

FLASH NOTE

RESULT REVIEW – LUCK – FY10



ALFALAH
SECURITIES (PVT) LTD.

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Lucky Cement (LUCK) announced its FY10 results and posted Profit After Tax (PAT) of PkR 3.134 bn (EPS 9.70) as against PAT of PkR 4.596 bn (EPS 14.21) during the comparable period of last year. The company also announced 40% cash dividend.

- Gross margins declined from 37.3% to 32.6% mainly due to depressed local and global cement prices.
- Coal prices increased on the average by 35% during FY10 YoY and companies were not able to pass it on due to price war like situation in the local market.
- Local and exports sales volumes increased by 26.4% and 2.2% during FY10 YoY.
- Exports sales remained flat in line with the total exports however local sales increased by robust 26.4% due to a price war like situation in an industry which has around 22mn tonnes excess capacity.
- Finance cost declined by 54% YoY.

Recommendation:

Currently we recommend a BUY on LUCK with TP of PkR 90.40.

Profit and Loss A/C (YoY Comparison)			
(PKR mn)	FY09	FY10	Change %
Sales (mn tones)			
Local	2.47	3.12	26.4%
Export	3.43	3.51	2.2%
Total	5.90	6.63	12.3%
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Total Gross Sales	30,915	29,052	-6.0%
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Turnover	26,330	24,509	-6.9%
Cost of sales	16,519	16,530	0.1%
Gross profit	9,811	7,979	-18.7%
gross margin	37.3%	32.6%	-12.6%
Distribution costs	2,428	3,433	41.4%
Administrative expenses	166	303	82.7%
Operating Profit	7,217	4,243	-41.2%
Finance costs	1,237	569	-54.0%
Other operating income	23	-2	-108.2%
Other charges(WPPF)	827	258	-68.8%
Profit before taxation	5,176	3,414	-34.1%
Taxation - current	580.5	280	-51.8%
Profit after taxation	4,596.0	3,133.7	-31.8%
EPS	14.21	9.69	-31.8%
net margin	17.5%	12.8%	
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(Per Tonne)			
Net Sales	4,460	3,697	-17.1%
COGS	2,798	2,493	-10.9%
Gross profit	1,662	1,203	-27.6%
Distribution cost	411	518	25.9%

Source: Company Accounts, Alfalah Securities Research

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