

Earning Review

LUCK: 4QFY21 EPS clocked in at Rs14.32, up 213% YoY

Event

- Lucky Cement Limited (LUCK PA) profitability clocked in at Rs4.6bn (EPS of Rs14.32) up/down 213/41% YoY/QoQ in 4QFY21 as compared to profitability of Rs1.5bn in 4QFY20. This takes FY21 profitability to Rs22.9bn (EPS of Rs70.69) up 273% YoY as compared to profit of Rs6.1bn in FY20.
- The unconsolidated earning clocked in at Rs7.37/sh (up by 488/67% YoY/QoQ) in 4QFY21.

Impact

- LUCK profitability increased due to (1) increase in cement dispatches given better retention prices, (2) higher profitability from Lucky Motor Corporation Limited, (3) lower fixed cost contribution per unit amid better utilization and increased efficiencies of new plant and (4) enhanced profitability share from ICI Pakistan Limited given higher revenue of the company, in our view.
- LUCK un-consolidated net sales increased by 68% YoY in 4QFY21 due to 37% YoY increase in domestic dispatches given better retention price in both regions. Furthermore, LUCK exports increased by 5% YoY in 4QFY21. To highlight, on sequential basis LUCK domestic/export dispatches declined by 9/12% QoQ in 4QFY21. Decline in sequential exports is due to QoQ 2.8ppt rupee appreciation in 4QFY21.
- To highlight, LUCK un-consolidated gross margins increased/decreased by 10.4/9.1ppt YoY/QoQ in 4QFY21. Margins declined sequentially due to higher energy cost given 15.6ppt QoQ increase in international coal prices.
- LUCK consolidated revenue increased by 72% YoY due to increased cement sales, 56% YoY increase in turnover of ICI and higher revenue of LMCL.
- LUCK consolidated gross margins increased by 10.2ppt YoY in 4QFY21 due to (1) better cement retention prices amid higher volumes, (2) lower fixed cost contribution and better efficiency from new cement plant, (3) increased sales of Lucky Motor Corporation Limited and (4) better core delta for ICI.
- LUCK admin cost declined significantly by 64/83% YoY/QoQ in 4QFY21. We await further clarity from management on this front.
- LUCK distribution cost increased by 64/31% YoY/QoQ in 4QFY21 due to higher volumetric sales amid increased fuel prices.
- Among other major heads LUCK other operating expense increased by 475/98% YoY/QoQ in 4QFY21.
- LUCK's other income increased by 52/2% YoY/QoQ in 4QFY21 due to strong cash position of the company and higher earnings contribution from Iraq/Congo/Yunus Energy businesses, in our view

Outlook

- High growth trajectory of cement business along with diversification in earnings and higher expected liquidity would play in company's favor. Moreover, better utilization level given higher cement demand would allow gradual increase in cement prices in FY22/23, in our view.

Fig 1: LUCK 4QFY21 Consolidated key Financial Highlights (Rs mn)

	4QFY21	4QFY20	YoY	QoQ	FY21	FY20	YoY
Net Sales	50,364	29,334	72%	-17%	207,159	123,768	67%
Cost of sales	38,026	25,133	51%	-17%	159,614	104,811	52%
Gross Profit	12,338	4,201	194%	-18%	47,545	18,957	151%
Admin Expenses	368	1,036	-64%	-83%	5,509	4,222	30%
Selling and Distribution Expenses	3,037	1,849	64%	31%	10,022	7,649	31%
Operating Profit	8,933	1,316	579%	-15%	32,014	7,087	352%
Other operating expenses	3,448	600	475%	398%	4,915	1,203	308%
Other operating income	2,047	1,348	52%	2%	7,367	5,415	36%
EBIT	7,532	2,065	265%	-37%	34,466	11,298	205%
Financial Charges	357	352	2%	3%	1,464	2,367	-38%
PBT	7,175	1,713	319%	-38%	33,002	8,931	270%
Tax	1,100	78	1311%	-39%	4,773	1,614	196%
PAT	6,075	1,635	271%	-37%	28,229	7,317	286%
NCI	1,443	154	835%	-22%	5,371	1,185	353%
PAT att to parent shareholders	4,632	1,481	213%	-41%	22,858	6,132	273%
EPS@323.4mn sh	14.32	4.58			70.69	18.96	
Gross margins	24.5%	14.3%			23.0%	15.3%	
EBIT margins	15.0%	7.0%			16.6%	9.1%	
Net margins	12.1%	5.6%			13.6%	5.9%	
Effective tax rate	15.3%	4.6%			14.5%	18.1%	

Source: Company accounts, Foundation research, August 2021

AnalystFoundation Research
+92 21 3561 2290-94research@fs.com.pk
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Expected return from -10% to +10%	Neutral.
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