

Lucky Cement... Giant status

Lucky Cement has announced its 1HFY17 results. In-line with our expectations, increasing dispatches boost sales and profit.

- Being one of the major players in the cement industry, LUCK has taken full advantage of the construction boom in the country.
- Consolidated EPS 2QFY17 grew by 14% YoY to PKR 25.1/sh.
- Unconsolidated EPS 1HFY17 up by 13% YoY to PKR 21.73/sh.
- Increase in both public and private sector spending has resulted in an increase in dispatches by 13% YoY. This has resulted in an increase in sales by 7% YoY.

PKR mn	1HFY17	1HFY16	YoY
Sales	23,442	21808	7%
COGS	(11,776)	(11,633)	1%
GP	11,666	10,175	15%
GP Margin	50%	47%	
Dis. Exp	(1,038)	(1,031)	1%
Adm. Exp	(507)	(579)	-12%
OP	10,121	8,565	18%
OP Margin	43%	39%	
Fin. Cost	(7)	(6)	17%
Other Exp.	(1,157)	(719)	61%
Other Inc.	949	661	44%
PBT	9,906	8,501	17%
PBT Margin	42%	39%	
Tax	(2,869)	(2,247)	28%
PAT	7,037	6,254	13%
Net Margin	30%	29%	
EPS	21.76	19.34	13%

Source: SCS Research

Margins galore: As a result of cost efficient energy mix, the company was able to achieve a Gross Margin of 50% and Net Margin of 30%. The surge in other income is attributable to sale of excess electricity and increase in interest income.

The Consolidated results have improved due to 9% increase in the sales from its subsidiary ICI Pakistan.

FY17 outlook: We expect LUCK to post EPS of Rs49/sh as per our model (standalone). This entails FY17 PE of 17.9x. We are neutral on valuations given various developments emanating from the company including its investments.

Refer to disclaimer on last page

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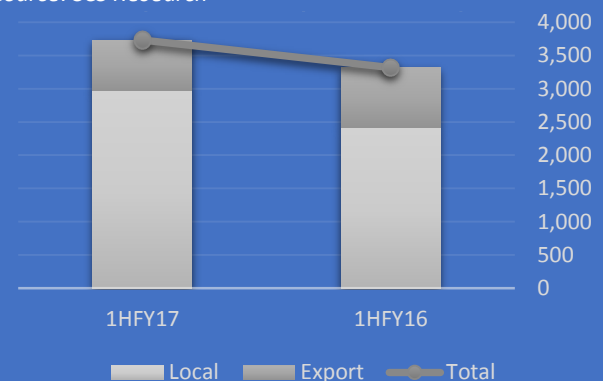
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Dispatches (KT)

	Local	Export	Total
1HFY17	2,980	753	3,733
1HFY16	2,418	900	3,318

Source: SCS Research



What's Next?

- 1) Commencement of operations of 10MW WHR Plant at Pezu in Jan-17.
- 2) Construction of greenfield cement plant 2.3mn tpa.
- 3) Coming online of 1.25mn tpa brownfield cement plant in Karachi by 2QFY18.

Source: SCS Research

buy above 10% target price – sell above target price

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