

LUCK: Pezu plant capacity to be enhanced by 3.15Mn tons pa.

Monday, February 1, 2021

Current Price: PKR 716.5

Flashnote: Cements – Company Update

- Lucky Cement Limited (LUCK) has announced it will increase its Pezu Plant's (located in the KPK) capacity by 3.15Mn tons pa, taking the total plant capacity to 10Mn tons pa.
- The expansion is expected to enable the Company cater to the growing demand in the local cement industry as economic activity accelerates along with uptick in both retail and mega infrastructure development projects, the notice highlighted.
- We believe the expansion will bring the Company's total production capacity to 17Mn tons pa., up 22% from the current production capacity of 14Mn tons pa.
- Project costs are yet to be finalized. However, the management expects construction on the project to commence in the current financial year, with expected completion timeline of 1.5-2 years.
- We expect the upcoming expansion to contribute PKR 6.3/sh. in incremental earnings FY24 onwards.
- Nevertheless, we highlight that the above earnings estimate is subject to the financing mix to fund the project, prevailing market conditions and pricing dynamics in the North.
- LUCK has a domestic cement market share of 13.7%, as per FY20 financials.

SECP Research Entity Notification Number: REP-040

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Valuation Methodology

To arrive at our period end target prices, TSL uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: www.JamaPunji.pk

Frequently Used Acronyms

TP	Target Price	DDM	Dividend Discount Model	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings ratio	PB	Price to Book ratio	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	ROE	Return on Equity
ROA	Return on Assets	SOTP	Sum of the Parts	JPB	Justified Price to Book