

LCK/ANNOUNCE/2021-22

April 27, 2022

The General Manager
Pakistan Stock Exchange
Limited
Karachi

The Director / HOD
Surveillance Supervision
and Endorsement Dept
Securities & Exchange
Commission of Pakistan
Islamabad

The London Stock Exchange
10 Paternoster
Square,
London

Dear Sir(s),

FINANCIAL RESULTS FOR THE 3RD QUARTER ENDED MARCH 31, 2022

This is to inform you that the Board of Directors of our Company in their Meeting held on Wednesday, April 27, 2022 at 3:00 p.m., at 6-A, Muhammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi-75350 recommended the following:

(i)	<u>Cash Dividend</u>	Nil
(ii)	<u>Bonus Issue</u>	Nil
(iii)	<u>Right Issue</u>	Nil
(iv)	<u>Interim Dividend</u>	Nil

The financial results of the Company consisting of Statements of Financial Position, Statements of Profit or Loss and Other Comprehensive Income and Directors' Report are annexed.

We will be transmitting the 3rd quarterly report of the Company for the period ended March 31, 2022 will be transmitted through PUCARS separately, within the specified time.

Yours truly
for **LUCKY CEMENT LIMITED**



FAISAL MAHMOOD
GM Finance & Company Secretary

Lucky Cement Limited

6-A, Mohammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi-75350.
U.A.N: 111-786-555 F: 34534302 E: info@lucky-cement.com
URL: www.lucky-cement.com

LUCKY CEMENT LIMITED
Consolidated Condensed Interim Statement of Financial Position
As at March 31, 2022

	Note	(Un-audited) March 31, 2022	(Audited) June 30, 2021
		(PKR in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	258,901,846	215,582,487
Intangible assets		11,647,497	7,024,057
Right-of-use assets	6	183,159	234,202
		<u>270,732,502</u>	<u>222,840,746</u>
Long-term investments	7	34,490,289	26,958,382
Long-term loans and advances		848,095	737,417
Long-term deposits and prepayments		64,867	53,297
		<u>306,135,753</u>	<u>250,589,842</u>
CURRENT ASSETS			
Stores, spares and consumables		25,255,173	12,406,105
Stock-in-trade		54,462,007	36,258,277
Trade debts		23,845,705	5,645,184
Loans and advances		5,861,910	2,189,186
Trade deposits and short-term prepayments		1,061,136	921,196
Other receivables		15,584,867	12,424,855
Tax refunds due from the Government		538,812	538,812
Taxation receivable		418,195	736,597
Accrued return		40,244	23,440
Short-term investments		12,472,931	26,286,983
Cash and bank balances		22,232,319	13,377,143
		<u>161,773,299</u>	<u>110,807,778</u>
TOTAL ASSETS		<u>467,909,052</u>	<u>361,397,620</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		3,233,750	3,233,750
Reserves		156,085,731	132,389,387
Attributable to the owners of the Holding Company		159,319,481	135,623,137
Non-controlling interest		26,219,554	21,403,155
Total equity		<u>185,539,035</u>	<u>157,026,292</u>
NON-CURRENT LIABILITIES			
Long-term loans		116,026,792	93,558,287
Long-term deposits and other liabilities		6,288,882	5,422,053
Lease liabilities		101,327	171,533
Deferred income - Government grant		2,960,294	1,948,977
Deferred liabilities			
- Staff Gratuity - unfunded		2,796,579	2,520,556
- Deferred tax liability	8	9,897,322	9,902,174
		<u>12,693,901</u>	<u>12,422,730</u>
		<u>138,071,196</u>	<u>113,523,580</u>
CURRENT LIABILITIES			
Current portion of long-term finances		6,201,825	5,309,741
Trade and other payables		100,445,606	70,917,677
Provision for taxation		3,602,588	2,275,047
Accrued return		554,745	248,689
Short-term borrowings and running finance		33,224,921	11,949,034
Current portion of lease liabilities		101,523	94,102
Unclaimed dividend		167,613	53,458
		<u>144,298,821</u>	<u>90,847,748</u>
		<u>282,370,017</u>	<u>204,371,328</u>
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		<u>467,909,052</u>	<u>361,397,620</u>

The annexed notes from 1 to 15 form an integral part of these consolidated condensed interim financial statements.



Chairman / Director



Chief Executive



Chief Financial Officer

LUCKY CEMENT LIMITED
Consolidated Condensed Interim Statement of Profit or Loss
For the nine months ended March 31, 2022 (Un-audited)

		Nine Months Ended		Quarter Ended	
	Note	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
		(PKR in '000')		(PKR in '000')	
Gross revenue	10	265,698,737	202,460,151	111,196,109	78,742,766
Less: Sales tax and excise duty		40,092,286	38,010,561	14,876,057	15,454,985
Rebates, incentives and commission		9,029,525	7,655,032	3,122,879	2,308,512
		49,121,811	45,665,593	17,998,936	17,763,497
Net revenue		216,576,926	156,794,558	93,197,173	60,979,269
Cost of sales		(176,721,610)	(121,587,518)	(78,730,252)	(45,983,026)
Gross profit		39,855,316	35,207,040	14,466,921	14,996,243
Distribution cost		(8,022,797)	(6,984,508)	(2,842,242)	(2,326,076)
Administrative expenses		(5,497,819)	(5,140,911)	(2,071,477)	(2,123,987)
Finance cost		(2,170,955)	(1,106,838)	(1,257,305)	(345,015)
Other expenses		(2,614,762)	(1,467,561)	(971,894)	(692,753)
Other income	11	4,331,412	2,025,527	975,798	798,741
Share of profit - joint ventures and associates		5,817,308	3,293,873	2,880,835	1,211,219
Profit before taxation		31,697,703	25,826,622	11,180,636	11,518,372
Taxation					
- current		(5,217,358)	(3,375,290)	(1,646,389)	(1,349,947)
- deferred		52,207	(297,187)	(155,709)	(459,045)
		(5,165,151)	(3,672,477)	(1,802,098)	(1,808,992)
Profit after taxation		26,532,552	22,154,145	9,378,538	9,709,380
Attributable to:					
Owners of the Holding Company		20,718,442	18,225,882	7,571,742	7,860,727
Non-controlling interest		5,814,110	3,928,263	1,806,796	1,848,653
		26,532,552	22,154,145	9,378,538	9,709,380
		(PKR)		(PKR)	
Earnings per share - basic and diluted		64.07	56.36	23.41	24.31

The annexed notes from 1 to 15 form an integral part of these consolidated condensed interim financial statements.



Chairman / Director



Chief Executive



Chief Financial Officer

LUCKY CEMENT LIMITED
Unconsolidated Condensed Interim Statement of Financial Position
As at March 31, 2022

		(Un-audited) March 31, 2022	(Audited) June 30, 2021
	Note	(PKR in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	73,240,803	62,389,947
Intangible assets		1,747	670
		<u>73,242,550</u>	<u>62,390,617</u>
Long-term investments	6	57,594,485	53,194,485
Long-term loans and advances		202,178	98,655
Long-term deposits		7,937	7,937
		<u>131,047,150</u>	<u>115,691,694</u>
CURRENT ASSETS			
Stores and spares		13,153,487	10,526,573
Stock-in-trade		4,051,522	3,105,037
Trade debts		2,871,767	2,710,081
Loans and advances		3,271,083	944,987
Trade deposits and short-term prepayments		124,151	85,403
Accrued return		38,997	22,309
Other receivables		4,368,491	3,690,639
Tax refunds due from the Government		538,812	538,812
Short term investments	14.2	12,472,931	16,227,103
Cash and bank balances		1,474,853	2,825,424
		<u>42,366,094</u>	<u>40,676,368</u>
TOTAL ASSETS		<u><u>173,413,244</u></u>	<u><u>156,368,062</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital		3,233,750	3,233,750
Reserves		<u>121,261,004</u>	<u>109,966,508</u>
		<u>124,494,754</u>	<u>113,200,258</u>
NON-CURRENT LIABILITIES			
Long-term deposits		255,132	243,633
Long-term loans	7	7,608,133	2,934,044
Deferred Government grant		1,546,916	1,107,940
Deferred liabilities			
- Staff gratuity - unfunded		2,605,142	2,337,897
- Deferred tax liability	8	6,280,988	6,157,224
		<u>8,886,130</u>	<u>8,495,121</u>
		<u>18,296,311</u>	<u>12,780,738</u>
CURRENT LIABILITIES			
Trade and other payables		25,608,728	20,789,760
Current maturity of long-term loans		380,181	506,908
Short-term borrowings		1,300,000	7,050,000
Unclaimed dividend		51,386	53,458
Accrued markup		73,553	70,868
Taxation - net		3,208,331	1,916,072
		<u>30,622,179</u>	<u>30,387,066</u>
		<u>48,918,490</u>	<u>43,167,804</u>
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		<u><u>173,413,244</u></u>	<u><u>156,368,062</u></u>

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial



Chairman / Director



Chief Executive



Chief Financial Officer

LUCKY CEMENT LIMITED
Unconsolidated Condensed Interim Statement of Profit or Loss
For the nine months ended March 31, 2022 (Un-audited)

		Nine months ended		Quarter Ended	
		March 31,	March 31,	March 31,	March 31,
		2022	2021	2022	2021
	Note	(PKR in '000')		(PKR in '000')	
Gross sales	10	79,110,490	66,132,516	28,503,707	24,018,096
Less: Sales tax and federal excise duty		19,185,536	17,864,146	6,760,312	6,553,532
Rebates, incentive and commission		1,035,244	1,165,749	402,301	437,436
		20,220,780	19,029,895	7,162,613	6,990,968
Net sales		58,889,710	47,102,621	21,341,094	17,027,128
Cost of sales		(44,904,352)	(32,398,737)	(16,629,539)	(10,908,485)
Gross profit		13,985,358	14,703,884	4,711,555	6,118,643
Distribution cost		(3,688,286)	(3,879,817)	(1,352,823)	(1,208,906)
Administrative expenses		(1,092,429)	(950,663)	(382,776)	(347,907)
Finance cost		(270,925)	(246,213)	(85,906)	(90,589)
Other expenses		(1,122,842)	(1,016,827)	(450,271)	(541,859)
Other income	11	6,354,287	5,184,902	4,136,582	4,348,581
Profit before taxation		14,165,163	13,795,266	6,576,361	8,277,963
Taxation					
-current		(2,729,771)	(1,412,399)	(1,011,365)	(641,208)
-deferred		(126,333)	(695,337)	(30,429)	(490,397)
		(2,856,104)	(2,107,736)	(1,041,794)	(1,131,605)
Profit after taxation		11,309,059	11,687,530	5,534,567	7,146,358
		(PKR)		(PKR)	
Earnings per share - basic and diluted		34.97	36.14	17.11	22.10

The annexed notes from 1 to 16 form an integral part of these unconsolidated condensed interim financial statements.


Chairman / Director


Chief Executive


Chief Financial Officer



Directors' Report

The Directors take pleasure in presenting to you the financial results of your Company which include both, **unconsolidated** and **consolidated financial statements** for the nine months ended March 31, 2022.

Overview

Financial Performance – Consolidated

On a **consolidated** basis, your Company achieved a gross turnover of PKR 265.70 billion which is 31.2% higher as compared to the same period last year's turnover of PKR 202.46 billion.

Moreover, the consolidated Net Profit of the Company was PKR 26.53 billion of which PKR 5.81 billion is attributable to non-controlling interests. The consolidated net profit attributable to owners of the Holding Company translates into an EPS of PKR 64.07 during the current nine months ended March 31, 2022 as compared to PKR 56.36 during the same period last year.

The consolidated financial performance of your Company for the nine months ended March 31, 2022 as compared to last year is presented below:

Particulars	PKR in millions except EPS		
	Nine Months 2021-22	Nine Months 2020-21	Change (%)
Gross Revenue	265,699	202,460	31.2%
Net Revenue	216,577	156,795	38.1%
Gross Profit	39,855	35,207	13.2%
GP as a percentage of net revenue	18.4%	22.5%	(18.0%)
Operating Profit	26,335	23,082	14.1%
EBITDA	34,258	29,681	15.4%
Net Profit	26,533	22,154	19.8%
NP (Attributable to Owners' of the holding company)	20,718	18,226	13.7%
EPS	64.07	56.36	13.7%

Despite the challenges due to increasing production costs across all segments, the Group has been able to secure double-digit growth in its profitability. The increase in consolidated net profit has been mainly attributable to impressive performance of the Group's chemicals business and overseas cement segment. The Group's Polyester, Pharmaceutical and Animal Health segments were able to secure growths of 30.4%, 56.7% and 95.9% respectively in operating results, versus same period last year, on the back of enhanced volumes, better sales mix and new product launches in the pharmaceutical segment.

This increase is in addition to the one-off unrealized gain on acquisition of controlling shares in NutriCo Pakistan amounting to PKR 1.85 billion. On the other hand, the Group's joint venture cement production facility in Samawah, Iraq, which started its commercial production in March 2021, has also added healthy profits to the Group's profitability.

During the outgoing quarter, a major milestone was achieved when Lucky Electric Power Company Limited - a wholly owned subsidiary of Lucky Cement, achieved the Commercial Operations Date (COD) of its 660 MW coal-fired power project on March 21, 2022. The addition of 660 MW to the national grid will not only play a key role in increasing the energy security and prosperity of Pakistan but will also go on to reduce the cost of electricity and reliance on imported fuel in the long run after the completion of Phase III of SECMC in June 2023.

Cement Industry and Company's Performance – Unconsolidated

The industry-wide local sales volume during the nine months period under review remained in line with the corresponding period last year i.e. 36.14 million tons versus 36.18 million tons during the same period last year. Export sales volumes showed a sizable decline of 35.1% to reach 4.64 million tons during the 9M 2021-22 compared to 7.15 million tons during the same period last year. As a result the total cement sales of the industry declined by 5.9% to 40.80 million tons during the nine months period ended March 31, 2022 in comparison to 43.33 million tons during the same period last year.

The decline in overall dispatches is primarily attributable to lower exports, on the back of continuous volatility in international coal prices and exorbitantly high freight costs globally. Despite the recent move by local cement manufacturers to utilize Afghan coal being a cheaper alternate, compared to other imported coal, the increasing prices of Afghan coal, along with high cost of transportation to South plants has adversely impacted the viability of cement exports from Pakistan.

Your Company's local sales volumes dropped by 3.4% to reach 5.51 million tons during 9M 2021-22 in comparison to 5.71 million tons during the same period last year. The marginal decline for the Company versus negligible change in the industry numbers was mainly due to other cement plants becoming operational in the current period. Moreover, the export sales volumes of the Company decreased by 18.0% to 1.56 million tons compared to 1.90 million tons during the same period last year, owing to the reasons mentioned earlier. Hence, overall sales volumes of the Company declined by 7.1% to reach 7.07 million tons during 9M 2021-22.

Cement Production & Sales Volume Performance – Unconsolidated

The unconsolidated production and sales statistics of your Company for the nine months period ended March 31, 2022 compared to the same period last year are as follows:

Particulars	Nine Months 2021-22	Nine Months 2020-21	Growth / (Decline)
	Tons in '000'		%
Clinker Production	6,548	6,730	(2.7%)
Cement Production	6,428	7,005	(8.2%)
Cement / Clinker Sales	7,068	7,605	(7.1%)

A comparison of the dispatches of the industry and your Company's unconsolidated business for the nine months period ended March 31, 2022 in comparison with the same period last year is presented below:

Particulars (Tons in '000')	Nine Months 2021-22	Nine Months 2020-21	Growth / (Decline) %	
Cement Industry*				
Local Sales	36,143	36,183	(40)	(0.1%)
Export Sales				
- Bagged	1,648.09	3,290	(1,642)	(49.9%)
- Loose	404.60	367	38	10.3%
- Clinker	2,587	3,491	(904)	(25.9%)
Total Exports	4,639	7,148	(2,508)	(35.1%)
Grand Total	40,783	43,331	(2,548)	(5.9%)
Lucky Cement				
Local Sales				
- Cement	5,501	5,708	(206)	(3.6%)
- Clinker	10	-	10	0.0%
	5,511	5,708	(197)	(3.4%)
Export Sales				
- Bagged	509	901	(392)	(43.6%)
- Loose	405	367	38	10.2%
- Clinker	643	630	13	2.1%
Total Exports	1,556	1,898	(342)	(18.0%)
Grand Total	7,068	7,606	(538)	(7.1%)
Market Share				
	Nine Months 2021-22	Nine Months 2020-21	Growth/ (Decline) %	
Local Sales	15.2%	15.8%	(3.8%)	
Export Sales				
- Bagged	30.9%	27.4%	12.8%	
- Loose	100.0%	100.0%	0.0%	
- Clinker	24.9%	18.0%	38.3%	
Total Export	33.5%	26.6%	25.9%	
Grand Total	17.3%	17.6%	(1.7%)	

* Industry data is based on best available market estimates

Lucky Cement Limited

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URL: www.lucky-cement.com

The Local Sales of the Company decreased by 3.4% versus negligible change in the industry numbers due to other cement plants becoming operational during the year. On the other hand, the decrease in Company's exports was 18% versus 35.1% for the industry. This was mainly due to the unique infrastructure built at the port by the Company for loose cement exports and its strong brand presence in international markets.

Financial Performance - Unconsolidated

The unconsolidated financial performance of your Company for the nine months period ended March 31, 2022 as compared to the same period last year is presented below:

Particulars	Nine Months 2021-22	Nine Months 2020-21	Change (%)
Gross Revenue	79,110	66,133	19.6%
Net Revenue	58,890	47,103	25.0%
Gross Profit	13,985	14,704	(4.9%)
GP as % of Net Revenue	23.7%	31.2%	(23.9%)
Operating Profit	9,205	9,873	(6.8%)
EBITDA	12,561	13,091	(4.0%)
Net Profit	11,309	11,688	(3.2%)
EPS	34.97	36.14	(3.2%)

* Rupees in million except EPS

Revenue

During the nine months period under review, your Company's overall gross sales revenue increased by 19.6% as compared to the same period last year. While the local sales volumes declined by 3.4%, the local gross sales revenue showed an increase of 24.5% (PKR 68.6 billion vs PKR 55.1 billion), which was attributable to higher cement prices on the back of increased cost of inputs.

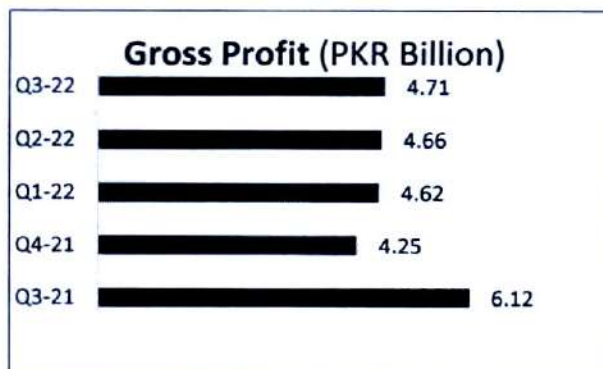
Similarly, while the export volumes declined by 18%, the export gross sales revenue declined by 4.9% (PKR 10.5 billion vs PKR 11.0 billion) as the decline in volumes was to a large extent compensated by increase in prices and exchange rates.

Cost of Sales

During the nine months period under review, per ton cost of sales of your Company increased by 49.1% as compared to the same period last year. This was mainly due to substantial increase in coal prices along with other input costs, which was a direct result of international commodity super cycle followed by the continuing conflict between Russia and Ukraine.

Gross Profit

The gross profit to net revenue margin of the company for the nine months period under review was 23.7% compared to 31.2% reported during the same period last year. This was due to increase in input costs, which was partially offset by increase in selling prices.



Dividends

During nine months period under review, the dividend income received by your Company from its subsidiaries and associated companies was PKR 3.45 billion vs PKR 4.31 billion during the same period last year.

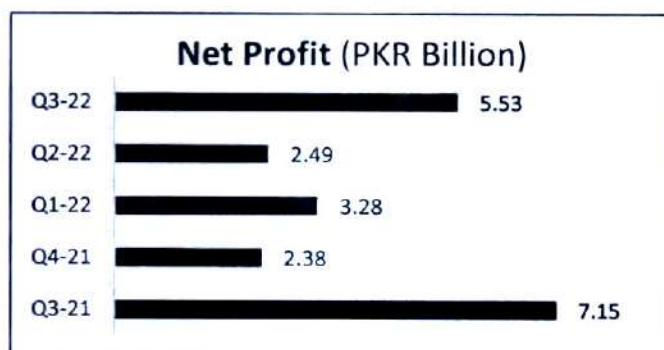
Subsidiary/ Associate PKR Billion	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21
ICI	1.02	-	1.02	-	1.02
LHL		0.18	-	0.10	-
YEL	0.06	0.11	-	-	0.06
LMC	1.07	-	-	-	2.85
Total	2.14	0.29	1.02	0.10	3.93

Net Profit

Your Company achieved a profit before tax of PKR 14.17 billion during the nine months period ended March 31, 2022 as compared to PKR 13.80 billion reported during the same period last year.

The above amount includes PKR 1.48 billion as fee for provision of technical services to Nyumba Ya Akiba, Company's joint venture in Democratic Republic of Congo during the current financial year. This amount includes PKR 791.66 million in respect of provision of one off services to the JV Company.

Accordingly, after-tax profit of PKR 11.31 billion was achieved during the nine months period under review as compared to PKR 11.69 billion reported during the same period last year.

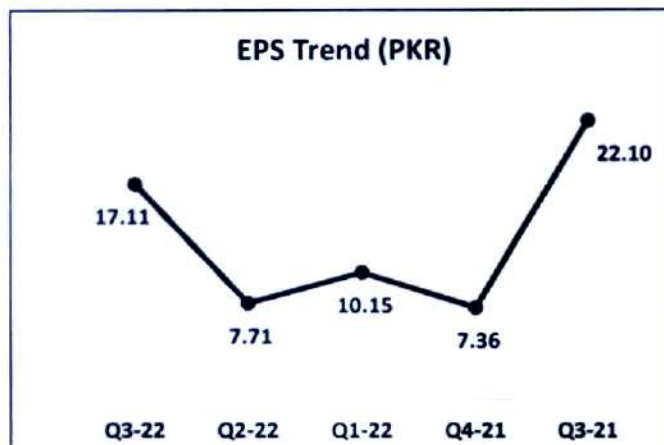


Note: The Net Profit in Q3-21 was higher than other quarters mainly on account of higher volumes, lower input costs and higher dividends from Subsidiaries/ associated companies



Earnings per share

The earnings per share of your Company for nine months period ended March 31, 2022 was PKR 34.97 in comparison to PKR 36.14 reported during the same period last year.



Investment Projects – New and Ongoing

Brownfield cement plant expansion in KPK Province of Pakistan – 3.15 million tons per annum

The Company's 3.15 million tons per annum brownfield expansion project at its Pezu Plant is in full swing with more than half of the materials related to civil, mechanical and electrical works delivered on site. Civil work is progressing as per schedule; whereas, major components of plant and machinery are expected to arrive at plant site in first quarter of financial year 2022-23.

The project is targeted to achieve its completion by December 2022.

Subsequent to completion of this project, the total cement production capacity of the Company will reach 15.3 million tons per annum.

Greenfield manufacturing facility of float glass – JV between ICI Pakistan and Tariq Glass Industries Limited

In line with the group's growth aspirations, the members of ICI Pakistan accorded their approval for an equity investment of up to PKR 4.6 billion in the proposed joint venture between ICI Pakistan and Tariq Glass Industries Limited to set up a state-of-the-art, greenfield facility for manufacturing of float glass. The new facility will have a production capacity of up to 1,000 metric tons per day and will be set up in two phases, each phase having a production capacity of up to 500 metric tons per day. The shareholding of ICI Pakistan in the joint venture company will be 51%. The first phase of the project is expected to be operational during FY 2024-25.



Corporate Social Responsibility

Your Company is committed to continue making efforts to support Education, Women empowerment, and Health under its CSR. Your Company has also been at the forefront for the development of society and the communities in which it operates.

Environment Conservation

Your Company always takes responsibility towards the environment seriously and in an effort to highlight the significance of the environment conservation; your Company continued with its pro-environment initiatives including tree-plantation drives in and around its manufacturing sites.

A recent testament of your Company's commitment for energy conservation and promotion of green energy resources was the launch of a 34 MW captive solar power project with a 5.589 MWh Reflex energy storage to be installed at Pezu plant in Khyber Pakhtunkhwa. While the Company has faced non-availability of both Gas and Furnace Oil in the past, with the launch of this project your Company will not only attempt to overcome the impact of looming energy crisis in the country but will also make its operations sustainable.

Education / Scholarships

In continuation of its long-term objective to provide merit-based support for the deserving and less privileged segments of the society, your Company continued to extend scholarships to various students of leading universities in Pakistan and abroad.

Furthermore, your company also launched three dedicated scholarship programs for the deserving youth of District Lakki Marwat. The aim of these programs is to make education accessible and affordable for deserving students especially from the rural areas regardless of their financial background.

Women Empowerment

Women empowerment through education has been an ongoing process in which your Company with the collaboration of Zindagi Trust has been supporting two leading Government girls' schools in Karachi. These schools have been transformed into model girls' educational institutions in Pakistan.

Further to this, your Company has also collaborated with Shahid Afridi Foundation (SAF) and adopted a primary school in the remote area of Karachi to improve primary level education for the less privileged.

Health Initiatives

The facilitation of quality healthcare for society at large continues to remain your Company's priority, particularly through the financial support of Aziz Tabba Foundation; a prominent philanthropic institution that is running Tabba Heart and Tabba Kidney institutes, which provide vital support in bridging the gap of specialized and modern medical care available in the Country.

Lucky Cement Limited

6-A, Mohammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi-75350.

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URL: www.lucky-cement.com



Outlook

As Pakistan once again witnesses significant drop in Covid-19 infections, the challenges posed by the pandemic have reduced significantly. However, the political uncertainty in the country as well Russia-Ukraine tension over-shadowed the recovery from the pandemic. Domestically, the challenges posed by looming energy crisis, circular debt, increased inflation, pressure on balance of payments, reduced foreign exchange reserves, exchange rate parity and fiscal deficit will continue to test the competitiveness of all businesses in the short to medium term. We expect that the performance of the economy will mirror the new Government's strategy to negotiate and resume IMF program and to improve various economic indicators through sustained and effective policy measures.

Cement Segment

The volatility in commodity prices internationally mainly due to Russia-Ukraine conflict, particularly coal and crude oil along with higher freight charges, is constantly impacting input costs of cement. Similar factors have also increased the cost of other construction materials particularly steel, due to which overall construction cost has gone up. On the other hand, due to recent hike in interest rate coupled with double-digit inflation and increasing cost of construction, cement demand is expected to remain under pressure in near future. Albeit in medium to long term, we expect strong demand to come from construction of dams, hydropower projects and other real estate development projects.

Chemical Segment

The businesses under our Subsidiary Company, ICI Pakistan, which includes Polyester Staple Fiber, Soda Ash, Pharmaceuticals, Animal Health, Chemicals and Agri Sciences, will be navigating through the challenges arising due to domestic economic situation, higher energy and raw materials cost. However, our Subsidiary remains focused on minimizing the negative impacts and continuing the momentum of serving its stakeholders by delivering enduring value, strengthening stakeholder relationships, leveraging its diversified product portfolio and actively exploring opportunities for organic and inorganic growth in line with its growth aspirations.

Automobile Segment

Lucky Motor Corporation (LMC) launched Peugeot 2008 SUV in Pakistan market towards the end of January 2022. The response so far is encouraging. This product has created its own segment and is aimed at targeting the niche market.

The outlook of automobile market for the rest of the CY 2022 looks challenging on the back of recently introduced measures by the government of Pakistan by way of increasing the rates of Federal Excise Duty and Sales Tax, which has resulted in an increase in the prices of the cars. Additionally, PKR devaluation to USD and the impact of increased freight on import of CKD kits and spare parts will put upward pressure on the prices of cars.



There is still challenge in securing enough supply of semiconductors however the situation is likely to be improved from July 2022 and onwards which will help LMC to run its operations smoothly from the start of the next Fiscal Year.

LMC is concentrating more on localization for sustainable and competitive operations and to be able to remain strong post duty concessionary regime under ADP 2016-2021.

Power Segment

Lucky Electric Power Project, a 660 MW coal-fired power project which was synchronized with the national grid towards the end of CY 2021 and since then remained involved in extensive testing and completing relevant inspections and commissioning, achieved the Commercial Operations Date (COD) on March 21, 2022.

The addition of 660 MW to the national grid will not only play a key role in increasing the energy security and prosperity of Pakistan but will also go on to reduce the cost of electricity and reliance on imported fuel in the long run after the completion of Phase III of SECMC.

Your Company's strong financial position and free cash flow generating ability are anticipated to further support its vision to maintain its leadership position in Pakistan and to capitalize on new investment opportunities to maximize shareholders' value.

Acknowledgment

The Directors of your Company take pleasure in expressing their sincere gratitude and appreciation for the outstanding commitment and contribution of all the employees and the continued trust and reliance placed in the Company by all the stakeholders.

On behalf of the Board

MUHAMMAD YUNUS TABBA
Chairman / Director

MUHAMMAD ALI TABBA
Chief Executive / Director

Karachi: April 27, 2022

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