

PAKISTAN

July 16, 2021

Foundation Alert

LUCK: Expanding into mobile manufacturing with Samsung

Event

- Luck Cement Limited (LUCK PA) in a notice filed to PSX has informed that its subsidiary Lucky Motor Company (LMC) has entered into an agreement with Samsung gulf Electronics Co. for producing Samsung branded mobile devices in Pakistan.

Impact

- Lucky motor company (subsidiary of Lucky Cement Limited) will invest in a manufacturing of Samsung branded mobile phones in Pakistan.
- LMC is already in the business of assembling and sales of Kia and Peugeot branded vehicles and its parts.
- LMC is underway to take necessary regulatory approvals (under Mobile Device Manufacturing Regulations, 2021) for manufacturing of mobile phone from Pakistan Telecommunication Authority (PTA).
- To highlight, ECC has removed regulatory duty on import of CKD manufacturing devices and removed fixed sales tax on CKD mobile units as well under Mobile Device Manufacturing Regulations, 2021.
- The production facility will be located at LMC's existing plant facility producing vehicles at Bin Qasim Industrial Park, Port Qasim, Karachi.
- Furthermore, LUCK has also disclosed that the production facility is expected to be operational by the end of December 2021.
- Further information on amount to be invested in the production facility and its capacity would be discussed between LMC and Samsung in due course of time. However, under a globally recognized brand name it would be easy to capture the vast mobile market of Pakistan, in our view.

Outlook

- We have 'Outperform' stance on the stock due to high growth trajectory with diversification in earnings and higher expected liquidity. However, we await further clarity on capital expenditure and holding percentage before incorporating this in our valuation.

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Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.