Pakistan Cement Sector: Result Preview 1QFY26

BMA CAPITAL

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Profitability is expected to rise due to DGKC and MLCF stronger earnings

Cement sector to report core earnings of PkR 23.7bn: BMA Cement Universe is expected to report core earnings of PkR 23.7bn in 1QFY26, reflecting a 19% YoY increase from PkR 19.9bn in 1QFY25 and a 5% QoQ rise from PkR 22.7bn in 4QFY25. The YoY growth is primarily driven by higher earnings from DGKC and MLCF, supported by increased dispatches, while the QoQ improvement is attributed to stronger earnings from PIOC and KOHC.

Net sales are expected to grow by 9.2% YoY and 7.6% QoQ: Net sales are expected to grow by 9.2% YoY and 7.6% QoQ, reaching PkR 1236 bn in 1QFY26. This growth is driven by a 15% YoY and 9% QoQ increase in local cement dispatches, along with a 21% YoY rise in export volumes.

Local cement dispatches on YoY basis are up due to (i) improved construction activities, and (ii) lower cement prices. Capacity utilization of the cement sector clocked in at 59% in 1QFY26, compared to 55.6% in 4QFY25 and 50.8% in 1QFY25.

Gross margin to settle at 34.3%: The sector's gross margin is expected to improve by 1.7 ppts YoY to 34.3% in 1QFY26, compared to 32.7% in 4QFY24 and 35.1% in 4QFY25, driven by higher cement dispatches and lower coal prices. Cement prices for 1QFY26 are estimated at PkR 1,387per bag in the North (down 8% YoY and 1% QoQ) and PkR 1,416 per bag in the South (up 2% YoY and 0.3% QoQ).

Cement Price

PkR/Bag	1QFY26A	1QFY25A	YoY	4QFY25A	QoQ
North	1,387	1,501	-8%	1,402	-1%
South	1,416	1,383	2%	1,413	0%

Source: PBS, BMA Research

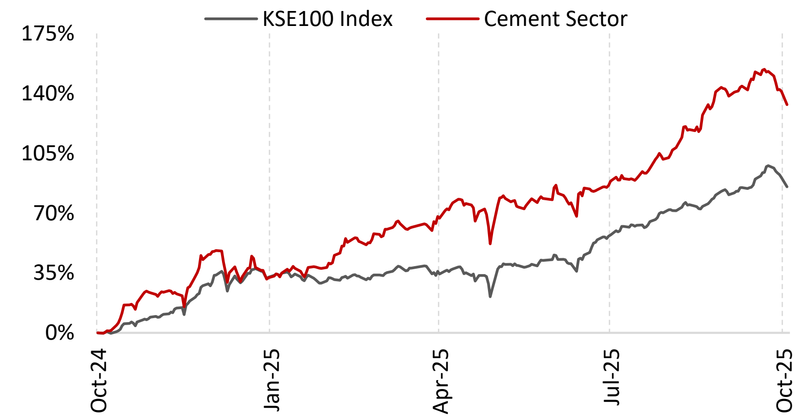
YoY decline in coal prices: During 1QFY26, cement producers in the South region primarily relied on Richards Bay coal, while those in the North region utilized a mix of Afghan coal, local coal, and alternate fuels. Richards Bay coal prices averaged USD 92.5 per ton during the quarter, reflecting a 16% YoY decline from USD 110.1 per ton and a 3% QoQ increase from USD 89.5 per ton in 4QFY25.

Lower financial charges: The sector's financial charges are expected to decline by 47% YoY to PkR 2.6bn. This decline is attributed lower debt on the balance sheet along with the reduced KIBOR.

Other income to drop to PkR 6.9bn: Other income of the sector is estimated to clock in at PkR 6.9bn in 1QFY26, down 11% YoY and 3% QoQ. LUCK is expected to contribute 49% in sector's other income.

We have an **Overweight stance** on Pakistan Cement sector with **DG Khan Cement (DGKC), Fauji Cement (FCCL) and Maple Leaf Cement (MLCF)** as our top picks.

KSE-100 Index and Cement Sector Performance



Source: PSX, BMA Research

Pakistan Cement Dispatches

Mn Tons	1QFY26A	1QFY25A	YoY	4QFY25A	QoQ
Local	**9.6**	**8.3**	**15%**	**8.8**	**9%**
North	8.0	7.0	14%	7.4	8%
South	1.6	1.3	23%	1.4	12%
Exports	**2.6**	**2.1**	**21%**	**2.7**	**-3%**
Total	**12.2**	**10.5**	**16%**	**11.5**	**6%**

Source: APCMA, BMA Research

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Company wise earnings estimates

Lucky Cement (LUCK): We expect LUCK's consolidated earnings to increase by 16% YoY and 6% QoQ to PkR 14.2 per share in 1QFY26, primarily driven by higher profits from portfolio companies along with local cement operations.

On an unconsolidated basis, LUCK is expected to report an EPS of PkR 5.2 in 1QFY26, reflecting a 15% YoY and 32% QoQ increase. This growth is primarily driven by higher revenue, lower finance costs, and improved gross margins. The gross margin is projected to reach 36% in 1QFY26, compared to 33% in 1QFY25 and in line with 36% in 4QFY25. Along with the results, we do not expect LUCK to announce a cash dividend.

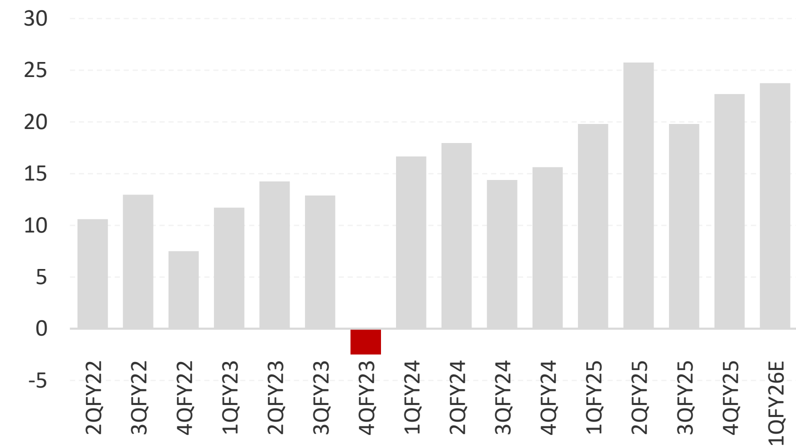
Maple Leaf Cement (MLCF): MLCF is expected to report a consolidated EPS of PkR 3.3 in 1QFY26, reflecting a 156% YoY increase and a 5% QoQ decline. The YoY growth is primarily driven by higher total cement dispatches, lower finance costs, and improved gross margins. However, the QoQ decline is attributed to lower other income. Gross margins are projected at 40% for 1QFY26, compared to 32% in 1QFY25 and 41% in 4QFY25. Along with the results, we do not expect MLCF to announce a cash dividend.

Fauji Cement (FCCL): We expect FCCL's earnings to reach PkR 1.5 per share in 1QFY26, reflecting a YoY increase of over 10% and a 9% QoQ decline. The YoY growth is driven by higher total dispatches and lower finance costs. The gross margin is expected to remain steady at 35% in 1QFY26, compared to 35% in 1QFY25 and down from 39% in 4QFY25. Along with the results, we do not expect FCCL to announce a cash dividend.

DG Khan Cement (DGKC): We expect DGKC to report an unconsolidated EPS of PkR 6.2 in 1QFY26, compared to a EPS of PkR 1.8 in the same period last year. The YoY improvement in earnings is driven by higher cement dispatches, improved gross margins, and reduced finance costs. On a QoQ basis, however, earnings are expected to decline due to a lower gross margin. Gross margins are projected at 27% in 1QFY26, compared to 20% in 1QFY25 and 32% in 4QFY25. Along with the results, we do not expect DGKC to announce a cash dividend.

Kohat Cement (KOHC): KOHC is expected to report an EPS of PkR 2.9 in 1QFY26, reflecting a 24% YoY decline and an 11% QoQ increase. The YoY decline is primarily due to lower other income and reduced gross margins. The QoQ improvement is attributed to an improved gross margin, driven by an increase in total cement dispatches. Gross margins are expected to reach 34% in 1QFY26, compared to 43% in 1QFY25 and 31% in 4QFY25. Along with the results, we do not anticipate any cash dividend from KOHC.

Cement Sector Quarterly Profitability Trend (PkR Bn)



Source: Company Accounts, BMA Research

Pakistan Cement EPS estimates

PkR	1QFY26E	1QFY25A	YoY	4QFY25A	QoQ
LUCK*	14.2	12.2	16%	13.4	6%
MLCF*	3.3	1.3	156%	3.5	-5%
FCCL	1.5	1.3	10%	1.6	-9%
DGKC	6.2	1.8	237%	7.2	-14%
KOHC	2.9	3.7	-24%	2.6	11%
CHCC	10.4	14.8	-30%	9.5	9%
PIOC	5.7	4.5	26%	5.0	14%
THCCL	1.1	1.2	-12%	1.8	-43%

Source: Company Accounts, BMA Research, * Consolidated

Company wise earnings estimates

Cherat Cement (CHCC): CHCC is expected to report an EPS of PkR 10.4 in 1QFY26, compared to PkR 14.8 in the same period last year. The YoY decline in earnings is primarily driven by lower gross margins. On a QoQ basis, earnings are expected to increase by 9%, supported by higher cement dispatches. Gross margins are projected at 32% in 1QFY26, compared to 40% in 1QFY25 and 33% in 4QFY25. Along with the results, we do not expect CHCC to announce a cash dividend.

Pioneer Cement (PIOC): We expect PIOC to report an EPS of PkR 5.7 in 1QFY26, compared to PkR 4.5 in 1QFY25, reflecting a 26% YoY increase, driven by higher cement dispatches and lower finance costs. On a QoQ basis, earnings are projected to rise by 14%, supported by a 3% increase in cement dispatches, and improved gross margins. Gross margins are expected to settle at 30% in 1QFY26, in line with 30% in 1QFY25 and up from 27% in 4QFY25. Along with the results, we do not expect PIOC to announce a cash dividend.

Thatta Cement (THCCL): THCCL is expected to report an EPS of PkR 1.1 in 1QFY26, compared to PkR 1.2 in the same period last year, reflecting a 12% YoY decline and a 43% QoQ decrease. The YoY decline is primarily due to a lower gross margin, while the QoQ decline is attributed to lower other income. Gross margins are anticipated to reach 34% in 1QFY26, compared to 43% in 1QFY25 and 30% in 4QFY25. Along with the results, we do not expect THCCL to announce a cash dividend.

Company wise cement dispatches

Mn Tons	1QFY26A	1QFY25A	YoY	4QFY25A	QoQ
LUCK	**2.42**	**2.18**	**11%**	**2.23**	**9%**
Local	1.61	1.37	18%	1.39	16%
Exports	0.81	0.81	-1%	0.84	-3%
DGKC	**1.35**	**1.18**	**14%**	**1.28**	**6%**
Local	0.86	0.75	16%	0.80	8%
Exports	0.49	0.44	11%	0.48	2%
MLCF	**1.00**	**0.85**	**18%**	**1.00**	**0%**
Local	0.95	0.78	22%	0.91	3%
Exports	0.05	0.07	-23%	0.09	-39%
FCCL	**1.50**	**1.33**	**13%**	**1.38**	**9%**
Local	1.24	1.16	6%	1.18	5%
Exports	0.27	0.16	62%	0.20	31%
PIOC	**0.55**	**0.46**	**18%**	**0.53**	**3%**
Local	0.55	0.46	18%	0.53	3%
Exports	-	-		-	
CHCC	**0.70**	**0.59**	**19%**	**0.64**	**9%**
Local	0.54	0.44	23%	0.52	5%
Exports	0.16	0.15	8%	0.13	25%
KOHC	**0.70**	**0.59**	**18%**	**0.56**	**25%**
Local	0.65	0.58	12%	0.56	17%
Exports	0.05	0.01	322%	0.00	1697%
THCCL	**0.14**	**0.11**	**19%**	**0.14**	**-2%**
Local	0.14	0.11	19%	0.14	-2%
Exports	-	-		-	

Source: APCMA, BMA Research

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Old rating system

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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