

PAKISTAN

May 18, 2023

Foundation Alert

LUCK to expand clinker capacity in Iraq by 1.8mn tons

Event

- Lucky Cement Limited (LUCK PA) announced that company has resolved to enhance its production capacity of clinker in Iraq.

Impact

- Joint Ventures (JV) of Lucky Cement Limited in Iraq (Al Maboorka Cement Company and Najmat-Al-Samawah - NAS), have resolved to enhance their production capacity of clinker in Samawah, Iraq by adding a new production line of 1.82mn tons.
- The capacity addition will significantly enhance the overall efficiencies of business operations as it will play a crucial role in achieving self-reliance in terms of clinker availability within Iraq as Al-Moobaraka Cement Company is only a cement grinding plant.
- NAS has entered into an Engineering & Procurement Contract for setting up this facility.
- Project construction is expected to start in 1QFY24 with completion projected in 18 months.
- This will take LUCK total Iraq and overseas clinker capacity to 3.13mn tons and 4.44mn tons, respectively.

Outlook

- Construction of clinker line with capacity of 1.82 mn ton would enhance Iraq operations efficiencies as it helps company to achieve clinker self-reliance within Iraq.
- LUCK has become the second biggest player in North region with recent expansion of 3.15mn tons. Moreover, company would benefit from (1) higher concessionary debt (TERF/LTFF) taken for expansion, (2) declining coal prices and (3) falling sea freight charges.
- However, near term profitability growth of the company is expected to remain muted given (1) slowdown in domestic demand due to economic consolidation and (2) uncertainty over pricing discipline as other domestic expansions are nearing commissioning.

Analyst

Research
+92 21 3561 2290-94

research@fs.com.pk
Ext 312

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.