

RATING REPORT

Lucky Core Industries Limited (Formerly ICI Pakistan Limited)

REPORT DATE:

February 28, 2024

RATING ANALYST:

Muhammad Subhan
subhan@vis.com.pk

Rating Details	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA	A-1+	AA	A-1+
Rating Date	February 28, 2024		July 10, 2023	
Rating Outlook	Stable		Rating Watch – Developing	
Rating Action	Maintained		Maintained	

COMPANY INFORMATION

Incorporated in 1952	External auditors: A.F. Ferguson & Co.
Public Limited Company	Chairman: Mr. Muhammad Sohail Tabba
Key Shareholders (with stake 5% or more):	CEO: Mr. Asif Jooma
<i>Lucky Cement Limited- 55.00%</i> <i>Yunus Textile Mills Limited- 12.01%</i> <i>Gaddon Textile Mills Limited- 7.21%</i> <i>Lucky Textile Mills Limited- 6.23%</i>	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Industrial Corporates

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

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

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

Lucky Core Industries Limited (Formerly ICI Pakistan Limited)

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
<p>Lucky Core Industries Limited (Formerly ICI Pakistan Limited) was incorporated in 1952 as a public limited company. LCI is listed on PSX, with the head office situated in Karachi, and regional offices located in Lahore, Islamabad, Sheikhpura, Khewra, Hattar, Faisalabad, Sahiwal, Multan, Kasur, Peshawar, Sukkur and Hyderabad.</p> <p>Group Profile: Yunus Brothers Group (YBG) is the sponsor of the Company and is a leading conglomerate having presence across multiple sectors including Cement, Power, Real Estate, Textiles, Chemicals, Pharmaceuticals, Healthcare, Food and Automotive Sectors.</p>	<p>Corporate Profile</p> <p>Lucky Core Industries Limited <i>formerly ICI Pakistan Limited</i> "LCI or the Company" is a diversified business conglomerate listed on Pakistan Stock Exchange Limited (PSX). The Company's product portfolio comprises soda ash, polyester staple fibre (PSF), general and specialty chemicals, pharmaceuticals, nutraceuticals, animal health products, and agricultural products like chemicals, field crop seeds, vegetable seeds, etc. LCI also provides an array of drugs in the area of cardiology, oncology, probiotics and others. The Company has an investment in wholly owned Subsidiary Lucky Core PowerGen Limited with investments in NutriCo Morinaga (Private) Limited, an associate Company engaged in manufacturing, marketing and distributing formula products. Production facilities of the Company are located in Karachi, Lahore, Khewra (Jhelum), Sheikhpura, Kasur and Hattar.</p> <p>During FY22, LCI divested its partial stake in NutriCo Morinaga, which constitutes around 26.5% of the issued and paid up capital to Morinaga Milk Industry Co. Ltd, Japan. Subsequent to this sale transaction, LCI's shareholding in NutriCo Morinaga now stands at approximately 24.5%. Moreover, in FY22, the Company also incorporated two subsidiaries namely; Lucky TG (Private) Limited and Lucky Core Ventures (Private) Limited (LCV).</p> <p>Rationale for revision in rating outlook</p> <p>VIS has revised the rating outlook of LCI from 'Rating Watch – Developing' to 'Stable'. This change reflects LCI's withdrawal of bid for the acquisition of Lotte Chemical Pakistan Ltd. through LCV.</p> <p>During FY22, the Company announced its intention for acquisition of 1,135,860,105 ordinary shares (75.01% stakes) of Lotte Chemicals Ltd. through its wholly owned subsidiary, Lucky Core Ventures (Pvt.) Ltd; This acquisition was in receipt of requisite regulatory approvals and fulfilment of other conditions pursuant to the share purchase agreement (SPA). On account of this impending acquisition, ratings were placed on "Rating watch-Developing" status.</p> <p>However, on January 15th 2024, the Company publicly announced withdrawal of the acquisition bid through PSX. The reason stated for withdrawal was the inability to meet the conditions precedent to the share purchase within the stipulated time and therefore, the negotiations in respect of the transaction failed in terms of Regulation 21(1) (b) of the Listed Companies (Substantial Acquisition of Voting Shares and Takeover) Regulations, 2017.</p>

Lucky Core Industries Ltd. (Formerly ICI Pakistan Ltd.)				(PKR Millions)			
BALANCE SHEET	FY18	FY19	FY20	FY21	FY22	FY23	1HFY24
Fixed Assets	20,576	19,621	18,908	19,380	26,867	27,508	27,451
Long term Investments	3,913	3,913	3,187	3,697	4,467	2,688	2,688
Short term investments	-	-	-	-	-	12,675	13,800
Stock-in-Trade	8,738	9,841	9,328	11,286	13,844	18,732	16,736
Trade Debts	2,606	2,388	2,289	2,654	3,614	5,197	5,598
Cash & Bank Balances	219	237	246	234	353	900	1,193
Total Assets	43,148	43,514	41,509	43,804	59,941	81,010	79,742
Trade and Other Payables	6,160	7,185	8,231	10,991	11,387	14,255	15,198
Long Term Debt	9,201	8,454	7,690	5,238	5,883	4,893	4,303
Short Term Debt	7,356	7,056	3,399	1,799	11,325	15,001	11,041
Total Debt	16,557	15,511	11,089	7,037	17,208	19,893	15,343
Total Liabilities	25,067	24,905	21,277	19,924	33,550	43,179	39,919
Paid Up Capital	924	924	924	924	924	924	924
Total Equity (without revaluation surplus)	17,412	18,609	20,232	23,879	26,391	37,831	39,823
<u>INCOME STATEMENT</u>							
Net Sales	49,108	58,329	53,599	62,618	86,972	109,486	60,222
Gross Profit	8,554	9,452	10,556	14,348	18,619	22,324	12,807
Operating Profit	4,398	4,935	5,669	8,399	11,753	14,653	8,079
Profit Before Tax	3,650	3,181	4,330	8,229	10,199	21,911	7,652
Profit After Tax	3,060	2,305	3,096	5,959	6,249	13,772	5,040
<u>RATIO ANALYSIS</u>							
Gross Margin (%)	17.4%	16.2%	19.7%	22.9%	21.4%	20.4%	21.3%
Net Margin	6.2%	4.0%	5.8%	9.5%	7.2%	12.6%	8.4%
Net Working Capital	2,448	2,209	3,605	3,528	219	12,720	13,601
Trade debts/Sales*	5%	4%	4%	4%	4%	5%	5%
Adjusted FFO	5,217.5	4,989.5	6,266	9,741	10,959	10,488	13,869
FFO to Total Debt (%)*	32%	32%	57%	138%	64%	53%	90%
FFO to Long Term Debt (%)*	57%	59%	81%	186%	186%	214%	322%
Current Ratio (x)	1.17	1.13	1.27	1.24	1.01	1.36	1.41
Debt Servicing Coverage Ratio (x)*	5.02	2.73	2.36	5.44	5.69	4.37	5.04
Gearing (x)	0.95	0.83	0.55	0.29	0.65	0.53	0.39
Leverage (x)	1.44	1.34	1.05	0.83	1.27	1.14	1.00
Dividend payout	50%	36%	48%	62%	52%	29%	0%
(Stock in Trade+Trade Debts)/STD	154%	173%	342%	775%	154%	160%	202%
ROAA (%)*	7.72%	5.3%	7.3%	14.0%	12.0%	19.5%	12.5%
ROAE (%)*	18.2%	12.8%	15.9%	27.0%	24.9%	42.9%	26.0%

*Annualized if required

REGULATORY DISCLOSURES		Appendix II			
Name of Rated Entity	Lucky Core Industries Limited <i>(Formerly ICI Pakistan Limited)</i>				
Sector	Chemicals				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
<u>RATING TYPE: ENTITY</u>					
	Feb-28-2024	AA	A-1+	Maintained	Stable
	Jul-10-2023	AA	A-1+	Maintained	Rating Watch-Developing
	Jun-30-2022	AA	A-1+	Stable	Reaffirmed
	Apr-9-2021	AA	A-1+	Stable	Initial
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	N/A				