LUCKY CEMENT

LCK/ANNOUNCE/3RD QTR/2022-23

May 2, 2023

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Road,
Off: I.I. Chundrigar Road,
Karachi

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

Dear Sir(s),

FINANCIAL RESULTS FOR THE 3RD QUARTER ENDED MARCH 31, 2023

This is to inform you that the Board of Directors of our Company in their Meeting held on Friday, April 28, 2023 at 4:30 p.m., at 6-A, Muhammad Ali Housing Society, A. Aziz Hashim Tabba Street, Karachi-75350 recommended the following:

(I)	**Cash Dividend**	**Nil**
(ii)	**Bonus Issue**	**Nil**
(iii)	**Right Issue**	**Nil**
(iv)	**Interim Dividend**	**Nil**

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

We will be transmitting the 3rd quarterly report of the Company for the period ended March 31, 2023 through PUCARS separately, within the specified time.

Yours truly
for **LUCKY CEMENT LIMITED**

FAISAL MAHMOOD
GM Finance & Company Secretary

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

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LUCKY CEMENT LIMITED
Consolidated Condensed Interim Statement of Financial Position
As at March 31, 2023

	Note	(Un-audited) March 31, 2023	(Audited) June 30, 2022
		(PKR in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	296,385,236	276,029,950
Intangible assets		6,681,752	14,602,075
Right-of-use assets		104,016	163,074
		303,171,004	290,795,099
Long-term investments	6	63,626,219	36,544,627
Long-term loans and advances		698,543	551,695
Long-term deposits and prepayments		95,788	70,340
		367,591,554	327,961,761
CURRENT ASSETS			
Stores, spares and consumables		21,134,729	13,656,865
Stock-in-trade		51,878,569	72,021,896
Trade debts		52,459,283	36,355,113
Loans and advances		8,444,464	3,486,666
Trade deposits and short-term prepayments		2,808,161	1,035,845
Other receivables		14,011,599	18,590,025
Tax refunds due from the Government		538,812	538,812
Taxation receivable		162,473	123,926
Accrued return		73,142	39,791
Short-term investments		37,288,422	12,976,155
Cash and bank balances		24,902,213	16,900,459
		213,701,867	175,725,553
TOTAL ASSETS		581,293,421	503,687,314
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		3,133,750	3,233,750
Reserves		212,418,899	167,630,764
Attributable to the owners of the Holding Company		215,552,649	170,864,514
Non-controlling interest		34,060,811	28,893,975
Total equity		249,613,460	199,758,489
NON-CURRENT LIABILITIES			
Long-term loans		135,948,309	127,874,326
Long-term deposits and other liabilities		9,480,134	7,170,303
Lease liabilities		36,296	88,182
Deferred income - Government grant		4,635,219	4,361,931
Deferred liabilities			
- Staff Gratuity - unfunded		3,163,350	2,804,294
- Deferred tax liability	7	13,326,793	12,307,123
		16,490,143	15,111,417
		166,590,101	154,606,159
CURRENT LIABILITIES			
Current portion of long-term loans		8,775,680	5,081,071
Trade and other payables		82,515,426	78,407,163
Taxation - net		9,996,230	6,957,350
Accrued markup		933,839	576,471
Short-term borrowings and running finance		62,757,744	58,153,464
Current portion of lease liabilities		60,647	96,117
Unclaimed dividend		50,294	51,030
		165,089,860	149,322,666
		331,679,961	303,928,825
TOTAL EQUITY AND LIABILITIES		581,293,421	503,687,314
CONTINGENCIES AND COMMITMENTS	8		

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

Chairman / Director **Chief Executive** **Chief Financial Officer**

LUCKY CEMENT LIMITED
Consolidated Condensed Interim Statement of Profit or Loss
For the nine months ended March 31, 2023 (Un-audited)

	Note	Nine Months Ended		Quarter Ended	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
		(PKR in '000')		(PKR in '000')	
Revenue	9	340,069,447	265,698,737	120,537,742	111,196,109
Less: Sales tax and excise duty		46,159,748	40,092,286	17,069,270	14,876,057
Rebates, incentives and commission		7,868,078	9,029,525	3,016,430	3,122,879
		54,027,826	49,121,811	20,085,700	17,998,936
Net Revenue		286,041,621	216,576,926	100,452,042	93,197,173
Cost of sales		(221,048,484)	(176,721,610)	(74,522,438)	(78,730,252)
Gross profit		64,993,137	39,855,316	25,929,604	14,466,921
Distribution cost		(7,979,850)	(8,022,797)	(2,717,209)	(2,842,242)
Administrative expenses		(4,502,758)	(5,497,819)	(1,639,357)	(2,071,477)
Finance cost		(21,618,863)	(2,170,955)	(7,903,309)	(1,257,305)
Other expenses		(3,599,753)	(2,614,762)	(1,738,224)	(971,894)
Other income	10	5,664,564	4,331,412	2,580,818	975,798
Share of profit - joint ventures and associates		5,976,909	5,817,308	2,326,703	2,880,835
Gain on partial disposal of NutriCo Morinaga (Pvt) Limited	11.1	8,911,412	-	8,911,412	-
Gain on remeasurement of interest retained in NutriCo Morinaga (Pvt) Limited	11.2	8,239,260	-	8,239,260	-
Profit before taxation		56,084,058	31,697,703	33,989,698	11,180,636
Taxation		(7,992,281)	(5,165,151)	(3,713,999)	(1,802,098)
Profit after taxation from continuing operations		48,091,777	26,532,552	30,275,699	9,378,538
Profit / (loss) after taxation from discontinued operations	11.5	444,421	-	(63,086)	-
Profit after Taxation		48,536,198	26,532,552	30,212,613	9,378,538
Attributable to:					
Owners of the Holding Company		36,944,188	20,718,442	21,030,810	7,571,742
Non-controlling interest		11,592,010	5,814,110	9,181,803	1,806,796
		48,536,198	26,532,552	30,212,613	9,378,538
		(PKR)		(PKR)	
Earnings per share - basic and diluted	12				
- continuing operations		114.85	64.07	66.52	23.41
- discontinued operations		0.39	-	(0.06)	-
		115.24	64.07	66.47	23.41

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

Chairman / Director

Chief Executive

Chief Financial Officer

LUCKY CEMENT LIMITED
Unconsolidated Condensed Interim Statement of Financial Position
As at March 31, 2023

	Note	(Un-audited) March 31, 2023	(Audited) June 30, 2022
		(PKR in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	93,998,769	82,301,050
Intangible assets		94,809	51,352
		94,093,578	82,352,402
Long-term investments		57,594,485	57,594,485
Long-term loans and advances		210,650	191,684
Long-term deposits		7,842	8,106
		151,906,555	140,146,677
CURRENT ASSETS			
Stores and spares		17,481,365	11,206,843
Stock-in-trade		6,837,963	7,171,364
Trade debts		3,956,593	3,522,931
Loans and advances		637,550	735,337
Trade deposits and short-term prepayments		983,100	140,532
Accrued return		73,130	39,316
Other receivables		4,422,060	4,838,323
Tax refunds due from the Government		538,812	538,812
Short-term investments	13.2	16,688,563	12,751,155
Cash and bank balances		924,131	3,871,078
		52,543,267	44,815,691
TOTAL ASSETS		204,449,822	184,962,368
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital	10.2	3,133,750	3,233,750
Reserves		132,171,657	125,306,574
		135,305,407	128,540,324
NON-CURRENT LIABILITIES			
Long-term deposits		251,212	250,332
Long-term loans	6	14,602,750	14,108,446
Deferred Government grant		2,216,292	2,164,455
Deferred liabilities			
- Staff gratuity - unfunded		2,960,090	2,596,281
- Deferred tax liability	7	8,797,453	6,941,172
		11,757,543	9,537,453
		28,827,797	26,060,686
CURRENT LIABILITIES			
Trade and other payables		30,578,702	23,191,483
Current maturity of long-term loans		513,956	487,202
Short-term borrowings		1,400,000	1,000,000
Unclaimed dividend		50,294	51,030
Accrued markup		269,938	135,452
Taxation - net		7,503,728	5,496,191
		40,316,618	30,361,358
		69,144,415	56,422,044
TOTAL EQUITY AND LIABILITIES		204,449,822	184,962,368
CONTINGENCIES AND COMMITMENTS	8		

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

Chairman / Director **Chief Executive** **Chief Financial Officer**

LUCKY CEMENT LIMITED
Unconsolidated Condensed Interim Statement of Profit or Loss
For the nine months ended March 31, 2023 (Un-audited)

	Note	Nine months ended March 31, 2023	Nine months ended March 31, 2022	Quarter Ended March 31, 2023	Quarter Ended March 31, 2022
		(PKR in '000')		(PKR in '000')	
Gross sales	9	**91,498,783**	79,110,490	**32,792,796**	28,503,707
Less: Sales tax and federal excise duty		**20,077,228**	19,185,536	**7,412,366**	6,760,312
Rebates, incentives and commission		**1,073,894**	1,035,244	**365,850**	402,301
		21,151,122	20,220,780	**7,778,216**	7,162,613
Net sales		**70,347,661**	58,889,710	**25,014,580**	21,341,094
Cost of sales		**(51,353,459)**	(44,904,352)	**(18,543,212)**	(16,629,539)
Gross profit		**18,994,202**	13,985,358	**6,471,368**	4,711,555
Distribution cost		**(3,918,482)**	(3,688,286)	**(1,261,780)**	(1,352,823)
Administrative expenses		**(1,369,184)**	(1,092,429)	**(452,684)**	(382,776)
Finance costs		**(798,443)**	(270,925)	**(185,233)**	(85,906)
Other expenses		**(1,598,134)**	(1,122,842)	**(490,369)**	(450,271)
Other income		**4,405,678**	6,354,287	**1,558,195**	4,136,582
Profit before taxation		**15,715,637**	14,165,163	**5,639,497**	6,576,361
Taxation		**(4,581,983)**	(2,856,104)	**(1,634,462)**	(1,041,794)
Profit after taxation		**11,133,654**	11,309,059	**4,005,035**	5,534,567
		(PKR)		(PKR)	
Earnings per share - basic and diluted	10	**34.73**	34.97	**12.66**	17.11

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

Chairman / Director **Chief Executive** **Chief Financial Officer**

LUCKY CEMENT

Directors' Report

The Directors take pleasure in presenting to you the financial results of your Company which include both, unaudited **consolidated** and **unconsolidated financial statements** for the nine months period ended March 31, 2023.

Overview of Economy & Consolidated Financial Performance

During 9M FY23, global prices of major commodities, including energy, agriculture, and metals, remained highly volatile owing to changes in supply and demand. This had a widespread impact on various industries, leading to inflationary pressures in several countries and a slowdown in global economic growth in most regions.

Very recently, there has been a decrease in commodity prices. This trend is largely driven by a global economic slowdown, which has led to a decrease in demand for commodities.

For majority part of the 9M FY23, Pakistan's economy has been impacted by the prevailing global trends, which has been further worsened by persistent political instability in the country. While the measures taken by the current government to restrict imports have reduced the current account deficit, the domestic manufacturing sector across multiple industries has been adversely affected by these administrative actions. On the other hand, both exports and workers' remittances have declined considerably compared to the same period last year. To achieve economic stability in the medium term, it is crucial for the government to introduce effective structural reforms that can bolster the export of goods and services, and thereby restore equilibrium to the economy.

On the other hand, the delay in the IMF program has resulted in constant pressure on the country's forex reserves resulting in a significant depreciation of PKR against the USD. This has caused an increase in import costs and has further fueled inflation in the country. To combat the unprecedented inflation levels, SBP in their recent monetary policy has increased the policy rate to 21%, which will further slow down the economic growth of the country, which is expected to be around 0.5% as per the latest estimates of IMF.

Your organization's leadership is proactively implementing measures to mitigate the impact of the aforementioned challenges on the company's operations and financial performance. Despite the prevailing economic headwinds, we remain committed to maintaining a strong focus on cost optimization, risk management, and innovation to deliver sustainable value to our stakeholders. As we navigate these challenging times, we remain optimistic about the long-term prospects of the business and our ability to adapt to evolving market conditions.

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On a consolidated basis, for the nine months period ended March 31, 2023, your Company achieved gross revenue of PKR 340.1 billion which is 28.0% higher as compared to the same period last year's (SPLY)'s revenue of PKR 265.7 billion. The increase in gross revenue is mainly attributable to the commencement of commercial operations of Lucky Electric Power Company Limited in March 2022.

Moreover, the consolidated net profit of the Company for the nine months period ended March 31, 2023 is PKR 48.5 billion of which PKR 11.6 billion is attributable to non-controlling interests. The consolidated net profit attributable to owners of the Holding Company translates into an EPS of PKR 115.24 during the current nine months period ended March 31, 2023, as compared to PKR 64.07 during the SPLY.

The consolidated financial performance of your Company for the nine months period ended March 31, 2023, as compared to SPLY is presented below:

PKR million except EPS	9M FY23	9M FY22	Change (%)
Gross Revenue	**340,069**	265,699	28.0%
Net Revenue	**286,042**	216,577	32.1%
Gross Profit	**64,993**	39,855	63.1%
GP as % of Net Revenue	**22.7%**	18.4%	23.4%
Operating Profit	**52,511**	26,335	99.4%
EBITDA	**64,615**	34,258	88.6%
Net Profit*	**48,536**	26,533	82.9%
NP (Attributable to Owners of the holding company)	**36,944**	20,718	78.3%
Earnings Per Share (PKR) *	**115.24**	64.07	79.9%

* Includes discontinued operations of Nutrico Morinaga Pvt. Ltd

The Company's net profit for the nine months under review has increased compared to the same period last year (SPLY) due to the profitability of Lucky Electric Power Company Limited (LEPCL), which recorded a profit this year, compared to a loss in SPLY. Additionally, the foreign cement operations also showed improved profitability. Furthermore, during the current period, Lucky Core Industries (LCI), a subsidiary company, recorded a gain of PKR 17.2 billion on the disposal of controlling interest and remeasurment of interest retained at fair value in NutriCo Morinaga (Pvt) Limited, reducing its total holding from 51% to 24.5%.

Local Cement Operations

During the nine months under review, your Company's overall gross sales revenue increased by 15.7% as compared to SPLY. Despite experiencing a decline in both domestic as well as export sales volumes, the operational profitability of the local cement operations exhibited progress owing to increased operational efficiencies.

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On December 22, 2022, your Company announced the commencement of operations of Line-2, at Pezu Plant. This addition increases the production capacity of your company's cement production by 3.15 Million Tons Per Annum (MTPA), thereby, bringing the total capacity to 15.30 MTPA. After the successful completion of the aforesaid expansion, your Company has further reinforced its rank and prominence as the largest manufacturer and exporter of cement and clinker in Pakistan.

Another successful milestone was achieved during the nine months period with the commencement of operations of a 34 MW solar power project at Pezu Plant on December 29, 2022. This investment was in line with our objectives to promote renewable energy, decrease the country's dependence on imported fuel and to make the company more cost-efficient.

Foreign Cement Operations

Despite global recessionary pressure, the Company's foreign joint venture cement production facilities in Iraq and Congo continued to operate efficiently to add healthy profits to its profitability. Demand for cement has recently shown a significant growth in Congo. Furthermore, the plant situated in Najmat Al-Samawah, in Iraq, shifted from Furnace Oil to Natural Gas for its kiln operations, adding to the profitability of the venture.

Polyester, Soda Ash, and Chemicals

During the period under review, ICI Pakistan Limited changed its name to Lucky Core Industries Limited with effect from December 23, 2022. Drawing on its core strengths, the new brand name embodies the subsidiary's role in delivering value through a diverse portfolio of essential products that are the 'core' of almost every industry and a part of every home in Pakistan.

The Net Turnover for the nine months under review at PKR 80.3 billion is 29% higher compared to the SPLY. Revenue from the Soda Ash, Animal Health, Polyester, Chemical & Agri Sciences and Pharmaceuticals businesses was higher by 72%, 27%, 12%, 10% and 4% respectively, as compared to the SPLY. The Operating Result for the nine months period under review at PKR 10.4 billion is 20% higher than the SPLY. The Soda Ash, Chemicals & Agri Sciences and Animal Health businesses delivered higher Operating Results by 73%, 25% and 20% respectively as compared to the SPLY, whereas the Polyester and Pharmaceuticals businesses posted a decline in Operating Results by 27% and 15% as compared to the SPLY.

During the period under review, the Subsidiary's business operations continued to face severe macroeconomic challenges in comparison to the SPLY. Significant increases in the cost of doing business, depreciation of the Pak Rupee in comparison to the US Dollar, hikes in interest rates, import restrictions, changes in the tax regime, and fluctuations in global commodity prices remained the top challenges during the period.

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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 45,082,657 to Morinaga Milk Industry Co. Ltd Japan. Consequently, a gain of PKR 17.2 billion was recorded in the consolidated financial statements of the Subsidiary. The Subsidiary continues to hold approximately 24.5% of the issued and paid up capital of NMPL, making it an 'Associated Company', whilst Morinaga Milk's shareholding has increased to 51% of the issued and paid up share capital of NMPL.

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, 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 47% in terms of volumes during the nine months period ended 31st March 2023 compared to SPLY. Similarly, the mobile phones market saw approximately 50%+ decline in volumes compared to SPLY due to the substantial devaluation of PKR to USD.

Power

Lucky Electric Power Company Limited commenced its commercial operations in March 2022. The Power Plant is designed to operate on Thar Lignite coal. Till such time that supplies from Thar are sufficient to meet the requirements of this plant, it continues to operate on a mix of imported and local lignite coal. During the current quarter, the plant availability factor was 97% compared to 92% during 1H FY23. The subsidiary's management efforts to optimize the plant's operations have yielded significant improvements in performance. The average fuel cost of electricity for the quarter was PKR 13.24 per KWh, which remains one of the cheapest in the country.

Cement Industry and Company's Performance – Unconsolidated

The local cement industry volumes in Pakistan reported an aggregate decrease of 15.5% to reach 30.6 million tons for the nine months ended March 31, 2023, vs 36.1 million tons during SPLY. Also, the exports decreased by 34.6% to reach 3.0 million tons during the nine months under review as compared to 4.6 million tons during SPLY. This led to an overall decline in industry volumes by 17.6% to 33.6 million tons during the period under review in comparison to 40.8

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million tons during SPLY. Since the commencement of FY23, the construction sector has encountered various obstacles, including the aftermath of devastating floods, rising interest rates, elevated inflation, a sharp increase in commodity costs including that of steel, and a decline in government development expenditures.

In comparison with the cement industry, your Company's overall sales volume declined by 23.0% to reach 5.4 million tons during the nine months period under review as compared to 7.1 million tons during the SPLY. The local sales volume declined by 16.9%, reaching 4.6 million tons during 9M FY23 compared to 5.5 million tons in SPLY. Whereas, export volumes were reduced by 44.5%, reaching 0.9 million tons in 9M FY23 versus 1.6 million tons in SPLY.

Exports witnessed a decline due to the weak global economic situation which suppressed the demand and prices. With high coal prices during 1H FY23 exports viability remained a challenge. Recently, in 3Q FY23, due to a decrease in coal prices and PKR devaluation, exports viability has improved.

Cement Production & Sales Volume Performance:

The local cement production and sales statistics of your Company for the nine months ended March 31, 2023, compared to the SPLY are as follows:

Particulars	9M FY23	9M FY22		Growth / (Decline)
	Tons in '000'			%
Clinker Production	**4,581**	6,548	↓	**(30.0%)**
Cement Production	**5,242**	6,428	↓	**(18.4%)**
Cement / Clinker Sales	**5,443**	7,068	↓	**(23.0%)**

A comparison of **Pakistan's Cement Industry** and your **Company's dispatches** for the nine months ended March 31, 2023, in comparison with SPLY, is presented below:

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Particulars (Tons in '000')	9M FY23	9M FY22	Change %	
Cement Industry				
Local Sales	**30,558**	**36,143**	**(5,585)**	**(15.5%)**
Export Sales				
- Bagged	**2,009**	1,648	361	21.9%
- Loose	**83**	405	(322)	(79.4%)
- Clinker	**944**	2,587	(1,643)	(63.5%)
Total Exports	**3,036**	**4,640**	**(1,604)**	**(34.6%)**
Grand Total	**33,594**	**40,783**	**(7,189)**	**(17.6%)**
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Local Sales				
- Cement	**4,579**	**5,501**	**(922)**	**(16.8%)**
- Clinker	**-**	**10**	**(10)**	**(100.0%)**
	4,579	**5,511**	**(932)**	**(16.9%)**
Export Sales				
- Bagged	**600**	509	91	18.0%
- Loose	**83**	405	(322)	(79.4%)
- Clinker	**180**	643	(463)	(72.0%)
Total Exports	**864**	**1,557**	**(693)**	**(44.5%)**
Grand Total	**5,443**	**7,068**	**(1,625)**	**(23.0%)**

Market Share	9M FY23	9M FY22	Change %
Local Sales	**15.0%**	15.2%	(1.5%)
Export Sales			
- Bagged	**29.9%**	30.9%	(3.2%)
- Loose	**100.0%**	100.0%	-
- Clinker	**19.1%**	24.9%	(23.3%)
Total Export	**28.5%**	**33.6%**	**(15.2%)**
Grand Total	**16.2%**	**17.3%**	**(6.4%)**

Financial Performance – Unconsolidated

The unconsolidated financial performance of your Company for the nine months ended March 31, 2023, as compared to the SPLY is presented below:

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PKR million except EPS	9M FY23	9M FY22	Change (%)
Gross Revenue	**91,499**	79,110	15.7%
Net Revenue	**70,348**	58,890	19.5%
Gross Profit	**18,994**	13,985	35.8%
GP as % of Net Revenue	**27.0%**	23.7%	13.9%
Operating Profit	**13,707**	9,205	48.9%
EBITDA	**17,508**	12,561	39.4%
Net Profit	**11,134**	11,309	(1.6%)
EPS	**34.73**	34.97	(0.7%)

Revenue

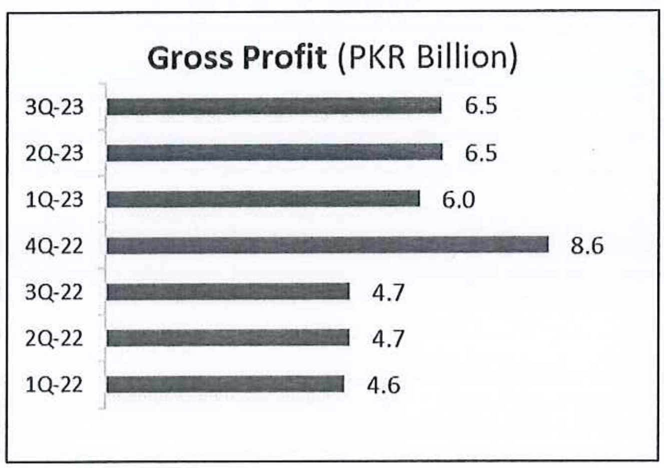
During the nine months period under review, your Company's overall gross revenue increased by 15.7% vs SPLY. While gross local sales revenue showed an increase of 18.7% (PKR 81.4 billion vs PKR 68.6 billion), the gross export sales revenue decreased by 4.1% (PKR 10.1 billion vs PKR 10.5 billion) due to decline in export volumes.

Cost of Sales

During the nine months period under review, per ton cost of sales of your Company increased by 48.5% as compared to the SPLY. The major portion of this increase came from higher coal prices.

Gross Profit

Your company's constant focus on cost and operational efficiencies has yielded positive results, as evidenced by the increase in our gross profit margin for 9M FY23. Through strategic cost management and optimization of our operations, we have been able to reduce our cost of goods sold and improve our manufacturing efficiencies. These efforts have led to an increase in our gross profit margin, which rose from 23.7% during the same period last year to 27.0% in the current fiscal year.



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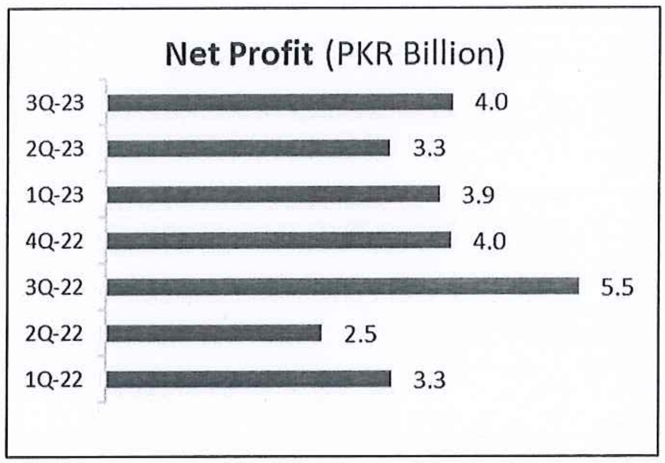
Dividend Income

During 9M FY23, the dividend income of your Company from its subsidiaries / associate was PKR 2.4 billion vs PKR 3.4 billion during the SPLY.

Subsidiary/ Associate PKR Billion	3Q FY23	2Q FY23	1Q FY23	4Q FY22	3Q FY22	2Q FY22	1Q FY22
LCI	0.5	-	0.8	-	1.0	-	1.0
LHL	0.2	-	-	0.1		0.2	-
YEL	0.1	0.1	-	-	0.1	0.1	-
LMC	-	-	0.7	-	1.0	-	-
Total	**0.8**	**0.1**	**1.5**	**0.1**	**2.1**	**0.3**	**1.0**

Net Profit

Your Company achieved a profit before tax of PKR 15.7 billion during 9M FY23 as compared to PKR 14.2 billion reported during the SPLY.

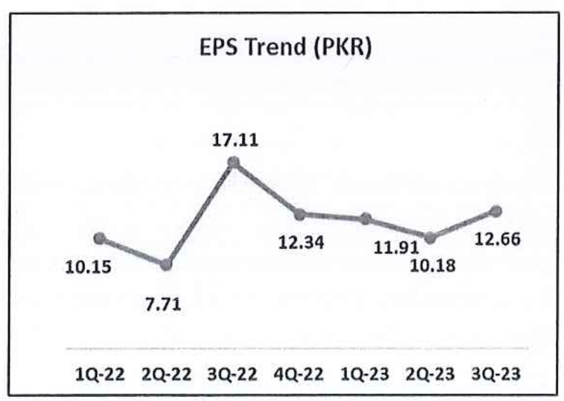


Accordingly, an after-tax profit of PKR 11.1 billion was achieved during the nine months under review as compared to PKR 11.3 billion reported during the SPLY.

The marginal decline in the company's profitability was attributed to lower dividend income from subsidiaries during the nine month period under review compared to SPLY.

Earnings Per Share (EPS)

The earnings per share of your Company for 9M FY23 was PKR 34.73 in comparison to PKR 34.97 reported during the SPLY.



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Growth and Expansion

Share Purchase Agreement between Lucky Core Industries Limited (LCI) and Lotte Chemicals Corporation for acquisition of shares of Lotte Chemical Pakistan Limited by Lucky Core Industries Limited (LCI)

During the period under review, the Subsidiary entered into a Share Purchase Agreement with Lotte Chemicals Corporation on January 26, 2023, 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 SPA and other transactional conditions, including receipt of requisite approvals and completion of other closing conditions. On April 28, 2023, LCI had informed PSX that the said acquisition shall be completed through its wholly-owned subsidiary, Lucky Core Ventures (Private) Limited.

Renewable Energy Initiative at Karachi Cement Plant

A testament to your Company's commitment to energy conservation and promotion of green energy resources was the announcement of captive solar power project at its Karachi Plant.

Commercial negotiations for the 25 MW Solar Power Project at Karachi Plant have been completed and procurement process for the necessary equipment and materials commenced. 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.

Share Buyback of Lucky Cement Limited

In 1Q FY23, the Company announced a share buyback of up to 10 million ordinary shares, which was subsequently approved by the shareholders in EOGM dated September 20, 2022. This buyback was targeted to improve the future EPS of your company. 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.

Corporate Social Responsibility

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

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Education / Scholarships

With a commitment towards promoting merit based education and to facilitate the bright, deserving, and less privileged youth of the country, your Company continued to award various scholarships in the leading universities of Pakistan.

Your Company is also collaborating with leading NGOs for the establishment of primary schools in Landhi, Karachi, and Neelum Valley in order to ensure quality education for children from the less developed localities of Pakistan.

Continuing in the efforts to equip the youth of Lakki Marwat, Pezu, with skills and entrepreneurial ability, regardless of their financial background, your Company in collaboration with the Country's leading vocational training provider has selected the third batch to be provided with skill trainings in a designated vocational training institute near Rawalpindi. This will open limitless opportunities for the youth to either engage in different industries or to start fresh businesses, ultimately improving local prospects substantially.

As per your Company's collaboration with The Citizen Foundation to build a complete primary and secondary school near the Pezu plant for the general public. The construction of the school building has already been completed and the admission process is underway, the school is likely to be operational from the new academic year during 4Q FY23.

Women Empowerment

To ensure women empowerment through quality education, the Company collaborated with Zindagi Trust in supporting two leading government girls' schools in Karachi. With mutual collaboration, the schools have been revamped into model girls' educational institutions.

Health Initiatives

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

Environment Conservation

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

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Moreover, in line with our commitment towards environment sustainability, your Company has won CSR award in the "Green Energy Initiative" category for adopting renewable energy solutions to promote environmental conservation and ensure sustainable business operations.

Outlook

Pakistan has started FY23 in a difficult situation due to the prevailing global recessionary environment, significant inflationary pressures, monetary constraints, and environmental disasters. The country is facing further economic pressure due to delays in receiving the latest IMF tranche, which is constraining its financial flexibility. Despite the government's efforts to reassure lenders, the expected level of financial assistance from multilateral and bilateral sources has faced significant delays.

However, a few promising monetary guarantees have been received lately from the friendly countries which should pave the way to unlock the latest IMF tranche. Structural reforms, taken by the Government, to fulfill IMF conditions have contributed towards high inflation and a record low value for the PKR against the USD. Unlocking the targeted IMF tranche is crucial to jumpstart Pakistan's economy, which has been severely impacted by the unfavorable economic conditions and political instability. While taking steps towards rejuvenating the economy, it is essential to have clarity on the current uncertain political climate in Pakistan. This clarity would help in restoring the confidence of multilateral and bilateral entities in Pakistan's economy.

Local Cement Operations

The current economic environment remains challenging, with high inflation and interest rates and a weakening currency, which is expected to keep demand subdued for the rest of FY23. The strict controls on imports are having a negative impact on the operating ability of large scale manufacturing industries, which in turn affects the cement sector. However, unlocking additional funding from international lenders could provide a much-needed boost to Pakistan's economy and help stimulate demand for the cement sector. Additionally, the recent decrease in international coal prices and the increased usage of local coal going forward is expected to relieve some of the cost pressures. Moreover, recent devaluation of the PKR will make our exports more competitive, further supporting the cement sector's growth.

Foreign Cement Operations

As a result of growing demand in Congo, revenues from foreign operations are expected to remain strong. However, due to the volatility in exchange rate in Iraq and increasing input costs, margins would remain under pressure.

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Polyester, Soda Ash and Chemicals

Going ahead, the economic challenges facing the Country will continue to dampen overall industrial activity and the demand for the subsidiary's products. Lucky Core Industries Limited remains committed to leveraging its diverse product portfolio and cost rationalization efforts to minimize adverse impacts and deliver sustainable results.

Automobiles and Mobile Phones

The outlook is uncertain and the sales volumes for automobile sector will remain under pressure due to the factors shared earlier in this report. The management is mindful of the prevailing challenges and to be able to remain strong, it has been continuously optimizing its operating cost and improving its localization for sustainable and competitive operations.

Power

The Power Plant set up by Lucky Electric Power Company Limited is designed to operate on Thar Lignite coal. Till such time that supplies from Thar are sufficient to meet the requirements of this plant, it continues to operate on a mix of imported and local lignite coal the per unit cost of the power generated by LEPCL is significantly lower than imported coal plants due to lignite coal. This price is expected to reduce further when full quota of Thar coal is made available to the subsidiary.

After overcoming operational challenges faced after the plant startup in March 2022, the subsidiary's management target is to maintain plant availability at 100%.

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

Acknowledgment

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

On behalf of the Board

Muhammad Sohail Tabba
Chairman / Director
Karachi: April 28, 2023

Muhammad Ali Tabba
Chief Executive / Director

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