

Lucky Cement Limited

Corporate Briefing Takeaways

The management of LUCK held a corporate briefing session on 29th Jan'24 to discuss the financial performance during 2QFY24 and future outlook.

Brief Takeaways

- To recall consolidated earning arrived at PKR 17,633mn (EPS: PKR 59.41) vis-à-vis PKR 10,464mn (PKR EPS: PKR 32.51), up 69% YoY, primarily due to higher earnings from cement operations, LEPCL, and LCI.
- During 1HFY24 domestic market share of the company arrived at 16.5% vs 14.9% in SPLY.
- In 1HFY24 domestic sales jumped by 12.2% YoY to 3.3 MT as compared to 3 MT in SPLY. In 1HFY24 the export volumes of the company climbed by 59.4% YoY to settle at 0.9 MT. The export market share stood in at 25.7% vs 34% in SPLY. As per management, lower coal price made it viable for the company to export amid positive contribution margins.
- ~40% of earnings are coming from LEPCL and foreign operations, this gives a hedge against devaluation risk.
- Total expenditure of PKR 20 bn has been made on renewable power project. Wind power project of 28.8 MW is anticipated to come online in 1QFY25, which will result in total renewable capacity of 103 MW. After the commission of Wind power project, ~50% of power requirement will be satisfied from renewable energy.
- Foreign operations profitability is anticipated to rise after the installation of new clinker line of 1.8 MTPA in Iraq, expected to commission in FY25.
- The management emphasized that the surge in margins is not sustainable, given the cost advantage derived from inexpensive coal is diminishing.
- LEPCL is expected to achieve tariff-true up in 2HFY24.
- Around 3-3.5 months of total receivables (worth: PKR 25 bn) are overdue for LEPCL.
- LEPCL successfully maintained 100% plant availability during 1HFY24.
- Current retention prices in North and South are approximately PKR 14,000/ton.
- The company for its South plant is using 100% imported coal, whereas majority of local coal is being consumed in its North plant.
- The export price for cement is hovering around USD 37-38/ton
- The demand for FY-24 is expected to remain flattish. Post election political stability is forecasted to result in higher allocation of PSDP in FY25, which will be favorable for cement sector.
- Lucky cement invested in National Resources (Pvt) Limited for copper and gold mining in Chagai district of Balochistan.

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