PSX CLARITY · COMPANY RESEARCH

# Lucky Core Industries Limited

*Two Companies, One Ticker — the Healthcare Pivot Inside a Chemicals Cyclical*

PSX: LCI · August 18, 2026 · psxclarity.com

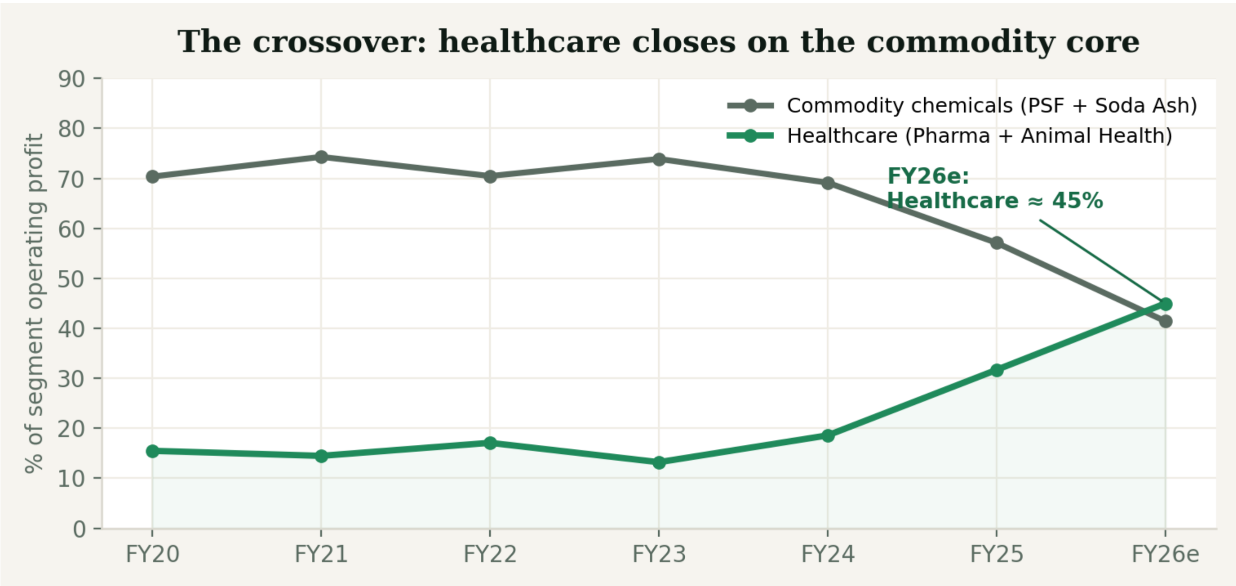
| Snapshot | Value | Snapshot | Value |
|---|---|---|---|
| **Price (reference)** | PKR 230–234 | FY26 EPS (consol.) | PKR 21.11 |
| **Shares outstanding** | 461.8m (post 5:1 split) | P/E (trailing) | ~11.1x |
| **Market cap** | ~PKR 108bn | P/B | ~1.8x |
| **FY26 dividend** | PKR 10.50 (yield ~4.5%) | ROE (FY26) | ~17% |
| **Parent** | Lucky Cement (55%) | Payout / retention | ~50% / ~50% |
| **52-week range** | PKR 201 – 378 | Illustrative return* | ~13% |

** Illustrative arithmetic only: dividend yield + (ROE × retention) at constant multiples. Not a forecast, rating, or target price — PSX Clarity does not provide investment advice. Prepared from the LCI FY25 Annual Report (376pp), audited FY26 results (Aug 3, 2026), PSX filings, and cited third-party research and news coverage.*

# 1. Executive Summary

Lucky Core Industries (formerly ICI Pakistan, renamed after Lucky Cement's 2022 acquisition of the majority stake) is a five-segment industrial-and-healthcare conglomerate. The single most important thing to understand about LCI in 2026 is that it is two companies wearing one ticker: a structurally challenged commodity-chemicals business (Polyester + Soda Ash, roughly 65% of revenue) squeezed by Chinese overcapacity and tariff liberalization, and a fast-compounding healthcare business (Pharmaceuticals + Animal Health, roughly 24% of revenue) that has quietly become the profit engine following the September 2024 Pfizer Pakistan asset acquisition.

In FY22, healthcare contributed about 17% of segment operating profit. In FY26 it is roughly 45%, and Pharmaceuticals has likely overtaken Soda Ash as the single largest profit contributor for the first time in the company's modern history. The market still prices LCI as a chemicals cyclical; the P&L increasingly says healthcare company. That gap — not the headline arithmetic return — is where the analytical interest lies.

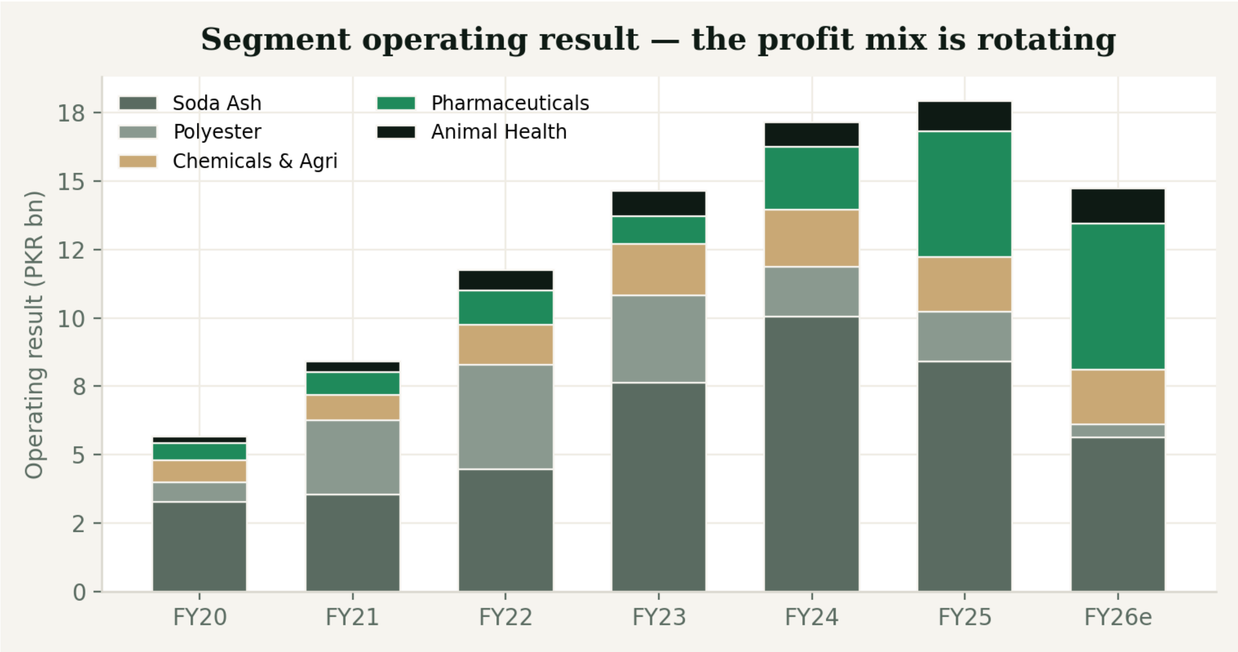



*Healthcare's share of segment operating profit has tripled since FY22. FY26 estimated from company-reported segment growth rates.*

# 2. The Business, Segment by Segment

Operating result by segment (PKR m). FY20–FY25 are from the FY25 Annual Report segment highlights; FY26 is derived from company-disclosed growth rates (Polyester −74%, Soda Ash −33%, Pharma +16%, Animal Health +20%) applied to FY25 bases, with Chemicals & Agri as the residual against the reported consolidated operating result of 14,744.

| Segment | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26e |
|---|---|---|---|---|---|---|---|
| **Soda Ash** | 3,279 | 3,526 | 4,476 | 7,635 | 10,034 | 8,409 | ~5,630 |
| **Pharmaceuticals** | 638 | 836 | 1,247 | 1,004 | 2,305 | 4,594 | ~5,330 |
| **Chemicals & Agri** | 802 | 942 | 1,462 | 1,889 | 2,106 | 2,008 | ~2,005 |
| **Animal Health** | 240 | 380 | 761 | 932 | 881 | 1,084 | ~1,300 |
| **Polyester (PSF)** | 710 | 2,716 | 3,807 | 3,193 | 1,825 | 1,825 | ~475 |




*The stack is shrinking from the top (grey: Soda Ash) while the green layer (Pharma) thickens underneath.*

## 2.1 Soda Ash — the declining king (FY26 operating result −33%)

The historical crown jewel: ~65% domestic market share, 560,000 TPA capacity at Khewra sitting on captive salt and limestone. Peak operating profit of PKR 10.0bn in FY24 has fallen ~44% in two years, and the causes are structural rather than noise. Demand: the glass sector, the biggest downstream customer, operates at ~50% capacity amid depressed construction. Exports: down 48% in FY25 as the Chinese solar-glass demand contraction created a global supply overhang; some export sales were made at breakeven or negative margins. Imports: management's own words — "heightened import activity from China at previously unseen prices" — made worse by the government's tariff rationalization program cutting customs and regulatory duties precisely when domestic industry is weakest.

Mitigation is real but partial: record sodium bicarbonate sales (52,258 tons), 48% growth in the Detergent channel, and a biomass-capable boiler commissioned June 2025 that cuts imported-fuel exposure. Verdict: a structural step-down to a lower plateau, not a collapse — the logistics moat and market share put a floor under it, but recovery needs a construction upturn or National Tariff Commission anti-dumping action. Both are plausible; neither is imminent.

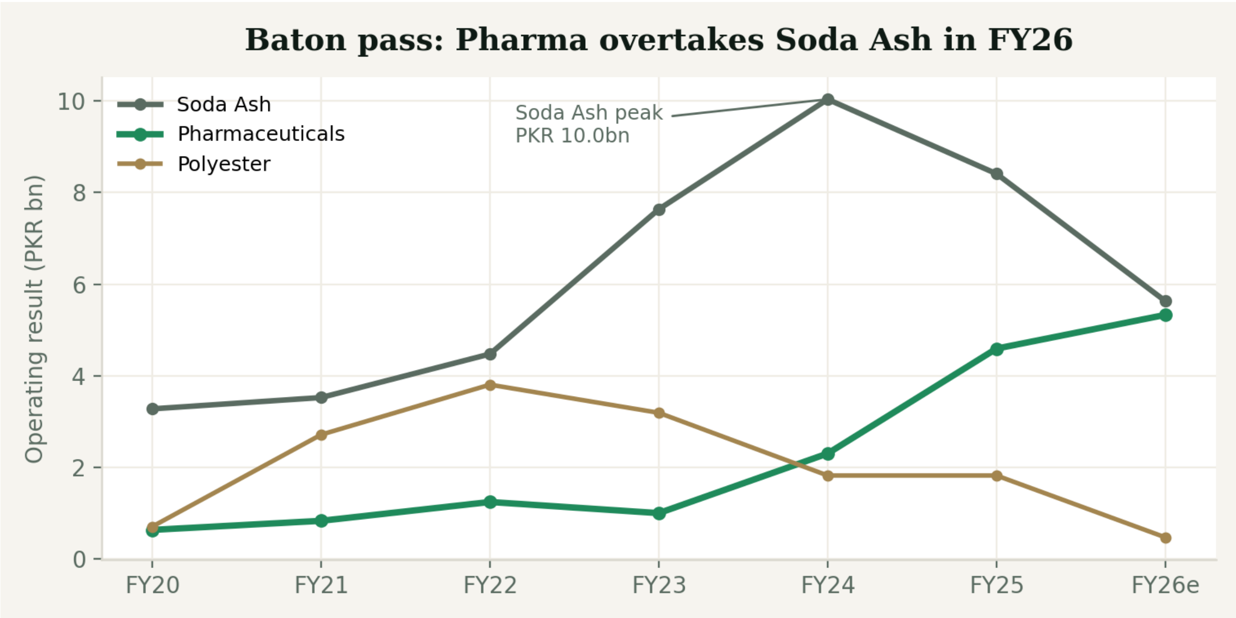
## 2.2 Polyester — the melting ice cube (FY26 operating result −74%)

FY26's ~PKR 475m operating result on ~PKR 40bn of revenue is a ~1% margin — effectively breakeven. The squeeze is three-way: dumped PSF from China, Indonesia and Bangladesh at below-cost prices; the Export Finance Scheme loophole that let exporters import yarn duty-advantaged (partially fixed in Budget FY26 when EFS cotton/yarn imports became subject to 18% GST — the one genuine tailwind); and FY26 feedstock pressure, with quarterly average PTA prices up ~36% YoY to ~$770/ton by Q4 while domestic PSF prices could not follow. Specialty variants (CICLO, Reprieve, anti-microbial) are sensible but small against the commodity base. Verdict: structurally impaired. The right AGM question is whether capital should remain here at all — any hint of rationalization would be value-accretive.

## 2.3 Pharmaceuticals — the growth engine (FY25 +99%, FY26 +16%)

The transformation story. The September 2024 Pfizer Pakistan asset acquisition (~PKR 5bn: a manufacturing facility plus Ponstan, Deltacortril, Corex-D, Lysovit, Ansaid and other brands) added ~PKR 7.2bn of first-year revenue and integrated ahead of plan. Pharma is now ~19% of group revenue at ~38% gross margins — nearly double the group average. The structural tailwind is DRAP's price deregulation of non-essential medicines: roughly 65% of the pre-Pfizer portfolio, rising to ~75% with Pfizer brands, can now reprice with inflation, ending decades of margin repression from frozen PKR drug prices against dollar-denominated API costs.

Growth normalized from +99% (acquisition year) to +16% in FY26 — the organic run-rate. The concentrated risk: over half of Pakistan's APIs are sourced from India, a genuine single point of failure given current relations; and deregulation is a policy choice a future government could reverse under medicine-price headlines. Verdict: strong structural growth, increasingly the core of the equity story.




*The baton pass: Pharma's operating result overtakes Soda Ash in FY26 for the first time.*

## 2.4 Animal Health — small, sharpening (FY26 +20%)

FY25's 10% revenue decline was deliberate pruning — exiting low-margin lines while pushing Bovine Genetics, vaccines and Farmer's Choice — which took operating margin from ~13% to ~18%. The greenfield veterinary plant at Sheikhupura (~PKR 725m) went operational March 30, 2026, localizing production. Demand drivers are durable (FMD outbreak vaccination cycles, a chronically under-medicated livestock economy); headwinds are farmer economics (feed sales tax, FED on day-old chicks, maize prices). Verdict: quiet compounder — FY27+ should add volume growth on top of margin gains.

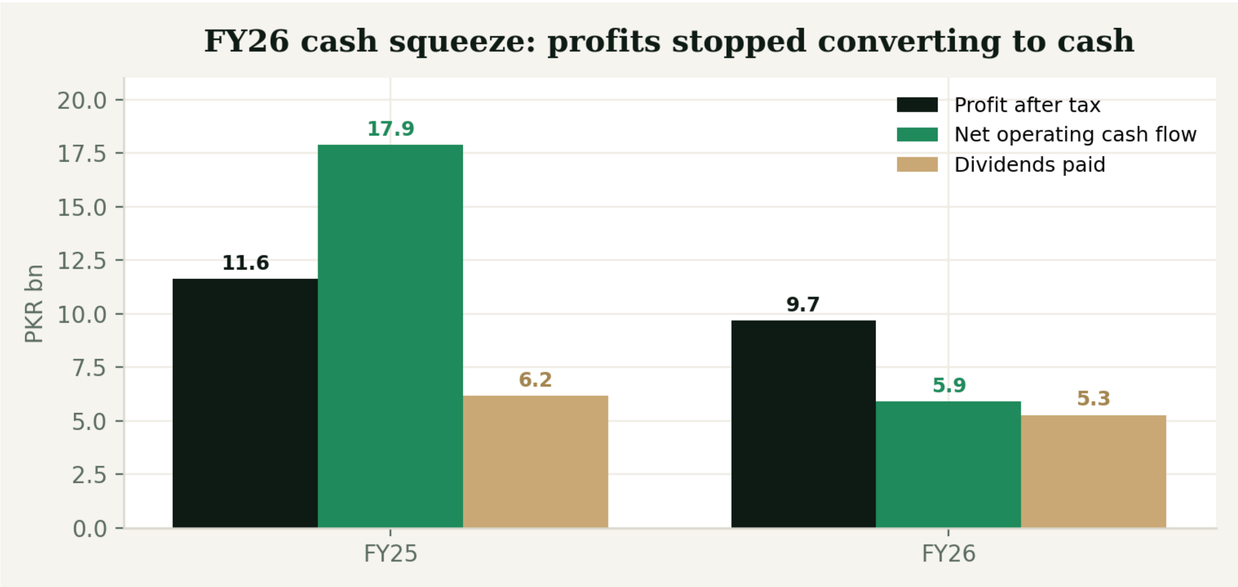
## 2.5 Chemicals & Agri Sciences — steady, unspectacular (FY26 ~flat)

Two businesses in one segment. Chemicals & Masterbatches grew volumes 16% and 20% in FY25 with a new side-feed extruder adding capacity — genuine share gains in a shrinking market. Agri Sciences struggles with erratic weather, low crop support prices and farmer liquidity constraints. Net: a ~PKR 2bn operating-profit annuity with modest optionality.

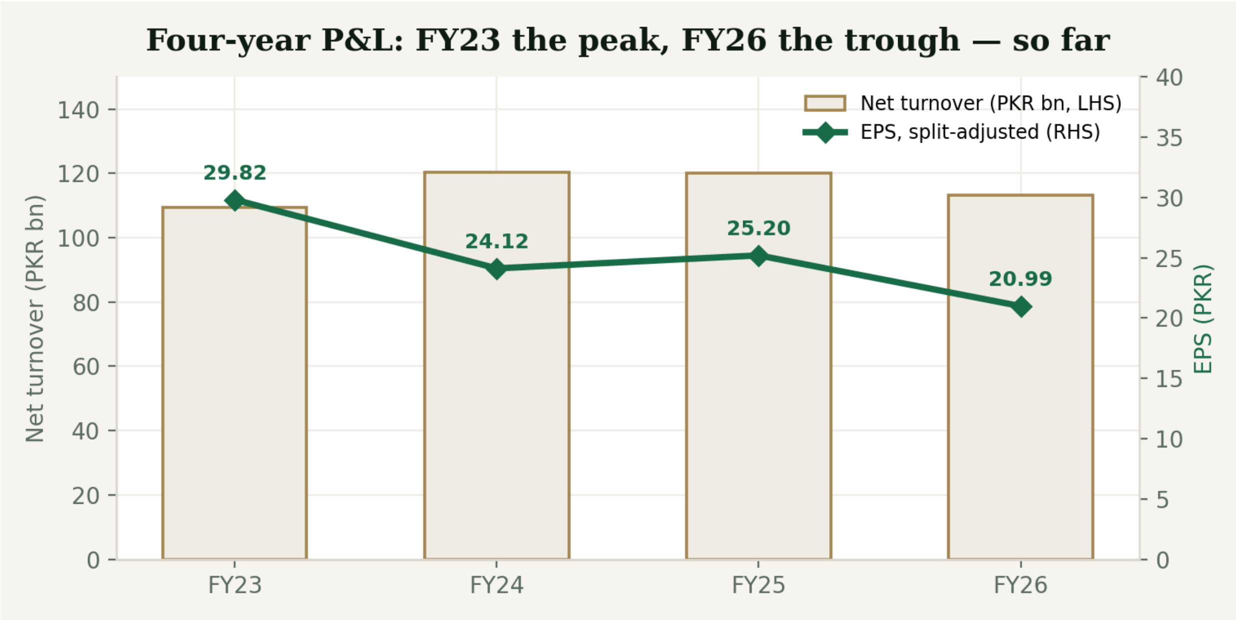
# 3. FY26 Group Financials — What the Year Actually Showed

| PKR m (unconsolidated) | FY23 | FY24 | FY25 | FY26 | FY26 vs FY25 |
|---|---|---|---|---|---|
| **Net turnover** | 109,486 | 120,460 | 120,013 | 113,214 | −6% |
| **Operating result** | 14,653 | 17,151 | 17,920 | 14,704 | −18% |
| **Profit after tax** | 13,772 | 11,140 | 11,638 | 9,692 | −17% |
| **EPS (split-adjusted, PKR)** | 29.82 | 24.12 | 25.20 | 20.99 | −17% |
| **Net operating cash flow** | — | — | 17,893 | 5,891 | −67% |
| **Dividends paid** | — | — | 6,168 | 5,268 | −15% |

Gross margin fell 120bps to 21.7%, and PBT of PKR 15.2bn leaned on PKR 3.6bn of other income. The cash flow statement is the real story: operating cash collapsed 67% on a working-capital absorption — stock-in-trade up ~PKR 2.9bn to ~20bn and trade debts up ~1.2bn, exactly what commodity segments do when inventory piles up against weak demand while PTA inflates carrying values. Short-term financing jumped 60% to PKR 16.8bn and finance costs rose 13% despite a falling policy rate. Dividends paid were barely covered by operating cash. Offsetting comfort: PKR 21.3bn sits in short-term investments, so net liquidity is manageable and part of the gross borrowing is yield arbitrage rather than distress. A new PKR 1.2bn Sindh Infrastructure Development Cess liability also crystallized.




*FY26's profits stopped converting to cash. One more year like this and the payout is debt-funded.*




*FY23 was the peak (inflation-cycle pricing power plus a one-off disposal gain); FY26 the trough — so far.*

# 4. Where Growth Is, Where Decline Is

| Direction | Businesses | Driver | Nature |
|---|---|---|---|
| **Growing** | Pharmaceuticals | Deregulated pricing + Pfizer brands + volume; mid-teens organic | Structural |
| **Growing** | Animal Health | Margin-led now; volume-led from FY27 (Sheikhupura plant) | Structural |
| **Growing** | Bicarb, Masterbatches | Niche share gains within larger segments | Structural |
| **Declining** | Polyester | Dumping + regional overcapacity; near-breakeven | Structural |
| **Declining** | Soda Ash | Down 44% from peak; glass at 50% utilization; import pressure | Cyclical + structural |
| **Declining** | Agri Sciences | Farmer distress, weather, low support prices | Cyclical |

The pivot in one sentence: LCI's future earnings growth is almost entirely a healthcare story, its earnings risk is almost entirely a chemicals story — the two roughly cancelled in FY25 before chemicals won the tug-of-war in FY26.

# 5. Macroeconomic Fundamentals

## Tailwinds

Interest rates are the single highest-torque variable — the easing cycle cut FY25 finance costs 38%, and further cuts hit the P&L twice: directly through PKR 16.8bn of short-term financing, and indirectly by reviving the construction cycle that Soda Ash's glass customers depend on. PKR stability (~2% annual depreciation) stops imported inputs (PTA/MEG, APIs, agchem actives) repricing violently while deregulated pharma prices outrun costs — a stable rupee is disproportionately good for the pharma margin story. The Budget FY26 EFS fix (18% GST on imported cotton/yarn) restores competitive parity for domestic PSF. Disinflation and any consumer recovery lift detergents, textiles, medicines and farm inputs together.

## Headwinds

Tariff liberalization: the government's export-led rationalization is cutting import duties while domestic industry pays regionally uncompetitive energy tariffs and taxes — the chairman's review is unusually blunt about this. For Soda Ash and PSF, trade policy is currently a headwind by design; an NTC anti-dumping finding is the reversal catalyst. The China overcapacity export wave pushes surplus soda ash and PSF into every open market and shows no sign of abating through 2027. Energy tariffs leave a permanent cost gap versus Chinese and Indian producers; the biomass boiler is self-help, not a cure. India API dependency is low-probability, high-severity — the pharma engine's fuel line runs through a hostile border. Fiscal drag persists (effective tax ~36%, export-regime changes, feed taxes, FED on chicks, the Sindh cess), and the IMF program makes relief unlikely near-term. Climate volatility directly hits Agri Sciences and the farmer cash flows that feed Animal Health.

# 6. Valuation Context and What Changes the Picture

At ~11x trailing earnings and ~1.8x book for a 17% ROE, LCI trades at a fair-company-fair-price point — the market has already extracted the FY26 disappointment (the stock sits ~38% below its 52-week high of ~PKR 378). Illustrative arithmetic: 4.5% dividend yield + (17% ROE × 50% retention) ≈ 13% annual return at constant multiples — adequate, not compelling, against Pakistani risk-free rates.

The more interesting lens is sum-of-the-parts. Pharma alone generated ~PKR 5.3bn of FY26 operating profit at ~38% gross margins with a deregulation tailwind; PSX pharma peers trade at materially higher multiples than chemical cyclicals. A healthcare franchise of this size arguably supports a valuation approaching a large share of LCI's entire ~PKR 108bn market cap — implying the market pays very little for a Soda Ash business that still holds ~65% domestic share and generated PKR 8.4bn as recently as FY25. The discount persists because the segments are consolidated, free float is thin, and the FY26 headline was a −17% PAT.

| Watch list | What it signals |
|---|---:|
| **NTC anti-dumping action (soda ash / PSF)** | Reverses the trade-policy headwind; re-rates both commodity segments |
| **Two quarters of inventory & receivables normalization** | Confirms FY26 cash squeeze was transient; protects the dividend |
| **Construction / glass demand as rates fall** | Soda Ash volume recovery path |

| Watch list | What it signals |
|---|---|
| **FY27 pharma organic growth print** | Does mid-teens hold post-integration? |
| **Any strategic review of Polyester** | Capital release; management focus |
| **Soda Ash 200k-ton expansion FID timing** | Management confidence signal |
| **India API supply developments** | Tail risk on the pharma engine |

Downside triggers: a second consecutive year of dividends barely covered by operating cash; pharma price re-regulation noise; further tariff cuts on soda ash; PTA spikes with PSF unable to pass through.

# 7. Bottom Line

LCI is mid-metamorphosis: a chemicals conglomerate becoming a healthcare-led one, with FY26 marking the crossover year in profit mix but not yet in market perception. The static arithmetic says ~13% at constant multiples — but that undersells the optionality, because every incremental rupee of earnings is migrating from a segment the market values at ~6–8x toward one it values meaningfully higher. The equity story strengthens if the chemicals cycle merely stops deteriorating while pharma compounds, or if trade protection arrives. It weakens if Chinese dumping intensifies and working capital stays bloated. Evidence of cash conversion normalizing is the key quality signal to watch; below ~PKR 200 the dividend yield approaches 5.5% and the healthcare franchise comes close to being the whole price.

# 8. Sources, Methodology & Disclosures

## Primary sources

| Source | Used for |
|---|---|
| **LCI Annual Report FY2024-25 (376pp)** | Segment six-year data, DuPont, quarterly analysis, business commentary |
| **LCI audited FY26 results announcement (PSX, Aug 3, 2026)** | FY26 P&L, balance sheet, cash flows, dividend |
| **PSX filings & DPS company page** | Prices, corporate actions, share capital |
| **AHL Research, Mettis Global, ProPakistani, KSEStocks (cited)** | FY26 segment growth rates, PTA pricing, analyst-briefing color |

## Methodology notes

FY26 segment operating results are estimates: company-disclosed growth rates applied to FY25 reported bases, with Chemicals & Agri Sciences derived as the residual against the reported consolidated operating result. EPS series are split-adjusted throughout (PKR 10 → PKR 2 face value, completed July 19, 2025; 5:1). Vendor data feeds showing FY23 EPS of 149.12 reflect the pre-split share count; the comparable figure is 29.82. FY23 earnings include a one-time gain on disposal of the NutriCo Morinaga stake. The illustrative return figure is arithmetic (dividend yield plus ROE times retention), assumes constant multiples, and is not a forecast.

## Disclosures