



KSE100 Closing 11387.22 (-130.07 points)

October 27, 2011

Pakistan Research

Cement | Review

## Lucky Cement: Painting a bright picture

The first quarter results of lucky cement are out and portray a green picture. The company reported an EPS of Rs4.66/sh as against Rs2.25/sh in the same period last year. No dividend has been declared.

P&L a/c Rs '000	1QFY11	1QFY12	%CHG
Gross sales	6,638,731	8,707,521	31.16%
Net sales	5,584,172	7,496,089	34.24%
COS	(3,852,140)	(4,581,287)	18.93%
Gross profit	1,732,032	2,914,802	68.29%
Distribution cost	(688,381)	(922,155)	33.96%
Administrative exp.	(58,546)	(119,431)	104.00%
Operating profit	985,105	1,873,216	90.15%
Finance cost	(143,560)	(81,008)	-43.57%
Other charges	(59,154)	(89,866)	51.92%
Other income	148	410	177.03%
PBT	782,539	1,702,752	117.59%
Taxation	(55,841)	(197,156)	253.07%
PAT	726,698	1,505,596	107.18%
EPS	2.25	4.66	107.11%

Source: KSE announcement

The sales revenue registered a growth of 34% from Rs6.63bn in 1QFY11 to Rs8.707bn 1QFY12 which included 67.87% growth in domestic revenue and 7.32% in export revenue.

The gross margin increased to 38.88% as against 31.02% in the same period last year along with the cost to sales ratio declining to 61% in 1QFY12 from 69% in 1QFY11 indicating that cost did not increase in line with sales i.e. effective cost management was displayed by the company; owing to Waste Heat Recovery System plus the increase in cement prices without cost increases.

The PBIT margin in 1QFY12 increased from 17.64% to 24.99% from Rs985.10mn in 1QFY11 to Rs1873.21mn in 1QFY12 mainly owing to increase in gross profit and a slight decline in percentage of distribution expense to sales.

The company registered a profit before tax margin of 22.72% hence reporting an increase of 117.59% to Rs1702.75mn in 1QFY12 in absolute terms. This increase was contributed by the increase in other income of 177.03% and a decline in finance cost of 43.57% from Rs143.56mn in 1QFY11 to Rs81.008mn in 1QFY12.

The PAT margin of Lucky increased to 20.09% despite an increase of 62% in effective tax rate from 7.14% (1QFY11) to 11.58% (1QFY12).

The company yielded an EPS of Rs4.66/sh in 1QFY12 which is 107.11% higher than the EPS of Rs2.25/sh in the same period last year.

**We expect the company to yield an FYE12 EPS of Rs15.28/sh with a potential PE of 5.43x on account of increase in 50kg cement bag prices, decrease in cost of sales due to a TDF plant coming online by the end of CY11, supply of electricity to HESCO by the end of CY11 and increase in local sales (owing to PSDP projects) and exports especially to Afghanistan. Our target price for Lucky Cement is estimated at Rs100.7/sh. We have a 'BUY' stance on LUCK.**

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LUCK closing Rs79.75

Chg -0.60%

52 week hi 84.90

52 week low 59.55

Beta 1.02

No of shares 323.3mn

Free float 129.35mn