to increase by 62% YoY, primarily owing to an increase in despatches during the period. On the other hand, other charges are likely to grow on the back of improved profitability, which will lead to a higher amount being allocated to WPPF, WWF.
- We have a 'BUY' stance on LUCK. Our Dec-21 price target (PT) of PKR 1,265/share provides a potential upside of 44% along with a dividend yield of 0.8%.

### Key Data

PSX Ticker	LUCK
Target Price (PKR)	1,265
Current Price (PKR)	880
Upside/(Downside) (%)	+ 44%
Dividend Yield (%)	0.8%
Total Return (%)	+ 45%
12-month High (PKR)	904
12-month Low (PKR)	305
Outstanding Shares (mn)	323.4
Market Cap (PKR mn)	284,567
Year End	June

Source: Company Accounts, Akseer Research

### Financial Estimate (PKRmn) - Unconsolidated

	4QFY20	4QFY21E	YoY	FY20	FY21E	YoY
Net Sales	9,423	16,222	72%	41,871	63,325	51%
Cost of Sales	7,872	11,793	50%	35,794	44,191	23%
<b>Gross Profit</b>	<b>1,551</b>	<b>4,429</b>	<b>186%</b>	<b>6,077</b>	<b>19,133</b>	<b>215%</b>
Distri. & Admin. Exp.	1,035	1,680	62%	4,889	6,511	33%
Other Income	197	229	16%	3,186	5,413	70%
Other Charges	87	-	-100%	378	1,017	169%
Finance Cost	84	74	-12%	176	320	82%
<b>Profit Before Tax</b>	<b>542</b>	<b>2,904</b>	<b>436%</b>	<b>3,820</b>	<b>16,699</b>	<b>337%</b>
Taxation	133	489	267%	476	2,597	446%
<b>Net Income</b>	<b>409</b>	<b>2,415</b>	<b>491%</b>	<b>3,344</b>	<b>14,102</b>	<b>322%</b>
EPS - Unconsolidated	1.26	7.47		10.34	43.61	
EPS - Consolidated	4.58	17.46		18.96	73.82	
DPS	-	7.00		-	7.00	

Source: Company Accounts, Akseer Research

### Key Financial Ratios - Consolidated

	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
EPS	45.83	35.03	18.96	73.82	130.72	164.55
EPS Growth	-9%	-24%	-46%	289%	77%	26%
DPS	13.00	6.50	-	7.00	10.00	15.00
PER	19.2	25.1	46.4	11.9	6.7	5.3
Dividend Yield	1.5%	0.7%	0.0%	0.8%	1.1%	1.7%
EV/EBITDA	11.2	14.9	24.1	9.7	4.9	3.8
P/B	2.6	2.3	2.2	1.5	1.2	1.1
ROE	14.8%	9.9%	5.6%	15.4%	20.6%	22.1%

Source: Company Accounts, Akseer Research

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## Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of 1,265/share. Our price target indicates an upside of 44% along with a dividend yield of 0.8%. Our investment case is based on i) improved fundamentals of local cement operations ii) Brownfield expansion at Pezu, iii) healthy growth in auto sales and margins from Auto project, iv) expansion in overseas cement operations v) contribution from 660MW coal-based power project and vi) increase in earnings from ICI.

## Risks

Key risks to our investment thesis include (1) lower than estimated earnings from overseas cement operations 2) higher than anticipated increase in input cost (Coal, FO, Gas), 3) lower than anticipated growth in cement demand 4) lower than estimated increase in cement prices 5) Lower than forecasted automobile sales 6) downward revision in tariff for power project and 7) lower than expected growth in profitability of ICI.

## Company Description

Lucky Cement Limited (LUCK) is a manufacturer and supplier of cement. It produces various types of cement such as the Ordinary Portland Cement (OPC), clinkers, block cement and the sulfate resistant cement. The company has manufacturing plants in both North and South regions of the country, and also in Iraq and Congo. The company operates as a group company of Yunus Brothers Group and have exposure to chemical (ICI) and power generation business.

## Financial Highlights - LUCK

Income Statement (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net sales	97,542	108,296	123,768	220,631	339,777	384,911
Cost of sales	71,944	84,507	104,811	172,867	257,199	287,544
<b>Gross Profit</b>	<b>25,598</b>	<b>23,789</b>	<b>18,957</b>	<b>47,764</b>	<b>82,578</b>	<b>97,367</b>
SG & A	7,323	9,130	11,870	17,360	20,679	23,261
<b>Operating Profit</b>	<b>18,276</b>	<b>14,659</b>	<b>7,087</b>	<b>30,404</b>	<b>61,899</b>	<b>74,106</b>
Other income	2,767	3,000	2,376	6,465	3,963	5,084
Other charges	2,204	1,904	1,203	1,725	2,303	2,887
Finance cost	830	1,610	2,367	1,601	16,913	16,705
Share from Associate	1,865	1,013	3,038	-	4,979	5,371
<b>Profit before tax</b>	<b>19,873</b>	<b>15,158</b>	<b>8,931</b>	<b>33,543</b>	<b>51,625</b>	<b>64,970</b>
Taxation	3,700	2,811	1,614	4,661	4,615	6,355
<b>Profit after tax</b>	<b>16,174</b>	<b>12,347</b>	<b>7,317</b>	<b>28,882</b>	<b>47,010</b>	<b>58,615</b>
NCI	1,354	1,019	1,185	5,010	4,740	5,403
<b>Attributable to Parent</b>	<b>14,820</b>	<b>11,328</b>	<b>6,132</b>	<b>23,872</b>	<b>42,270</b>	<b>53,211</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
PPE	73,865	135,476	190,789	273,791	293,298	290,273
Other LT assets	22,175	26,810	32,295	42,132	43,848	45,965
Non-Current Assets	96,040	162,286	223,084	315,923	337,146	336,238
Current assets	69,083	64,735	68,803	102,282	144,503	165,875
<b>Total Assets</b>	<b>165,123</b>	<b>227,021</b>	<b>291,887</b>	<b>418,205</b>	<b>481,649</b>	<b>502,113</b>
Non-Current liabilities	22,957	49,372	99,601	155,523	170,715	156,415
Current liabilities	32,591	52,379	60,799	74,986	82,489	79,930
<b>Total Liabilities</b>	<b>55,548</b>	<b>101,751</b>	<b>160,400</b>	<b>230,509</b>	<b>253,204</b>	<b>236,345</b>
Equity	109,575	125,270	131,487	187,696	228,445	265,768
<b>Total Equity &amp; liabilities</b>	<b>165,123</b>	<b>227,021</b>	<b>291,887</b>	<b>418,205</b>	<b>481,649</b>	<b>502,113</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21E	FY22F	FY23F
Net Income	16,174	12,347	7,317	28,882	47,010	58,615
Non-cash Charges	5,811	6,400	8,147	8,814	14,442	15,047
<b>Operating Cash flows</b>	<b>14,406</b>	<b>20,375</b>	<b>10,428</b>	<b>51,142</b>	<b>46,219</b>	<b>64,302</b>
<b>FCFF</b>	<b>(5,550)</b>	<b>(46,034)</b>	<b>(51,099)</b>	<b>(39,212)</b>	<b>27,756</b>	<b>67,435</b>
Net borrowings	7,138	27,885	51,601	48,244	13,886	(11,294)
<b>FCFE</b>	<b>913</b>	<b>(19,460)</b>	<b>(1,438)</b>	<b>7,654</b>	<b>26,242</b>	<b>41,070</b>
Net change in cash	(1,891)	(16,112)	(2,539)	34,980	19,981	19,778
<b>Closing cash</b>	<b>34,382</b>	<b>18,270</b>	<b>15,732</b>	<b>50,712</b>	<b>70,693</b>	<b>90,471</b>

Source: Company Accounts, Akseer Research

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