

## Earning Review

### LUCK: 1QFY23 EPS clocked in at Rs16.85, down 18% YoY

#### Event

- Lucky Cement Limited (LUCK PA) profitability clocked in at Rs5.4bn (EPS Rs16.85, down 18/38% YoY/QoQ) in 1QFY23 as compared to profit of Rs6.7bn (EPS Rs20.57) in 1QFY22.
- The unconsolidated earning clocked in at Rs11.91/sh (up/down 17.3/3.4% YoY/QoQ) in 1QFY23.

#### Impact

- Company profitability has declined due to (1) lower cement dispatches in both domestic and export markets, (2) 45% YoY decline in other income due to absence of one-off gain and (3) increase in finance cost due to change in treatment of borrowing cost of LEPCL and higher interest rates and (4) higher effective tax rate on the back of imposition of Super tax in FY23 budget, in our view.
- LUCK un-consolidated net sales increased by 17% YoY in 1QFY23 due to better retention prices in domestic market.
- To highlight, LUCK un-consolidated gross margins increased/decreased by 3.3ppt YoY to 30.6% in 1QFY23. We attribute increase in margins to better retention prices and efficient procurement of coal for fuel usage in 1QFY23.
- LUCK consolidated revenue increased by 65% YoY due to (1) COD of LEPCL, (2) higher cement retention prices, and (3) increase in revenue of ICI, in our view.
- LUCK consolidated gross margins decreased by 1.2/0.3ppt YoY/QoQ in 1QFY23 due to lower margins of LMCL despite better margins of cement business in 1QFY23, in our view.
- LUCK admin cost decreased/increased by 10/458% YoY/QoQ in 1QFY23. Sequential significant increase in admin cost is due to one-off adjustment in 4QFY22.
- Among other major heads LUCK other operating expense increased/decreased by 51/37% YoY/QoQ in 1QFY23.
- Furthermore, LUCK's other income decreased by 45/52% YoY/QoQ in 1QFY23 due to absence of one-time gain booked in 1QFY22.
- To highlight, LUCK reported Rs1.2bn share of profit from associates in 1QFY23 as compared to share of Rs1.3bn in 1QFY22.
- Company effective clocked in at 25.5% in 1QFY23 as compared to 16.4% in 1QFY22. Increase in effective tax rate is due to imposition of super tax in FY23 budget.

#### 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.

Fig 01: LUCK 1QFY23 Consolidated key Financial Highlights (Rs mn)

	1QFY23	1QFY22	YoY	QoQ
Net Sales	90,633	54,982	65%	-21%
Cost of sales	72,501	43,320	67%	-21%
<b>Gross Profit</b>	<b>18,131</b>	<b>11,662</b>	<b>55%</b>	<b>-22%</b>
Admin expense	1,467	1,631	-10%	458%
S&D expense	2,724	2,211	23%	-28%
Other expense	1,173	775	51%	-37%
Other Income	1,453	2,636	-45%	-52%
Share of profit	1,181	1,254	-6%	-924%
<b>EBIT</b>	<b>15,402</b>	<b>10,935</b>	<b>41%</b>	<b>-24%</b>
Finance cost	6,485	340	1809%	32%
PBT	<b>8,917</b>	<b>10,595</b>	-16%	-42%
Tax	2,270	1,736	31%	-58%
<b>PAT</b>	<b>6,933</b>	<b>8,859</b>	<b>-22%</b>	<b>-30%</b>
NCI	1,483	2,208	-33%	33%
PAT att to parent shareholders	5,449	6,651	-18%	-38%
<b>EPS@323.4mn sh</b>	<b>16.85</b>	<b>20.57</b>		
Gross margins	20.0%	21.2%		
EBIT margins	17.0%	19.9%		
Net margins	7.6%	16.1%		
Effective tax rate	25.5%	16.4%		

Source: Company accounts, Foundation research, October 2022

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