

LUCK has announced its 1HFY23 result where it posted a profit after tax of Rs7.13bn (EPS: Rs22.04) as compared to a profit after tax of Rs5.77bn (EPS: Rs17.86) in the same period last year, up by 23.5% YoY amid an increase in retention prices.

The company has posted a revenue of Rs45.33bn against Rs37.55bn in SPLY, recording a growth of 20.7% YoY. The gross margin improved by 2.9% to 27.6% as compared to 24.7% in SPLY despite lower dispatches.

Furthermore, SG&A expenses have increased by 17.3% YoY to Rs3.57bn as compared to Rs3.05bn during SPLY. Moreover, finance costs surged by 231.4% due to higher borrowing. In addition, an increase in other income by 28.4% to Rs2.85bn compared to 2.22bn SPLY. Lastly, effective tax has jumped to 29.3% as compared to 23.9% in the SPLY.

LUCK is currently trading at a FY23E P/E of 9.5x. The scrip is also trading at a FY23E P/B of 0.9x which offers a discount of 23% relative to its historical 3-year average of 1.15x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs520 which provides an upside potential of 31%.

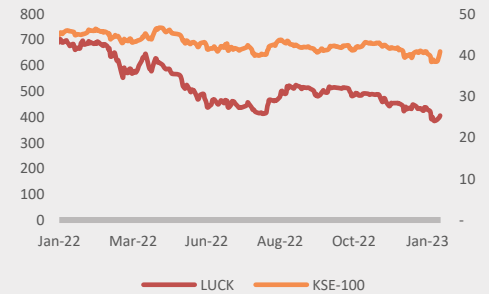
Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	25,590	20,633	24.0% ▲	45,333	37,549	20.7% ▲
Cost of Sales	-19,099	-15,977	19.5% ▲	-32,810	-28,275	16.0% ▲
Gross Profit	6,491	4,656	39.4% ▲	12,523	9,274	35.0% ▲
SG&A Expenses	-1,765	-1,698	3.9% ▲	-3,573	-3,045	17.3% ▲
Operating Profit	4,726	2,958	59.8% ▲	8,950	6,229	43.7% ▲
Other Income						
Finance Cost	838	746	12.3% ▲	2,847	2,218	28.4% ▲
Profit Before Taxation	-360	-92	293.0% ▲	-613	-185	231.4% ▲
Taxation	4,712	3,287	43.4% ▲	10,076	7,589	32.8% ▲
	-1,436	-796	80.4% ▲	-2,948	-1,814	62.5% ▲
Profit After Taxation	3,276	2,491	31.5% ▲	7,129	5,774	23.5% ▲
Earnings Per Share						
Dividend	10.13	7.70	31.5% ▲	22.04	17.86	23.5% ▲
Bonus	0.00	0.00		0.00	0.00	
	-	-		-	-	
Gross Margin						
SG&A Expenses to Sales	25.4%	22.6%	2.8% ▲	27.6%	24.7%	2.9% ▲
Other Income to Sales	-6.9%	-8.2%	1.3% ▼	-7.9%	-8.1%	0.2% ▼
Ex. Gain / (Loss) to Sales	3.3%	3.6%	0.3% ▼	6.3%	5.9%	0.4% ▲
Effective Taxation	-6.9%	-8.2%	1.3% ▼	-7.9%	-8.1%	0.2% ▼
Net Margin	-30.5%	-24.2%	6.3% ▲	-29.3%	-23.9%	5.3% ▲

Source: ACPL Research, Company Financials

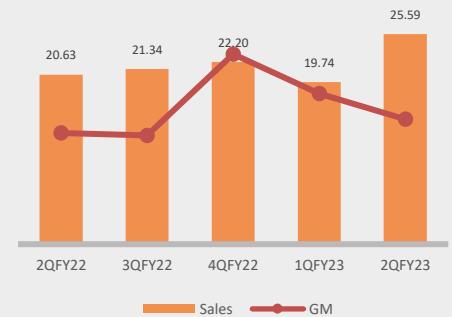
Key Statistics

Symbol	LUCK
TP - Dec 23	520.00
LDCP	397.93
Upside (%)	31
Free Float ('mn)	113,181
Market Cap. (Rs. 'mn)	129,027

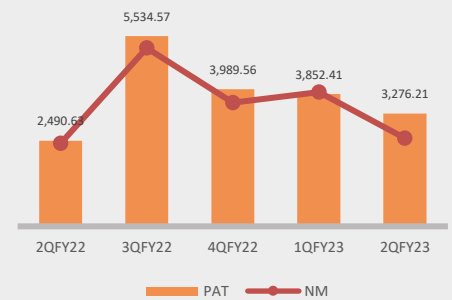
LUCK vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	41,871	62,941	81,094	90,842	96,834	105,342	114,612
Cost of sale	- 35,794	- 43,985	- 58,542	- 66,754	- 72,329	- 78,572	- 85,593
Gross profit	6,077	18,956	22,552	24,087	24,505	26,771	29,018
Selling and promotion expenses	- 1,190	- 1,257	- 1,512	- 1,837	- 1,958	- 2,130	- 2,317
Administration expenses	- 3,699	- 4,859	- 4,765	- 5,324	- 5,675	- 6,173	- 6,717
Other operating expenses	- 378	- 1,361	- 1,847	- 2,220	- 2,366	- 2,574	- 2,801
Operating Profit	810	11,479	14,428	14,707	14,507	15,893	17,184
Other operating income	3,186	5,846	7,388	5,741	6,006	6,284	6,577
Finance cost	- 176	- 333	- 395	- 1,288	- 1,288	- 1,174	- 1,029
Profit before taxation	3,820	16,992	21,421	19,160	19,224	21,004	22,732
Taxation	- 476	- 2,922	- 6,123	- 5,614	- 5,633	- 6,154	- 6,660
Profit after taxation	3,344	14,070	15,299	13,546	13,591	14,850	16,071
EPS	10.34	43.51	47.31	41.89	42.03	45.92	49.70

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-12.8%	50.3%	28.8%	12.0%	6.6%	8.8%	8.8%
Cost of sale	5.2%	22.9%	33.1%	14.0%	8.4%	8.6%	8.9%
Gross profit	-56.5%	211.9%	19.0%	6.8%	1.7%	9.2%	8.4%
Selling and promotion expenses	-3.1%	5.7%	20.3%	21.4%	6.6%	8.8%	8.8%
Administration expenses	35.6%	31.4%	-1.9%	11.7%	6.6%	8.8%	8.8%
Other operating expenses	-64.0%	260.5%	35.7%	20.2%	6.6%	8.8%	8.8%
Operating Profit	-91.0%	1316.3%	25.7%	1.9%	-1.4%	9.6%	8.1%
Other operating income	-1.7%	83.5%	26.4%	-22.3%	4.6%	4.6%	4.6%
Finance cost	0.0%	88.7%	18.5%	226.6%	0.0%	-8.9%	-12.4%
Profit before taxation	-68.7%	344.8%	26.1%	-10.6%	0.3%	9.3%	8.2%
Taxation	-72.5%	513.9%	109.5%	-8.3%	0.3%	9.3%	8.2%
Profit after taxation	-68.1%	320.8%	8.7%	-11.5%	0.3%	9.3%	8.2%
EPS	-68.1%	320.8%	8.7%	-11.5%	0.3%	9.3%	8.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	14.51	30.12	27.81	26.52	25.31	25.41	25.32
NP Margin	%	7.99	22.35	18.87	14.91	14.04	14.10	14.02
OP Margin	%	1.94	18.24	17.79	16.19	14.98	15.09	14.99
ROE	%	3.37	12.43	11.90	9.32	8.55	8.54	8.46
ROCE	%	3.11	11.38	10.61	8.46	7.83	7.94	7.98
ROA	%	2.46	9.00	8.27	7.55	7.03	7.02	6.84
Cost per ton	'mn	5.30	4.82	7.57	10.75	11.02	11.32	11.65
EBITDA per ton	'mn	0.72	1.73	2.29	3.05	2.87	2.94	2.97

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	0.98	1.34	1.48	1.83	1.88	2.09	2.34
Acid-test	x	0.62	0.84	0.82	1.20	1.35	1.61	1.90
Cash to current liab.	x	0.27	0.09	0.13	0.53	0.77	1.08	1.42

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory		3,584,286	3,010,295	5,138,201	6,862,814	6,629,774	6,779,380	6,925,210
Inventory Turnover	x	-10	-15	-11	-10	-11	-12	-12
Inventory Days		-37	-25	-32	-38	-33	-31	-30
Receivables Days		30	16	16	16	16	16	16
Payables Days		-197	-173	-145	-145	-152	-159	-166
Operating Cycle		191	163	128	123	134	143	152
Utilization	%	53	75	68	41	43	45	48
Export Revenue	%	83	76	80	85	85	84	83
Local Revenue	%	17	24	20	15	15	16	17
Export Market Share	%	0	0	0	0	0	0	0
Local Market Share	%	0	0	0	0	0	0	0
Total Market Share	%	0	0	0	0	0	0	0

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS		10.3	43.5	47.3	41.9	42.0	45.9	49.7
DPS		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Div. Yield	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Cover		0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS		306.7	350.1	397.5	449.4	491.6	537.7	587.4
Payout	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retention	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No. of Shares	'mn	323.4	323.4	323.4	323.4	323.4	323.4	323.4
P/E		38.5	9.1	8.4	9.5	9.5	8.7	8.0
Sales per share		129.5	194.6	250.8	280.9	299.4	325.8	354.4
P/BV		1.3	1.1	1.0	0.9	0.8	0.7	0.7
Price to Sales		3.1	2.0	1.6	1.4	1.3	1.2	1.1

Gearing Ratios		FY20E	FY21E	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.1	0.1	0.1	0.1	0.1	0.1	0.1
L.T. Debt to Equity	x	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Total Debt to Assets		0.1	0.1	0.1	0.1	0.1	0.1	0.0
L.T. Debt to Assets		0.0	0.0	0.1	0.1	0.1	0.1	0.0
Interest Cover	x	-4.6	-34.5	-36.6	-11.4	-11.3	-13.5	-16.7

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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