

# Lucky Cement (LUCK)

4QFY18 EPS Rs8.9, -31% YoY (-28% QoQ); FY18 EPS Rs45.8, -9% YoY

Cash dividend Rs8/share

Below expectations

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www.jamapunji.pk Best Local Brokerage House 2015-16

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# Lower margins dent earnings

## LUCK: Financial highlights (Consolidated)

Rsmn	4QFY18	4QFY17	YoY	QoQ	FY18	FY17	YoY
Sales	25,195	21,717	16%	-2%	97,542	87,383	12%
Cost of sales	19,404	15,262	27%	2%	71,944	58,446	23%
Gross profit	5,791	6,454	-10%	-13%	25,598	28,937	-12%
Administrative exp	516	652	-21%	-18%	2,587	2,237	16%
Selling and distribution exp	1,403	977	44%	19%	4,736	4,138	14%
Other operating exp	444	83	437%	-32%	2,204	1,917	15%
Other Income	1,130	1,062	6%	-14%	4,632	3,668	26%
Profit from Operations	4,558	5,805	-21%	-17%	20,703	24,312	-15%
Finance Cost	295	155	90%	34%	830	682	22%
Profit/(Loss) before Tax	4,263	5,649	-25%	-19%	19,873	23,630	-16%
Taxation	1,156	1,314	-12%	49%	3,700	6,240	-41%
Profit/(Loss) after Tax	3,106	4,335	-28%	-31%	16,174	17,391	-7%
<b>Attributable to:</b>							
Owners of Hold. Company	2,885	4,174	-31%	-28%	14,820	16,227	-9%
Non-Controlling Interests	221	161	38%	-53%	1,354	1,164	16%
EPS	8.9	12.9			45.8	50.2	

Source: PSX, Company Accounts, Topline Research

- LUCK reported 4QFY18 consolidated earnings of Rs2.9bn (EPS Rs8.9), down 31% YoY, which fell short of expectations mainly on the back of lower than anticipated gross margins.
- Net sales were up 16% YoY during the outgoing quarter, supported by 17% YoY sales growth in ICI Pakistan (ICI), subsidiary of LUCK and 27% YoY increase in cement sales.
- Higher cement revenues were mainly due to increase in dispatches (+22% YoY), supported by higher exports (+164% YoY). Extension of 1.25mn tons per annum of cement line to its South plant in Dec 2017 allowed LUCK to tap into new exports market which led to increased exports, we believe.

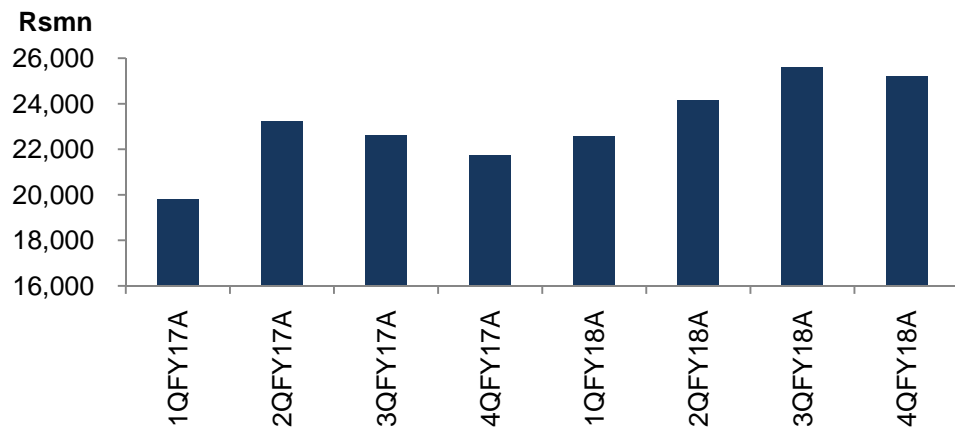
# Lower margins dent earnings

- Consolidated gross margins contracted by 7ppts to 23% during the outgoing quarter, mainly on the back of decline in margins of cement operations, down by considerable 22ppts YoY to 33%. This was due to higher input costs (coal prices were up 30% to US\$100/ton in 4QFY18) and weak pricing power.
- During FY18, sales from the company's cement operations grew by 4% while profitability declined by 11%, primarily owing to decline in margins.
- The company along with the result has notified that its 660MW coal based power plant achieved financial close on 25 Jun, 2018 with the necessary guarantee from the Government of Pakistan under the implementation agreement. The company expects the plant to start commercial operations from Mar 2021.
- We flag 1) price weakening, 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 North capacity as key risk for the company.

LUCK: Key Numbers					
	FY14A	FY15A	FY16A	FY17A	FY18A
EPS	36.8	42.5	46.0	50.2	45.8
Earnings Growth	22%	16%	8%	9%	-9%
PE at Rs551	15.0	13.0	12.0	11.0	12.0
Dividend Yield	2%	2%	2%	2%	2%
ROE	24%	23%	18%	17%	14%
PBV	3.5	2.9	2.2	1.9	1.6

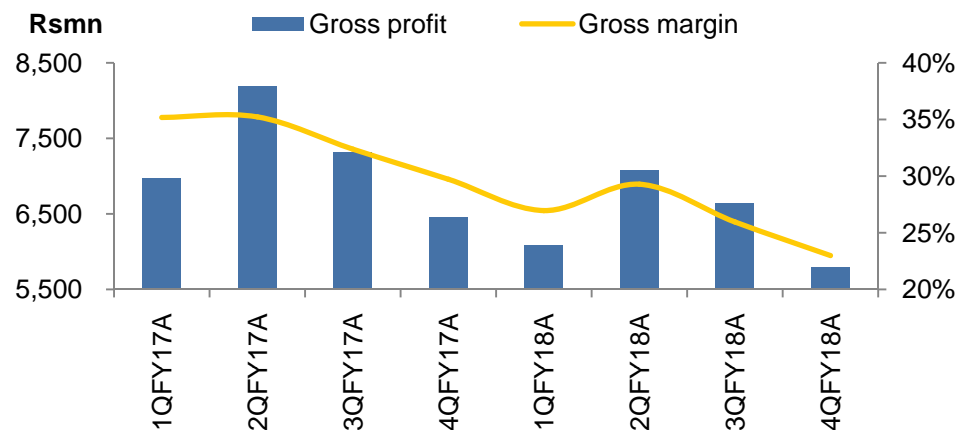
Source: Company Accounts, Topline Research

### LUCK: Quarterly Sales



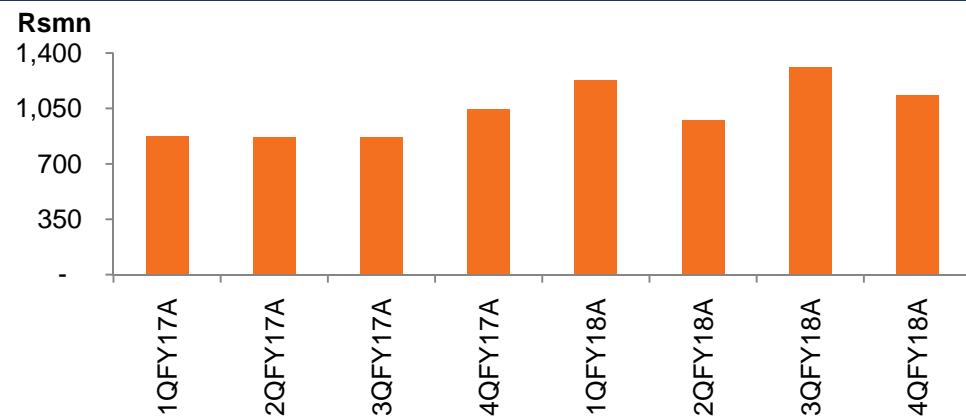
Source: Company Accounts, Topline Research

### LUCK: Quarterly Gross Profit & Gross Margins



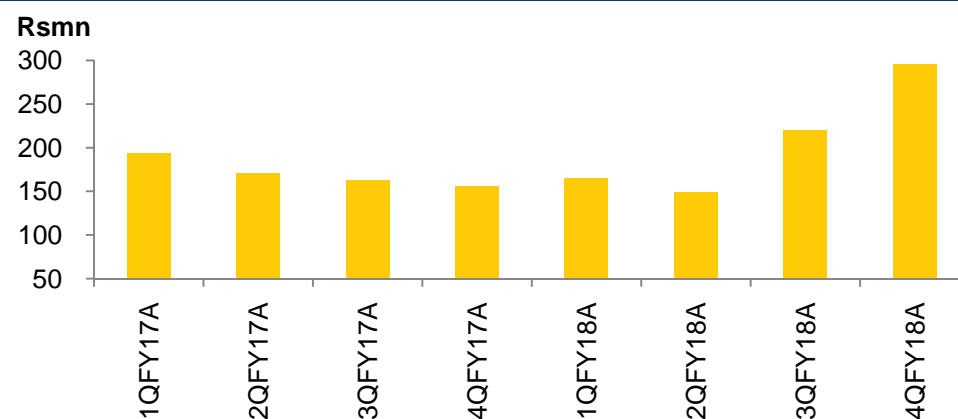
Source: Company Accounts, Topline Research

### LUCK: Quarterly Oil Production



Source: Company Accounts, Topline Research

### LUCK: Quarterly Gas Production



Source: Company Accounts, Topline Research

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