LUCKY CEMENT

LCK/CS/2022-23/

January 30, 2023

The General Manager Pakistan Stock Exchange Limited **Karachi**	The Deputy Chief Securities & Exchange Commission of Pakistan **Islamabad**	The London Stock Exchange 10 Paternoster Square, **London**

Dear Sir(s)

FINANCIAL RESULTS FOR THE HALF YEAR ENDED DECEMBER 31, 2022

This is to inform you that the Board of Directors of our Company in their meeting held on Friday, January 27, 2023 at 3:30 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 consolidated and unconsolidated condensed interim Statements of Financial Position, Profit or Loss and Other Comprehensive Income and Directors' Report are annexed.

We will be transmitting the half yearly report of the Company for the period ended December 31, 2022 in electronic form through PUCARS within the specified time.

Yours truly,
for: **LUCKY CEMENT LIMITED**

FAISAL MAHMOOD
GM Finance & Company Secretary

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

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

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
		(PKR in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	284,758,155	276,029,950
Intangible assets		6,708,724	14,602,075
Right-of-use assets	6	123,553	163,074
		291,590,432	290,795,099
Long-term investments	7	41,527,300	36,544,627
Long-term loans and advances		663,814	551,695
Long-term deposits and prepayments		72,865	70,340
		333,854,411	327,961,761
CURRENT ASSETS			
Stores, spares and consumables		21,008,145	13,656,865
Stock-in-trade		61,968,636	72,021,896
Trade debts		45,207,525	36,355,113
Loans and advances		6,268,135	3,486,666
Trade deposits and short-term prepayments		1,617,828	1,035,845
Other receivables		14,318,068	18,590,025
Tax refunds due from the Government		538,812	538,812
Taxation receivable		136,387	123,926
Accrued return		88,939	39,791
Short-term investments		10,139,110	12,976,155
Cash and bank balances		16,990,087	16,900,459
		178,281,672	175,725,553
Assets attributable to discontinued operations	8	19,738,593	-
TOTAL ASSETS		531,874,676	503,687,314
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		3,233,750	3,233,750
Reserves		184,809,548	167,630,764
Attributable to the owners of the Holding Company		188,043,298	170,864,514
Non-controlling interest		30,392,156	28,893,975
Total equity		218,435,454	199,758,489
NON-CURRENT LIABILITIES			
Long-term loans		127,878,760	127,874,326
Long-term deposits and other liabilities		7,662,105	7,170,303
Lease liabilities		91,292	88,182
Deferred income - Government grant		4,678,597	4,361,931
Deferred liabilities			
- Staff Gratuity - unfunded		3,076,372	2,804,294
- Deferred tax liability	9	12,420,400	12,307,123
		15,496,772	15,111,417
		155,807,526	154,606,159
CURRENT LIABILITIES			
Current portion of long-term loans		6,291,757	5,081,071
Trade and other payables		69,600,591	78,407,163
Taxation - net		8,093,831	6,957,350
Accrued markup		812,764	576,471
Short-term borrowings and running finance		63,854,005	58,153,464
Current portion of lease liabilities		54,463	96,117
Unclaimed dividend		50,513	51,030
		148,757,924	149,322,666
		304,565,450	303,928,825
Liabilities associated with discontinued operations	8	8,873,772	-
TOTAL EQUITY AND LIABILITIES		531,874,676	503,687,314
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes from 1 to 18 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 half year ended December 31, 2022 (Un-audited)

	Note	Half Year Ended		Quarter Ended	
		December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
		(PKR in '000')		**(PKR in '000')**	
Revenue	11	**219,531,705**	154,502,628	**112,310,098**	85,233,472
Less: Sales tax and excise duty		**29,090,478**	25,216,229	**14,808,685**	13,837,128
Rebates, incentives and commission		**4,851,648**	5,906,646	**2,544,481**	2,998,124
		33,942,126	31,122,875	**17,353,166**	16,835,252
Net Revenue		**185,589,579**	123,379,753	**94,956,932**	68,398,220
Cost of sales		**(146,526,046)**	(97,991,358)	**(74,024,739)**	(54,671,357)
Gross profit		**39,063,533**	25,388,395	**20,932,193**	13,726,863
Distribution cost		**(5,262,641)**	(5,180,555)	**(2,539,135)**	(2,969,470)
Administrative expenses		**(2,863,401)**	(3,426,342)	**(1,396,690)**	(1,794,987)
Finance cost		**(13,715,554)**	(913,650)	**(7,230,811)**	(573,967)
Other expenses		**(1,861,529)**	(1,642,868)	**(688,100)**	(868,011)
Other income	12	**3,083,746**	3,355,614	**1,630,251**	719,227
Share of profit - joint ventures and associate		**3,650,206**	2,936,473	**2,469,529**	1,682,564
Profit before taxation		**22,094,360**	20,517,067	**13,177,237**	9,922,219
Taxation		**(4,278,282)**	(3,363,053)	**(2,008,122)**	(1,627,278)
Profit after taxation from continuing operations		**17,816,078**	17,154,014	**11,169,115**	8,294,941
Profit after taxation from discontinued operations	8	**507,507**	-	**221,945**	-
Profit after Taxation		**18,323,585**	17,154,014	**11,391,060**	8,294,941
Attributable to:					
Owners of the Holding Company		**15,913,378**	13,146,700	**10,464,026**	6,496,009
Non-controlling interest		**2,410,207**	4,007,314	**927,034**	1,798,932
		18,323,585	17,154,014	**11,391,060**	8,294,941
		(PKR)		**(PKR)**	
Earnings per share - basic and diluted	13				
- continuing operations		**48.88**	40.66	**32.31**	20.09
- discontinued operations		**0.44**	-	**0.19**	-
		49.32	40.66	**32.51**	20.09

The annexed notes from 1 to 18 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 December 31, 2022

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
		(PKR in '000')	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	93,568,426	82,301,050
Intangible assets		103,541	51,352
		93,671,967	82,352,402
Long-term investments		57,594,485	57,594,485
Long-term loans and advances		192,058	191,684
Long-term deposits		7,842	8,106
		151,466,352	140,146,677
CURRENT ASSETS			
Stores and spares		17,427,338	11,206,843
Stock-in-trade		8,226,340	7,171,364
Trade debts		4,140,965	3,522,931
Loans and advances		509,762	735,337
Trade deposits and short-term prepayments		485,585	140,532
Accrued return		88,386	39,316
Other receivables		4,612,780	4,838,323
Tax refunds due from the Government		538,812	538,812
Short-term investments	14.2	9,929,495	12,751,155
Cash and bank balances		3,532,142	3,871,078
		49,491,605	44,815,691
TOTAL ASSETS		200,957,957	184,962,368
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital		3,233,750	3,233,750
Reserves		130,750,989	125,306,574
		133,984,739	128,540,324
NON-CURRENT LIABILITIES			
Long-term deposits		253,087	250,332
Long-term loans	6	14,687,578	14,108,446
Deferred Government grant		2,309,537	2,164,455
Deferred liabilities			
- Staff gratuity - unfunded		2,855,414	2,596,281
- Deferred tax liability	7	8,157,363	6,941,172
		11,012,777	9,537,453
		28,262,979	26,060,686
CURRENT LIABILITIES			
Trade and other payables		24,060,238	23,191,483
Current maturity of long-term loans		335,884	487,202
Short-term borrowings	8	7,308,513	1,000,000
Unclaimed dividend		50,513	51,030
Accrued markup		241,925	135,452
Taxation - net		6,713,166	5,496,191
		38,710,239	30,361,358
		66,973,218	56,422,044
TOTAL EQUITY AND LIABILITIES		200,957,957	184,962,368
CONTINGENCIES AND COMMITMENTS	9		

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

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

LUCKY CEMENT LIMITED
Unconsolidated Condensed Interim Statement of Profit or Loss
For the half year ended December 31, 2022 (Un-audited)

	Note	Half year ended		Quarter Ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		(PKR in '000')		(PKR in '000')	
Gross sales	10	**58,705,987**	50,606,783	**33,270,352**	27,632,379
Less: Sales tax and federal excise duty		**12,664,862**	12,425,224	**7,284,100**	6,649,407
Rebates, incentives and commission		**708,044**	632,943	**396,505**	349,589
		13,372,906	13,058,167	**7,680,605**	6,998,996
Net sales		**45,333,081**	37,548,616	**25,589,747**	20,633,383
Cost of sales		**(32,810,247)**	(28,274,813)	**(19,098,668)**	(15,977,146)
Gross profit		**12,522,834**	9,273,803	**6,491,079**	4,656,237
Distribution cost		**(2,656,702)**	(2,335,463)	**(1,294,494)**	(1,328,967)
Administrative expenses		**(916,500)**	(709,653)	**(470,669)**	(369,337)
Finance costs		**(613,210)**	(185,019)	**(360,488)**	(91,730)
Other expenses		**(1,107,765)**	(672,571)	**(491,259)**	(325,395)
Other income		**2,847,483**	2,217,705	**837,666**	745,722
Profit before taxation		**10,076,140**	7,588,802	**4,711,835**	3,286,530
Taxation		**(2,947,521)**	(1,814,310)	**(1,435,629)**	(795,898)
Profit after taxation		**7,128,619**	5,774,492	**3,276,206**	2,490,632
		(PKR)		(PKR)	
Earnings per share - basic and diluted	11	**22.09**	17.86	**10.18**	7.71

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

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

LUCKY CEMENT

Directors' Report

Demise of Mr. Muhammad Yunus Tabba, Chairman of the Board

The Board of Directors of the Company and its management are deeply grieved by the passing away of Mr. Muhammad Yunus Tabba, Chairman of the Board on January 2, 2023. May Allah SWT rest the departed soul in eternal peace and grant him the highest place in Jannat ul Firdous, Aameen.

Mr. Muhammad Yunus Tabba 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 Islamic Republic of Pakistan who conferred upon him, a civilian award, the Sitara-e-Imtiaz. While we grieve this loss, we remain committed to follow in his footsteps and continue his legacy in order 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 as a result of the above, the Board has appointed Mr. Shabbir Hamza Khandwala as Independent Director of the company for the remaining term of the Board. Moreover, the Board has also elected Mr. Muhammad Sohail Tabba as the new Chairman of the Board.

The Directors present to you the financial results of your Company which include both, unaudited **consolidated** and **unconsolidated financial statements** (duly reviewed by the auditors) for the half year ended December 31, 2022.

Overview of Economy & Consolidated Financial Performance

During 1HFY23, commodity prices experienced significant volatility due to a combination of factors including weather-related disruptions, geopolitical tensions, and the ongoing impact of the COVID-19 pandemic in China. Prices for key commodities such as oil, gas, and metals fluctuated as demand and supply were affected. The increase in prices of these commodities had a ripple effect on the global economy as it affected the industries that rely on them. As a result, many countries faced inflationary pressures and economic growth slowed in some areas.

The ongoing global trend has had a cascading effect on Pakistan's economy, which has been further exacerbated by political instability. The elevated cost of commodities has led to an increase in the import bill, exchange rate and inflation. Both exports and workers remittances have demonstrated a decline compared to SPLY. Although the current account deficit has been

LUCKY CEMENT

reduced, it was primarily achieved by restricting imports through administrative measures. These restrictions on imports have negatively impacted domestic manufacturing across various sectors. It is therefore crucial for the Government to implement strategic structural reforms that will increase exports of goods and services in the medium term, thus bringing balance to the economy.

The management of your company continues to closely monitor these developments and implement mitigating strategies to minimise their impact on its operations and financial performance.

On a **consolidated** basis, your Company achieved gross revenue of PKR 219.5 billion which is 42.1% higher as compared to the same period last year's (SPLY)'s revenue of PKR 154.5 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 is PKR 18.3 billion of which PKR 2.4 billion is attributable to non-controlling interests. The consolidated net profit attributable to owners of the Holding Company translates into an EPS of PKR 49.32 during the current half year that ended December 31, 2022, as compared to PKR 40.66 during the SPLY.

The consolidated financial performance of your Company for the half year ended December 31, 2022, as compared to SPLY is presented below:

PKR million except EPS	1H FY23	1H FY22	Change (%)
Gross Revenue	**219,532**	154,503	42.1%
Net Revenue	**185,590**	123,380	50.4%
Gross Profit	**39,064**	25,388	53.9%
GP as % of Net Revenue	**21.0%**	20.6%	1.9%
Operating Profit	**30,937**	16,781	84.4%
EBITDA	**38,771**	21,845	77.5%
Net Profit*	**18,324**	17,154	6.8%
NP (Attributable to Owners of the holding company)	**15,913**	13,147	21.0%
Earnings Per Share (PKR) *	**49.32**	40.66	21.3%

* Includes discontinued operations of Nutrico Morinaga Pvt. Ltd

The increase in net profit of the group for the half year under review as compared to SPLY is due to the profitability of Lucky Electric Power Company Limited (LEPCL) versus a loss recorded in SPLY coupled with improved profitability of foreign cement operations. This was partially offset by lower profitability from Lucky Motor Corporation (LMC) and Lucky Core Industries (LCI).

Local Cement Operations

During the half year under review, your Company's overall gross sales revenue increased by 16.0% as compared to SPLY. Despite reduction in volumes in both domestic and export sales, the profitability of the local cement operations showed improvement on account of enhanced 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 by 3.15 Million Tons Per Annum (MPTA), thereby, bringing the total to 15.30 MTPA. Post the successful completion of the aforesaid expansion, your Company has further solidified its rank and prominence as the largest manufacturer and exporter of cement and clinker in Pakistan.

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

Foreign Cement Operations

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

Net revenue for the half year under review at PKR 49.4 billion is 24% higher compared to the SPLY. Revenue from the Soda Ash, Animal Health, Pharmaceuticals, and Polyester businesses was higher by 75.0%, 21.9%, 5.2%, and 3.8% respectively, as compared to the SPLY. Revenue of the Chemical & Agri Sciences business fell by 5.6% in comparison to the SPLY. The operating result for the half-year period under review at PKR 5.3 billion is 6.8% lower than the SPLY. The Soda Ash and Animal Health businesses delivered higher operating results by 65.5% and 13.3% respectively as compared to the SPLY, whereas the Polyester, Chemicals & Agri Sciences, and Pharmaceuticals businesses posted a decline in Operating Results by 69.0%, 43.9%, and 13.0% as compared to the SPLY.

During the period under review, the Company's businesses continued to face macroeconomic challenges, including demand contraction in downstream markets, cost-push due to the impact of higher oil prices, devaluation of the Pak Rupee against the US Dollar, business-specific import restrictions, tax regime changes and volatility in global commodity prices.

Automobiles and Mobile Phones

The automobile sector right from the start of FY23 has witnessed a significant downturn in volumes on the back of substantial devaluation of PKR to USD which led to an increase in the prices of cars. Apart from this, the State Bank of Pakistan's (SBP) requirement of prior approval

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for opening LCs for the import of CKD kits and parts, availability of very limited allocation of FX to automobile manufacturers for import of CKD kits, imposition of CVT @ 1% on cars having engine capacity exceeding 1300 CC, high-interest rates and tightening of auto financing scheme by the SBP and high inflation have adversely impacted the sector. The automobile sector has witnessed an overall decline of around 40% in terms of volumes during the 1HFY23 compared to SPLY. Similarly, the mobile phones market saw approximately a 30% decline in volumes compared to SPLY due to the substantial devaluation of PKR to USD as well as the limited allocation of FX to mobile phone manufacturers for the import of Semi Knocked Down (SKD) kits.

Power

Lucky Electric Power Company Limited commenced its commercial operations in March 2022. During the second quarter of 1HFY23, the plant availability factor was 92% of its capacity compared to 78.4% in 1Q FY23. This increase in availability was due to remedial actions taken by management to address teething issues faced after plant startup. The average fuel cost of electricity for the quarter was PKR 15.16 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 16.8% to reach 20.0 million tons for the half year ended December 31, 2022, vs. 24.1 million tons during SPLY. Also, the exports decreased by 48.8% to reach 1.7 million tons during the half-year under review as compared to 3.4 million tons during SPLY. This led to an overall decline in industry volumes by 20.7% to 21.8 million tons in the period under review in comparison to 27.5 million tons in SPLY. Since the start of FY 2023, construction sector has been undergoing various challenges including the aftermaths of floods, rising interest rates, high inflation, increase in commodity prices and cuts in overall development spending by the government.

In comparison with the cement industry, your Company's overall sales volume declined by 24.1% to reach 3.6 million tons in the current period as compared to 4.7 million tons in the SPLY. The local sales volume declined by 17.9%, reaching 3.0 million tons during 1H FY23 compared to 3.6 million tons in SPLY. Also, export volumes were reduced by 45.0%, reaching 0.6 million tons in 1H FY23 versus 1.1 million tons in SPLY.

Exports decreased significantly due to global recessionary trend resulting in lower demand in foreign markets. The decrease in exports was caused by a global economic downturn, which led to reduced demand in foreign markets. As a result, buyers were offering lower prices for exports, while domestic cement manufacturers were facing higher production costs.

Cement Production & Sales Volume Performance:

The local cement production and sales statistics of your Company for the half year ended December 31, 2022, compared to the SPLY are as follows:

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Particulars	1H FY23	1H FY22		Growth / (Decline)
	Tons in '000'			%
Clinker Production	3,075	4,517	⬇	(31.9%)
Cement Production	3,379	4,288	⬇	(21.2%)
Cement / Clinker Sales	3,572	4,704	⬇	(24.1%)

A comparison of **Pakistan's Cement Industry** and your **Company's dispatches** for the half year ended December 31, 2022, in comparison with SPLY, is presented below:

Particulars (Tons in '000')	1H FY23	1H FY22	Change %	
Cement Industry				
Local Sales	20,029	24,068	(4,039)	(16.8%)
Export Sales				
- Bagged	1,249	1,237	12	1.0%
- Loose	10	299	(289)	(96.6%)
- Clinker	475	1,852	(1,376)	(74.3%)
Total Exports	1,734	3,388	(1,653)	(48.8%)
Grand Total	21,763	27,455	(5,692)	(20.7%)
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Local Sales				
- Cement	2,982	3,633	(650)	(17.9%)
	2,982	3,633	(650)	(17.9%)
Export Sales				
- Bagged	399	363	36	10.0%
- Loose	10	299	(289)	(96.6%)
- Clinker	180	410	(230)	(56.1%)
Total Exports	589	1,072	(483)	(45.0%)
Grand Total	3,572	4,704	(1,133)	(24.1%)

Market Share	1H FY23	1H FY22	Change %
Local Sales	14.9%	15.1%	(1.3%)
Export Sales			
- Bagged	31.9%	29.3%	8.9%
- Loose	100.0%	100.0%	-
- Clinker	37.9%	22.2%	70.7%
Total Export	34.0%	31.6%	7.6%
Grand Total	16.4%	17.1%	(4.1%)

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Financial Performance – Unconsolidated

The unconsolidated financial performance of your Company for the half year ended December 31, 2022, as compared to the SPLY is presented below:

PKR million except EPS	1H FY23	1H FY22	Change (%)
Gross Revenue	**58,706**	50,607	16.0%
Net Revenue	**45,333**	37,549	20.7%
Gross Profit	**12,523**	9,274	35.0%
GP as % of Net Revenue	**27.6%**	24.7%	11.7%
Operating Profit	**8,950**	6,229	43.7%
EBITDA	**11,351**	8,468	34.0%
Net Profit	**7,129**	5,774	23.5%
EPS	**22.09**	17.86	23.7%

Revenue

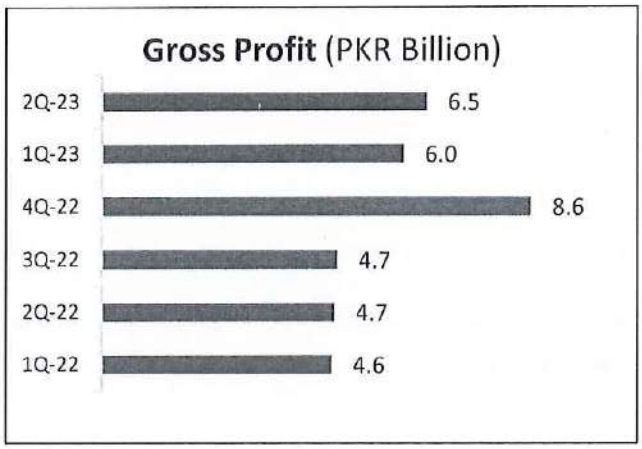
During the half year under review, your Company's overall gross revenue increased by 16.0% vs. 1H FY22. While gross local sales revenue showed an increase of 19.2% (PKR 52.1 billion vs PKR 43.7 billion), the Gross export sales revenue decreased by 4.3% (PKR 6.6 billion vs PKR 6.9 billion) due to decreased global demand.

Cost of Sales

During the half-year under review, per ton cost of sales of your Company increased by 52.9% as compared to the SPLY. The major portion of this increase came from higher coal prices.

Gross Profit

The gross profit margin of the company for 1H FY23 was 27.6% compared to 24.7% during the SPLY. Your company's constant focus on cost and operational efficiencies led to an increase in GP margins.



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Dividend Income

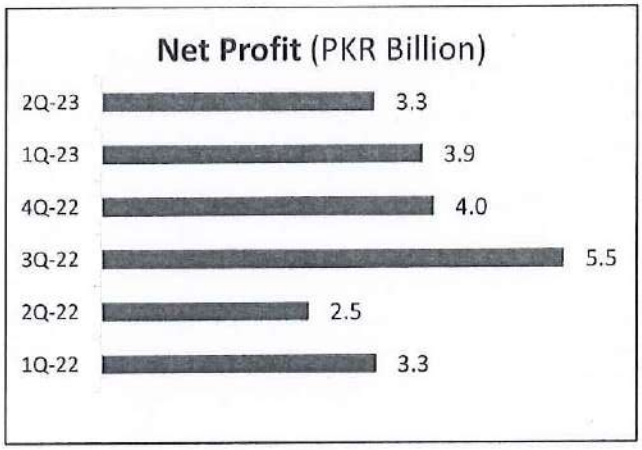
During 1H FY23, the dividend income of your Company from its subsidiaries / associate was PKR 1.6 billion vs PKR 1.3 billion during the SPLY.

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

Net Profit

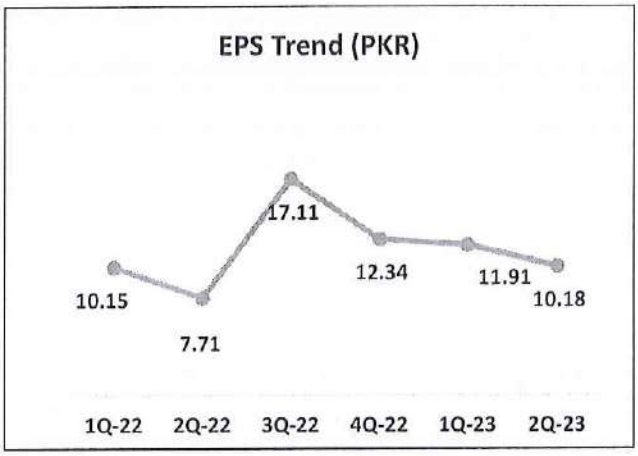
Your Company achieved a profit before tax of PKR 10.1 billion during 1H FY23 as compared to PKR 7.6 billion reported during the SPLY.

Accordingly, an after-tax profit of PKR 7.1 billion was achieved during the half year under review as compared to PKR 5.8 billion reported during the SPLY.



Earnings Per Share (EPS)

The earnings per share of your Company for 1H FY23 was PKR 22.09 in comparison to PKR 17.86 reported during the SPLY.



LUCKY CEMENT

Growth and Expansion

Submission of binding bid for shares of Lotte Chemical Pakistan Limited by Lucky Core Industries Limited (LCI)

During the period under review, the Company's subsidiary, LCI submitted a binding bid in relation to the acquisition of approximately 75.01% shares of Lotte Chemical Pakistan Limited. Subsequently, a share purchase agreement was signed between the two companies. The completion of the transaction is subject to the terms of the share purchase agreement including the various public offer and completion conditions stated therein, receipt of requisite approvals including clearance from the Competition Commission of Pakistan, and completion of other closing formalities.

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. The management expects to complete the project in 2Q FY24.

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

Shares Buyback 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. The said purchase has to be made from Pakistan Stock Exchange Limited (PSX) at the spot prices during the purchase period from September 29, 2022, to March 27, 2023. The shares purchased through this buyback will be canceled. This buyback is targeted to improve the future EPS of your company.

As of December 31, 2022, 3.6 million shares have been purchased under this buyback scheme.

Corporate Social Responsibility

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

Education / Scholarships

With the commitment for 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 leading universities of Pakistan.

LUCKY CEMENT

Your Company is also collaborating with leading NGOs for the adoption of primary schools in Karachi and Kashmir, in order to ensure quality education for the less developed localities for the children.

To equip the youth with skills and entrepreneurship for the areas in district Lakki Marwat, your Company is in collaboration with the Country's leading vocational training provider to select and provide skill trainings in a designated vocational training institute near Rawalpindi. This will open limitless opportunities for the youngsters to either engage in different industries or to start fresh businesses, ultimately improving local prospects substantially.

In continuation to your Company's collaboration with The Citizen Foundation, we are building a complete primary and secondary school, near our Pezu plant, for the general public. The school building is scheduled to be completed in 3Q FY23 and the school is likely to be operational from the new academic year during 3Q/4Q FY23.

Your Company also sponsored an event of a leading Entrepreneurship College in Karachi – that aspires to build future leaders for a better tomorrow. Junior CEO Challenge was an interschool competition that gives students an opportunity to be creative thinkers, future leaders, excellent communicators, and aspiring budding entrepreneurs.

Women Empowerment

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

Health Initiatives

In continuation of the provision of quality healthcare for society at large, a key priority for your Company, we are providing financial support to Aziz Tabba Foundation: a prominent philanthropic institution that is running Tabba Heart and Tabba Kidney institutes, which provides vital support in bridging the gap of specialized and modern medical care available in the Country.

Your Company sponsored a fundraiser event, organized by one of the largest free eye care service providers. The event aimed to raise forthcoming funding for major and minor eye surgeries offered free of all charges for financially deprived patients throughout the Country.

Your Company generously donated to a Country's leading NGO - Special Olympics Pakistan, which is working towards the prospects of spreading compassion & acceptance and transforming the lives of people with Intellectual Disabilities through the 'Power of Sports'.

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Environment Conservation

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

Outlook

Due to global recession, high inflation, declining monetary inflows and unprecedented floods, FY23 started on a difficult note for our country. The Government expects to resume the IMF program by implementing long-term structural reforms. The prevalent global monetary tightening, and upcoming debt obligations of Pakistan, are expected to put pressure on Pakistan's economy and currency. However, the government is also undertaking negotiations, with lenders to secure additional monetary inflows and ensure rollovers of debt obligations. The Government is also endeavoring to arrange financial assistance from friendly nations. It is expected that favorable development on this front would give confidence to other bilateral, and multilateral lenders, to follow suit.

Coupled with the above, a positive political climate is absolutely necessary to put the economy back on its recovery track.

Local Cement Operations

The depreciating currency, high inflation & interest rates coupled with lack of development spending and slowing down of economy are expected to keep demand under pressure in the remaining period of FY23. Restriction on imports is hampering the ability to operate for many industries including steel manufacturing which may also have a negative impact on the pace of construction activities. However, there may be some respite in the form of increased demand for reconstruction in flood affected areas if the Government is able to secure funding from international lenders against the pledges it recently received. Additionally, if coal prices decrease, it will decrease the costs of production and make exports viable, which at present have very low margins.

Foreign Cement Operations

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

Polyester, Soda Ash and Chemicals

With the revival of the IMF program, another wave of inflation is expected in the form of high energy prices, imposition of additional taxes, depreciation of the local currency, increase in interest rates and reduction in government spending which may lead to further demand curtailment and economic slowdown.

LUCKY CEMENT

Going ahead, the above factors will continue to pose a threat to overall industrial activity and concurrently the demand for the Company's products. Lucky Core Industries is nevertheless committed to minimizing these adverse impacts by leveraging on its diverse product portfolio and cost rationalization efforts to provide sustainable results through mitigation efforts for the benefit of its stakeholders.

Automobiles and Mobile Phones

The outlook for the automobile and mobile phone sectors remains challenging due to various factors discussed earlier in the report, with import restrictions having the greatest impact. The company is actively working with the Government to ease these restrictions, while simultaneously implementing cost-saving measures and increasing localization efforts to maintain sustainable and competitive operations.

Power

During the quarter, LEPCL observed its first maintenance shutdown and also had the longest run on Thar Coal owing to its availability. The per unit cost of the power generated by LEPCL is significantly lower than imported coal plants due to lignite fuel. As mentioned earlier, the plant's availability increased during the period to 92% from 78.4% during the previous quarter, due to remedial actions taken by management to address teething issues faced after plant startup. The Company's management aims to achieve 100% availability in the future.

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

MUHAMMAD ALI TABBA
Chief Executive / Director

Karachi: January 27, 2023