

## Foundation Alert

### LUCK commissioned brownfield expansion of 3.15 MTPA at PEZU site

#### Event

- Lucky Cement Limited (LUCK PA) announced that company has successfully commissioned its 2<sup>nd</sup> line of 3.15 MTPA of clinker at its PEZU site, KPK.

#### Impact

- LUCK commissioned 3.15mn MTPA expansion project at PEZU having production capacity of ~10,500 tons per day of clinker. Post expansion company's cement production capacity has increased to 15.3mn TPA.
- LUCK has now become the largest cement player in the country. After this expansion, company's overall market share has increased to 19.3% compared to 16.0% before expansion.
- Furthermore, LUCK has become second largest player in North region with capacity of 10.2 mn tons (larger than Fauji cement capacity of 8.4mn tons) and market share of 16.1% as compared to 11.7% before expansion. To highlight, Bestway cement is currently the largest market player in north region post its expansion of 2.3mn tons with market share of 20.5/16.3% in north/industry and total capacity of 12.9 mn tons.
- Moreover, Company is also investing in renewable energy projects for cost efficiencies as it is in process of installing 34MW solar project at PEZU and 25.3MW solar power project at Karachi site.

#### Outlook

- LUCK has become the second biggest player in North region with this expansion of 3.15mn tons. Moreover, company would benefit from (1) higher concessionary debt (TERF/LTFF) taken for expansion, and (2) declining coal prices.
- However, near term profitability growth of the company is expected to remain muted given (1) sector's inability to completely pass on the impact of rise in fuel/power and other overhead costs, (2) slowdown in demand due to economic consolidation and (3) uncertainty over pricing discipline as more expansion coming towards commissioning.

#### Analyst

Usman Arif  
+92 21 3561 2290-94

usman.arif@fs.com.pk  
Ext 338

Ali Ahmad  
+92 21 3561 2290-94

ali@fs.com.pk  
Ext 338

**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.