

## Earning Review

### LUCK: 1QFY22 EPS clocked in at Rs20.57, up 53% YoY

#### Event

- Lucky Cement Limited (LUCK PA) profitability clocked in at Rs6.7bn (EPS Rs20.57, up 53/44% YoY/QoQ) in 1QFY22 as compared to profit of Rs4.3bn (EPS Rs13.45) in 1QFY21.
- The unconsolidated earning clocked in at Rs10.15/sh (up by 47/38% YoY/QoQ) in 1QFY22.

#### Impact

- LUCK profitability increased due to (1) higher cement dispatches in domestic market given better retention prices, (2) higher profitability from Lucky Motor Corporation Limited, (3) better utilization and increased efficiencies of new plant and (4) enhanced profitability share from ICI Pakistan Limited, in our view.
- LUCK un-consolidated net sales increased by 16% YoY in 1QFY22 due to 3.7% YoY increase in domestic dispatches given better retention price in both regions. To highlight, LUCK exports declined by 30.4% YoY in 1QFY22 due to higher freight cost and decline in realized prices.
- To highlight, LUCK un-consolidated gross margins decreased/increased by 0.6/0.5ppt YoY/QoQ in 1QFY21. We attribute decline in margins to higher energy/fuel cost and increased fixed cost contribution due to decline in production in 1QFY22.
- LUCK consolidated revenue increased by 22% YoY due to increased cement sales, 31% YoY increase in turnover of ICI and higher revenue of LMCL.
- LUCK consolidated gross margins increased by 1.8ppt YoY in 1QFY22 due to (1) better cement retention prices, (2) increased efficiencies of new cement plant, (3) increased sales of Lucky Motor Corporation Limited and (4) better core delta for ICI. To highlight, on sequential basis LUCK consolidated gross margins declined by 3.3ppt QoQ due to decline in margins of LMCL, in our view.
- LUCK admin cost increased by 36/343% YoY/QoQ in 1QFY22.
- LUCK distribution cost declined by 3/27% YoY/QoQ in 1QFY22 due to decline in exports of the company.
- Among other major heads LUCK other operating expense increased/decreased by 60/78% YoY/QoQ in 1QFY22.
- LUCK's other income increased by 158/90% YoY/QoQ in 1QFY22 due to strong cash position of the company and higher earnings contribution from investment in associates and joint ventures, in our view

#### Outlook

- We have Outperform stance on the scrip with Jun-22 target price of Rs912.6/sh. Furthermore, near term profitability of the company is expected to remain under pressure given sector's inability to completely pass on the impact of rise in fuel/power and other overhead costs.
- However LUCK would benefit from (1) return from its diversification drive, (2) favorable Gov't policies (3) continuous increase in consumer housing finance (up 39.8% YoY to Rs111.7bn in Aug'21) and (4) increased demand from public sector due to early disbursement of PSDP.

#### Analyst

Usman Arif  
+92 21 3561 2290-94

usman.arif@fs.com.pk  
Ext 339

Fig 01: LUCK 1QFY22 Consolidated key Financial Highlights (Rs mn)

	1QFY22	1QFY21	YoY	QoQ
Net Sales	54,982	45,114	22%	9%
Cost of sales	43,320	36,341	19%	14%
<b>Gross Profit</b>	<b>11,662</b>	<b>8,773</b>	33%	-5%
Admin Expenses	1,631	1,196	36%	343%
Selling and Distribution Expenses	2,211	2,278	-3%	-27%
Operating Profit	7,819	5,298	48%	-12%
Other operating expenses	775	484	60%	-78%
Other operating income	3,890	1,508	158%	90%
<b>EBIT</b>	<b>10,935</b>	<b>6,322</b>	73%	45%
Financial Charges	340	426	-20%	-5%
PBT	10,595	5,897	80%	48%
Tax	1,736	765	127%	58%
<b>PAT</b>	<b>8,859</b>	<b>5,132</b>	73%	46%
NCI	2,208	783	182%	53%
PAT att to parent shareholders	6,651	4,349	53%	44%
<b>EPS@323.4mn sh</b>	<b>20.57</b>	<b>13.45</b>		
-				
Gross margins	21.2%	19.4%		
EBIT margins	19.9%	14.0%		
Net margins	16.1%	11.4%		
Effective tax rate	16.4%	13.0%		

Source: Company accounts, Foundation research, October 2021

**Important disclosures:**

**Disclaimer:** This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

**Research Dissemination Policy:** Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

**Target price risk disclosures:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

**Analyst certification:** The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

**Recommendations definitions**

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