

LUCK-FY19 Result Preview: Weak Margins drag the profitability

- The board meeting of Lucky Cement (LUCK) is scheduled on Saturday 27th July 2019 to announce its financial result for FY19.
- We anticipate company to post unconsolidated PAT of Rs10.49bn (EPS: Rs32.44) in FY19E as against PAT of Rs12.12bn (EPS: Rs37.72) in FY18, depicting a decline of 14% YoY. Along with the result, we expect company to announce a cash dividend of Rs 7/share.
- The top line of the company is expected to grow by 4.4% YoY to Rs49.6bn during FY19E against Rs47.54bn in the same period last year. The growth is expected due to higher volumetric sales where major support is expected to come from an increase in exports mainly by the south plant.
- We expect company gross margins to go down by 29.4% YoY in FY19E against 35.7% in SPLY. The contraction is attributable to higher cost of production on the back of currency depreciation of ~24% in FY19.
- We believe the distribution expense of the company to jump by 39.4% YoY FY19E. This is because of higher export dispatches.
- Additionally, other income to escalate by 18.1% in FY19E on account of income from deposits with an Islamic bank.

Outlook

We maintain a "BUY" recommendation at current trading levels with Dec'19 target price of Rs463/share, offering a capital gain of ~20% from the last close.

Income Statement (Rs in mn)	4QFY19E	4QFY18A	YoY	FY19E	FY18	YoY
Net sales	12,103	11,871	2.0%	49,625	47,542	4.4%
Cost of sales	-8,782	-8,011	9.6%	-35,043	-30,589	14.6%
Gross Profit	3,322	3,860	-13.9%	14,582	16,952	-14.0%
Distribution expense	-677	-644	5.2%	-2,778	-1,992	39.4%
Administrative expense	-328	-275	18.9%	-1,209	-1,089	11.0%
Other operating expense	-234	-361	-35.0%	-1,110	-1,346	-17.5%
Other income	715	560	27.8%	3,064	2,595	18.1%
Profit before taxation	2,798	3,139	-10.9%	12,548	15,119	-17.0%
Taxation	-602	-744	-19.1%	-2,058	-2,922	-29.5%
Profit after taxation	2,196	2,395	-8.3%	10,490	12,197	-14.0%
EPS	6.79	7.41		32.44	37.72	
DPS				7.00	8.00	
Gross Margins	27.4%	32.5%		29.4%	35.7%	

Source: Co.Financials, Darson Research

Important disclosures

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Rating System:

If;

- **Expected return >15%** - Buy Call
- **Expected Return is in between 0% to 15%** - Neutral/Hold Call
- **Expected Return <0%** - Sell Call

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk

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