Construction & Material

Overweight

LUCK PA

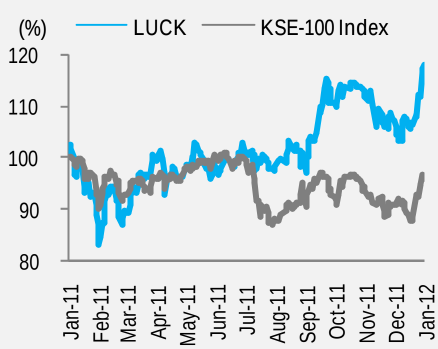
Price Target: PKR100/Share

Closing Price: PKR85.8/Share

BUY

Stock Statistics	
12m Price Range (PKR)	85.8 – 60.3
Market Cap (PKR mn)	27,735.9
Outstanding Shares (mn)	323.4
Avg. Daily Volume mn (1Yr)	1.1

1Yr – Relative Performance



Source: Elixir Research

LUCK	FY12E	FY13E	FY14E
EPS (PKR)	21.1	16.0	16.0
DPS (PKR)	6.0	5.0	5.0
PER (x)	4.0	5.3	5.4
Div Yield	7.0%	5.8%	5.8%
P/BV (x)	3.0	3.1	2.7
ROE	0.8	0.8	0.7

Source: Elixir Research

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LUCK: Earnings growth to continue during 2QFY12

1HFY12 EPS expected at PKR9.52: Lucky cement is scheduled to announce its 2QFY12 financial results on January 30, 2012. We expect the company to post PAT of PKR3.0bn (EPS: PKR9.52), up 1.1x YoY during 1HFY12. 2QFY12 EPS is expected at PKR4.86, up 1.1x YoY.

Higher EBITDA margins to support earnings: We expect LUCK to realize EBITDA margin of PKR1,763/ton, up 77% YoY, primarily on the back of 14% YoY higher net retention prices during 2Q. LUCK's net selling prices for local dispatches during 2QFY12 are expected at PKR5,221/ton, up 34% YoY, where net selling prices on export dispatches remained weak at PKR5,183/ton, down 6% YoY.

Market share of LUCK to remain steady: Local dispatches grew by 5% YoY during 1HFY12 due to low base effect whereas weak export demand dragged export dispatches to 2.1mn tons, down 9% YoY. We expect LUCK to maintain its market share at 1QFY12 levels. Local and export dispatches of LUCK are expected to clock in at 0.92mn and 0.55mn tons.

Investment perspective: We have rolled forward our PT, which yields a Dec-12 PT of PKR100/share. LUCK remains our top pick from the sector as it offers an upside of 17% to our PT coupled with 7% dividend yield for FY12.

Key Financials — Outstanding shares:323mn

(PKR mn)	2QFY11	2QFY12E	YoY	1HFY11	1HFY12E	YoY
Net Sales	6,444	7,318	14%	12,028	14,814	23%
Gross Profit	2,236	2,975	33%	3,968	5,890	48%
SG&A	1,227	906	-26%	1,974	1,948	-1%
EBITDA	1,410	2,478	76%	2,768	4,753	72%
Other operating income	0.11	0	-100%	0	0	58%
Other Charges	60	90	50%	119	180	51%
Finance cost	151	155	3%	294	236	-20%
Net Income	734	1,568	114%	1,461	3,074	110%
EPS (PKR)	2.27	4.86	114%	4.52	9.52	111%
EBITDA/ton	997	1,763	77%	987	1,672	69%
Retention/ton	4,557	5,206	14%	4,287	5,210	22%
COGS/ton(less dep)	2,692	2,798	4%	5,192	5,706	10%
Dispatches	1.41	1.41	-1%	2.81	2.84	1%

Source: Elixir Research, Company Accounts

Higher EBITDA margins to support earnings

EBITDA margins for 2QFY12 are expected to clock in at PKR1,763/ton, up 77% YoY due to 14% YoY rise in retention prices. Net retention prices on local offtake during 2QFY12 are expected at PKR5,221/ton, up 34% YoY as marketing arrangement among cement manufacturers remained strong and cement producers retained tax benefits allowed during FY12 budget. Higher local retention prices would offset 4% YoY rise in COGS/ton. Rise in COGS/ton is estimated to be fuelled by 11% rise coal procurement prices. Net selling prices on export dispatches remained weak at PKR5,183/ton, down 6% YoY.

Market share of LUCK to remain steady

Local dispatches for the industry grew by 5% YoY to 5.76mn tons on account of low base effect as dispatches remained slow during 1HFY11 due to floods. Export dispatches posted a decline of 9% YoY to 2.1mn tons, on account of weak export demand from major export destinations and consistent rise in freight costs. We expect LUCK to maintain its market share at 1QFY12 levels. Local dispatches are expected to clock in at 0.92mn tons, grabbing 15% market share whereas export dispatches are expected at 0.55mn tons, with a market share of 26%.

Economic & Political News

MoP plans to inject 800 mmcfd gas into system in six months

The Ministry of Petroleum and Natural Resources has planned to bring up to 800mmcfd gas into the system within the next six months, which would be sufficient to overcome the current energy crisis. The important projects from where the government is planning to bring 800mmcfd gas into the system are as follows: 186mmcfd from Kunnar Pasaki, 160mmcfd from Uch gas field, 30mmcfd from Sinjhoro, 30mmcfd gas from Rehman gas field, 30mmcfd from Mehr, 30mmcfd from Makori, 10mmcfd from Nur-Bagla, 6mmcfd from Jhakro, 15mmcfd from Jhal Magsi, 10mmcfd from Sajawal, 20mmcfd from Kandkot and 120mmcfd from Sara west.

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