

LUCKY CEMENT LIMITED

Analysts:

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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA+	A1+	AA+	A1+
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	February 24, 2026		November 08, 2024	

Shareholding (5% or More)

Associated companies, Undertakings and Related Parties – 25.34%
Sponsors – 24.58%
Directors – 14.87%
Local Public – 12.53%
Foreign Public – 9.16%

Other Information

Incorporated in 1993
Public Listed Company
Chairman of the Board: Mr. Muhammad Sohail Tabba
Chief Executive: Mr. Mohammad Ali Tabba
External Auditor: M/s. A.F. Ferguson & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The ratings reflect LCL's strong cash flows, professional management, and robust sponsor profile, supported by group-level diversification and operational synergies. These strengths offset the cement sector's medium business risk arising from cyclical demand, exchange rate exposure due to imported coal, and energy cost sensitivity. The industry is characterized by high entry barriers, an oligopolistic structure, and performance closely linked to macroeconomic conditions and PSDP allocation driven demand. The ratings also reflect LCL's strong financial profile. Profitability improved with higher dispatch volumes from the new Pezu plant line and increased dividend income from subsidiaries. Liquidity remains robust, supported by healthy cash balances and strong liquidity metrics, while conservative gearing and low leverage underpin solid debt-servicing capacity. LCL generates around 55% of its power from renewable sources, enhancing sustainability and cost efficiency. Additionally, UTIS (UC3) technology implemented at two Karachi plant lines has reduced coal consumption and optimized clinker output, with plans to extend it to the remaining lines.

Company Profile

Lucky Cement Limited ('LCL', 'LUCK' or 'the Company') was incorporated in Pakistan on September 18, 1993, and is listed on the Pakistan Stock Exchange (PSX). The principal activity of the Company is manufacturing and marketing of cement. The registered office of the Company is located in Khyber Pakhtunkhwa and the head office is situated in Karachi. The Company has two production facilities: one in Khyber Pakhtunkhwa and the other in Karachi, Sindh. Further, the Company's liaison offices are situated in Islamabad, Quetta, Multan, Faisalabad, Lahore and Peshawar.

A sizeable (~22%) asset base of the Company is invested in subsidiaries, namely Lucky Core Industries (55%), Lucky Holdings Limited (75%), LCI Investment Holdings Limited (100%), Lucky Electric Power Company Limited (100%), Lucky Motor Corporation Limited (71.14%) and associates, Yunus Energy (20%) and National Resources (Private) Limited (33.3%).

Group Profile

The Company operates as part of the Yunus Brother Group (YBG), a prominent conglomerate with a strong financial profile and a diversified presence across multiple sectors. YBG's business interests span across various sectors including Cement, Textiles, Power Generation, Chemicals, Automobiles, Mobile Phone Manufacturing Pharmaceuticals, Healthcare, Real Estate, Entertainment, Mineral Exploration particularly Copper and Gold Mining, Food & Commodities, among others.

Lucky Cement is the flagship concern of YBG Group, with core business being manufacturing and marketing of cement and clinker, while international cement investments are housed through LCL Investment Holdings Limited, which holds 50% stakes in multiple joint ventures across Iraq and the Democratic Republic of Congo, enhancing geographic diversification. Lucky Electric Power Company Limited, a wholly owned subsidiary, operates a 660 MW coal-fired power plant, providing stable long-term cash flows. Lucky Core Industries Limited, a listed subsidiary with majority ownership, anchors the Group's chemicals and industrial portfolio, while Lucky Motor Corporation Limited represents the Group's presence in the automotive assembly and distribution segment, further diversifying revenue streams.

As at end Q1FY26, consolidated asset base of Lucky Cement stood at PKR 774 billion, supported by a strong equity base of PKR 403 billion, reflecting substantial financial strength and balance-sheet depth. The Group reported a consolidated turnover of PKR 155 billion, underscoring its scale and earnings diversification.

Management and Governance

CEO PROFILE

Muhammad Ali Tabba has served as CEO of Lucky Cement since 2005. With extensive experience across the Yunus Brothers Group, he has overseen the Company's expansion, operational efficiencies, and diversification initiatives. He also holds leadership roles in several group entities and contributes to social initiatives through the Aziz Tabba Foundation.

BOD's & COMMITTEE:

The Board of Directors is composed of eight members, including one female director and three independent directors. Two committees operate under the oversight of the Board: The Board Audit Committee and the Human Resource and Remuneration Committee.

Business Risk

INDUSTRY

The business risk profile of Pakistan's cement sector is assessed as High to Medium, reflecting structural overcapacity, cyclicality, and high exposure to cost volatility. The industry remains oligopolistic, dominated by a few large integrated players, yet competitive pressures persist given significant idle capacity and subdued domestic demand. The sector is inherently tied to construction activity, with operations being highly capital-intensive and sensitive to shifts in energy and raw material costs.

In FY25, installed capacity stood at ~84.6 million tons against total dispatches of ~46.2 million tons, translating into capacity utilization of ~53% (FY24: ~55%). Domestic sales declined by 3% amid inflationary pressures, weak private sector construction, and constrained purchasing power,

with only limited support from higher PSDP allocations. Export volumes, however, rose by ~29% to 9.2 million tons, benefitting from demand from regional markets. Despite this, profitability remains under pressure, as margins are constrained by elevated energy tariffs, volatility in imported coal prices, and recent taxation measures. Smaller players face heightened stress, while larger producers have leveraged economies of scale and export channels to partially offset weak domestic demand.

Financially, the industry remains highly leveraged, with debt-funded expansions in recent years adding to borrowing requirements and liquidity pressures. Elevated working capital needs further constrain financial flexibility, though most larger players continue to demonstrate adequate coverage indicators.

Key risks for the sector include continued reliance on imported coal, exchange rate and fuel price volatility, evolving regulatory and taxation policies, and the cyclical nature of construction demand. The outlook is stable, with gradual recovery expected in FY26, supported by monetary easing, higher PSDP spending, and pick up in construction activity, alongside policy measures to stimulate construction activity. Nonetheless, sustained margin recovery will hinge on cost efficiencies, diversification of energy sources, and improved domestic demand dynamics.

OPERATIONAL UPDATE:

Production Capacity and Utilization	FY23	FY24	FY25
Installed Capacity - Clinker (Tons)	14,535,000	14,535,000	14,535,000
Actual Production - Clinker (Tons)	6,235,310	8,158,114	7,876,402
Utilization	42.90%	56.13%	54.19%
Installed Capacity - Cement (Tons)	15,300,000	15,300,000	15,300,000
Actual Production - Cement (Tons)	7,059,899	7,476,465	7,162,977
Utilization	46.14%	48.87%	46.82%

In FY25, LUCK's production of cement and clinker declined to 7,162,977 metric tons and 7,876,402 metric tons, respectively, resulting in lower capacity utilization of 46.82% and 54.19% (FY24: 48.87% and 56.13%). The decline mirrored broader industry trends, driven by weaker domestic demand for cement. In 1QFY26, the clinker and cement production increased by 38.5% and 13% respectively as compared to the SPLY.

PROFITABILITY:

In FY25, the Company's net revenue increased by approximately 8% to PKR 124.5 billion (FY24: PKR 115.3 billion), supported by higher average selling prices and an 8.1% increase in total dispatch volumes to 9.3 million tons (FY24: 8.6 million tons). Local dispatches declined by 7.4% to 5.9 million tons (FY24: 6.4 million tons), while export volumes increased by 53.3% to 3.4 million tons (FY24: 2.2 million tons), reflecting access to additional export markets in Africa and the Middle East. Local gross sales revenue increased by 9.5% to PKR 141.5 billion (FY24: PKR 129.2 billion), while export gross sales revenue rose by 45% to PKR 32.8 billion (FY24: PKR 22.6 billion). Gross margins improved to 34.28% (FY24: 33.65%), supported by improved cost efficiencies and a higher contribution from renewable energy, which reduced energy costs. Additionally, the deployment of UC3 technology at the Karachi plant has supported operational efficiency through reduced fuel and energy consumption, while also lowering environmental impact. Net margins improved to 26.58% (FY24: 24.37%), reflecting higher other income amounting to PKR 20.5 billion, primarily comprising dividend income from subsidiaries of PKR 12.1 billion and income from investments of PKR 6.4 billion, alongside lower finance costs following the easing in policy rates.

In 1QFY26, revenue increased by 13.5% to PKR 33.8 billion compared with the same period last year, supported by an 11.6% increase in dispatch volumes. Volume growth was driven mainly by higher local sales dispatches, while export dispatches recorded marginal growth, in line with the recovery in domestic cement demand. Gross margins increased further to 39.22%, supported by higher domestic sales volumes, which improved fixed-cost absorption, alongside improved export margins, operational efficiencies, and a higher contribution of renewable energy in the power mix (~50%). Net margins increased to 43.17%, primarily driven by higher dividend income and further supported by lower finance costs.

Financial Risk

CAPITAL STRUCTURE

Lucky Cement maintains a very strong capitalization profile, underpinned by a sizeable equity base of PKR 184.6 billion as at end-1QFY26, providing substantial balance-sheet strength and loss-absorption capacity. Leverage indicators remain at nominal levels, with gearing at 0.13x and leverage at 0.61x. Strong internal capital generation coupled with healthy retention has supported balance-sheet strengthening. Overall, the Company's capitalization profile reflects conservative financial management, strong equity support, and adequate room to absorb cyclical pressures and support future growth initiatives.

DEBT COVERAGE & LIQUIDITY

The Company's coverage profile strengthened significantly in FY25, with the debt service coverage ratio (DSCR) improving to 13.91x (FY24: 11.33x). The improvement was primarily driven by higher Funds from Operations (FFO) on the back of improved profitability. The positive trend was sustained into 1QFY26, with DSCR maintained at 13.13x, underscoring the Company's strong internal cash generation capacity. The liquidity profile remains strong with a current ratio of 1.6x 1QFY26 (FY25: 1.71x). Short-term borrowing coverage remains adequate at 1.92x while cash and cash equivalents holdings of PKR 96billion.

Financial Summary

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Property, plant and equipment	95,620.31	107,258.97	107,409.59	108,124.93
Intangible Assets	85.59	69.39	46.23	38.69
Long-term Investments	57,594.49	58,072.37	58,555.71	58,555.71
Stock-in-trade	6,048.51	8,505.44	4,774.58	5,163.65
Trade debts	5,089.67	6,932.48	6,353.19	7,344.42
Short-term Investments	21,898.50	29,837.63	61,298.05	93,743.50
Cash & Bank Balances	4,116.18	2,567.18	2,790.32	3,073.83
Other Assets	22,625.84	20,774.63	25,520.35	20,436.87
Total Assets	213,079.09	234,018.09	266,748.02	296,481.60
Creditors	5,030.55	7,172.14	6,426.98	5,073.07
Long-term Debt (incl. current portion)	15,156.94	14,859.79	11,050.61	10,799.03
Short-Term Borrowings	5,885.00	5,485.00	6,485.00	13,485.00
Total Debt	21,041.94	20,344.79	17,535.61	24,284.03
Other Liabilities	49,640.26	58,739.90	66,875.05	85,659.92
Total Liabilities	75,712.75	86,256.83	90,837.64	111,813.54
Paid up Capital	3,118.39	2,930.00	2,930.00	2,930.00
Revenue Reserve	10,973.28	33,492.90	61,642.02	0.00
Other Equity (excl. Revaluation Surplus)	123,274.66	111,338.38	111,338.38	181,738.06
Equity (excl. Revaluation Surplus)	137,366.33	147,761.28	175,910.40	184,668.06

Income Statement (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Net Sales	95,832.14	115,324.94	124,511.74	33,862.45
Gross Profit	26,060.67	38,804.57	42,684.68	13,282.09
Operating Profit	18,908.20	28,870.00	31,284.61	10,488.95
Finance Costs	1,169.77	1,581.17	1,370.57	251.55
Profit Before Tax	20,905.43	40,434.50	47,323.05	19,281.71
Profit After Tax	13,725.80	28,106.53	33,092.15	14,617.66

Ratio Analysis	FY23A	FY24A	FY25A	3MFY26M
Gross Margin (%)	27.19%	33.65%	34.28%	39.22%
Operating Margin (%)	19.73%	25.03%	25.13%	30.98%
Net Margin (%)	14.32%	24.37%	26.58%	43.17%
Funds from Operation (FFO) (PKR Millions)	23,676.53	39,965.44	43,495.97	9,328.66
FFO to Total Debt* (%)	112.52%	196.44%	248.04%	153.66%
FFO to Long Term Debt* (%)	156.21%	268.95%	393.61%	345.54%
Gearing (x)	0.15	0.14	0.10	0.13
Leverage (x)	0.55	0.58	0.52	0.61
Debt Servicing Coverage Ratio* (x)	13.84	11.33	13.91	13.13
Current Ratio (x)	1.29	1.26	1.71	1.61
(Stock in trade + trade debts) / STD (x)	4.29	5.47	4.78	1.92
Return on Average Assets* (%)	6.90%	12.57%	13.22%	20.76%
Return on Average Equity* (%)	10.32%	19.72%	20.45%	32.43%
Cash Conversion Cycle (days)	29.05	24.63	18.76	22.10

*Annualized, if required

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES					Appendix II
Name of Rated Entity	Lucky Cement Limited				
Sector	Cement				
Type of Relationship	Solicited				
Purpose of Rating	Entity Ratings				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	24/02/2026	AA+	A1+	Stable	Reaffirmed
	08/11/2024	AA+	A1+	Stable	Reaffirmed
	31/10/2023	AA+	A1+	Stable	Reaffirmed
	10/06/2022	AA+	A1+	Stable	Reaffirmed
	03/05/2021	AA+	A1+	Stable	Reaffirmed
19/02/2020	AA+	A1+	Stable	Reaffirmed	
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted	Name		Designation		Date
	Mr. Javed Kasbati		Head of Treasury		16 th Dec 2025