

LUCK has announced its 9MFY23 result where it posted a profit after tax of Rs11.13bn (EPS: Rs35.53) as compared to a profit after tax of Rs11.31bn (EPS: Rs36.09) in the same period last year, slightly down by 1.6% YoY amid an increase in finance costs and higher effective taxation.

The company has posted a revenue of Rs70.35bn against Rs58.89bn in SPLY, recording a growth of 19.5% YoY. The gross margin improved to 27% as compared to 23.7% in SPLY amid an increase in retention prices.

SG&A expenses have increased by 10.6% YoY to Rs5.29bn as compared to Rs4.78bn during SPLY. Finance costs increased by 2.31x due to higher borrowing. Lastly, effective tax has jumped to 29.2% as compared to 20.2% in the SPLY.

LUCK is currently trading at a FY23E P/E of 9.3x. 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 1.2x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs525 which provides an upside potential of 22%.

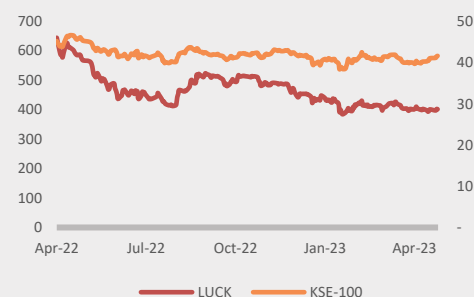
Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	25,015	21,341	17.2% ▲	70,348	58,890	19.5% ▲
Cost of Sales	-18,543	-16,630	11.5% ▲	-51,353	-44,904	14.4% ▲
Gross Profit	6,471	4,712	37.4% ▲	18,994	13,985	35.8% ▲
SG&A Expenses	-1,714	-1,736	1.2% ▼	-5,288	-4,781	10.6% ▲
Operating Profit	4,757	2,976	59.8% ▲	13,707	9,205	48.9% ▲
Other Income	1,558	4,137	62.3% ▼	4,406	6,354	30.7% ▼
Finance Cost	-185	-86	115.6% ▲	-798	-271	194.7% ▲
Profit Before Taxation	5,639	6,576	14.2% ▼	15,716	14,165	10.9% ▲
Taxation	-1,634	-1,042	56.9% ▲	-4,582	-2,856	60.4% ▲
Profit After Taxation	4,005	5,535	27.6% ▼	11,134	11,309	1.6% ▼
Earnings Per Share	12.78	17.66	27.6% ▼	35.53	36.09	1.6% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	25.9%	22.1%	3.8% ▲	27.0%	23.7%	3.3% ▲
SG&A Expenses to Sales	-6.9%	-8.1%	1.3% ▼	-7.5%	-8.1%	0.6% ▼
Other Income to Sales	6.2%	19.4%	13.2% ▼	6.3%	10.8%	4.5% ▼
Ex. Gain / (Loss) to Sales	-6.9%	-8.1%	1.3% ▼	-7.5%	-8.1%	0.6% ▼
Effective Taxation	-29.0%	-15.8%	13.1% ▲	-29.2%	-20.2%	9.0% ▲
Net Margin	16.0%	25.9%	9.9% ▼	15.8%	19.2%	3.4% ▼

Source: ACPL Research, Company Financials

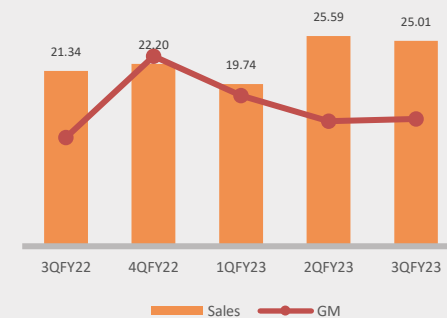
Key Statistics

Symbol	LUCK
TP - Dec 23	525
LDCP	431.25
Upside (%)	22
Free Float ('mn)	109,681
Market Cap. (Rs. 'mn)	135,143

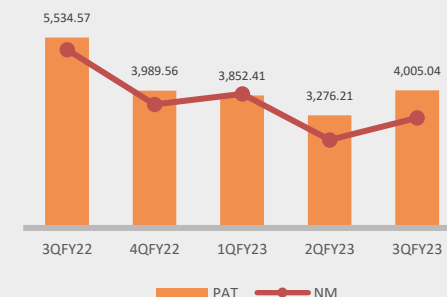
LUCK vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

Muhammad Salman

Phone: (+92) 42 38302028; Ext: 116
Email: salman@abbasiandcompany.com

Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	41,871	62,941	81,094	93,797	99,899	108,687	118,245
Cost of sale	- 35,794	- 43,985	- 58,542	- 68,472	- 73,019	- 79,568	- 86,972
Gross profit	6,077	18,956	22,552	25,324	26,880	29,119	31,273
Selling and promotion expenses	- 1,190	- 1,257	- 1,512	- 1,826	- 1,944	- 2,383	- 2,592
Administration expenses	- 3,699	- 4,859	- 4,765	- 5,225	- 5,565	- 6,054	- 6,586
Other operating expenses	- 378	- 1,361	- 1,847	- 2,131	- 2,269	- 2,469	- 2,686
Operating Profit	810	11,479	14,428	16,143	17,102	18,213	19,408
Other operating income	3,186	5,846	7,388	5,875	6,147	6,432	6,732
Finance cost	- 176	- 333	- 395	- 1,533	- 1,534	- 1,391	- 1,211
Profit before taxation	3,820	16,992	21,421	20,484	21,714	23,254	24,929
Taxation	- 476	- 2,922	- 6,123	- 5,972	- 6,331	- 6,780	- 7,268
Profit after taxation	3,344	14,070	15,299	14,512	15,383	16,474	17,661
EPS	10.67	44.90	48.82	46.31	49.09	52.57	56.36

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-12.8%	50.3%	28.8%	15.7%	6.5%	8.8%	8.8%
Cost of sale	5.2%	22.9%	33.1%	17.0%	6.6%	9.0%	9.3%
Gross profit	-56.5%	211.9%	19.0%	12.3%	6.1%	8.3%	7.4%
Selling and promotion expenses	-3.1%	5.7%	20.3%	20.7%	6.5%	22.5%	8.8%
Administration expenses	35.6%	31.4%	-1.9%	9.7%	6.5%	8.8%	8.8%
Other operating expenses	-64.0%	260.5%	35.7%	15.4%	6.5%	8.8%	8.8%
Operating Profit	-91.0%	1316.3%	25.7%	11.9%	5.9%	6.5%	6.6%
Other operating income	-1.7%	83.5%	26.4%	-20.5%	4.6%	4.6%	4.7%
Finance cost	0.0%	88.7%	18.5%	288.7%	0.1%	-9.3%	-13.0%
Profit before taxation	-68.7%	344.8%	26.1%	-4.4%	6.0%	7.1%	7.2%
Taxation	-72.5%	513.9%	109.5%	-2.5%	6.0%	7.1%	7.2%
Profit after taxation	-68.1%	320.8%	8.7%	-5.1%	6.0%	7.1%	7.2%
EPS	-68.1%	320.8%	8.7%	-5.1%	6.0%	7.1%	7.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	14.51	30.12	27.81	27.00	26.91	26.79	26.45
NP Margin	%	7.99	22.35	18.87	15.47	15.40	15.16	14.94
OP Margin	%	1.94	18.24	17.79	17.21	17.12	16.76	16.41
ROE	%	3.37	12.43	11.91	9.90	9.49	9.23	9.00
ROCE	%	3.11	11.38	10.62	9.02	8.73	8.62	8.53
ROA	%	2.46	9.00	8.27	8.00	7.79	7.56	7.24
Cost per ton	'mn	5.30	4.82	7.57	10.88	10.98	11.31	11.68
EBITDA per ton	'mn	0.72	1.73	2.29	3.23	3.23	3.23	3.23

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	0.98	1.34	1.48	1.88	2.00	2.24	2.52
Acid-test	x	0.62	0.84	0.82	1.21	1.37	1.61	1.90
Cash to current liab.	x	0.27	0.09	0.13	0.54	0.78	1.08	1.41

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory		3,584,286	3,010,295	5,138,201	6,947,158	6,746,093	6,854,808	7,025,005
Inventory Turnover	x	-10	-15	-11	-10	-11	-12	-12
Inventory Days		-37	-25	-32	-37	-34	-31	-29
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	46	49
Export Revenue	%	83	76	80	85	85	84	84
Local Revenue	%	17	24	20	15	15	16	16
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		10.7	44.9	48.8	46.3	49.1	52.6	56.4
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		316.5	361.2	409.9	467.9	517.1	569.8	626.2
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	313.4	313.4	313.4	313.4	313.4	313.4	313.4
P/E		40.4	9.6	8.8	9.3	8.8	8.2	7.7
Sales per share		133.6	200.8	258.8	299.3	318.8	346.8	377.3
P/BV		1.4	1.2	1.1	0.9	0.8	0.8	0.7
Price to Sales		3.2	2.1	1.7	1.4	1.4	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	0.0	0.0
Interest Cover	x	-4.6	-34.5	-36.6	-10.5	-11.1	-13.1	-16.0

Source: ACPL Research, Company Financials

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

DEFINITION OF TERMS

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

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited 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 email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com