

Equity Research | Cement | Thursday, 27 October, 2022

LUCK has announced its 1QFY23 result where it posted a profit after tax of Rs3.85bn (EPS: Rs11.91) as compared to a profit after tax of Rs3.28bn (EPS: Rs10.15) in the same period last year, up by 17.3% YoY amid an increase in retention prices.

The company has posted a revenue of Rs19.74bn against Rs16.91bn in SPLY, recording a growth of 16.7% YoY. The gross margin surged by 11.7% YoY to 38.6% as compared to 26.8% in SPLY despite lower dispatches.

Furthermore, SG&A expenses have increased by 34.2% YoY to Rs1.8bn as compared to Rs1.35bn during SPLY. Moreover, finance costs surged by 170.9% due to higher borrowing. In addition, an increase in other income by 36.5% to Rs2.01bn due to higher dividend income received from subsidiaries supported the bottom line. Lastly, effective tax has jumped to 45% as compared to 25.5% in the SPLY.

LUCK is currently trading at a FY23E P/E of 10.5x. The scrip is also trading at a FY23E P/B of 1.1x which offers a discount of 24% relative to its historical 3-year average of 1.42x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs630 which provides an upside potential of 28%.

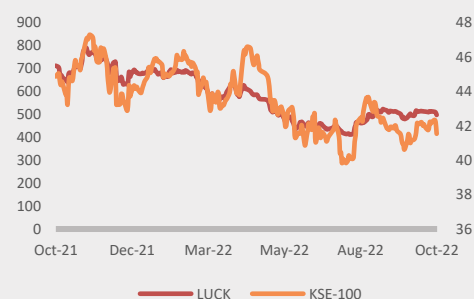
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	19,743	16,915	16.7% ▲	81,094	62,941	28.8% ▲
Cost of Sales	-13,712	-12,298	11.5% ▲	-58,542	-43,985	33.1% ▲
Gross Profit	6,032	4,618	30.6% ▲	22,552	18,956	19.0% ▲
SG&A Expenses	-1,808	-1,347	34.2% ▲	-6,277	-6,116	2.6% ▲
Operating Profit	4,224	3,271	29.1% ▲	14,428	12,840	12.4% ▲
Other Income	2,010	1,472	36.5% ▲	7,388	5,846	26.4% ▲
Finance Cost	-253	-93	170.9% ▲	-395	-333	18.5% ▲
Profit Before Taxation	5,364	4,302	24.7% ▲	21,421	16,992	26.1% ▲
Taxation	-1,512	-1,018	48.5% ▲	-6,123	-2,922	109.5% ▲
Profit After Taxation	3,852	3,284	17.3% ▲	15,299	14,070	8.7% ▲
Earnings Per Share	11.91	10.15	17.3% ▲	47.31	43.51	8.7% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	38.6%	26.8%	11.7% ▲	27.8%	30.1%	2.3% ▼
SG&A Expenses to Sales	-6.7%	-8.1%	1.4% ▼	-7.7%	-9.7%	2.0% ▼
Other Income to Sales	4.7%	4.2%	0.5% ▲	9.1%	9.3%	0.2% ▼
Ex. Gain / (Loss) to Sales	-6.7%	-8.1%	1.4% ▼	-7.7%	-9.7%	2.0% ▼
Effective Taxation	-45.0%	-25.5%	19.5% ▲	-28.6%	-17.2%	11.4% ▲
Net Margin	18.0%	15.0%	2.9% ▲	18.9%	22.4%	3.5% ▼

Source: ACPL Research, Company Financials

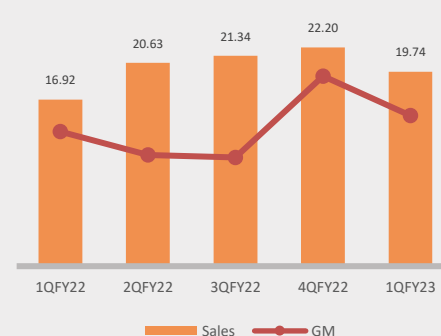
Key Statistics

Symbol	LUCK
TP - Jun 23	630.00
LDPC	493.60
Upside (%)	28
Free Float ('mn)	113,181
Market Cap. (Rs. 'mn)	159,618

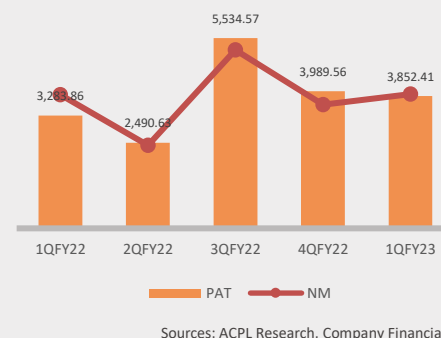
LUCK vs KSE 100



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	78,974	86,437	93,941	102,182
Cost of sale	- 35,794	- 43,985	- 58,542	- 54,846	- 59,447	- 64,648	- 70,489
Gross profit	6,077	18,956	22,552	24,128	26,989	29,293	31,694
Selling and promotion expenses	- 1,190	- 1,257	- 1,512	- 1,783	- 1,952	- 2,121	- 2,307
Administration expenses	- 3,699	- 4,859	- 4,765	- 5,449	- 5,964	- 6,482	- 7,050
Other operating expenses	- 378	- 1,361	- 1,847	- 2,466	- 2,699	- 2,933	- 3,191
Operating Profit	810	11,479	14,428	14,429	16,375	17,756	19,145
Other operating income	3,186	5,846	7,388	8,039	8,419	8,818	9,237
Finance cost	- 176	- 333	- 395	- 1,177	- 1,177	- 1,073	- 941
Profit before taxation	3,820	16,992	21,421	21,292	23,617	25,502	27,441
Taxation	- 476	- 2,922	- 6,123	- 6,086	- 6,750	- 7,289	- 7,843
Profit after taxation	3,344	14,070	15,299	15,206	16,867	18,213	19,598
EPS	10.34	43.51	47.31	47.02	52.16	56.32	60.60

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-12.8%	50.3%	28.8%	-2.6%	9.5%	8.7%	8.8%
Cost of sale	5.2%	22.9%	33.1%	-6.3%	8.4%	8.7%	9.0%
Gross profit	-56.5%	211.9%	19.0%	7.0%	11.9%	8.5%	8.2%
Selling and promotion expenses	-3.1%	5.7%	20.3%	17.9%	9.5%	8.7%	8.8%
Administration expenses	35.6%	31.4%	-1.9%	14.4%	9.5%	8.7%	8.8%
Other operating expenses	-64.0%	260.5%	35.7%	33.5%	9.5%	8.7%	8.8%
Operating Profit	-91.0%	1316.3%	25.7%	0.0%	13.5%	8.4%	7.8%
Other operating income	-1.7%	83.5%	26.4%	8.8%	4.7%	4.7%	4.8%
Finance cost	0.0%	88.7%	18.5%	198.3%	0.0%	-8.8%	-12.3%
Profit before taxation	-68.7%	344.8%	26.1%	-0.6%	10.9%	8.0%	7.6%
Taxation	-72.5%	513.9%	109.5%	-0.6%	10.9%	8.0%	7.6%
Profit after taxation	-68.1%	320.8%	8.7%	-0.6%	10.9%	8.0%	7.6%
EPS	-68.1%	320.8%	8.7%	-0.6%	10.9%	8.0%	7.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	14.51	30.12	27.81	30.55	31.22	31.18	31.02
NP Margin	%	7.99	22.35	18.87	19.25	19.51	19.39	19.18
OP Margin	%	1.94	18.24	17.79	18.27	18.94	18.90	18.74
ROE	%	3.37	12.43	11.90	10.34	10.29	10.00	9.71
ROCE	%	3.11	11.38	10.61	9.40	9.44	9.33	9.19
ROA	%	2.46	9.00	8.27	8.60	8.67	8.41	8.04
Cost per ton	'mn	5.30	4.82	7.57	9.46	9.69	9.96	10.26
EBITDA per ton	'mn	0.72	1.73	2.29	3.21	3.38	3.43	3.46

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	0.98	1.34	1.48	2.05	2.23	2.58	2.97
Acid-test	x	0.62	0.84	0.82	1.41	1.69	2.09	2.52
Cash to current liab.	x	0.27	0.09	0.13	0.65	1.03	1.49	1.97

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory		3,584,286	3,010,295	5,138,201	6,278,206	5,448,068	5,575,052	5,700,601
Inventory Turnover	x	-10	-15	-11	-9	-11	-12	-12
Inventory Days		-37	-25	-32	-42	-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	119	134	143	152
Utilization	%	53	75	68	38	40	42	45
Export Revenue	%	83	76	80	84	84	83	82
Local Revenue	%	17	24	20	16	16	17	18
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	47.0	52.2	56.3	60.6
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	454.6	506.9	563.3	624.0
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		47.7	11.3	10.4	10.5	9.5	8.8	8.1
Sales per share		129.5	194.6	250.8	244.2	267.3	290.5	316.0
P/BV		1.6	1.4	1.2	1.1	1.0	0.9	0.8
Price to Sales		3.8	2.5	2.0	2.0	1.8	1.7	1.6

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	-12.3	-13.9	-16.5	-20.3

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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SELL	Less than and equal to -5%

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Market Weight	Neutral
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