

Earning Review

LUCK: 4QFY22 EPS clocked in at Rs27.15, up 90% YoY

Event

- Lucky Cement Limited (LUCK PA) profitability clocked in at Rs8.8bn (EPS Rs27.15, up 90/16% YoY/QoQ) in 4QFY22 as compared to profit of Rs4.6bn (EPS Rs14.32) in 4QFY21. This takes FY22 profitability to Rs29.5bn (EPS of Rs91.22, up 29% YoY) as compared to profit of Rs22.9bn in FY21.
- The unconsolidated earning clocked in at Rs12.34/sh (up/down by 67.4/27.9% YoY/QoQ) in 4QFY22.
- The result is above our expectations due to better gross margins and lower than expected super tax provision.

Impact

- LUCK profitability increased due to (1) better retention prices given multiple price hikes by the company to pass on the impact of higher fuel cost, (2) 4.2x YoY increase in other income and (3) start of profitability contribution of LEPLC, in our view.
- LUCK un-consolidated net sales increased by 40% YoY in 4QFY22 due to better retention price given multiple price hikes by the company in both regions. To highlight, LUCK dispatches declined by 14% YoY in 4QFY22 due to ~5/49% YoY decline in domestic/export dispatches. Company exports declined due to higher fuel cost given significant increase in international coal prices and decline in realized prices in export markets.
- To highlight, LUCK un-consolidated gross margins increased by 11.7/16.5ppt YoY/QoQ in 4QFY22. We attribute increase in margins to better retention prices and efficient management of fuel cost in 4QFY22.
- LUCK consolidated revenue increased by 128% YoY due to (1) increase in cement retention prices, (2) higher revenue of LMCL/ICI and (3) contribution from LEPLC.
- LUCK consolidated gross margins decreased/increased by 4.2/4.8ppt YoY/QoQ in 4QFY22 due to lower margins of LMCL despite better margins of cement business in 4QFY22, in our view.
- LUCK admin cost decreased by 29/87% YoY/QoQ in 4QFY22 due to adjustment of certain expenses in distribution cost which increased by 25/34% YoY/QoQ in 4QFY22.
- Among other major heads LUCK other operating expense decreased/increased by 46/90% YoY/QoQ in 4QFY22.
- LUCK's other income increased by 4.2x/3.1x YoY/QoQ in 4QFY22. We wait for further management clarity on this front.
- To highlight, LUCK has reported Rs143mn share of loss from associates in 4QFY22 as compared to share of profit of Rs1,325mn in 4QFY21.

Outlook

- We expect near term profitability of the core business to remain under pressure given inability to completely pass on the impact of rise in fuel cost and inflationary pressures amid slowdown in demand due to economic consolidation. Furthermore, demand from NPHP may decline in future due to restrictions imposed by SBP on new approvals and IMF conditions over subsidy. However, aforementioned factors are already incorporated in current market prices, thus we have "Outperform" stance on stock.
- However, LUCK is expected to witness continuous growth in profitability due to (1) COD of 660MW LEPLC coal fired power plant and (2) better profitability of ICI amid increased shareholding in NutriCo Pakistan.

Fig 01: LUCK 4QFY22 Consolidated key Financial Highlights (Rs mn)

	4QFY22	4QFY21	YoY	QoQ	FY22	FY21	YoY
Net Sales	114,885	50,364	128%	23%	331,462	207,159	60%
Cost of sales	91,569	38,026	141%	16%	268,291	159,614	68%
Gross Profit	23,316	12,338	89%	61%	63,171	47,545	33%
Admin expense	263	368	-29%	-87%	5,761	5,509	5%
S&D expense	3,802	3,037	25%	34%	11,825	10,022	18%
Other expense	1,851	3,448	-46%	90%	4,466	4,915	-9%
Other Income	3,005	722	316%	208%	7,337	2,928	151%
Share of profit	(143)	1,325	-111%	-105%	5,674	4,439	28%
EBIT	20,263	7,532	169%	63%	54,131	34,466	57%
Finance cost	4,924	357	1280%	292%	7,095	1,464	385%
PBT	15,338	7,175	114%	37%	47,036	33,002	43%
Tax	5,448	1,100	395%	202%	10,613	4,773	122%
PAT	9,890	6,075	63%	5%	36,423	28,229	29%
NCI	1,111	1,443	-23%	-38%	6,925	5,371	29%
PAT att to parent shareholders	8,779	4,632	90%	16%	29,497	22,858	29%
EPS@323.4mn sh	27.15	14.32			91.22	70.69	
Gross margins	20.3%	24.5%			19.1%	23.0%	
EBIT margins	17.6%	15.0%			16.3%	16.6%	
Net margins	8.6%	12.1%			11.0%	13.6%	
Effective tax rate	35.5%	15.3%			22.6%	14.5%	

Source: Company accounts, Foundation research, August 2022

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