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Lucky Cement Limited

Result Review: LUCK 1QFY19 EPS PKR 7.71, Down by 17% YoY

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- Lucky Cement Ltd (LUCK) has announced financial results for 1QFY19, wherein company reported PAT at PKR 2,493 million (EPS PKR 7.71) in 1QFY19 down by 17% YoY as opposed to PKR 3,017 million (EPS PKR 9.33) in SPLY.
- The decline in earnings are attributed to surge in cost of production amid higher coal prices and widened PKR USD parity, and distribution cost.
- Company's top line registered a meager growth of 2% YoY to record at PKR 11,405 million during 1QFY19 as opposed to PKR 11,204 million SPLY on the back of marginal growth in total dispatches.
- Gross profit margin shrank by 6.7 ppts to arrive at 30% in 1QFY19 as opposed to 37% SPLY. The dip in GPM attributed to 13% surge in cost of production owing to higher coal prices during quarter (32% YoY), PKR devaluation (18%) and surge in higher FED (PKR12.5/bag).
- Distribution cost immensely surged by 78% YoY to record at 658 million during 1QFY19 in comparison to PKR 369 million SPLY, primarily due to shift in sales mix.

LUCK- 1QFY19 Earning Review

Income Statement (PKR mn)	1QFY19	1QFY18	YoY	4QFY18	QoQ
Net Sales	11,405	11,204	2%	11,871	-4%
Cost of Sales	7,981	7,091	13%	8,011	0%
Gross Profit	3,424	4,113	-17%	3,860	-11%
Distribution Exp.	658	369	78%	644	2%
Admin Expense	274	281	-3%	275	0%
Operating Profit	2,493	3,463	-28%	2,941	-15%
Other Expenses	245	294	-17%	361	-32%
Other Income	644	532	21%	560	15%
Finance Cost	-	-	NM	-	NM
PBT	2,892	3,701	-22%	3,139	-8%
PAT	2,493	3,017	-17%	2,395	4%
EPS -Basic	7.71	9.33	-17%	7.41	4%
DPS	0.0	5.00		8.00	
Gross Margin	30.0%	36.7%		32.5%	
Operating Profit Margin	21.9%	30.9%		24.8%	
Net Profit Margin	21.9%	26.9%		20.2%	

Source: Company Accounts & WE Research

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WE Financial Services Ltd. uses three rating categories, depending upon return form current market price, with Target period as December 2018 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Potential to target price	
Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk

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