



LCK/CS/2022-23/

October 26, 2022

The General Manager
Pakistan Stock Exchange
Limited
Karachi

The Deputy Chief
Securities & Exchange
Commission of Pakistan
Islamabad

The London Stock Exchange
10 Paternoster
Square,
London

Dear Sir(s)

Financial Results for the 1st Quarter ended September 30, 2022

We have to inform you that the Board of Directors of our Company in their Meeting held on Wednesday, October 26, 2022 at 4:30 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>Any other Entitlement / Corporate Action</u> | Nil |
| (v) | <u>Any other Price-Sensitive information</u> | Nil |

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

We will be transmitting the quarterly report of the Company for the period ended September 30, 2022 in electronic form, through PUCARS 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 September 30, 2022

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	Note	(Un-audited) September 30, 2022	(Audited) June 30, 2022
(PKR in '000')			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	286,258,197	276,029,950
Intangible assets		6,764,936	14,602,075
Right-of-use assets	6	143,193	163,074
		<u>293,166,326</u>	<u>290,795,099</u>
Long-term investments	7	40,621,055	36,544,627
Long-term loans and advances		542,236	551,695
Long-term deposits and prepayments		71,123	70,340
		<u>334,400,740</u>	<u>327,961,761</u>
CURRENT ASSETS			
Stores, spares and consumables		19,908,420	13,656,865
Stock-in-trade		66,586,800	72,021,896
Trade debts		40,625,728	36,355,113
Loans and advances		6,469,612	3,486,666
Trade deposits and short-term prepayments		1,843,048	1,035,845
Other receivables		15,726,138	18,590,025
Tax refunds due from the Government		538,812	538,812
Taxation receivable		130,694	123,926
Accrued return		62,997	39,791
Short-term investments		9,705,557	12,976,155
Cash and bank balances		17,296,007	16,900,459
		<u>178,893,813</u>	<u>175,725,553</u>
Assets attributable to discontinued operations	8	19,738,115	-
TOTAL ASSETS		<u><u>533,032,668</u></u>	<u><u>503,687,314</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		3,233,750	3,233,750
Reserves		176,368,156	167,630,764
Attributable to the owners of the Holding Company		179,601,906	170,864,514
Non-controlling interest		29,465,122	28,893,975
Total equity		<u>209,067,028</u>	<u>199,758,489</u>
NON-CURRENT LIABILITIES			
Long-term loans		134,621,904	127,874,326
Long-term deposits and other liabilities		7,724,624	7,170,303
Lease liabilities		122,414	88,182
Deferred income - Government grant		4,868,459	4,361,931
Deferred liabilities			
- Staff Gratuity - unfunded		2,948,035	2,804,294
- Deferred tax liability	9	11,268,566	12,307,123
		<u>14,216,601</u>	<u>15,111,417</u>
		<u>161,554,002</u>	<u>154,606,159</u>
CURRENT LIABILITIES			
Current portion of long-term finances		4,398,329	5,081,071
Trade and other payables		72,224,371	78,407,163
Provision for taxation		8,349,774	6,957,350
Accrued return		932,285	576,471
Short-term borrowings and running finance		67,325,148	58,153,464
Current portion of lease liabilities		35,762	96,117
Unclaimed dividend		50,748	51,030
		<u>153,316,417</u>	<u>149,322,666</u>
		<u>314,870,419</u>	<u>303,928,825</u>
Liabilities associated with discontinued operations	8	9,095,221	-
TOTAL EQUITY AND LIABILITIES		<u><u>533,032,668</u></u>	<u><u>503,687,314</u></u>
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes from 1 to 16 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 quarter ended September 30, 2022 (Un-audited)

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	Note	Quarter Ended	
		September 30,	September 30,
		2022	2021
		(PKR in '000')	
Revenue	11	107,221,607	69,269,156
Less: Sales tax and excise duty		14,281,793	11,379,101
Rebates, incentives and commission		2,307,167	2,908,522
		16,588,960	14,287,623
Net Revenue		90,632,647	54,981,533
Cost of sales		(72,501,307)	(43,320,001)
Gross profit		18,131,340	11,661,532
Distribution cost		(2,723,506)	(2,211,085)
Administrative expenses		(1,466,711)	(1,631,355)
Finance cost		(6,484,743)	(339,683)
Other expenses		(1,173,429)	(774,857)
Other income	12	1,453,495	2,636,387
Share of profit - joint ventures and associates		1,180,677	1,253,909
Profit before taxation		8,917,123	10,594,848
Taxation		(2,270,160)	(1,735,775)
Profit after taxation from continuing operations		6,646,963	8,859,073
Profit after taxation from discontinued operations	8	285,562	-
Profit after Taxation		6,932,525	8,859,073
Attributable to:			
Owners of the Holding Company		5,449,352	6,650,691
Non-controlling interest		1,483,173	2,208,382
		6,932,525	8,859,073
(PKR)			
Earnings per share - basic and diluted			
- continuing operations		16.60	20.57
- discontinued operations		0.25	-
		16.85	20.57

The annexed notes from 1 to 16 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 September 30, 2022

		(Un-audited) September 30, 2022	(Audited) June 30, 2022
	Note	(PKR in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	91,922,474	82,301,050
Intangible assets		74,277	51,352
		91,996,751	82,352,402
Long-term investments	6	57,594,485	57,594,485
Long-term loans and advances		181,630	191,684
Long-term deposits		8,106	8,106
		149,780,972	140,146,677
CURRENT ASSETS			
Stores and spares		17,304,580	11,206,843
Stock-in-trade		9,127,468	7,171,364
Trade debts		3,174,500	3,522,931
Loans and advances		918,438	735,337
Trade deposits and short-term prepayments		102,739	140,532
Accrued return		62,062	39,316
Other receivables		5,913,632	4,838,323
Tax refunds due from the Government		538,812	538,812
Short-term investments	15.2	9,705,557	12,751,155
Cash and bank balances		5,417,879	3,871,078
		52,265,667	44,815,691
TOTAL ASSETS		202,046,639	184,962,368
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital		3,233,750	3,233,750
Reserves		129,158,398	125,306,574
		132,392,148	128,540,324
NON-CURRENT LIABILITIES			
Long-term deposits		251,482	250,332
Long-term loans	7	18,274,825	14,108,446
Deferred Government grant		2,400,637	2,164,455
Deferred liabilities			
- Staff gratuity - unfunded		2,730,025	2,596,281
- Deferred tax liability	8	6,908,650	6,941,172
		9,638,675	9,537,453
		30,565,619	26,060,686
CURRENT LIABILITIES			
Trade and other payables		24,321,304	23,191,483
Current maturity of long-term loans		284,720	487,202
Short-term borrowings	9	7,385,586	1,000,000
Unclaimed dividend		50,748	51,030
Accrued markup		297,550	135,452
Taxation - net		6,748,964	5,496,191
		39,088,872	30,361,358
		69,654,491	56,422,044
TOTAL EQUITY AND LIABILITIES		202,046,639	184,962,368
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes from 1 to 17 form an integral part of these unconsolidated condensed interim financial statements.


Chairman / Director


Chief Executive


Chief Financial Officer

Unconsolidated Condensed Interim Statement of Profit or Loss
For the quarter ended September 30, 2022 (Un-audited)

		Quarter ended	
		September 30,	September 30,
		2022	2021
	Note	(PKR in '000')	
Gross sales	11	25,435,635	22,974,404
Less: Sales tax and federal excise duty		5,380,762	5,775,817
Rebates, incentives and commission		311,539	283,354
		5,692,301	6,059,171
Net sales		19,743,334	16,915,233
Cost of sales		(13,711,579)	(12,297,667)
Gross profit		6,031,755	4,617,566
Distribution cost		(1,362,208)	(1,006,496)
Administrative expenses		(445,831)	(340,316)
Finance costs		(252,722)	(93,289)
Other expenses		(616,506)	(347,176)
Other income	12	2,009,817	1,471,983
Profit before taxation		5,364,305	4,302,272
Taxation		(1,511,892)	(1,018,412)
Profit after taxation		3,852,413	3,283,860
		(PKR)	
Earnings per share - basic and diluted		11.91	10.15

The annexed notes from 1 to 17 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 unaudited financial statements** for the first quarter ended September 30, 2022.

Overview of Economy and Consolidated Financial Performance

Commodity and Energy price trends that emerged last year, have continued to challenge the global economies throughout Q1 FY23. The uncertainty and volatility continue to be fueled by the conflict between Russia and Ukraine, which is not showing any signs of receding in the near future. The increase in inflation has led central banks around the world to tighten monetary policy, aimed at reducing demand for goods and services.

The global scenario explained above, has increased the challenges for Pakistan's economy manifold, as it was already facing its own domestic set of challenges. High inflation and the rising cost of imports coupled with foreign debt servicing have significantly impacted the country's foreign exchange reserves as well as PKR USD parity. Changes in Government and erratic implementation of macro-level policies continue to test the resilience of businesses across Pakistan. The situation has been further aggravated by recent floods destroying valuable agricultural land and produce as well as the country's infrastructure. On the other hand, the present government is taking various measures to curtail the current account deficit by keeping a check on imports. As a result, domestic manufacturing which relies on imported inputs either in the form of plant, machinery, or raw material has been severely impacted.

On a **consolidated** basis, your Company achieved gross revenue of PKR 107.2 billion which is 54.8% higher as compared to the same period last year's (SPLY)'s revenue of PKR 69.3 billion. The increase in gross revenue is primarily attributable to the commencement of commercial operations of Lucky Electric Power Company Limited in March 2022 and the manufacturing of mobile phones by Lucky Motor Corporation in December 2021.

Moreover, the consolidated Net Profit of the Company is PKR 6.9 billion of which PKR 1.5 billion is attributable to non-controlling interests. The consolidated net profit attributable to owners of the Holding Company translates into an EPS of PKR 16.85 during the current quarter that ended September 30, 2022, as compared to PKR 20.57 during the SPLY.

Lucky Cement Limited

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The consolidated financial performance of your Company for the quarter that ended September 30, 2022, as compared to SPLY is presented below:

PKR in millions except EPS	Q1 FY23	Q1 FY22	Change (%)
Gross Revenue	107,222	69,269	54.8%
Net Revenue	90,633	54,982	64.8%
Gross Profit	18,131	11,662	55.5%
GP as a percentage of net revenue	20.00%	21.21%	(5.7%)
Operating Profit	13,941	7,819	78.3%
EBITDA	17,786	10,269	73.2%
Net Profit*	6,933	8,859	-21.7%
NP (Attributable to Owners of the holding company)*	5,449	6,651	(18.1%)
Earnings per Share (PKR)*	16.85	20.57	(22.4%)

* Includes discontinued operations

Despite posting higher Net Revenue and Gross Profits for the current quarter by all Group Companies, the overall Net Profit of the Group is lower versus the SPLY due to the:

- i) re-measurement gain of PKR 1.8 billion recorded in the SPLY by ICI, a subsidiary company, on acquisition of further 11% interest in NutriCo Pakistan (Pvt.) Limited thereby increasing its total holding from 40% to 51%.
- ii) operational challenges in the form of plant teething issues faced by Lucky Electric Power Company Limited (LEPCL), as discussed in the Power segment below.

Local Cement Operations

During the quarter under review, Company's overall gross sales revenue increased by 10.7% as compared to SPLY. Despite the reduction in volumes in both domestic and export sales, the profitability of the local cement operations improved marginally because of enhanced operational efficiencies.

Foreign Cement Operations

On the other hand, despite global recessionary pressure, the Group's foreign joint venture cement production facilities in Iraq and Congo continued to operate efficiently to add healthy profits to the Group's profitability.

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Polyester, Soda Ash, and Chemicals

Net revenue for the quarter at PKR 24.2 billion is 33% higher compared to the SPLY owing to strong performance by the Soda Ash business, delivering higher revenue by 84% versus the SPLY. Revenues of the Polyester, Animal Health, and Pharmaceuticals businesses were higher by 21%, 15%, and 4% respectively whereas the Chemical & Agri Sciences business witnessed a decline of 5% versus the SPLY. The Operating Result for the quarter at PKR 3.1 billion is 25% higher than the SPLY with a major contribution from the Soda Ash business, delivering a growth of 91% from the SPLY. The Operating Result of the Animal Health business recorded an increase of 5% from the SPLY whereas the Polyester, Pharmaceuticals and Chemical & Agri Sciences businesses witnessed a decline of 18%, 17% and 42% respectively due to challenging economic conditions amidst inflationary pressures and demand curtailment.

Power

Lucky Electric Power Company Limited commenced its commercial operations in March 2022. During the current quarter, Company dispatched 764,916 GWh of electricity to the national grid. Due to the plant teething issues, availability for the quarter remained low at 78.4%. As a result of remedial measures taken by the management to improve the availability and performance of the plant, the financial performance will improve in the coming quarters. The average fuel cost of electricity for the quarter was PKR 16.4 per KWh, which is one of the cheapest in the country.

Automobiles and Mobile Phones

The automobile sector right from the start of July 2022 has witnessed a significant downturn in volumes on the back of the substantial devaluation of PKR to USD which led to an increase in the prices of cars. Apart from this, other factors that caused a significant decline in automotive volumes include the State Bank of Pakistan's (SBP) requirement of prior approval for opening LCs for the import of CKD kits and parts, imposition of CVT @ 1% on cars having engine capacity exceeding 1300 CC, high-interest rates and tightening of auto financing scheme by the SBP, high inflation and the significant increase in fuel prices. The automobile sector has witnessed an overall decline of around 60% in terms of volumes during the current quarter compared to SPLY. Similarly, the mobile phones market also saw a 30% decline in volumes compared to SPLY as the SKD imports were impacted due to limited foreign exchange availability.

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Cement Industry and Company's Performance - Unconsolidated

The local cement industry volumes in Pakistan faced an aggregate decline of 23.8% to reach 8.6 million tons for the first quarter that ended September 30, 2022, vs. 11.3 million tons during the SPLY. Also, the exports decreased by 33.9% to reach 1.0 million tons during the current quarter under review as compared to 1.5 million tons during SPLY. This led to an overall decline in industry volumes by 25.0% to 9.6 million tons in the current period under review in comparison to 12.8 million tons in the SPLY. The reduction of overall industry sales volume is primarily attributed to a slowdown in construction activities across the country mainly due to heavy and extended monsoon rains followed by devastating floods which significantly deteriorated the transport infrastructure as well. In addition, the high-interest rate scenario along with rising inflation also impacted the cement demand during the period.

In comparison with the cement industry, your Company's overall sales volume declined by 30.2% to reach 1.6 million tons in the current period as compared to 2.3 million tons in the SPLY. The local sales volume declined by 26.2%, reaching 1.3 million tons during Q1 FY23 compared to 1.7 million tons in Q1 FY22 mainly on the back of floods and lower demand as mentioned above. Also, export volumes were reduced by 43.5%, reaching 0.3 million tons in Q1 FY23 versus 0.5 million tons in Q1 FY22. The decline in exports was mainly due to suppressed demand in foreign markets owing to rising inflation and the challenging fiscal landscape globally.

Cement Production & Sales Volume Performance

The local cement production and sales statistics of your Company for the quarter ended September 30, 2022, compared to the SPLY are as follows:

Particulars	Q1 FY23	Q1 FY22	Change
	Tons in '000'		%
Clinker Production	1,436	2,303	(37.6%)
Cement Production	1,504	2,112	(28.8%)
Cement / Clinker Sales	1,576	2,260	(30.2%)

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A comparison of Pakistan's Cement Industry and your Company's dispatches for the quarter ended September 30, 2022, in comparison with SPLY, is presented below:

Particulars (Tons in '000')	Q1 FY23	Q1 FY22	Change %
Cement Industry*			
Local Sales	8,602	11,286	(2,684) (23.8%)
Export Sales			
- Bagged	725	675	50 7.4%
- Loose	-	186	(186) (100.0%)
- Clinker	294	681	(387) (56.8%)
Total Exports	1,019	1,542	(523) (33.9%)
Grand Total	9,621	12,828	(3,207) (25.0%)
Lucky Cement			
Local Sales			
- Cement	1,276	1,728	(452) (26.2%)
- Clinker	-	-	- 0.0%
	1,276	1,728	(452) (26.2%)
Export Sales			
- Bagged	208	187	21 11.1%
- Loose	-	186	(186) (100.0%)
- Clinker	93	159	(66) (41.5%)
Total Exports	301	532	(231) (43.5%)
Grand Total	1,576	2,260	(684) (30.2%)
Market Share			
Local Sales	14.8%	15.3%	(3.1%)
Export Sales			
- Bagged	28.7%	27.7%	3.5%
- Loose	-	100.0%	(100.0%)
- Clinker	31.6%	23.3%	35.3%
Total Export	29.5%	34.5%	(14.5%)
Grand Total	16.4%	17.6%	(7.0%)

* Industry data is based on the best available market estimates

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Financial Performance - Unconsolidated

The unconsolidated financial performance of your Company for the quarter ended September 30, 2022, as compared to the SPLY is presented below:

PKR million except EPS	Q1 FY23	Q1 FY22	Change (%)
Gross Revenue	25,436	22,974	10.7%
Net Revenue	19,743	16,915	16.7%
Gross Profit	6,032	4,618	30.6%
GP as % of Net Revenue	30.6%	27.3%	11.9%
Operating Profit	4,224	3,271	29.1%
EBITDA	5,410	4,383	23.4%
Net Profit	3,852	3,284	17.3%
EPS	11.91	10.15	17.3%

Revenue

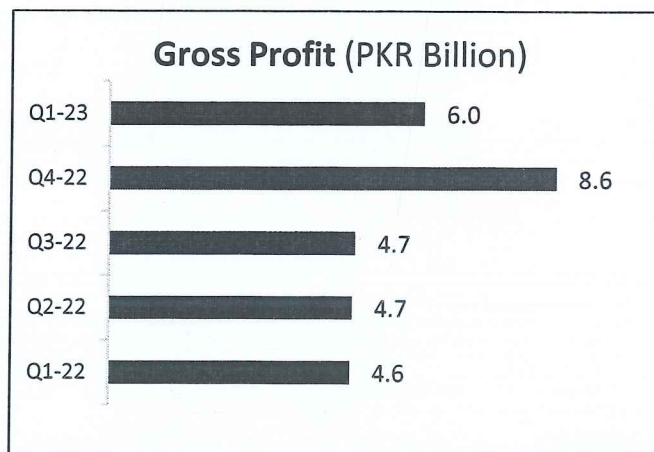
During the quarter under review, your Company's overall gross revenue increased by 10.7% from last year's Q1 FY22. Where local sales revenue showed an increase of 11.3% (PKR 22.0 billion vs PKR 19.7 billion), which was attributable to the increased cost of inputs. Export sales revenue increased by 6.8% (PKR 3.5 billion vs PKR 3.2 billion) due to the same reason, as well as the depreciation of PKR against USD.

Cost of Sales

During the quarter under review, per ton cost of sales of your Company increased by 60.4% as compared to the SPLY. The major portion of this increase came from higher coal prices and transportation costs.

Gross Profit

The gross profit margin of the company for Q1 FY23 was 30.6% compared to 27.3% during the SPLY.



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Dividend Income

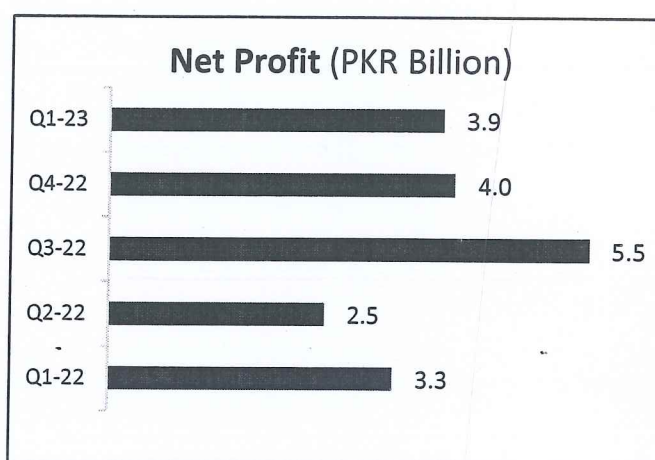
During Q1 FY23, the dividend income received by your Company from its subsidiaries was PKR 1.5 billion vs PKR 1.0 billion during the SPLY.

Subsidiary/ Associate PKR Billion	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22
ICI	0.8	-	1.0	-	1.0
LHL	-	0.1		0.2	-
YEL	-	-	0.1	0.1	-
LMC	0.7	-	1.0	-	-
Total	1.5	0.1	2.1	0.3	1.0

Net Profit

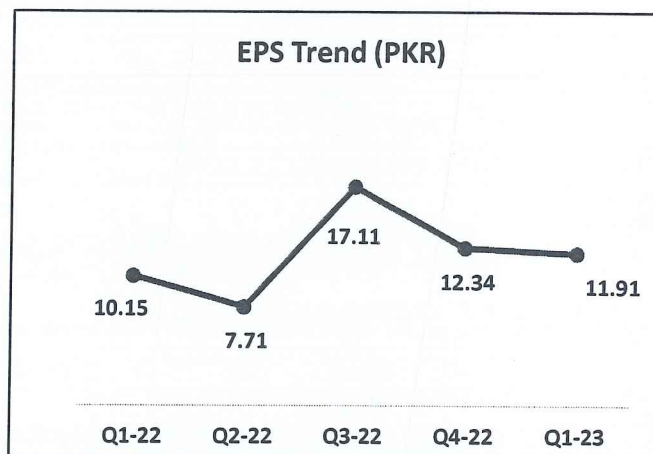
Your Company achieved a profit before tax of PKR 5.4 billion during Q1 FY23 as compared to PKR 4.3 billion reported during the SPLY.

Accordingly, an after-tax profit of PKR 3.9 billion was achieved during the quarter under review as compared to PKR 3.3 billion reported during the SPLY.



Earnings Per Share (EPS)

The earnings per share of your Company for Q1 FY23 was PKR 11.91 in comparison to PKR 10.15 reported during the SPLY.



Growth and Expansion

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

In line with the Company's growth strategy, the Board of Directors on January 29, 2021, approved a 3.15 million tons per annum, brownfield expansion project at Pezu Plant. The expansion project is progressing as per the schedule and the project remains on target to achieve its completion by December 2022.

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After the completion of this project, the cement production capacity of your Company in Pakistan will reach 15.3 million tons per annum.

Renewable Energy initiatives at both Plant Sites

A recent testament to your Company's commitment to energy conservation and promotion of green energy resources was the announcement of captive solar power projects at both of its plants in Pezu and Karachi.

34 MW solar power project at Pezu Plant: The project is successfully being commissioned and will be operational by Q2 FY23 as per plan.

25.3 MW solar power project at Karachi Plant: The project commercials have been finalized and it is awaiting permission from SBP for the establishment of a Letter of Credit (LC).

The company's initiatives for investment in renewable energy projects will play a key role in cost savings as well as the reduction of the country's reliance on imported fuel.

Shares Buyback

During the quarter under review, your company announced a Share buyback of up to 10 million shares, which was subsequently approved by the shareholders in EOGM dated September 20, 2022. The said purchase has to be made from Pakistan Stock Exchange Limited (PSX) at the spot prices during the purchase period from September 29, 2022, to March 27, 2023. The shares purchased through this buyback will be canceled. This buyback is targeted to improve the future EPS of your company. As of September 30, 2022, no shares were purchased under this buyback scheme.

Corporate Social Responsibility

Your Company is committed to continue making efforts to support education, women empowerment, health, environment conservation, and community development under its CSR.

Education / Scholarships

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



To make education accessible and affordable for deserving students especially from rural areas regardless of their financial background, your Company also launched dedicated scholarships and vocational training programs.

Your Company has collaborated with The Citizen Foundation to build a complete Primary and Secondary school near our PEZU plant operations for the general public. The school is under construction and likely to be operational during Q3 FY23.

Women Empowerment

Empowering women through education has been an ongoing process with the collaboration of Zindagi Trust in which your Company 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, we have collaborated with the Million Smiles Foundation for the establishment of a school for "Out of School" children in the vicinity of Neelum Valley, Azad Kashmir.

Health Initiatives

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

Environment Conservation

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

Flood Relief Operations 2022

Your Company contributed towards a massive relief operation for the flood-affected areas across Pakistan especially the areas of Sindh, Balochistan, KPK &, and Swat through Food Hampers, Shelter Tents, and First Aid Medicines. Further, we also procured and supplied child nutrition products in flood-affected areas of Sindh through the Armed forces.

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Outlook

This spillover of global and domestic economic challenges from last year, followed by extended monsoon season and floods in the country has resulted in a challenging start to the current financial year. According to initial estimates of several agencies, total damages from floods in Pakistan have exceeded USD 30 billion. The strategies adopted by the Government to control the Current Account Deficit and rebuild foreign currency reserves, implementation of reforms under the revived International Monetary Fund program, restore fiscal buffers, and flood relief support from the international community for the rehabilitation & rebuilding of damaged infrastructure will play a critical role in the revival of the economy.

A change in recent global price trends, indicates a new supply and demand equilibrium being achieved by market forces, accredited to the contractionary policies being employed by the various economies of the world. We expect that with the prevalent monetary tightening, around the world, commodity prices would ease off in the coming quarters.

Local Cement Operations

Coal prices which touched a peak of USD 440 per ton in FY 22 have started decreasing very recently to USD 250 per ton. Relaxation of EU sanctions on Russia allowed imports of Russian coal by third-world countries, which has led to a decrease in international coal prices. The fall in prices has also been aided due to monetary tightening by global central banks. If this downtrend in coal prices continues, pressure on margins would reduce in the near future. The Government has also shown its intentions of stabilizing the Pakistani Rupee and halting the increase in interest rates and inflation.

Domestic demand for cement is improving in the period post floods, and it is expected that cement dispatches will be higher than in the outgoing quarter.

Foreign Cement Operations

As a result of growing demand in Iraq and Congo, revenues are expected to increase for both locations. Furthermore, the plant situated in Najmat-Al –Samawah, Iraq, has shifted from Furnace Oil to Natural Gas, effective October 2022, as its source of energy for kiln firing, which is going to have a favorable impact on its cost and profitability.

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Polyester, Soda Ash and Chemicals

Inflationary pressures, high borrowing costs, uncertainty in the domestic business climate, along with continuing monetary tightening measures, higher energy costs, and withdrawal of subsidies continue to pose a threat to demand for the Company's products and its profitability in the upcoming quarters. The management of the Company is nevertheless committed to minimizing these adverse impacts by leveraging its diverse product portfolio and cost rationalization to cultivate growth to provide sustainable results for the benefit of its stakeholders.

Automobiles and Mobile Phones

While PKR has slightly recovered against the USD in recent days, the outlook for automobiles in this segment specifically remains challenging due to the factors shared earlier in this report. The management is mindful of the current challenges and to be able to remain strong, it has been continuously optimizing its operating cost and improving its localization for sustainable and competitive operations.

The segment's balanced product portfolio and lean cost structure will enable the company to manage these challenging times and recover fast when the market improves.

Power

The Power Plant set up by Lucky Electric Power Company Limited is designed to operate on Thar Lignite coal. Till such time that supplies from Thar are sufficient to meet the requirements of this plant, it continues to operate on a mix of imported and local lignite coal. The per unit cost of power generated will reduce significantly when the full quota of Thar is made available to the Company. While the availability of the plant remained on the lower side during the current quarter, the management continues to focus on resolving the plant teething issues which will improve its profitability in the upcoming quarters.

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.

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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: October 26, 2022

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