

## Earning Review

### LUCK: 3QFY22 EPS clocked in at Rs23.41, down 4% YoY

#### Event

- Lucky Cement Limited (LUCK PA) profitability clocked in at Rs7.6bn (EPS Rs23.41, down/up 4/17% YoY/QoQ) in 3QFY22 as compared to profit of Rs7.9bn (EPS Rs24.31) in 3QFY21. This takes 9MFY22 profitability to Rs20.7bn (EPS of Rs64.07, up 14% YoY) as compared to profit of Rs18.2bn in 9MFY21.
- The unconsolidated earning clocked in at Rs17.11/sh (down by 22.6/121.9% YoY/QoQ) in 3QFY22.
- The result is in line with our expectations.

#### Impact

- LUCK profitability declined due to (1) decline in dispatches in both domestic and export market, (2) higher fuel/energy cost, (3) increase in selling and distribution cost and (4) 3.6x YoY increase in finance cost due to higher interest rates amid increase in debt levels, in our view.
- LUCK un-consolidated net sales increased by 35% YoY in 3QFY22 due to better retention price given multiple price hikes by the company in both regions. To highlight, LUCK exports declined by 14% YoY in 3QFY22 due to (1) higher fuel cost given significant increase in international coal prices, (2) higher freight cost and (3) decline in realized prices in export markets.
- To highlight, LUCK un-consolidated gross margins decreased by 0.5/13.9ppt YoY/QoQ in 3QFY22. We attribute decline in margins to higher energy/fuel cost and increased fixed cost contribution due to decline in production in 2QFY22.
- LUCK consolidated revenue increased by 53% YoY due to (1) increase in cement retention prices, (2) 46% YoY increase in turnover of ICI and (3) higher revenue of LMCL.
- LUCK consolidated gross margins declined by 9.1/4.5ppt YoY/QoQ in 3QFY22 due to (1) decline in cement business core profitability and (2) decline in margins of LMCL, in our view.
- LUCK admin cost decreased/increased by 2/15% YoY/QoQ in 3QFY22.
- LUCK distribution cost increased/decreased by 22/4% YoY/QoQ in 3QFY22.
- Among other major heads LUCK other operating expense increased by 40/12% YoY/QoQ in 3QFY22.
- LUCK's other income increased by 92/61% YoY/QoQ in 3QFY22 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 Dec-22 target price of Rs918/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.
- Furthermore, LUCK is expected to witness continuous growth in profitability due to (1) largest share in domestic cement market, (2) COD of 660MW LEPCL coal fired power plant, (3) increased profit contribution from LMC given introduction of new variants and pricing power, (4) better profitability of ICI amid increased shareholding in NutriCo Pakistan and (5) higher share of profit from Iraq/Congo cement businesses.

Fig 01: LUCK 3QFY22 Consolidated key Financial Highlights (Rs mn)

	3QFY22	3QFY21	YoY	QoQ	9MFY22	9MFY21	YoY
Net Sales	93,197	60,979	53%	36%	216,577	156,795	38%
Cost of sales	78,730	45,983	71%	44%	176,722	121,588	45%
<b>Gross Profit</b>	<b>14,467</b>	<b>14,996</b>	<b>-4%</b>	<b>5%</b>	<b>39,855</b>	<b>35,207</b>	<b>13%</b>
Admin Expenses	2,071	2,124	-2%	15%	5,498	5,141	7%
Selling and Distribution Expenses	2,842	2,326	22%	-4%	8,023	6,985	15%
Other operating expenses	972	693	40%	12%	2,615	1,468	78%
Other operating income	3,857	2,010	92%	61%	10,149	5,319	91%
<b>EBIT</b>	<b>12,438</b>	<b>11,863</b>	<b>5%</b>	<b>18%</b>	<b>33,869</b>	<b>26,933</b>	<b>26%</b>
Financial Charges	1,257	345	264%	119%	2,171	1,107	96%
PBT	11,181	11,518	-3%	13%	31,698	25,827	23%
Tax	1,802	1,809	0%	11%	5,165	3,672	41%
<b>PAT</b>	<b>9,379</b>	<b>9,709</b>	<b>-3%</b>	<b>13%</b>	<b>26,533</b>	<b>22,154</b>	<b>20%</b>
NCI	1,807	1,849	-2%	0%	5,814	3,928	48%
PAT att to parent shareholders	7,572	7,861	-4%	17%	20,718	18,226	14%
<b>EPS@323.4mn sh</b>	<b>23.41</b>	<b>24.31</b>			<b>64.07</b>	<b>56.36</b>	
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Gross margins	15.5%	24.6%			18.4%	22.5%	
EBIT margins	13.3%	19.5%			15.6%	17.2%	
Net margins	10.1%	15.9%			12.3%	14.1%	
Effective tax rate	16.1%	15.7%			16.3%	14.2%	

Source: Company accounts, Foundation research, April 2022

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