



LCK/CS/FS2023/2023-24/

August 8, 2023

The General Manager  
Pakistan Stock Exchange Limited  
Stock Exchange Building,  
Stock Exchange Road,  
Karachi

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

Dear Sir(s)

### **Financial Results for the year ended June 30, 2023**

We have to inform you that the Board of Directors of our Company in their Meeting held on Monday, August 7, 2023 at 3:30 p.m., at 6-A, Muhammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi-75350 recommended the following:

|       |  |                          |
|-------|--|--------------------------|
| (I)   | <b><u>Cash Dividend</u></b>                            | <b>Rs.18/- per share</b> |
| (ii)  | <b><u>Bonus Shares</u></b>                             | Nil                      |
| (iii) | <b><u>Right Shares</u></b>                             | Nil                      |
| (iv)  | <b><u>Any other Entitlement / Corporate Action</u></b> | Nil                      |
| (v)   | <b><u>Any other Price-Sensitive Information</u></b>    | Nil                      |

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





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.

The 30<sup>th</sup> Annual General Meeting (AGM) of the Company will be held on Tuesday, **September 26, 2023** at 12:00 noon at the registered office of the Company situated at factory premises in Pezu, District Lakki Marwat, Khyber Pakhtunkhwa.

The Share Transfer Books of the Company will remain closed from Saturday, September 16, 2023 to Tuesday, September 26, 2023 (both days inclusive). Transfers received at our Share Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shahrah-e-Faisal, Karachi-74400 at the close of business on Friday, September 15, 2023 will be treated in time for the purpose of Annual General Meeting and dividend, if any.

We will be transmitting Annual Report, 2023 of the Company for the year ended June 30, 2023 in electronic form through PUCARS within the specified time.

Yours truly,  
**For: Lucky Cement Limited**

**FAISAL MAHMOOD**  
**GM Finance & Company Secretary**

**LUCKY CEMENT LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023**

|   | Note | 2023                      | 2022                      |
|---|------|---------------------------|---------------------------|
|   |      | (PKR in '000)             |                           |
| <b>ASSETS</b>                                     |      |                           |                           |
| <b>NON-CURRENT ASSETS</b>                         |      |                           |                           |
| Fixed assets                                      |      |                           |                           |
| Property, plant and equipment                     | 6    | 294,838,879               | 276,029,950               |
| Intangible assets                                 | 7    | 6,682,998                 | 14,602,075                |
| Right-of-use assets                               | 8    | 116,707                   | 163,074                   |
|   |      | <u>301,638,584</u>        | <u>290,795,099</u>        |
| Long-term investments                             | 9    | 67,118,403                | 36,544,627                |
| Long-term loans and advances                      | 10   | 731,165                   | 551,695                   |
| Long-term deposits                                | 11   | 94,898                    | 70,340                    |
|   |      | <u>369,583,050</u>        | <u>327,961,761</u>        |
| <b>CURRENT ASSETS</b>                             |      |                           |                           |
| Stores, spares and consumables                    | 12   | 22,608,453                | 13,656,865                |
| Stock-in-trade                                    | 13   | 48,660,510                | 72,021,896                |
| Trade debts                                       | 14   | 59,903,590                | 36,355,113                |
| Loans and advances                                | 15   | 3,220,177                 | 3,486,666                 |
| Trade deposits and short-term prepayments         | 16   | 6,270,645                 | 1,035,845                 |
| Other receivables                                 | 17   | 14,141,981                | 18,590,025                |
| Tax refund due from the Government                | 18   | 538,812                   | 538,812                   |
| Taxation receivable                               |      | 193,198                   | 123,926                   |
| Accrued return                                    |      | 100,097                   | 39,791                    |
| Short-term investments                            | 19   | 44,199,457                | 12,976,155                |
| Cash and bank balances                            | 20   | 38,939,424                | 16,900,459                |
|   |      | <u>238,776,344</u>        | <u>175,725,553</u>        |
| <b>TOTAL ASSETS</b>                               |      | <u><b>608,359,394</b></u> | <u><b>503,687,314</b></u> |
| <b>EQUITY AND LIABILITIES</b>                     |      |                           |                           |
| <b>SHARE CAPITAL AND RESERVES</b>                 |      |                           |                           |
| Issued, subscribed and paid-up capital            | 21   | 3,118,386                 | 3,233,750                 |
| Reserves  | 22   | 224,365,635               | 167,630,764               |
| Attributable to the owners of the Holding Company |      | 227,484,021               | 170,864,514               |
| Non-controlling interest                          |      | 33,515,038                | 28,893,975                |
| <b>Total equity</b>                               |      | <u><b>260,999,059</b></u> | <u><b>199,758,489</b></u> |
| <b>NON-CURRENT LIABILITIES</b>                    |      |                           |                           |
| Long-term loans                                   | 23   | 135,857,715               | 127,874,326               |
| Long-term deposits and other liabilities          | 24   | 9,532,879                 | 7,170,303                 |
| Leases liabilities                                | 8    | 29,064                    | 88,182                    |
| Deferred income - Government grant                | 25   | 4,305,281                 | 4,361,931                 |
| Deferred liabilities                              |      |                           |                           |
| - Staff gratuity - unfunded                       |      | 2,696,191                 | 2,804,294                 |
| - Deferred tax liability                          |      | 19,225,117                | 12,307,123                |
|   | 26   | 21,921,308                | 15,111,417                |
|   |      | <u>171,646,247</u>        | <u>154,606,159</u>        |
| <b>CURRENT LIABILITIES</b>                        |      |                           |                           |
| Current portion of long-term finance              | 23   | 9,009,157                 | 5,081,071                 |
| Trade and other payables                          | 27   | 80,574,343                | 78,407,163                |
| Provision for taxation                            |      | 13,910,125                | 6,957,350                 |
| Accrued return                                    |      | 5,046,314                 | 576,471                   |
| Short-term borrowings and running finance         | 28   | 67,043,227                | 58,153,464                |
| Current portion of lease liabilities              | 8    | 80,807                    | 96,117                    |
| Unclaimed dividend                                |      | 50,115                    | 51,030                    |
|   |      | <u>175,714,088</u>        | <u>149,322,666</u>        |
|   |      | <u><b>347,360,335</b></u> | <u><b>303,928,825</b></u> |
| <b>TOTAL EQUITY AND LIABILITIES</b>               |      | <u><b>608,359,394</b></u> | <u><b>503,687,314</b></u> |

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

Chairman / Director

Chief Executive Officer

Chief Financial Officer



**LUCKY CEMENT LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|   | Note | 2023          | (Restated)<br>2022 |
|---|------|---------------|--------------------|
|   |      | (PKR in '000) |                    |
| <b>Revenue</b>  | 31.1 | 459,459,165   | 396,704,391        |
| Less: Sales tax and excise duty                         |      | 63,863,527    | 59,677,352         |
| Rebates and commission                                  |      | 10,470,447    | 11,626,763         |
|   |      | 74,333,974    | 71,304,115         |
|   |      | 385,125,191   | 325,400,276        |
| <b>Cost of sales</b>                                    | 31.2 | (291,491,191) | (265,359,188)      |
| <b>Gross profit</b>                                     |      | 93,634,000    | 60,041,088         |
| Distribution cost                                       | 33   | (10,627,616)  | (10,900,676)       |
| Administrative expenses                                 | 34   | (5,711,136)   | (5,471,881)        |
| Finance cost  | 35   | (30,640,895)  | (6,669,470)        |
| Other expenses  | 36   | (4,126,454)   | (4,243,562)        |
| Other income  | 37   | 9,278,160     | 7,305,746          |
|   |      | 51,806,059    | 40,061,245         |
| Share of profit - joint ventures and associates         | 9.8  | 10,521,551    | 5,674,108          |
| <b>Profit before taxation</b>                           |      | 62,327,610    | 45,735,353         |
| Taxation  | 39   | (12,882,443)  | (10,117,772)       |
| <b>Profit after taxation from continuing operations</b> |      | 49,445,167    | 35,617,581         |
| Profit after taxation from discontinued operations      | 38.4 | 10,092,201    | 805,089            |
| <b>Profit after taxation</b>                            |      | 59,537,368    | 36,422,670         |
| <b>Attributable to:</b>                                 |      |               |                    |
| Owners of the Holding Company                           |      | 48,758,341    | 29,497,340         |
| Non-controlling interest                                |      | 10,779,027    | 6,925,330          |
|   |      | 59,537,368    | 36,422,670         |
|   |      | (PKR)         |                    |
| <b>Earnings per share - basic and diluted</b>           | 40   |               |                    |
| - continuing operations                                 |      | 135.93        | 90.52              |
| - discontinued operations                               |      | 17.04         | 0.70               |
|   |      | 152.97        | 91.22              |

The annexed notes from 1 to 51 form an integral part of these consolidated financial statements.

  
Chairman / Director

  
Chief Executive Officer

  
Chief Financial Officer

**LUCKY CEMENT LIMITED**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2023**

|  | Note | 2023<br>(PKR in '000')    | 2022                      |
|--|------|---------------------------|---------------------------|
| <b>ASSETS</b>                                |      |                           |                           |
| <b>NON-CURRENT ASSETS</b>                    |      |                           |                           |
| Fixed assets                                 |      |                           |                           |
| Property, plant and equipment                | 5    | 95,620,306                | 82,301,050                |
| Intangible assets                            | 6    | 85,588                    | 51,352                    |
|  |      | <u>95,705,894</u>         | <u>82,352,402</u>         |
| Long-term investments                        | 7    | 57,594,485                | 57,594,485                |
| Long-term loans and advances                 | 8    | 194,204                   | 191,684                   |
| Long-term deposits                           | 9    | 7,842                     | 8,106                     |
|  |      | <u>153,502,425</u>        | <u>140,146,677</u>        |
| <b>CURRENT ASSETS</b>                        |      |                           |                           |
| Stores and spares                            | 10   | 14,084,018                | 11,206,843                |
| Stock-in-trade                               | 11   | 6,048,507                 | 7,171,364                 |
| Trade debts                                  | 12   | 5,089,667                 | 3,522,931                 |
| Loans and advances                           | 13   | 749,292                   | 735,337                   |
| Trade deposits and short-term prepayments    | 14   | 2,153,705                 | 140,532                   |
| Accrued return                               |      | 100,079                   | 39,316                    |
| Other receivables                            | 15   | 4,797,885                 | 4,838,323                 |
| Tax refunds due from the Government          | 16   | 538,812                   | 538,812                   |
| Short-term investments                       | 17   | 21,898,496                | 12,751,155                |
| Cash and bank balances                       | 18   | 4,116,181                 | 3,871,078                 |
|  |      | <u>59,576,642</u>         | <u>44,815,691</u>         |
| <b>TOTAL ASSETS</b>                          |      | <u><b>213,079,067</b></u> | <u><b>184,962,368</b></u> |
| <b>EQUITY AND LIABILITIES</b>                |      |                           |                           |
| <b>SHARE CAPITAL AND RESERVES</b>            |      |                           |                           |
| Issued, subscribed and paid-up share capital | 19   | 3,118,386                 | 3,233,750                 |
| Reserves                                     | 20   | 134,247,940               | 125,306,574               |
|  |      | <u>137,366,326</u>        | <u>128,540,324</u>        |
| <b>NON-CURRENT LIABILITIES</b>               |      |                           |                           |
| Long-term deposits                           | 21   | 252,837                   | 250,332                   |
| Long-term loans                              | 22   | 14,557,294                | 14,108,446                |
| Deferred Government grant                    | 23   | 2,121,307                 | 2,164,455                 |
| Deferred liabilities                         |      |                           |                           |
| - Staff gratuity - unfunded                  |      | 2,574,925                 | 2,596,281                 |
| - Deferred tax liability                     |      | 10,025,499                | 6,941,172                 |
|  | 24   | <u>12,600,424</u>         | <u>9,537,453</u>          |
|  |      | <u>29,531,862</u>         | <u>26,060,686</u>         |
| <b>CURRENT LIABILITIES</b>                   |      |                           |                           |
| Trade and other payables                     | 25   | 29,918,702                | 23,191,483                |
| Current maturity of long-term loans          | 22   | 599,653                   | 487,202                   |
| Short-term borrowings                        | 26   | 5,885,000                 | 1,000,000                 |
| Unclaimed dividend                           |      | 50,115                    | 51,030                    |
| Accrued markup                               |      | 497,745                   | 135,452                   |
| Taxation - net                               |      | 9,229,664                 | 5,496,191                 |
|  |      | <u>46,180,879</u>         | <u>30,361,358</u>         |
|  |      | <u>75,712,741</u>         | <u>56,422,044</u>         |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |      | <u><b>213,079,067</b></u> | <u><b>184,962,368</b></u> |
| <b>CONTINGENCIES AND COMMITMENTS</b>         |      |                           |                           |
|  | 27   |                           |                           |

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.

Chairman Director

Chief Executive

Chief Financial Officer

**LUCKY CEMENT LIMITED**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

|   | Note | 2023<br>(PKR in '000') | 2022              |
|---|------|------------------------|-------------------|
| Gross sales                                   | 28   | 125,819,372            | 108,600,945       |
| Less: Sales tax and federal excise duty       |      | 28,481,690             | 26,133,535        |
| Rebates, incentives and commission            |      | 1,505,535              | 1,373,885         |
|   |      | 29,987,225             | 27,507,420        |
| Net sales                                     |      | 95,832,147             | 81,093,525        |
| Cost of sales                                 | 29   | (69,771,469)           | (58,541,684)      |
| <b>Gross profit</b>                           |      | <b>26,060,678</b>      | <b>22,551,841</b> |
| Distribution cost                             | 30   | (5,326,894)            | (4,764,574)       |
| Administrative expenses                       | 31   | (1,825,578)            | (1,512,279)       |
| Finance costs                                 | 32   | (1,169,770)            | (394,517)         |
| Other expenses                                | 33   | (2,442,585)            | (1,847,039)       |
| Other income                                  | 34   | 6,047,423              | 7,387,800         |
| <b>Profit before taxation</b>                 |      | <b>21,343,274</b>      | <b>21,421,232</b> |
| Taxation                                      | 35   | (7,617,460)            | (6,122,614)       |
| <b>Profit after taxation</b>                  |      | <b>13,725,814</b>      | <b>15,298,618</b> |
| (PKR)   |      |                        |                   |
| <b>Earnings per share - basic and diluted</b> | 36   | <b>43.06</b>           | <b>47.31</b>      |

The annexed notes from 1 to 46 form an integral part of these unconsolidated financial statements.

AK

Chairman / Director

Chief Executive

Chief Financial Officer





## Report of the Directors for the year ended June 30, 2023

The Directors are pleased to present this report, accompanied by the audited financial statements for the Company for the fiscal year ended June 30, 2023. The information provided below encompasses the unconsolidated and consolidated performance of the Company during this year.

This report has been prepared in accordance with section 227 of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019 and will be submitted to the shareholders at the thirtieth Annual General Meeting of the Company to be held on September 26, 2023.

## Overview of Economy and Consolidated Financial Performance

### Overview of Economy

The outgoing year was a challenging period for the country characterized by significant financial turmoil and the most substantial economic crisis we have ever encountered. It began with a severe political-economic crisis, leading to falling foreign exchange reserves. In order to stabilize the economic situation of the country, the Government made its utmost effort to resume the ongoing IMF program, implementing several policy actions including raising fuel and electricity prices, market determined exchange rate policy, imposing high taxation measures to improve tax collection and increasing the discount rate to decade high of 22% to combat inflationary pressure. These measures resulted in an unprecedented level of inflation, reaching a peak of 38% in May'23.

To combat the situation of falling foreign exchange reserves and the rising current account deficit of the country, varying levels of import restrictions were imposed by the State Bank of Pakistan. While this move did halt the increasing trend of the current account deficit, it resulted in serious challenges for industries relying fully or partially on imported parts and materials. The effect of these import restrictions created a spiral impact on the economy, affecting businesses across various sectors.

Adding to the challenges, the country faced heavy rainfall and widespread floods during the first quarter of the financial year which significantly compounded an already vulnerable situation, putting further strain on our economy. The global recession also took its toll, impacting the country's exports as well as remittances.

The economic challenges faced by our country over the past year have been significant, with adverse impacts on various sectors and businesses. However, amidst these difficulties, we remain optimistic about the potential for positive change. The proposed structural changes by the International Monetary Fund (IMF) have the potential to pave the way for improved financial discipline and stability in our nation.

The measures suggested by the IMF, such as increasing electricity prices and gradually phasing out subsidies, are aimed at addressing the pressing economic issues and reducing the burden on the national budget. While these changes may present short-term challenges, they are essential steps towards achieving long-term sustainability.



Your Company's leadership is proactively implementing various strategies and plans to mitigate the prevailing challenges impacting the Company's financial performance and operations. The leadership is committed to increasing operational efficiencies through cost optimization, risk management, and employing innovations to deliver value to our stakeholders. We hold the utmost confidence in the strength and perseverance of the business to navigate any challenges and adapt to changing economic scenarios with ease.

### **Consolidated Financial Performance**

On a **consolidated basis**, your Company achieved 18.4% higher net turnover of PKR 385.1 billion as compared to last year's turnover of PKR 325.4 billion. The significant growth in revenue, despite the economic challenges mentioned above, is primarily owed to the full-year operational impact of Lucky Electric Power Company Limited (LEPCL) which contributed 25.5% of net revenue, in FY23, as compared to 10.4% contribution during FY22. This is a testament to the various business initiatives of the group and is an affirmation of the successful execution of the Group's diversification strategy.

The **consolidated** Net Profit of the Company is PKR 59.5 billion out of which PKR 48.8 billion is attributable to the owners of the holding company, compared to PKR 36.4 billion and PKR 29.5 billion, respectively for the prior year. This translates into an EPS of PKR 152.97 during the fiscal year ended June 30, 2023, as compared to PKR 91.22 during last year, representing a growth of 67.7%. The major reason for this increase was the operations of LEPCL as explained above and improved profitability of foreign cement operations. Apart from this, the consolidated net profit also includes a one-off gain, from Lucky Core Industries (LCI), on the sale of controlling interest in Nutrico Morinaga amounting to PKR 9.6 billion, of which PKR 5.3 billion is attributed to your Company.

The **consolidated** financial performance of your Company for the year ended June 30, 2023, as compared to last year is as follows:

| PKR million except EPS                             | FY 23   | FY 22   | Change (%) |
|--|---------|---------|------------|
| Gross Revenue                                      | 459,459 | 396,704 | 15.82%     |
| Net Revenue  | 385,125 | 325,400 | 18.35%     |
| Gross Profit                                       | 93,634  | 60,041  | 55.95%     |
| GP as % of Net Revenue                             | 24.31%  | 18.45%  | 31.77%     |
| Operating Profit                                   | 77,295  | 43,669  | 77.00%     |
| EBITDA   | 94,047  | 55,404  | 69.75%     |
| Net Profit   | 59,537  | 36,423  | 63.46%     |
| NP (Attributable to Owners of the holding company) | 48,758  | 29,497  | 65.30%     |
| Earnings Per Share (PKR)                           | 152.97  | 91.22   | 67.69%     |





### **Local Cement Operations**

During the year under review, the Company's overall gross sales revenue increased by 15.9% as compared to last year. Similarly, the pre-tax operating results of cement operations also increased by 16.2% as compared to last year. Higher taxes on income in the form of Super tax resulted in lower after-tax profitability versus last year, as explained in the later section of this report.

### **Foreign Cement Operations**

The cement production facilities in Iraq and Congo, which are under joint venture agreements, continued to contribute favorably to the profitability of the Group. Overall cement demand in Iraq remained stable. The capacity utilization at Najmat-Al-Samawah remained at full and the conversion of Kiln from HFO to Gas added to the profitability of the Company. Cement demand in Congo also remained high leading to better absorption of fixed cost, which ultimately translated into higher profits.

### **Polyester, Soda Ash and Chemicals**

On December 23, 2022, the name of the subsidiary was changed from 'ICI Pakistan Limited' to 'Lucky Core Industries Limited' (LCI). Drawing on its core strengths, the new brand name embodies the company's central role in delivering enduring value through a diverse portfolio of essential products that are at the 'core' of almost every industry and a part of almost every home in Pakistan.

The subsidiary's Net Turnover at PKR 109.49 billion for the year under review is 26% higher compared to the last year primarily resulting from additional volumes from the Soda Ash business following the successful commissioning of the 135,000 tons per annum (TPA) Soda Ash expansion project. Additional volumes coupled with cost-push price adjustments, due to inflationary increases on account of the devaluation of the Pak Rupee and higher energy prices, led to higher revenue by 65% versus the SPLY for the Soda Ash business. Revenues of the Animal Health, Polyester, Chemical & Agri Sciences, and Pharmaceuticals businesses increased by 22%, 10%, 8% and 3% respectively versus the SPLY.

The Operating Result at PKR 14.65 billion for the year under review is 25% higher than the last year. The Soda Ash, Chemicals & Agri Sciences and Animal Health businesses delivered higher Operating Results by 71%, 29% and 23% respectively as compared to the last year, whereas the Polyester and Pharmaceuticals businesses posted a decline in Operating Results by 16% and 19% as compared to the last year.

In January 2023, the subsidiary successfully concluded the sale of 21,763,125 ordinary shares of NutriCo Morinaga Private Limited ('NMPL') (constituting approximately 26.5% of the issued and paid-up share capital of NMPL) at an aggregate price of USD 45.08 million to Morinaga Milk Industry Co. Ltd Japan ('Morinaga Milk'). Consequently, a sum of PKR 9.842 billion was recorded in the standalone financial statements of the Company being the premium for the loss of controlling interest and gain on sale of shares. The Company continues to hold approximately 24.5% shareholding in NMPL, an 'Associated Company', whilst Morinaga Milk's shareholding has increased to 51% in NMPL resulting in a controlling interest of Morinaga Milk. The acquisition of majority shareholding by Morinaga Milk is expected to accelerate the growth of NMPL, resulting in accretive value creation for all shareholders.





### Power

LEPCL is a 660 MW Supercritical Coal-Fired Power Plant at Bin Qasim, Karachi. It is Pakistan's first indigenous fuel power plant outside Thar. The project is ushering in a new era of indigenous fuel utilization for baseload power generation, in line with the national objective of reducing reliance on imported fuel. The latest technology for emission control has been installed, which includes Flue Gas Desulphurization (FGD), Electrostatic Precipitators (ESP) with associated environmentally friendly equipment. The project successfully completed its first year of commercial operation on March 21, 2023. The plant faced teething issues since the beginning of its operations which continued up till the start of the current financial year. However, the management of LEPCL successfully resolved these issues and achieved 100% plant availability in 4Q FY23. During this year, operations were partially carried out on Thar Coal (to the extent available) along with Indonesian Lignite Coal. The power generated from the plant is being fed into the national grid in line with a power purchase agreement signed with the Government.

### 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 included the State Bank of Pakistan's (SBP) requirement of prior approval for opening LCs for the import of CKD kits and parts, complete restrictions effective end of December 2022 on the import of CKD kits for automobile manufacturers, unusual delays in remittances to foreign suppliers, imposition of CVT @ 1% on cars having engine capacity exceeding 1300 CC, increase in Sales Tax rates from 17% to 25% on cars having engine capacity of 1400 CC & above, and SUVs irrespective of their engine capacities, 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 55% + in terms of volumes during the year ended 30th June 2023 compared to last year. Similarly, the mobile phones market saw approximately a 60% + decline in volumes compared to last year due to import restrictions and substantial devaluation of PKR v/s USD.

## **Cement Industry and Company's Performance – Unconsolidated**

FY23 has presented several challenges to the construction sector; including but not limited to political instability, surging inflation, escalating interest rates, devastating floods, expenditure constraints leading to lower PSDP spend and volatile energy prices. The Cement industry in Pakistan declined by 15.7% to reach 44.6 million tons during the year ended June 30, 2023, in comparison to 52.9 million tons last year. The local sales volumes declined by 16.0% to clock in at 40.0 million tons during the year under review versus 47.6 million tons in the last year. Export sales volume decreased by 13.1% to 4.6 million tons during the year compared to 5.3 million tons last year.

The decline in exports was mainly due to non-viability in terms of pricing on the back of persistent high coal prices, in the first half of FY23, in the international market coupled with increased shipping freights.





As a result, cement manufacturers switched to local coal which was cheaper. Also the cement manufacturers focused their efforts to deploy green energy projects i.e. solar power.

In comparison to the Cement Industry, your **Company's** overall sales volumes declined by 18.8% to reach 7.4 million tons during the year ended June 30, 2023, in comparison to 9.1 million tons last year. Local sales volume dropped by 14.9% to reach 6.2 million tons in the current year compared to 7.3 million tons last year, due to a downturn in cement demand. Furthermore, the Company's export sales volume reduced to 1.2 million tons in the current year as compared to 1.8 million tons during last year, owing to the reasons explained above.

#### **Cement Production & Sales Volume Performance**

The **unconsolidated** production and sales statistics of your Company for the year ended June 30, 2023, compared to last year are as follows:

| Particulars            | FY 23         | FY 22 | Growth /<br>(Decline) |
|------------------------|---------------|-------|-----------------------|
|                        | Tons in '000' |       | %                     |
| Clinker Production     | 6,235         | 8,794 | (29.1%)               |
| Cement Production      | 7,060         | 8,284 | (14.8%)               |
| Cement / Clinker Sales | 7,374         | 9,079 | (18.8%)               |



A comparison of **Pakistan's Cement Industry** and your **Company's dispatches** for the year ended June 30, 2023, in comparison with SPLY, is presented below:

| Particulars<br>(Tons in '000') | FY 23  | FY 22  | Change % |         |
|--------------------------------|--------|--------|----------|---------|
| <b>Cement Industry*</b>        |        |        |          |         |
| Local Sales                    | 40,018 | 47,643 | (7,625)  | (16.0%) |
| Export Sales                   |        |        |          |         |
| - Bagged                       | 2,512  | 2,065  | 447      | 21.6%   |
| - Loose                        | 83     | 415    | (332)    | (79.9%) |
| - Clinker                      | 1,971  | 2,772  | (801)    | (28.9%) |
| Total Exports                  | 4,566  | 5,252  | (686)    | (13.1%) |
| Grand Total                    | 44,584 | 52,895 | (8,311)  | (15.7%) |
| <b>Lucky Cement</b>            |        |        |          |         |
| Local Sales                    |        |        |          |         |
| - Cement                       | 6,203  | 7,263  | (1,060)  | (14.6%) |
| - Clinker                      | -      | 25     | (25)     | -       |
|                                | 6,203  | 7,288  | (1,085)  | (14.9%) |
| Export Sales                   |        |        |          |         |
| - Bagged                       | 750    | 586    | 164      | 27.9%   |
| - Loose                        | 83     | 415    | (331)    | (79.9%) |
| - Clinker                      | 337    | 791    | (453)    | (57.3%) |
| Total Exports                  | 1,170  | 1,791  | (621)    | (34.7%) |
| Grand Total                    | 7,374  | 9,079  | (1,705)  | (18.8%) |
| <b>Market Share</b>            |        |        |          |         |
|                                | FY 23  | FY 22  | Change % |         |
| Local Sales                    | 15.5%  | 15.3%  | 1.3%     |         |
| Export Sales                   |        |        |          |         |
| - Bagged                       | 29.8%  | 28.4%  | 5.2%     |         |
| - Loose                        | 100.0% | 99.9%  | 0.00     |         |
| - Clinker                      | 17.1%  | 28.5%  | (40.0%)  |         |
| Total Export                   | 25.6%  | 34.1%  | (24.8%)  |         |
| Grand Total                    | 16.5%  | 17.2%  | (3.6%)   |         |

\* Industry data is based on best available market estimates





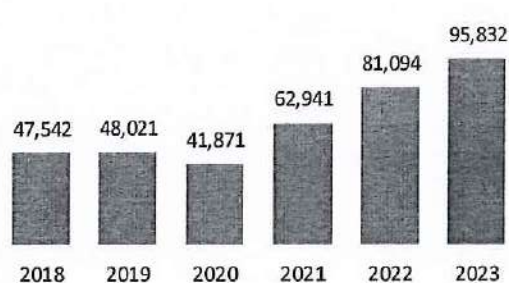
### Financial Performance - Unconsolidated

The **unconsolidated** financial performance of your Company for the fiscal year ended June 30, 2023, as compared to last year is presented below:

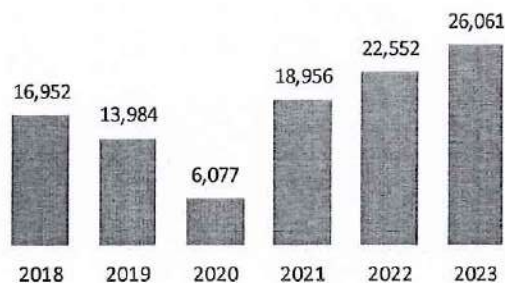
| PKR million except EPS | FY 23   | FY 22   | Change (%) |
|------------------------|---------|---------|------------|
| Gross Revenue          | 125,819 | 108,601 | 15.9%      |
| Net Revenue            | 95,832  | 81,094  | 18.2%      |
| Gross Profit           | 26,061  | 22,552  | 15.6%      |
| GP as % of Net Revenue | 27.2%   | 27.8%   | (2.2%)     |
| Operating Profit       | 18,908  | 16,275  | 16.2%      |
| EBITDA                 | 24,223  | 20,803  | 16.4%      |
| Net Profit             | 13,726  | 15,299  | (10.3%)    |
| EPS                    | 43.06   | 47.31   | (9.0%)     |

### Six year's financial performance:

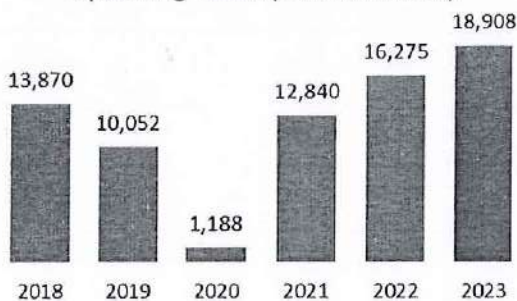
Net Revenue (PKR in Million)



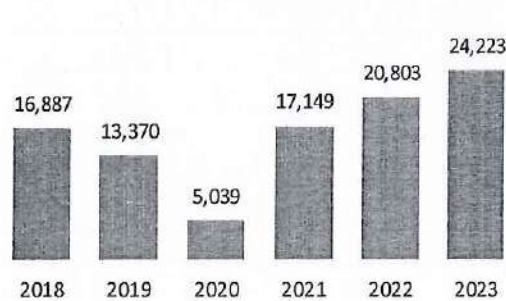
Gross Profit (PKR in Million)



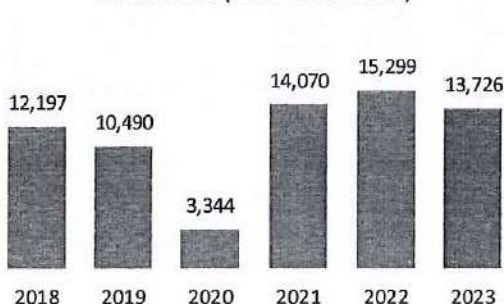
Operating Profit (PKR in Million)



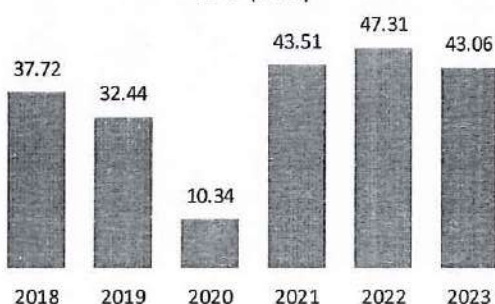
EBITDA (PKR in Million)



Net Profit (PKR in Million)



EPS (PKR)





### Revenue

During the year under review, your Company's overall gross sales revenue increased by 15.9% as compared to last year. Although the local sales volumes declined by 14.9%, the sales revenue showed an increase of 16.9% (PKR 112.1 billion vs PKR 95.9 billion), mainly due to higher cement prices owing to increased cost of inputs. Likewise, while the export volumes declined by 34.7%, the export gross sales revenue increased by 7.6% (PKR 13.7 billion vs PKR 12.7 billion) due to the depreciation of PKR against the USD.

### Cost of Sales

During FY23, the per ton cost of sales of your Company increased by 46.7% as compared to last year. This increase is primarily attributable to a continuous rise in input costs mainly coal, furnace oil, diesel, and imported consumables, mainly on account of the significant devaluation of PKR.

### Gross Profit

The gross profit margin for the current fiscal year reached 27.2% compared to 27.8% last year, reflecting our unwavering commitment to cost mitigation and operational efficiency. Despite facing numerous challenges and cost pressures, our diligent efforts in optimizing operations and implementing effective cost management strategies have yielded positive results.

### Dividend Income

During the year ended 30 June 2023, the dividend income received by your Company was PKR 2.4 billion (2022: PKR 3.5 billion). The decline in dividend income can be primarily attributed to the challenging and uncertain operating environment within the automobile segment. Additionally, the expansion efforts in the Chemicals segment have necessitated significant funds, further impacting the overall dividend payout by the subsidiaries.

| Subsidiary/<br>Associate<br>PKR Billion | FY<br>2023 | FY<br>2022 | FY<br>2021 | FY<br>2020 |
|---|------------|------------|------------|------------|
| LCI                                     | 1.3        | 2.0        | 1.3        | 0.8        |
| LHL                                     | 0.2        | 0.3        | 0.2        | 0.4        |
| YEL                                     | 0.2        | 0.2        | 0.1        | 0.1        |
| LMC                                     | 0.7        | 1.1        | 2.9        | 0.0        |
| <b>Total</b>                            | <b>2.4</b> | <b>3.5</b> | <b>4.4</b> | <b>1.3</b> |

### Net Profit

Despite lower sales volumes on the back of a challenging economic environment, your Company achieved a profit before tax of PKR 21.3 billion during FY23 as compared to PKR 21.4 billion reported last year.





Accordingly, an after-tax profit of PKR 13.7 billion was achieved during FY23 as compared to PKR 15.3 billion reported last year, mainly on account of higher tax charges because of the levy of super tax @ 10% on a perpetual basis in Finance Act 2023.

### **Earnings per share**

The earnings per share of your Company for the year ended June 30, 2023, was PKR 43.06 in comparison to PKR 47.31 reported last year.

## **Growth and Expansion**

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### **Brownfield cement plant expansion at Pezu**

During the year, your Company commissioned an additional cement line, of 3.15 Million Tons Per Annum (MTPA), at its plant in Pezu, KPK on December 22, 2022. With the addition of this new line, the total production capacity of the Company has now reached 15.30 MTPA, reinforcing your Company's position as the largest manufacturer of cement in Pakistan.

### **Renewable Energy Initiatives of Lucky Cement**

A testament to your Company's commitment to energy conservation and promotion of green energy resources is evident in the various renewable energy projects initiated. The Company successfully commissioned a 34 MW solar power project at its Pezu plant on December 29, 2022.

Moreover, the Company is also in the process of implementing a 25 MW Solar Power Project at the Karachi Plant. Procurement processes for the necessary equipment and materials have been completed. The management expects to complete the project in 2Q FY24.

The company's endeavors to invest in renewable energy projects will have a significant impact on cost savings and decrease the nation's dependence on imported fuel.

### **Clinker production capacity expansion in Samawah, Iraq – 1.82 million tons per annum**

Keeping pace with the increasing demand for cement in Iraq on the back of revival of economic activity, uptick in construction projects and to secure supply of clinker for our associated company Al Mabrooka Cement Manufacturing Company Limited in Basra, Iraq, the Shareholders have resolved to enhance the production capacity of clinker in Najmat Al Samawah Company for Cement Industry, Samawah, Iraq, by adding a new production line of 1.82 million tons per annum.

This capacity expansion will significantly enhance the overall efficiencies of business operations as it will play a crucial role in achieving self-reliance in terms of clinker availability within Iraq.



The engineering and procurement contract for the main Plant & Machinery has been executed. The company is currently in the negotiation stage with the potential contractors.

The construction activity on the project is expected to commence within 1Q FY24 and is expected to be completed in 18 months.

#### **Share Purchase Agreement for the acquisition of shares of Lotte Chemical Pakistan Limited by Lucky Core Industries Limited (LCI)**

During the year under review, the subsidiary also entered into a Share Purchase Agreement with Lotte Chemicals Corporation on January 26, 2023, which was subsequently assigned to Lucky Core Ventures (Private) Limited (wholly owned subsidiary) for the acquisition of approximately 75.01% of the issued and paid up capital of Lotte Chemical Pakistan Limited, comprising 1,135,860,105 ordinary shares. The completion of the transaction remains subject to the terms of the Sale Purchase Agreement, including receipt of requisite approvals and completion of other closing conditions.

#### **Share Buy-back of Lucky Cement Limited**

In 1Q FY23, the Company announced a share buy-back of up to 10 million ordinary shares, which was subsequently approved by the shareholders in EOGM dated September 20, 2022. The said purchase was made from Pakistan Stock Exchange Limited (PSX) at the prevailing spot prices and was completed within the stipulated time at an average price of PKR 435.6 per share.

With a view to creating further value for the shareholders, a second buy-back of up to 23.8 million ordinary shares was also announced by the Company in 4Q FY23, which was subsequently approved by the shareholders in EOGM held on May 24, 2023. The purchase period commenced during the last month of FY23 and as of 30<sup>th</sup> June, 1.6 million ordinary shares were purchased under this buy-back.

#### **Dividend & Appropriation**

Your Company remains committed to both increasing its shareholder wealth and providing sustainable returns over a longer term. The Company's diversification plan over the years, most of which has been financed by internally generated cash flows, has not only substantiated this commitment but has also started bearing fruit. Taking into consideration the current capital and equity investment plans; the board has recommended a final cash dividend of PKR 18/- per share subject to the approval of shareholders in the upcoming Annual General Meeting scheduled to be held on September 26, 2023.

Since the Company is in the process of carrying out a second buy-back of its shares (which are to be cancelled), dividend shall not be payable in respect of shares which have already been purchased by the Company. Accordingly, the entitlement will be paid to the shareholders appearing in the Register of Members on September 15, 2023 (i.e. upon commencement of book closure), the aggregate amount of which is not ascertainable before that date.





### **Contribution to the National Exchequer**

On an unconsolidated basis, your company contributed PKR 31.3 billion (2022: PKR 31.5 billion) to the Government Treasury on account of Income taxes, excise duty, sales tax, and other government levies. Moreover, valuable foreign exchange to the tune of USD 55.17 million was generated by your Company for the Country from the export of cement during the year under review.

### **Health, Safety and Environment**

A strong focus on HSE lies at the core of all of Lucky Cement's operations. By rigorously following the laid down HSE guidelines, Lucky Cement is committed to providing a safe working environment for all its employees, Contractors, and stakeholders engaged in its business operations. Adherence to the highest health and safety standards is maintained for the Company's on-premises stakeholders and the communities in which it operates.

To enhance safety awareness and to build a culture of continuous improvement in personal and process safety, a comprehensive communication structure has been established such as daily, weekly, and monthly safety reviews and safety talks. Safety measures at Lucky Cement have been taken according to the work environment (by conducting risk assessment) at both plants and the corporate offices.

#### **Zero Loss Work Day Injury**

During the outgoing year, no major injury or accident was reported. It was achieved by strong HSE follow-ups, audits, safety talks, continual risk assessment and by taking mitigating measures to control the potential Hazards. Compliance with HSE policies & SOPs played a vital role in ensuring a safe work environment.

#### **Compliance with NEQ Standards**

To ensure regulatory compliance, environmental testing is performed regularly from EPA approved laboratory. The Company's facilities are positioned almost 72% less than the permissible limit of NEQ standards due to the use of advanced technology, timely maintenance, and use of WHR plants. Lucky Cement's plants are equipped with new and more advanced bag houses to control the emission of particulate matter. The efficiency of the bag house is 99.95% and the efficiency of environmental protection is 99%. Tree plantation drives in and around the plant facilities are at the forefront of our sustainable eco-friendly practices.

#### **Waste Heat Recovery (WHR) Plants**

Your Company also strives to save the environment by recycling exhaust heat from the production process to generate electricity through WHR (Waste Heat Recovery) process. Through the use of these environment-friendly technologies, the Company ensures sustainable maintenance of carbon emissions and utilization of excess heat from the production lines and power generators to generate electricity.



## Management Objectives and Strategies

Throughout its history, Lucky Cement has steadfastly confronted and navigated numerous challenges, demonstrating unwavering perseverance and strength. Your Company's diverse portfolio, ever-expanding operations and exemplary strategies have fortified its foundations as not just the leading manufacturer of cement, but also as one of the most prosperous organizations, in Pakistan. It has built a strong foundation to propel its growth through fiscal discipline, cost leadership and a robust distribution network. As the leading cement player, Lucky Cement focuses on achieving its goals and leverages technology by designing a strategic roadmap to reduce carbon footprints, enhance environmental measures, and identify supply chain synergies.

The management firmly believes in implementing best governance practices and upholding the true spirit of adherence. Your Company is dedicated to ensuring equitable treatment of all stakeholders, fostering trust and appreciation. Moreover, it fosters an environment of employee engagement, recognizing employees as the most valuable resource and internal stakeholders.

To accomplish the specified corporate objectives, Your Company has undertaken organization-wide initiatives involving all employees in formalizing SOPs (Standard Operating Procedures) and establishing individual KPIs (Key Performance Indicators) aligned with the broader corporate goals. This approach empowers every employee as a self-assessor, with clear annual targets and transparent measurement criteria, fostering their contribution to the organizational mission. Additionally, we have optimized and strengthened our human resource strategies while creating a well-structured management trainee program in collaboration with the country's top educational institutions.

In addition, the management considers employees' health and safety protocols as a moral imperative to comply. Lucky Cement has continually promoted a healthy work environment and contributed to society during the recent floods.

Your Company's financial growth and market leadership reflect its strategic alignment.

## Critical Performance Indicators

The management of Your Company has highlighted the following key performance measures and indicators to support the stated objectives. These are shared across the Company at each level as "Lucky Cement Limited's 5 corporate goals" and they assist us in setting our strategic direction.

- a) Sustainable growth/profitability, improving market share both in domestic and foreign markets and lower cost of production
- b) Organizational development and Talent management
- c) Environment, Social and Governance (ESG)
- d) Diversification of product portfolio
- e) Upgrade IT infrastructure / Enhance automation





During the year, the management rolled out the objectives stated above with the intention of implementing these goals companywide in the form of KPIs for each department. The periodic Management Committee and project-related meetings held during the year involved reviewing and following up on these objectives.

## Performance of Financial and Non-Financial Measures

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### Sustainable and Profitable Growth

#### Market Share:

Despite the prevalent economic and political turmoil in the outgoing year, your company successfully managed to maintain its market share of 16.5% in FY 2022-23, thus maintaining its position as the market leader in the cement sector of Pakistan.

#### Low-Cost Producer:

Your company has maintained its low-cost position in FY 2022-23. The cost of production per ton remains to be one of the lowest in the industry.

#### Sales Volume:

The sales volume reduced by 18.8% in FY 2022-23 as compared to last year. This was mostly attributed to a 14.9% decline in the Company's local sales on the back of reduced cement demand. Meanwhile, the Company's export sales volumes witnessed a decline of 34.7% mainly due to rising freight and input costs coupled with economic challenges in the Company's export markets.

#### Cost Reduction Initiatives:

Your Company increased its utilization of locally available coal to take advantage of lower prices. Additionally, the addition of a new cement line enhances operational efficiencies within the system. The Company also commissioned and completed a 34MW solar power project at its Pezu plant. Moreover, another solar project, of 25MW, is currently underway at the Karachi plant. This would result in increased utilization of cheaper sustainable energy, all the while contributing to the carbon neutrality goals of Lucky Cement Limited.

### Corporate and Brand Image

During the year under review, the Company's practices and initiatives continued to be recognized and appreciated by leading professional bodies. Following are some of the awards which the Company achieved during the outgoing financial year:

- Won the Management Association of Pakistan's Corporate Excellence Award in the Cement Sector category at the 37th MAP Annual Corporate Excellence Award Ceremony.



- Won the Best Investor Relations 2021/22 – Listed Companies at the 19<sup>th</sup> Annual Excellence Awards, organized by the CFA Society.
- Won the Runner-up position for the Best ESG Reporting Award-2021 at the 19<sup>th</sup> Annual Excellence Awards, organized by the CFA Society.
- Won the Joint Second Position for the Best Corporate Report Award in the Cement category at the “Best Corporate & Sustainability Report Awards 2021.” The recognition was jointly announced by the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).
- Won the Environment Excellence Award at the 19th Annual Environment Excellence Awards 2022, organized by the National Forum of Environment and Health (NFEH).
- Won the Corporate Social Responsibility Award in the Green Energy Initiatives category at the 15<sup>th</sup> Corporate Social Responsibilities Awards 2023, organized by the National Forum of Environment and Health (NFEH).
- Won the Environment, Health & Safety Award at the 8<sup>th</sup> International Award on Environment, Health & Safety, organized by The Professionals Network (TPN).

## Human Resources

At Lucky Cement Limited, we recognize that our success as a leading company in the cement industry is intrinsically tied to the strength and capabilities of our staff. Our Human Resources team plays a pivotal role in nurturing a high-performing, engaged, and empowered workforce, enabling us to navigate challenges, achieve sustainable growth, and deliver long-term value to our stakeholders.

### Creating an Empowering Work Environment

Central to our HR philosophy is the creation of an empowering work environment that fosters employee excellence and unleashes their full potential. We remain committed to providing our employees with challenging opportunities for professional growth, recognizing that their knowledge, skills, and dedication are instrumental in driving our organizational success. Through strategic talent acquisition & management, and succession planning, we ensure the continuity of capable leaders who can navigate the evolving business landscape.

### Attracting the best-fit Talent

In an industry where talent is the key to success, our HR team has been relentless in attracting and retaining the best professionals. Through strategic recruitment efforts, we have sought out individuals who embody our core values and possess the skills & expertise necessary to drive our company forward.

By providing new hires with the necessary knowledge, resources, tools and support, we enable them to quickly adapt to their roles and contribute effectively from the outset. Our onboarding process is designed to foster a sense of belonging and purpose, allowing employees to align with our organizational culture and goals.





### **Organizational Culture**

We understand that diversity and inclusion are essential to fuel innovation, enhance decision-making, and foster a harmonious workplace. Our HR initiatives are designed to cultivate a diverse and inclusive culture where employees from various backgrounds, experiences, and perspectives feel valued and appreciated.

At Lucky Cement Limited, we are committed to fostering a positive and inclusive working culture that aligns with our Core Values and Code of Conduct. Our dedication to upholding values such as innovation, customer focus, excellence, and integrity lies at the foundation of our efficiency-driven culture. By cultivating a high-value culture, we empower our workforce, driving productivity, and innovation, and strengthening our organizational fabric. Moreover, we prioritize the well-being, development, growth, and engagement of our employees, ensuring a holistic approach to their success.

To reinforce our employee value proposition, we have consistently strived to connect with our workforce through various engagement sessions. These sessions provide employees with valuable opportunities to disconnect from their work and foster meaningful connections with one another. By nurturing a sense of community and promoting open communication, we enhance collaboration and teamwork, fostering a culture where every individual feels valued and supported.

Lucky Cement Limited understands the significance of embracing diversity within our workforce. We envision developing a high-performing talent pool by leveraging the power of diversity and deliberately fostering inclusivity. Through a range of initiatives and training sessions introduced during the year, we empower all employees to perform at their highest potential. By embracing diverse perspectives, backgrounds, and experiences, we unlock innovation, creativity, and adaptability, enabling us to thrive in a dynamic business environment. As we move forward, Lucky Cement Limited remains steadfast in its commitment to continuously improve our organizational culture.

### **Employee Engagement and Well-being**

At Lucky Cement Limited, we understand that engaged and satisfied employees are the foundation of our success. We place great emphasis on creating an inclusive and supportive work environment that encourages collaboration, creativity, and personal growth. Through various initiatives, such as employee recognition programs, team-building activities, and transparent communication channels, we foster a sense of belonging and pride among our workforce.

### **Enhancing Capabilities**

We firmly believe in the continuous development of our employees' competencies and skills. Our HR department has implemented robust learning and development programs that equip our workforce with the necessary tools and knowledge to thrive in their respective roles. Through targeted training initiatives, mentoring programs, and cross-functional exposure, we enable our employees to broaden their skill sets, embrace innovation, and adapt to emerging industry trends. By investing in the growth of our talent, we foster a culture of continuous learning and equip our workforce to meet the evolving demands of the cement industry. Our commitment to ongoing professional development enables our workforce to stay ahead of industry trends, promoting a culture of continuous learning and innovation.



At Lucky Cement Limited, we are deeply committed to the growth and development of our people. Learning and development are integral to our organizational culture and we consistently invest in initiatives to bridge competency gaps and enhance capabilities. Guided by the Competency Gap Assessment, we have designed and implemented a comprehensive training plan that encompasses both in-house and external programs, addressing a wide range of soft and hard skills required at different staff levels across all locations.

To ensure our employees have access to the best training resources, we have collaborated with internal and external trainers who possess expertise in localized and international training content. This collaboration has enabled us to deliver tailored programs and equip our employees with the necessary skills and knowledge to excel in their respective roles, contributing to individual growth and overall organizational success.

#### **Leadership Development and Succession Planning**

At Lucky Cement Limited, we believe that strong leadership is essential for long-term success. We take a vital role in identifying and nurturing leadership potential within our organization. We provide targeted development programs, mentoring opportunities, and succession planning initiatives to groom future leaders who can steer our company through dynamic market conditions. By investing in the growth of our employees and promoting a culture of leadership, we ensure a robust pipeline of talent that can drive our strategic objectives and sustain our competitive edge.

#### **Financial Management**

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The Company's unconsolidated balance sheet as on June 30, 2023, remains on a strong asset footing of PKR 213.1 Billion (2022: PKR 185.0 Billion), with a current ratio of 1.29 (2022: 1.48) and a quick ratio of 0.85 (2022: 0.87).

#### **Cash Flow Strategy**

Your Company has an efficient Cash Flow Management System in place that projects and monitors cash inflows and outflows regularly. The working capital requirements are usually met through a combination of internal cash generation and short term bank borrowings. During the year under review, the allocation of cash flows was mainly attributed to capital expenditure totaling PKR 18.7 billion, own shares purchased for cancellation (first and second ongoing buyback) amounting to PKR 5.2 Billion, and income tax payment of around PKR 1.0 billion.

#### **Capital Structure and Financial Position**

While your company mostly is equity financed, it also utilized the incentive offered by SBP through various financing schemes (TERF/LTFF), to finance its long-term financing requirements. Your company's biggest strength is its self-generated liquidity. This helps management in smoothly capitalizing further cost-saving ventures and boosts stakeholder's and vendor's confidence in doing business with the company. After a





7.0% increase, our reserves now equal **PKR 134.2 Billion**. This appreciation is due to the improved cost-saving strategies and profits of your company.

### Financing Arrangements

Your company was able to derive benefits from availing of SBP's various loan facilities, amounting to **PKR 1.0 billion**. Your company further availed Islamic Export Refinance facilities of around **PKR 4.9 billion (2022: PKR 1.0 billion)** from various banks, to encourage phenomenal export growth. These Islamic financing facilities are secured by mainly collateralizing the company's Plant & Machinery, Stocks, Stores, and Spares.

### Credit Rating

Your Company maintained the "investment grade" credit rating by VIS Credit Rating Company Limited of medium to long term rating of AA+ (Double A Plus) and Short term rating of A-1+ (A-One Plus) to the Company. While the short term credit rating of A-1+ assures that the company has adequate short term liquidity and can make timely payments, the medium to long term rating of AA+ symbolizes high credit quality and strong protection factors. The high credit rating of your company attests to its high creditworthiness, thus evidencing the fact that your company has an efficient cash flow strategy in place to meet its financial obligations.

## Segmental Review and Business Performance

After having a strong footprint in the cement manufacturing industry in Pakistan, Iraq and DR of Congo, Lucky Cement has evolved into a conglomerate having strategic investments in diversified industries. The acquisition of LCI Pakistan and investments in Lucky Electric Power Company Limited and Lucky Motor Corporation were a part of the Company's strategy to diversify its business and create value for its shareholders. While the outgoing financial year was marred by economic challenges, all the company's subsidiaries demonstrated remarkable resilience, optimizing their operations and adhering to strict financial discipline. A snapshot of the business performance of segments is tabulated below:

| Segment                                | Net Revenue Growth (%) | GP Margin (%) of Gross Revenue | OP Margin (%) of Gross Revenue | Segment Assets | Segment Liabilities |
|--|------------------------|--------------------------------|--------------------------------|----------------|---------------------|
|  |                        |                                |                                | (PKR Bn.)      | (PKR Bn.)           |
| Cement                                 | 18.14%                 | 20.72%                         | 15.04%                         | 149.93         | 32.67               |
| Polyester                              | 10.29%                 | 7.97%                          | 6.98%                          | 18.33          | 16.62               |
| Soda Ash                               | 65.24%                 | 21.04%                         | 15.98%                         | 50.44          | 11.61               |
| Pharma                                 | 3.08%                  | 23.29%                         | 8.03%                          | 9.72           | 5.53                |
| Life Sciences & Chemicals              | 26.03%                 | 23.44%                         | 12.11%                         | 21.51          | 4.27                |
| Automobiles & mobile phones assembling | -34.00%                | 9.61%                          | 8.44%                          | 52.58          | 17.23               |
| Power Generation                       | 190.89%                | 33.88%                         | 33.50%                         | 215.84         | 23.19               |
| Others                                 | -52.69%                | 23.58%                         | 14.16%                         | 2.12           | 11.02               |

Note: LEPCL commenced its operations on March 21, 2022.



## Risk Management

Effective risk management is pivotal to sustainable business growth. At Lucky Cement, the Board has the overall responsibility of overseeing the Company's risk management processes, which include risk management and internal control procedures. These processes, which are documented and regularly reviewed, are designed to safeguard assets and address possible risks to the Company, including the possible impact on business continuity. Any identified risk that could potentially affect the achievement of strategic, operational, financial and/or compliance objectives are promptly reported to the Board and senior management for timely action to ensure uninterrupted operations.

The Company maintains a clear organizational structure with a well-defined chain of authority. Senior management is responsible for implementing procedures, monitoring risks and assessing the effectiveness of various controls.

The Company continues to employ a robust Enterprise Risk Management (ERM) framework, which is integrated within the organization to ensure the proactive identification, evaluation and assessment of risks. All highlighted risks are prioritized according to their impact and likelihood and corrective actions are devised accordingly.

Risk management is an ongoing need and, therefore, this annual process includes interim updates on both the risks and remedial and/or corrective actions.

### Strategic Risks

Your Company operates in a highly dynamic business environment that exposes it to different strategic risks and leverages emerging opportunities that significantly influence the achievement of its strategic objectives. The management focuses on aligning corporate strategies that adapt to changes in the market trends, strengthen the Company's market position and progressively expand its production or manufacturing capacities to address the growing needs of the construction industry. It is imperative to ensure optimum resource allocation, utilization, and availability of natural gas and alternatives to fossil fuels for generating power.

Soaring inflation, adverse exchange rate parity and continuous rise in prices of key inputs such as coal and other fuel with limited availability of natural resources lead to increased production costs, which are also constantly monitored and included in the risk register.

Moreover, your Company also mitigates the risk of economic challenges, macroeconomic indicators and uncertainties, inconsistent/arbitrary government policy changes, unexpected regulatory regime changes, and technological changes.





### **Operational Risks**

With a focus on operational efficiencies, the management monitors the operational risks and ensures adequate controls to minimize the potential impact of disruptive events in production and sales. Increasing logistics expenses and distribution costs are areas of concern for the Industry.

Raw material sourcing, adequate segregation of duties, implementation of cybersecurity controls, self-sufficiency in power generation at both the plants, and efficient supply chain and logistic operations both in-house and outsourced have enabled the Company to mitigate operational risk to an acceptable level.

### **Financial Risks**

Earnings in USD from foreign operations, USD based tariff of LEPCL and cement/clinker exports have partially protected your Company from foreign currency volatility and some financial risks. Strict financial discipline, cash flow management and monitoring of foreign currency parity vs. PKR to identify suitable strategies contribute to lowering risks associated with internal and project-related investments.

To minimize risks arising from uncertainty and volatility of foreign exchange fluctuations, interest rates, and high commodities prices, your Company has designed and implemented stringent policies to mitigate these risks. These policies are reviewed periodically and are continuously aligned with the best practices and regulations of the financial market.

Changing laws, rules, regulations, and standards relating to accounting, corporate governance, public disclosure, and listing regulations are strictly followed.

### **Compliance Risks**

Any omission or failure to meet regulatory compliance may expose the Company to reputational risks. Changes in law and regulations may lead to result in disruptions. Due to appropriate and diligent adherence to all applicable rules and regulations, the Company's compliance risk is low. Professional law firms manage litigation risks involving serious litigation against the Company.

## **Corporate Social Responsibility**

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### **Education**

Education plays a pivotal role in fostering a sustainable society capable of effectively addressing poverty. By investing in human capital, we can ignite significant social transformations and unlock opportunities for individuals in developing nations to unleash their true potential, emerging as leaders of future generations. Lucky Cement Limited places a robust focus on enhancing education standards in the country, aligning with its commitment to sustainability and creating a lasting positive impact on communities and the environment.



### **Women Empowerment**

Keeping in view the importance on the impact of women empowerment in Pakistan, Lucky Cement Limited in collaboration with Zindagi Trust continued support for two leading Government girls' schools in Karachi. With a primary focus on social intervention in the development of women's education in the country, the Company has transformed these schools into model educational institutions for girls in Pakistan.

### **Primary Education**

Your Company is committed to enhancing the quality of primary education in Pakistan and making efforts to bring healthy improvement from the grass root level. In this connection, Lucky Cement Limited has continued its partnership with Shahid Afridi Foundation (SAF) and adopted a school in a remote less privileged area of Karachi.

Furthermore, Lucky Cement Limited has supported the Million Smiles Foundation (MSF) in their project of improving and enhancing the education structure at a primary school in Kundal Shahi, Neelum Valley, Azad Jammu Kashmir (AJK).

Lucky Cement Limited, in partnership with The Citizen Foundation, has successfully established a complete primary and secondary school near our PEZU plant. The school is now operational and actively providing quality education to the enrolled students for the 2023-24 academic year.

### **Scholarships/Financial Assistance**

Lucky Cement Limited has partnered with various prestigious institutes of Pakistan providing educational assistance to deserving and bright students. The primary aim is to make education accessible and affordable to talented students regardless of their financial position.

#### **Institute Of Business Management (IoBM)**

Lucky Cement Limited has joined hands with the Creek High School & Creek College (IoBM Campus) for providing scholarships to deserving and bright students. In continuity, Lucky Cement Limited has been extending scholarships to regular students of IoBM and Creek High School. Further, Lucky Cement has sustained its scholarship assistance for the students selected by the IoBM from The Citizen Foundation (TCF) Schools.

#### **Lahore University of Management Sciences (LUMS)**

Lucky Cement Limited sustained her understanding with the Lahore University of Management Sciences (LUMS) for providing scholarships to students selected through its National Outreach Program (NOP).

#### **Institute of Business Administration**

Lucky Cement Limited has partnered with the Institute of Business Administration (IBA), to provide educational assistance to bright students in pursuit of quality education from IBA and continued its patronage in assisting deserving yet bright students.





### **PEZU Scholarship Program**

Pezu Scholarship Program in an effort to empower the youth of Pakistan, Lucky Cement Limited has expanded its existing national scholarship program for the bright students of District Lakki Marwat. Under this initiative deserving students are granted scholarships for intermediate, graduate and undergraduate programs. The primary aim of the program is to make education accessible and affordable for talented students especially from the rural areas regardless of their financial background.

### **Vocational Training**

Lucky Cement Limited has continued its partnership with the Country's leading vocational training provider for the vocational training for the youth of District Lakki Marwat, PEZU, to equip the youth of PEZU with skills. This program aims to provide equitable opportunities for vocational training to underprivileged but capable and deserving male and female students without any ethnic, secretariat, or religious discrimination, leading them to employment or small business creation. Students of the previous two batches have been provided employment opportunities as well in our plant operations.

### **Junior CEO Challenge**

Lucky Cement Limited recognizes the importance of fostering creativity, leadership, and entrepreneurial skills among young students. In line with this vision, the company sponsored the Junior CEO Challenge, an inter-school business idea generation competition.

### **Health Initiatives**

Provision of quality healthcare for the 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. These institutes provide vital support in bridging the gap between specialized and modern medical care available in the Country.

### **COMMUNITY DEVELOPMENT:**

#### **LRBT Annual Fundraising Golf Tournament:**

Lucky Cement Limited is dedicated to supporting initiatives related to health and well-being. Your company proudly served as the associate sponsor for the 6th Annual Fundraising Golf Tournament organized by LRBT. The event aimed to raise funds for the treatment of blindness among underprivileged patients across Pakistan.

#### **Flood Relief Program**

Lucky Cement Limited responded to devastating floods by taking proactive measures to support the worst-affected areas and address the urgent needs of the victims. Your Company provided essential aid, shelter, medical kits, clothing, and nutrition products to the flood victims.

#### **Supporting Differently Abled Persons:**

Lucky Cement Limited has exemplified its commitment to social impact and inclusivity through various contributions. Your Company generously donated to support the mission of spreading compassion, and



acceptance, and transforming the lives of individuals with Intellectual Disabilities through the 'Power of Sports'. Moreover, Your Company also sponsored the "National Blind Women Sports 2022" to empower visually impaired female athletes. Lucky Cement Limited aims to create positive change, foster inclusivity, and promote the transformative potential of sports in improving the lives of diverse individuals within the community.

#### **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 beach cleaning drives and tree-plantation drives in and around its manufacturing sites.

#### **Contribution toward the United Nations Sustainability Development Goals 2030**

In support of the UN Sustainability Development Goals, your Company has initiated and promoted various sustainable projects to support the United Nations' 2030 Agenda. The integration of the SDGs has taught us to view sustainable development as a business response to the challenges we face as a society — to use business-driven approaches to create lasting economic growth to address social needs and empower communities.

Your Company is now on a journey to link the Sustainable Development Goals to Lucky Cement's business strengths. We see the SDGs as a win-win opportunity, improving the world for future generations, whilst supporting our vision to become a value-based, sustainable company.

#### **Code of Corporate Governance**

The Directors of your Company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Rule book of Pakistan Stock Exchange. Your Company has taken all necessary steps to ensure good corporate governance and full compliance with the Code and we confirm the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity;
- Proper books of account of the Company have been maintained;
- Chief Executive and Chief Financial Officer duly endorsed the financial statements before the approval of the Board;
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;





- There are no significant doubts about the company's ability to continue as a going concern;
- Statement of the pattern of shareholding has been included as part of this Annual Report; and
- Statement of shares held by associated undertakings and related persons have also been disclosed separately.

#### **Composition of the Board of Directors**

The diverse mix of gender, knowledge, expertise and skill sets of the members enhances the effectiveness of our Board. Our Board composition represents the interests of all categories of shareholders and it consists of:

|                           |   |
|---------------------------|---|
| Total number of directors |   |
| a) Male                   | 6 |
| b) Female                 | 1 |

|                                   |   |
|-----------------------------------|---|
| Composition                       |   |
| I) Independent Director           | 3 |
| II) Other Non-executive Directors | 3 |
| III) Executive Director           | 1 |

#### **Changes in the Board of Directors after the demise of Mr. Muhammad Yunus Tabba**

The demise of Mr. Muhammad Yunus Tabba was a major loss for the sponsors and management of the Company, during the year under review. He was one of the founders of YBG and remained associated with it for more than half a century. Under his guidance and leadership, the YBG rapidly progressed and gained recognition, both locally and internationally, as one of the most diversified and accomplished groups in the country. In recognition of his outstanding services rendered in the field of entrepreneurship and public service, he was honored by the President of the Islamic Republic of Pakistan who conferred upon him, a civilian award, the Sitara-e-Imtiaz. While we grieve this loss, we remain committed to following in his footsteps and continuing his legacy to achieve all that he, along with the other founders of the YBG, had envisioned when setting out on this journey some fifty years ago.

The Board pays rich tributes to Mr. Muhammad Yunus Tabba and lauds the valuable services he rendered in making YBG and Lucky Cement a diversified group and leading corporate house. The Board also resolves that it will remain committed to following in the footsteps of the late Chairman and continuing his legacy to achieve all that he, along with the other founders of the YBG, had envisioned when setting out on this journey some fifty years ago.

To fill the casual vacancy arising due to the sad demise of Mr. Muhammad Yunus Tabba, the Board of Directors appointed Mr. Shabbir Hamza Khandwala as a director.



### **Meetings of the Board of Directors**

| BOARD OF DIRECTORS - 7 MEETINGS |  |                          |
|---------------------------------|--|--------------------------|
| S.No.                           | NAME OF DIRECTORS  | No. Of Meetings Attended |
| 1                               | Mr. Muhammad Sohail Tabba (Chairman)<br>Non-Executive Director | 6                        |
| 2                               | Mr. Muhammad Yunus Tabba (Deceased)*<br>Non-Executive Director | 2                        |
| 3                               | Mr. Muhammad Ali Tabba<br>Executive Director                   | 7                        |
| 4                               | Mr. Jawed Yunus Tabba<br>Non-Executive Director                | 7                        |
| 5                               | Mrs. Mariam Tabba Khan<br>Non-Executive Director               | 5                        |
| 6                               | Mr. Masood Karim Shaikh<br>Independent Director                | 7                        |
| 7                               | Mr. Khawaja Iqbal Hassan<br>Independent Director               | 7                        |
| *                               | Mr. Shabbir Hamza Khandwala<br>Independent Director            | 3                        |

The leave of absence was granted to the Directors who could not attend the meeting due to their preoccupation.

\* Mr. Shabbir Hamza Khandwala was appointed as a director on January 27, 2023, to fill the casual vacancy arising due to the demise of Mr. Muhammad Yunus Tabba.

### **Training of the Board**

The Company takes a keen interest in the professional development of its Board members and regularly updates its Board members with any changes in corporate laws or the Code of Corporate Governance. It ensures that all the Directors of the Board comply with the requirements of Directors Training Certification.

### **Evaluation Criteria for the Board**

Apart from their mandatory job requirements, the performance of the Board of our Company is evaluated regularly along the following parameters, both at individual and team levels.

1. Effectiveness in bringing in a mix of gender, talents, skills and philosophical perspectives.
2. Integrity, credibility, trustworthiness and active participation of members.
3. Follow-up and review of annual targets set by the management.
4. Ability to provide guidance and direction to the Company.
5. Ability to identify aspects of the organization's performance requiring action.
6. Review of succession planning of management.
7. Ability to assess and understand the risk exposures of the Company.
8. Contribution and interest in regard to improving health safety and environment, employment and other policies and practices in the Company.





9. Safeguarding the Company against unnecessary litigation and reputational risk.

### **Performance Evaluation Of The Board**

The overall performance of the Board measured on the basis of the above-mentioned parameters for the year was satisfactory. A separate report by the Chairman on Board's overall performance, as required under section 192 of the Companies Act, 2017 is attached to this Annual Report.

### **Directors' Remuneration**

The Board of Directors has approved a 'Remuneration Policy for Directors and Members of Senior Management; the salient features of which are:

- The Company will not pay any remuneration to its non-executive directors except as a meeting fee for attending the Board and its Committee meetings. As per the policy, Directors are paid an after-tax remuneration of PKR 75,000 for attending each meeting of the Board or its sub-committees.
- The remuneration of a Director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.
- A Director shall be provided or reimbursed for all traveling, boarding, lodging and other expenses incurred by him for attending meetings of the Board, its Committees and/or General Meetings of the Company.

## **Board Committees and Meetings**

### **Audit Committee**

| AUDIT COMMITTEE - 5 MEETINGS |  |                          |
|------------------------------|--|--------------------------|
| S.No.                        | NAME OF DIRECTORS  | No. Of Meetings Attended |
| 1                            | Mr. Masood Karim Shaikh (Chairman)<br>Independent Director | 5                        |
| 2                            | Mr. Muhammad Sohail Tabba*<br>Non-Executive Director       | 4                        |
| 3                            | Mr. Jawed Yunus Tabba<br>Non-Executive Director            | 5                        |
| 4                            | Mrs. Mariam Tabba Khan<br>Non-Executive Director           | 4                        |
| 5                            | Mr. Khawaja Iqbal Hassan<br>Independent Director           | 5                        |
| *                            | Mr. Shabbir Hamza Khandwala<br>Independent Director        | 1                        |

The leave of absence was granted to the Directors who could not attend the meeting due to their preoccupation.



\* After the demise of Mr. Muhammad Yunus Tabba, the Board appointed Mr. Muhammad Sohail Tabba as the Chairman of the Board. In the consequent reconstitution of Board Committees, Mr. Muhammad Sohail Tabba, being Chairman of the Board, is not a member of the Board's Audit Committee; whereas, Mr. Shabbir Hamza Khandwala became a member of the Board's Audit Committee effective from January 27, 2023.

### HR and Remuneration Committee

| HR & Remuneration Committee – 1 MEETING |   |                          |
|---|---|--------------------------|
| S.No.                                   | NAME OF DIRECTORS   | No. Of Meetings Attended |
| 1                                       | Mr. Khawaja Iqbal Hassan (Chairman)<br>Independent Director | 1                        |
| 2                                       | Mr. Muhammad Ali Tabba<br>Executive Director                | 1                        |
| 3                                       | Mr. Muhammad Sohail Tabba*<br>Non-Executive Director        | 1                        |
| 4                                       | Mr. Jawed Yunus Tabba<br>Non-Executive Director             | 1                        |
| 5                                       | Mrs. Mariam Tabba Khan<br>Non-Executive Director            | 1                        |
| 6                                       | Mr. Masood Karim Shaikh<br>Independent Director             | 1                        |
| *                                       | Mr. Shabbir Hamza Khandwala<br>Independent Director         | 0                        |

The leave of absence was granted to the Directors who could not attend the meeting due to their preoccupation.

\* After the demise of Mr. Muhammad Yunus Tabba, the Board appointed Mr. Muhammad Sohail Tabba as the Chairman of the Board. In the consequent reconstitution of Board Committees, Mr. Muhammad Sohail Tabba, being Chairman of the Board, is not a member of the Board's HR & Remuneration Committee; whereas, Mr. Shabbir Hamza Khandwala became a member of the Board's HR & Remuneration Committee effective from January 27, 2023.

### CEO Performance Review

The Board of Directors of Lucky Cement regularly evaluates the performance of the CEO based on the financial and non-financial KPIs presented by him at the start of the year. The board has reviewed the performance of the CEO for the latest financial year and is satisfied with the achievements for the year. The Board has full confidence in his abilities to manage the company most professionally and competently. He is also responsible for setting the corporate objectives and their alignment with the KPIs for his management team and regularly updates the Board about the performance of the management team in achieving the desired goals.





## **Vision, Mission, and Overall Corporate Strategy Approval by the Board**

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The Board of Directors has carefully reviewed and approved the vision, mission, and overall corporate strategy of your Company and believes that it comprehensively states the ideology with which Lucky Cement was incorporated. We ensure that our vision and mission sets the direction for our overall corporate strategy and our future journey in everything we do at all levels. The entire organization is connected and driven by this purpose and it serves as the main decision-making criterion in our day-to-day business.

## **Adequacy of Internal Financial Controls**

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The Board of Directors has established an efficient system of internal financial controls, for ensuring effective and efficient conduct of operations, safeguarding of Company assets, compliance with applicable laws and regulations, and reliable financial reporting. The independent Internal Audit function of Lucky Cement regularly appraises and monitors the implementation of financial controls, while the Audit Committee reviews the effectiveness of the internal control framework and financial statements quarterly.

## **Statement of Unreserved Compliance with IFRS Issued by IASB**

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The Board of Directors of your Company has reviewed the Financial Reporting process. The Financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The approved accounting standards consist of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and the provisions of and directives issued under the Act.

## **Qualifications of CFO and Head of Internal Audit**

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The Chief Financial Officer and Head of Internal Audit possess the requisite qualifications and experience as prescribed in the Code of Corporate Governance.

## **Pattern of Shareholding**

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The pattern of shareholding of the Company in accordance with Section 227 (2)(f) of the Companies Act, 2017 and rule 5.19.11 of the PSX Rule Book as at June 30, 2023, is annexed to this report.



## Auditors

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The financial statements of the company for the current year 2022-23 were audited by M/s A.F. Ferguson & Co. Chartered Accountants. The auditors will retire at the end of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Board has recommended the appointment of M/s A.F. Ferguson & Co. Chartered Accountants as auditors for the forthcoming year, as recommended by the Audit Committee, subject to the approval of the members at the upcoming Annual General Meeting.

## Subsequent Events

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No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

## Outlook

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As we step into the financial year 2024, Pakistan continues to grapple with significant political and economic challenges, setting a somewhat gloomy outlook. The country faces the repercussions of a global recessionary environment, substantial inflationary pressures, monetary constraints, and environmental disasters, all of which have contributed to a complex economic scenario.

Amidst these challenges, there has been a recent development on the economic front that provides a glimmer of hope. The Federal Government has successfully resumed the long-pending IMF program, taking the form of a "Stand-by Agreement." Under this agreement, the disbursement of USD 3.0 billion over a nine-month period is expected, offering much-needed relief to the economy and assisting in meeting short to medium-term financing needs.

This resumption of the IMF program brings several positive implications. First and foremost, it helps reduce uncertainty in the financial landscape, providing some stability and predictability to businesses and investors. Additionally, it opens up new opportunities for the country to access further borrowing from other international lenders and friendly nations, enhancing financial flexibility.

While the road ahead remains challenging, the resumption of the IMF program brings optimism for Pakistan's economic prospects in FY24. It underscores the importance of fiscal discipline, financial management, and strategic engagement with international financial institutions to navigate through the ongoing difficulties and foster a path toward sustainable economic growth.

Furthermore, to restore confidence in the economy and ensure long-term economic growth, it is crucial to have certainty in the country's political landscape. The upcoming general elections are anticipated to bring political stability, which will play a vital role in revitalizing the current economic scenario. By implementing sustainable and long-term measures, confidence in the economy can be restored, paving the way for a prosperous future.





### **Local Cement Operations**

The current economic climate continues to pose significant challenges, with high inflation, rising interest rates, and a weakening currency likely to suppress demand for cement in the near future. However, the prospect of political stability within Pakistan and the reallocation of funds towards public sector development, including major infrastructure projects such as the revival of China-Pakistan Economic Corridor, could serve as crucial drivers for the national economy, potentially sparking increased demand within the cement sector.

Furthermore, the commodity super cycle, which began in the aftermath of the pandemic and intensified due to the Russia-Ukraine conflict, is showing signs of easing, as indicated by decreasing oil and coal prices. This development could positively affect the cement industry, with lower global coal prices and higher utilization of local coal projected to bolster the sector's profit margins. Technological advancements in the industry, such as the use of alternative fuels and energy-efficient production methods, could further enhance these margins.

Nonetheless, it is important to recognize the ongoing challenges. Any further depreciation of the Pakistani Rupee and potential increases in energy tariffs could exert additional pressure on the cement sector's profit margins. These same factors could also negatively impact the competitiveness of all export sectors in the country.

Therefore, while there are encouraging signs, caution and strategic planning are still necessary in navigating this complex economic environment.

### **Foreign Cement Operations**

International cement operations are expected to experience robust demand, and the Company is well-positioned to benefit from increased utilization of existing operational lines in the forthcoming financial year. Moreover, the addition of a new clinker line, with a capacity of 1.82 MTPA, in Samawah, Iraq, will greatly enhance the operational efficiencies of our business. This strategic move plays a crucial role in achieving self-reliance in terms of clinker availability within Iraq.

### **Polyester, Soda Ash and Chemicals**

In the FY 2024, Lucky Core Industries Limited is expected to navigate a challenging landscape, shaped by the broader economic conditions in the country. Despite the anticipated monetary tightening measures that may suppress industrial activity and impact demand for the company's products, the Lucky Core Industries Limited remains committed to deliver sustainable results.

The company's diverse product portfolio is expected to be a key strength in this environment, providing a buffer against sector-specific downturns and enabling it to cater to a wide range of customer needs. This diversity could help maintain revenue streams even if demand for certain products decreases due to the economic conditions.



Moreover, LCI's commitment to cost rationalization is expected to play a crucial role in its strategy for the coming year. By focusing on improving operational efficiency and reducing unnecessary expenses, the company aims to protect its margins and maintain profitability even in the face of potential demand reductions.

### **Power**

A major milestone anticipated in FY24 is the completion of Phase III by the SECMC, which is expected to enable the plant to switch to 100% Thar Coal operations. This transition is expected to bring about substantial financial and strategic benefits as it will eliminate the need for foreign currency expenditure currently being incurred for coal imports. Furthermore it is likely to reduce the energy basket price, contributing to cost efficiencies. Lastly, the shift to domestic coal resources will enhance the country's energy security, reducing reliance on foreign sources.

### **Automobiles and Mobile Phones**

The outlook for the automobile sector in Pakistan for FY 2024 is marked by uncertainty, with sales volumes expected to remain under pressure due to an economic slowdown, rising costs of raw materials, and the depreciation of the Pakistani Rupee. These factors are likely to dampen demand for new vehicles and put pressure on the margins of automobile manufacturers. However, the company's focus on optimizing its operations and localization will help reduce reliance on imported components and protecting margins and enhancing competitiveness.

Regarding the forecast for Pakistan's mobile industry in the fiscal year 2024 it is expected that the industry may face similar headwinds due to the prevailing economic slowdown and the rising cost of smartphones due to depreciation of the local currency. The economic downturn is expected to suppress consumer demand for smartphones, as discretionary spending may be curtailed. In response to these challenges the company is likely to shift its focus towards the production and promotion of low-cost phones. This strategy could help maintain sales volumes, thereby mitigating some of the negative impacts.

In conclusion, while FY 2024 presents a challenging landscape for both the automobile and mobile sectors in Pakistan, strategic adjustments such as increased localization and cost optimization will be key to navigate through these headwinds.

Your Company's strong financial position and free cash flow generating ability are anticipated to further support its vision to improve operational efficiencies, make new investments and enhance shareholder value.






## Acknowledgment

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The Board would like to thank all our stakeholders, employees, customers, suppliers, shareholders, and bankers for their support. The confidence and goodwill of the stakeholders have allowed the Company to sustain and grow over the years.

We continue to pray to Allah for the success of the Company and the benefit of all stakeholders, and the country in general.

On behalf of the Board

  
**MUHAMMAD SOHAIL TABBA**  
Chairman / Director

  
**MUHAMMAD ALI TABBA**  
Chief Executive / Director

Karachi: August 7, 2023