

# Lucky Cement (LUCK)

3QFY18 EPS Rs12.4, +2% YoY (-1% QoQ); 9MFY18 EPS Rs36.9, -1% YoY

In-line with expectations

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## Lower effective tax rate supported net earnings

### LUCK: Financial highlights (Consolidated)

| Rsmn                         | 3QFY18 | 3QFY17 | YoY  | QoQ  | 9MFY18 | 9MFY17 | YoY  |
|------------------------------|--------|--------|------|------|--------|--------|------|
| Sales                        | 25,593 | 22,609 | 13%  | 6%   | 72,347 | 65,666 | 10%  |
| Cost of sales                | 18,952 | 15,287 | 24%  | 11%  | 52,540 | 43,183 | 22%  |
| Gross profit                 | 6,641  | 7,322  | -9%  | -6%  | 19,807 | 22,483 | -12% |
| Administrative exp           | 628    | 547    | 15%  | -23% | 2,070  | 1,585  | 31%  |
| Selling and distribution exp | 1,181  | 1,029  | 15%  | 4%   | 3,334  | 3,161  | 5%   |
| Other operating exp          | 649    | 511    | 27%  | -9%  | 1,760  | 1,834  | -4%  |
| Other Income                 | 1,306  | 864    | 51%  | 34%  | 3,502  | 2,605  | 34%  |
| Profit from Operations       | 5,488  | 6,100  | -10% | 2%   | 16,146 | 18,508 | -13% |
| Finance Cost                 | 220    | 163    | 35%  | 47%  | 535    | 527    | 2%   |
| Profit/(Loss) before Tax     | 5,267  | 5,937  | -11% | 1%   | 15,611 | 17,981 | -13% |
| Taxation                     | 777    | 1,621  | -52% | -5%  | 2,543  | 4,925  | -48% |
| Profit/(Loss) after Tax      | 4,490  | 4,316  | 4%   | 2%   | 13,067 | 13,056 | 0%   |
| <b>Attributable to:</b>      |        |        |      |      |        |        |      |
| Owners of Hold. Company      | 4,021  | 3,930  | 2%   | -1%  | 11,935 | 12,053 | -1%  |
| Non-Controlling Interests    | 470    | 386    | 22%  | 37%  | 1,132  | 1,003  | 13%  |
| EPS                          | 12.4   | 12.2   |      |      | 36.9   | 37.3   |      |

Source: PSX, Company Accounts, Topline Research

- LUCK reported consolidated earnings of Rs4bn (EPS Rs12.4), +2% YoY, supported by 13% growth in revenues and lower effective tax rate.
- Net sales of the company were up owing to 22% YoY growth reported by its subsidiary, ICI Pakistan (ICI). ICI's 'Life Sciences' and 'Polyester' businesses witnessed strong growth while 'Chemicals' and 'Agri Sciences' posted dismal performance.
- Sales from cement operations were up 5% YoY in 3QFY18 thanks to 16% growth in total volume. While local sales grew by 17% YoY, exports witnessed a strong 41% growth due to additional export sales from the new capacity of 1.25mn tons per annum in South that came online in Dec 2017.

## Lower effective tax rate supported net earnings

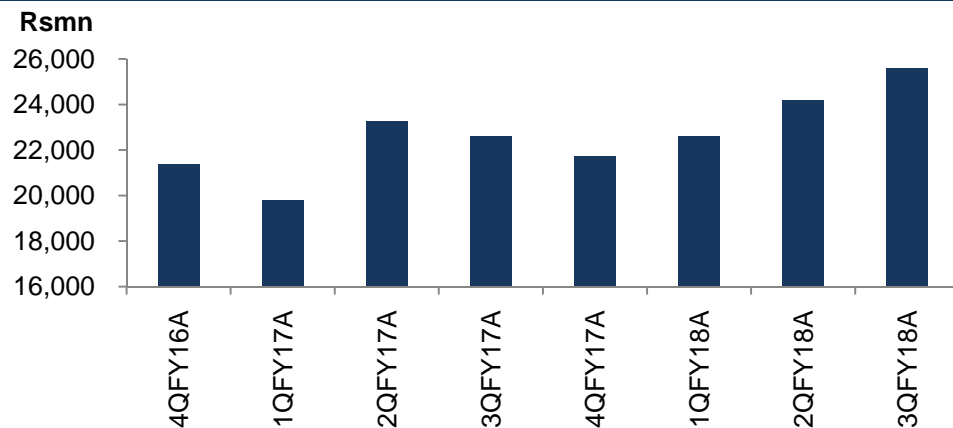
- Consolidated gross margins contracted by 6ppts to 26% during the outgoing quarter, mainly on the back of decline in margins of cement operations, down by considerable 11ppts YoY to 34%. This was due to 1) lower local retention (average net retention prices are down 9% YoY to Rs298/bag) and 2) higher input costs.
- LUCK's consolidated other income grew by 51% YoY in 3QFY18 thanks to 64% growth in income from bank deposits and 32% growth in income from equity investments, we estimate.
- While pretax profits were down 11% YoY in 3QFY18, lower effective tax rate (down 13ppts to 15%) led to growth in net earnings. This was on the back of tax credit on 2) Shariah compliance and 2) Brownfield expansion.
- We flag 1) price competition, 2) higher than anticipated decline in exports, 3) unanticipated increase in gas and coal prices, 4) delay in installation of 660MW coal power plant and 5) delay in commencement of LUCK's upcoming capacities as key risk for the company.

### LUCK: Key Numbers

|                 | FY13A | FY14A | FY15A | FY16A | FY17A |
|-----------------|-------|-------|-------|-------|-------|
| EPS             | 30.1  | 36.8  | 42.5  | 46.0  | 50.2  |
| Earnings Growth | 43%   | 22%   | 16%   | 8%    | 9%    |
| PE at Rs663.9   | 22.1  | 18.1  | 15.6  | 14.4  | 13.2  |
| Dividend Yield  | 1%    | 1%    | 2%    | 2%    | 2%    |
| ROE             | 24%   | 24%   | 23%   | 18%   | 17%   |
| PBV             | 5.2   | 4.3   | 3.5   | 2.6   | 2.2   |

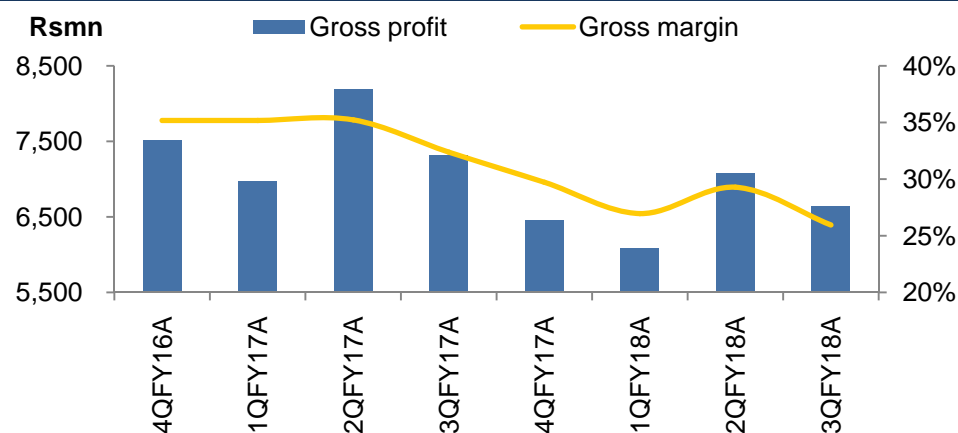
Source: Company Accounts, Topline Research

### LUCK: Quarterly Sales



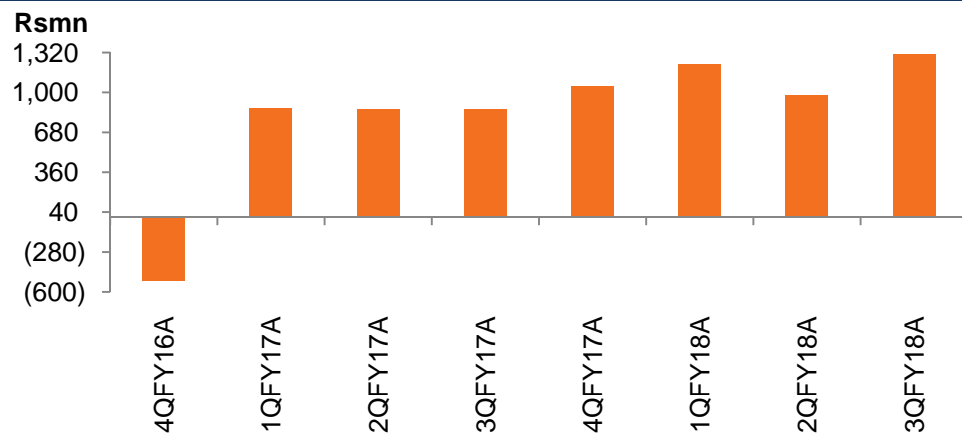
Source: Company Accounts, Topline Research

### LUCK: Quarterly Gross Profit & Gross Margins



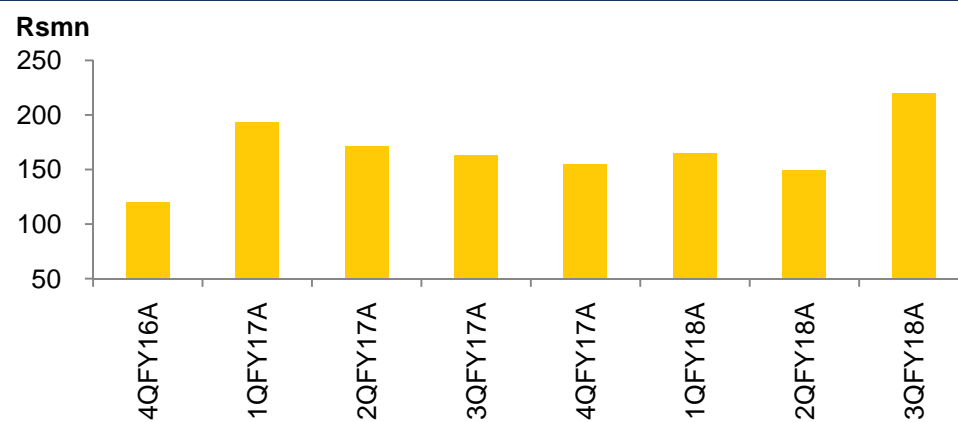
Source: Company Accounts, Topline Research

### LUCK: Quarterly Oil Production



Source: Company Accounts, Topline Research

### LUCK: Quarterly Gas Production



Source: Company Accounts, Topline Research

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|---------|--|
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| Neutral | Stock will perform in line with the average total return of stocks in universe |
| Sell    | Stock will underperform the average total return of stocks in universe         |

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|---------------|---------------------------------------|
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| Market Weight | = Weight in KSE-100 Index             |
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