## PAKISTAN CEMENTS

## LUCK | DGKC | PIOC 1QFY24 Result Previews

LUCK- 1QFY24 standalone earnings to clock in at PkR18.3/sh: LUCK is expected to announce its 1QFY24 earnings on Monday, wherein we expect company to post unconsolidated PAT of PkR5.7bn (EPS: PkR18.3) vs. earnings of PkR8.3/12.3/sh in 4QFY23/SPLY, an increase of $121 \% / 49 \%$ QoQ/YoY. This surge is credited to sales volume growth and higher other income, boosted by dividend income, especially from LCI (PkR1.7bn). Topline of the company is expected to clock in at PkR30.5bn, an increase of $20 \% / 54 \% \mathrm{QoO} / \mathrm{YoY}$, respectively. Increase in the topline is majorly driven by growth in sales volume (up 15\%QoQ), and a rise in retention price. Other income is expected to soar to PkR3.1bn (up 91\%QoQ), majorly due to substantial dividend from LCl after their disinvestment in Morinaga. Furthermore, finance cost is expected to reach PkR458mn, an increase of $23 \%$ QoQ, owing to higher borrowing in the previous quarter and an uptick in effective interest rates. Finally, consolidated earnings of the company is expected to reach PkR63.2/sh (up 68\%/2.6x QoO/YoY), largely due to a significant contribution from LEPCL (Lucky Electric Power Company Ltd) with expected quarterly earnings of PkR10.2bn, a load factor of $64 \%$ for the quarter and a normalized availability factor of $97 \%$.

LUCK: Income Statement

| PKR (mn) | 1QFY24 | 4QFY23 | QoQ | 1QFY23 | YoY |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Sales | 30,463 | 25,484 | 20\% | 19,743 | 54\% |
| COGS | 21,224 | 18,418 | 15\% | 13,712 | 55\% |
| Gross Profit | 9,239 | 7,067 | 31\% | 6,031 | 53\% |
| Gross Margins | 30.3\% | 27.7\% | - | 30.5\% | - |
| Opex | 2,129 | 1,863 | 14\% | 1,808 | 18\% |
| Other Income | 3,139 | 1,641 | 91\% | 2,010 | 56\% |
| Finance Cost | 458 | 372 | 23\% | 253 | 81\% |
| Profit after taxation | 5,738 | 2,594 | 121\% | 3,851 | 49\% |
| EPS (PkR) | 18.3 | 8.3 | - | 12.3 | - |
| EPS (PkR) Consol | 63.2 | 37.7 | 68\% | 17.4 | 264\% |
| DPS (PkR) | - | 18.0 |  | - |  |

DGKC-EPS is expected to clock in at PkR2.69 for 1QFY24: DGKC's board is set to announce their 1QFY24 result on Saturday, wherein the company is expected to post earnings of PkR1.2bn (PkR2.69/sh) vs. loss of PkR5.7bn (PkR13.12/sh) in the preceding quarter, where the prior loss was majorly due to gross margin contraction and impact of retrospective implementation of super tax. Topline for the quarter is expected to clock in at PkR16.3bn vs. PkR16.9bn in the quarter before, a decline of $4 \%$ QoQ. This decline is attributable to a $12 \%$ QoQ drop in sales volume, totaling 1.17 mn tons compared to 1.33 mn tons in the previous quarter. Gross margins are expected to improve to $19.7 \%$ vs. $10.7 \% / 15.3 \%$ in 4 QFY23/SPLY, primarily due to an increase in retention prices and a decline in coal prices (contributes $\sim 35 \%$ of power mix). The company's finance cost is expected to increase by $5.9 \%$ QoQ, reaching PkR2.0bn, due to overall higher effective interest rates.

DGKC: Income Statement (Unconsolidated)

| PKR (mn) | 1QFY24 | 4QFY23 | QoQ | 1QFY23 | YoY |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Sales | 16,255 | 16,940 | $-4.0 \%$ | 13,585 | $19.7 \%$ |
| COGS | 13,056 | 15,122 | $-13.7 \%$ | 11,512 | $13.4 \%$ |
| Gross Profit | 3,199 | 1,818 | $75.9 \%$ | 2,073 | $54.4 \%$ |
| Gross Margins | $19.7 \%$ | $10.7 \%$ |  | $15.3 \%$ |  |
| Opex | 699 | 1,004 | $-30.4 \%$ | 544 | $28.5 \%$ |
| Other Income | 1,414 | 1,098 | $28.7 \%$ | 661 | $113.8 \%$ |
| Finance Cost | 1,977 | 1,866 | $5.9 \%$ | 1,593 | $24.1 \%$ |
| Tax | 725 | 5,754 | $-87 \%$ | 192 | $276.9 \%$ |
| PAT/(LAT) | 1,177 | $(5,748)$ | $n . m$ | 389 | $202.7 \%$ |
| EPS/(LPS) | 2.69 | $(13.12)$ | - | 0.89 | - |

## AKD RESEARCH

PIOC—EPS of PkR3.96 is expected in 1QFY24: PIOC is expected to announce its 1QFY24 results on Oct 30th, where earnings of PkR900mn (EPS: PkR3.96) is expected compared to loss of PkR100mn (LPS: Pk0.44). This noteworthy quarterly upswing in earnings is primarily attributed to improved gross margins and the absence of the supertax impact on earnings and deferred taxation. Topline is expected to clock in at PkR8.9bn vs. PkR8.4bn in 4QFY23, an increase of $5 \%$ QoQ, driven by a roughly $7 \%$ QoQ uptick in the retention price that offset the impact of a marginal decline in sales volume (down 2\%QoQ). Gross margins are expected to settle at $29.3 \%$ from $26.6 \%$ in the previous quarter, primarily due to elevated retention price and a decline in the fuel and power cost amidst lower coal prices. Moreover, finance cost is expected to clock in at PkR993mn, up 66\%/2\% QoQ/YoY, due to increase in the interest rates during the period.

PIOC: Income Statement

| PKR $(\mathrm{mn})$ | 1QFY24 | 4QFY23 | QoQ | 1QFY23 | YoY |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Sales | 8,775 | 8,369 | $5 \%$ | 8,322 | $5 \%$ |
| COGS | 6,201 | 6,142 | $1 \%$ | 6,412 | $-3 \%$ |
| Gross Profit | 2,574 | 2,228 | $16 \%$ | 1,910 | $35 \%$ |
| Gross Margins | $29.3 \%$ | $26.6 \%$ | - | $22.9 \%$ | - |
| Opex | 90 | 98 | $-9 \%$ | 66 | $36 \%$ |
| Other Income | 20 | 8 | $142 \%$ | 11 | $85 \%$ |
| Finance Cost | 933 | 563 | $66 \%$ | 915 | $2 \%$ |
| Taxation | 576 | 1,835 | $-69 \%$ | 288 | $100 \%$ |
| PAT/(LAT) | 900 | $(100)$ | $n . m$ | 586 | $54 \%$ |
| EPS/(LPS) -PkR | 3.96 | $(0.44)$ | - | 2.58 | - |



## Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.
The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.
Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.
This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.
We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

## Stock Ratings

Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances and other considerations. AKDS uses a three tier rating system: i) Buy, ii) Neutral and iii) Sell with total returns (capital upside + dividend yield) benchmarked against the expected one year forward floating (variable) risk free rate (10yr PIB) plus risk premium.

## Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)

| New Rating Definitions |  |
| :--- | :--- |
| Buy | $>30 \%$ expected total return (Rf: $21 \%+$ Rp: $9 \%$ ) |
| Neutral | $>21 \%$ to < $30 \%$ expected total return |
| Sell | $<21 \%$ expected total return (Rf: $21 \%$ ) |

- Equity \& Asset return based methodologies (EVA, Residual Income etc.)


## Analyst Certification of Independence

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.
The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

## Disclosure of Interest Area

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.
Regional Disclosures (Outside Pakistan)
The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.
Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.
For the United States

## Compliance Notice.

This research report prepared by AKD Securities Limited is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker \& Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker \& Co, LLC in the US shall be borne by Decker \& Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if AKD Securities Limited or Decker \& Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker \& Co, LLC and AKD Securities Limited are permitted to provide research material concerning investment to you under relevant applicable legislations and regulations.

