

## Construction & Materials

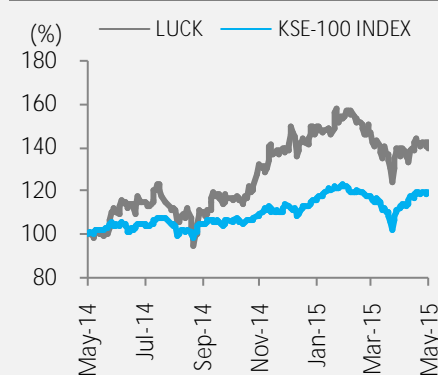
### Over weight

### LUCK PA

Price Target: PKR610/Share  
 Closing Price: PKR479.9/Share  
**BUY**

Stock Statistics	
12m Price Range (PKR)	540.7 – 322.9
Market Cap (PKR mn)	155,190.9
Outstanding Shares (mn)	323.4
Avg. Daily Volume mn (6m)	0.9

#### 1Yr – Relative Performance



Source: Elixir Research

LUCK	FY15E	FY16E	FY17E
EPS (PKR)	40.80	43.45	45.49
DPS (PKR)	12.0	13.0	14.0
PER	12.3	11.0	10.6
Div Yield	2.5%	2.7%	2.9%
BVPS	181.2	211.6	243.1
P/BV (x)	2.6	2.3	2.0
ROE	23%	22%	20%

Source: Elixir Research

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## The Bell

### Pakistan Research

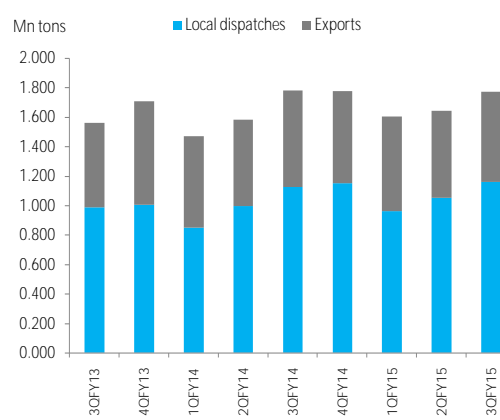
### LUCK: Lower tax rate props up earnings

**Result Announcement:** LUCK recently announced its 9MFY15 financial results with the company posting earnings of PKR28.77/sh, up 14% YoY. 3Q earnings clocked in at PKR11.45/sh, up 22% YoY and 26% QoQ. While PBT was in line with our expectations, lower tax rate which clocked in at 14%, significantly below our estimates, led to earnings outperformance.

Key Financials (PKR mn)			Outstanding shares: 323m			
	3QFY14A	3QFY15A	YoY	9MFY14A	9MFY15A	YoY
Net Sales	11,880	11,739	-1%	31,456	33,149	5%
Cost of Sales	6,698	6,340	-5%	17,765	18,473	4%
Gross Profit	5,182	5,399	4%	13,690	14,676	7%
Distribution expense	1,012	783	-23%	2,558	2,530	-1%
Admin expense	191	243	27%	655	672	3%
Other income	217	295	36%	633	912	44%
Other charges	278	349	26%	685	995	45%
Finance cost	8	6	-17%	28	19	-32%
Profit before tax	3,910	4,313	10%	10,396	11,370	9%
Taxation	886	611	-31%	2,211	2,067	-7%
Net Income	3,024	3,702	22%	8,185	9,303	14%
EPS (PKR)	9.35	11.45	22%	25.31	28.77	14%

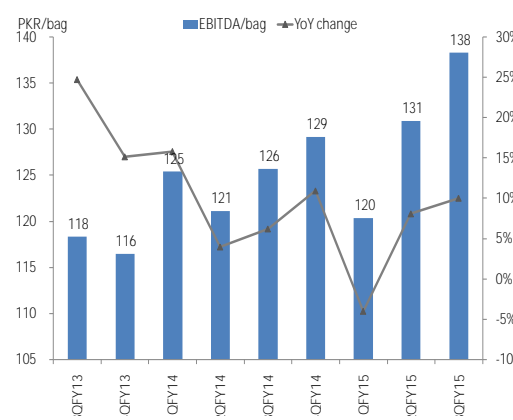
Source: Elixir Research, Company Accounts

#### Quarterly dispatch trend



Source: Company Accounts, Elixir Research

#### Quarterly EBITDA trend



Source: Company Account, Elixir securities

### Lower fuel costs led to margin accretion

Top line of the company fell slightly by 1% as modest increase in local sales (+3% YoY) was offset by decline in exports (-6% YoY) which constrained overall dispatches for the company. Cost of sale on the other hand receded by 5% YoY on per ton basis which led to margin accretion for the company by 2.4pp YoY and 1.5pp QoQ. Lower cost of sales is attributable to lower fuel costs owing to lower international coal prices. Margin expansion coupled with lower operating expenses (-15% YoY) emanating from lower distribution expense (-23% YoY) due to relatively low export volume boosted EBITDA margin by 10% YoY and 6% QoQ to PKR138/bag.

### Projects update

The company has completed its efficiency projects at Karachi plant including 5MW WHR at (in addition to already installed 15MW) and installation of power efficient vertical grinding mills which are estimated to reduce power consumption ~4kwh (after-tax savings are estimated at PKR0.41/sh). Whereas 5MW WHR project at Pezu plant is expected to commence operations by Oct-15.

### Risks on South African exports overplayed

Our channel checks suggests South Africa dumping duty decision which was initially scheduled to be announced in early April is now expected by next week where the industry is expecting dumping duty in the range of 10-20%. We share in with management's comfort that even in the worst case scenario where exports to South Africa become unfeasible post duty imposition, the company can easily re-route its export volume to other export destinations given large export market. Furthermore earning and valuation impact, even in the worst case scenario involving 0.6mn ton loss in volumes, remains negligible and insignificant since margins on exports remain marginal.

### Investment case

We have slightly tweaked our estimates for LUCK with Dec-15 PT of PKR610/sh (+0.5%) offering a total upside of 30% to last closing. BUY!

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