REP - 300

Pakistan Cement Sector

Robust margins cementing gains

Dec-11-2024

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Best Investment Bank: '23

Best Investment Bank:'22

Top 25 Companies ('17-'19)

Excellence Award Leading Brokerage House for RDA '21

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Robust margins cementing gains

The cement sector has delivered a return of 84.3% during CY24TD, outperforming the KSE100 index which has posted 74.4% return during the same period. In FY24, the sector achieved an impressive profitability growth of 61% YoY, with an expected increase in profitability of 32% YoY in FY25. We believe that the sector is expected to be one of the top performers in CY25 due to: i) a rebound in domestic demand as inflationary pressures ease and interest rates decline, ii) better coal mix and use of alternate fuel, and iii) higher anticipated profitability driven by increased retention prices and a decline in interest rates. Our top picks in the cement sector are FCCL, MLCF, and LUCK.

- **Domestic demand to pick up:** Local cement dispatches have declined over the past three years amid elevated inflation and interest rates. However, the recent decline in inflation and interest rates has created a favorable environment for a recovery in domestic demand. This positive trend was reflected in Nov'24, as domestic dispatches increased by 2% YoY, marking the first YoY growth after 15 consecutive months of decline.

  We have updated our domestic dispatches growth assumptions for next three years, revising them from -8% to -6% for FY25, from +5% to +10% for FY26, and from +4% to +5% for FY27. As a result, we have increased our earnings estimates and target prices for AHL cement universe. The table on the right presents a comparison of our previous and revised earnings forecasts and target prices.

Exhibit: Revised domestic dispatches growth

	FY25e	FY26f	FY27f
Old			
Domestic dispatches (mn tons)	35.1	36.9	38.4
Growth	*-8%*	*5%*	*4%*
Revised			
Domestic dispatches (mn tons)	35.9	39.5	41.5
Growth	*-6%*	*10%*	*5%*

Source (s): AHL Research

- **Margins to remain robust:** Due to the surge in coal prices during 2022 and rising electricity tariffs, cement companies started utilizing local, Afghan coal and alternate energy fuels while also investing in renewable energy sources. This initiative aimed to secure cheaper and more reliable energy alternatives. Currently, cement manufacturers employ a mix of imported, local, and Afghan coal, adjusting the blend based on availability and cost effectiveness. As a result of investments in renewables, the sector's reliance on the national grid has declined with the current energy mix of comprises 24% from the national grid, 32% from waste heat recovery, 25% from captive power, and 18% from renewable energy sources. We anticipate that the gross margins for the AHL universe will remain around 32% during FY25-27.

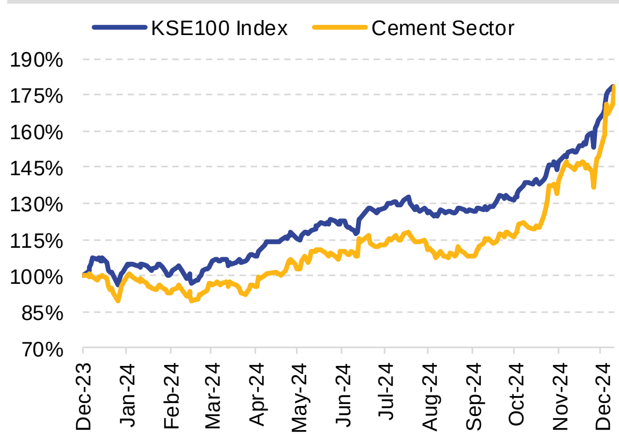
- **Strong profitability growth (+32%) expected in FY25:** The cement sector demonstrated resilience despite challenges in local demand, achieving an impressive 61% growth in profitability during FY24. Looking ahead, profitability is projected to grow by another 32% in FY25, driven by: i) revial in demand, ii) higher retention prices and iii) decline in interest rates.

AHL Cement Universe: earnings and target prices

Company	Old	Revised	Change
FCCL			
EPS (PKR)			
FY25e	5.3	5.5	4%
FY26f	6.4	7.2	12%
FY27f	7.0	7.8	12%
Target Price*	**44.6**	**50.1**	**12%**
MLCF			
EPS (PKR)^			
FY25e	7.1	7.2	1%
FY26f	8.3	9.0	8%
FY27f	9.2	9.8	6%
Target Price*	**53.9**	**59.9**	**11%**
LUCK			
EPS (PKR)^			
FY25e	186.8	190.4	2%
FY26f	163.9	172.7	5%
FY27f	180.4	192.1	7%
Target Price*	**1,255.9**	**1,359.7**	**8%**
DGKC			
EPS (PKR)			
FY25e	9.2	10.4	13%
FY26f	12.5	15.1	21%
FY27f	14.6	18.1	24%
Target Price*	**108.9**	**131.4**	**21%**
KOHC			
EPS (PKR)			
FY25e	66.5	67.9	2%
FY26f	60.7	65.0	7%
FY27f	70.0	73.1	4%
Target Price*	**492.1**	**528.5**	**7%**

Source: AHL Research, *Dec'25, ^Consolidated

Cement Sector relative performance

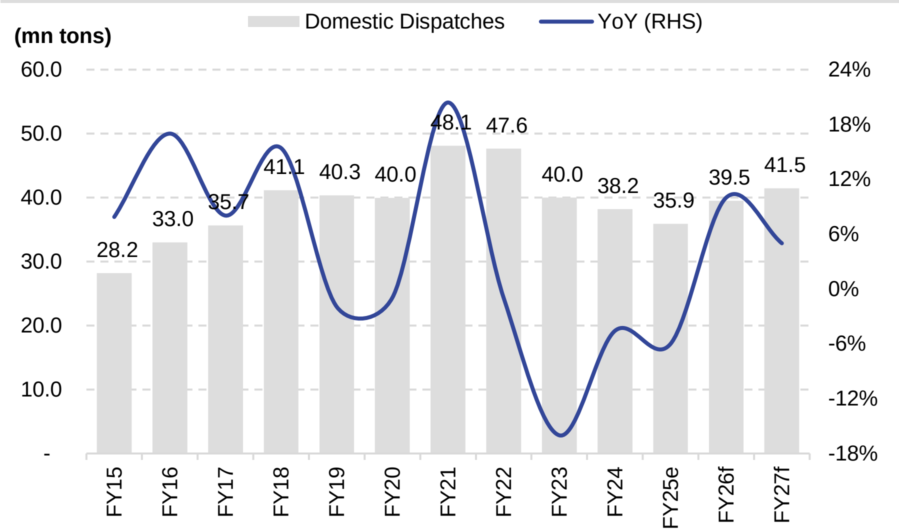


Source: Bloomberg AHL Research

Domestic demand to pickup

In Nov24, domestic dispatches increased by 2% ÝoY to 3.3mn tons, marking a positive growth after fifteen months. This demand uptick can be attributed to the easing of inflation to 4.9% in Nov’24, compared to 29.2% in Nov’23, along with a reduction in the policy rate from 22.0% in Jun’24 to 15.0%, a 700bps decrease. The decline in inflation will prompt the SBP to further lower interest rates, offering crucial support for economic recovery. Looking ahead to FY26, the combination of low inflation and reduced interest rates is expected to drive cement demand growth, with local dispatches projected to increase by 10% YoY.

Figure: Domestic demand to pick up due to favorable economic condition



Source (s): APCMA, AHL Research

Margins to remain high due to better energy mix

Industries experienced some relief when government raised the consumer base tariff by PKR 5.72/kWh in Jul’24, leaving industrial base tariffs unchanged. However, with the continuous increase in the cost of electricity and higher tariffs, many cement companies have turned to renewable energy sources including solar, waste heat recovery, and wind power. Additionally, some companies have also installed coal power plants to reduce reliance on the national grid, thereby lowering their overall energy costs. These strategic shifts have helped cement companies to maintain their margins and profitability. The sector's average energy mix consists of 24% from the grid, 32% from waste heat recovery, 25% from captive, and 18% from renewables.

- **Stable coal prices helping in controlling the cost**

  In FY23 coal prices were normalized from the effects of Russia-Ukraine conflict, which in Mar’22 peaked at USD 460/ton. During FY22, the coal price averaged at ~ USD 202.4/ton and closed at USD 100/ton due to a slowdown in the global activity and excess supply of coal. The downward trend in coal prices carried on in FY24, majorly due to suppressed demand from China, resulting in commodity price to be soft during the year arriving at an average of USD 108/ton. During FY25TD, the coal prices remained stable ~USD 111/ton. Recently, the Afghan government reduced taxes on Afghan coal, which is expected to lower prices by PKR 5,000/ton.

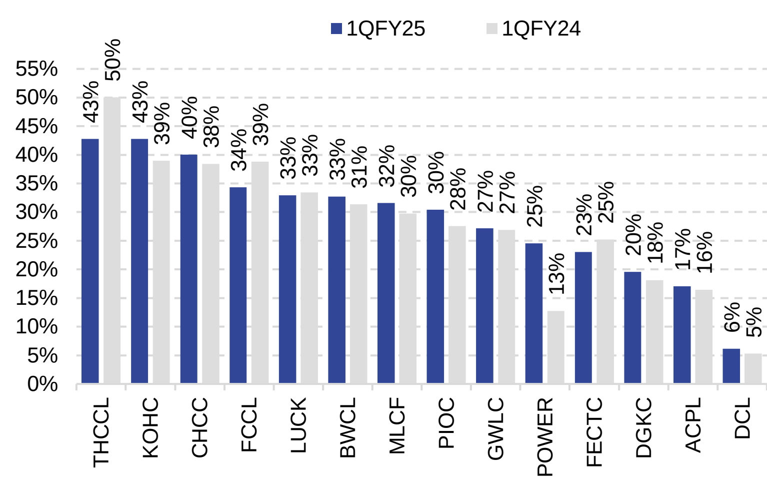
- **An optimized coal mix leads to improved margins**

  Due to the rise in international coal prices during FY22, local companies began meeting part of their coal requirements through local and Afghan coal. Currently, companies are using a blended approach, adjusting the coal mix based on price fluctuations and availability. Additionally, companies have adopted alternative fuels, with a cost per ton (GCV adjusted) of approximately PKR 30,000–34,000. This shift has also contributed to improving gross margins.

Profitability is expected to grow by 32% in FY25

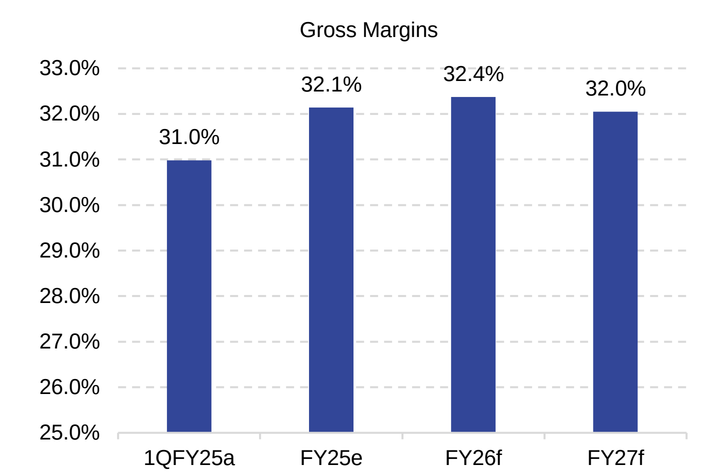
During FY24, the cement sector posted a profitability growth of 61% primarily due to lower coal prices which helped the sector to improve their margins. Moreover, to mitigate the impact of fluctuations in international coal prices and exchange rates, cement companies have strategically diversified their fuel mix by incorporating alternative coal sources, such as Afghan and locally sourced coal. This shift is expected to enhance cost efficiency and profitability. We project a 32% YoY growth in the cement sector's profitability for FY25, underpinned by higher retention prices, an optimized coal mix, and lower financing costs.

Figure: Gross margins



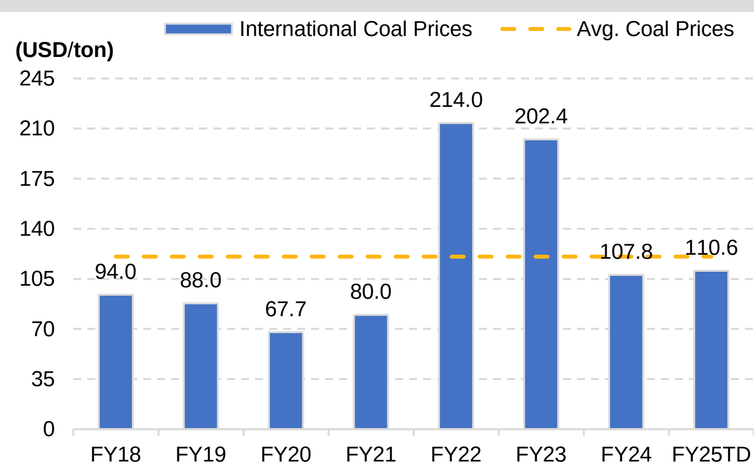
Source (s): Company Financials, AHL Research

Figure: AHL cement universe gross margins



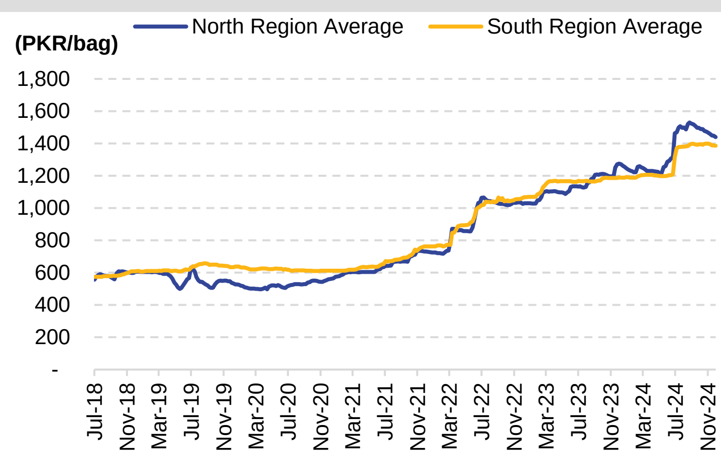
Source (s): Company Financials, AHL Research

Figure: Coal prices witnessed a decline of 47% YoY during FY24



Source (s): Bloomberg, AHL Research

Figure: Retail cement prices



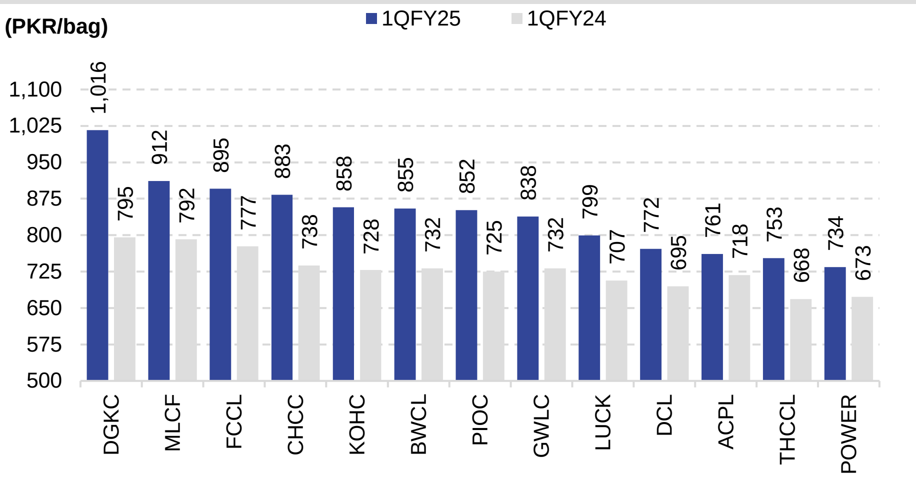
Source (s): PBS, AHL Research

Cement prices are expected to remain strong

From Jun'23 to Sep'24, retail cement prices increased by PKR 362/bag in the north region and PKR 228/bag in the south region, respectively. This price hike was driven by a rise in coal prices, which reached USD 135/ton in Oct'23. However, coal prices have softened since then, dropping to USD 110/ton due to reduced demand from China. Despite this decline, cement prices have remained intact, leading to higher retention prices. These elevated retention prices have helped offset the negative impact of reduced domestic sales volumes. The increase in price was also attributed to government budgetary measures, including a hike in the federal excise duty on cement from PKR 2,000/ton to PKR 4,000/ton. Additionally, the royalty in Punjab has increased from PKR 250/ton (PKR 12.5/bag) to 6% of the ex-factory price, PKR 85/bag, resulting in an additional increase of PKR 72.5/bag.

Going forward, we believe that prices are expected to remain strong amid expected improvement in utilization levels. Our base case price assumption for FY25 and FY26 is PKR 1,415/bag and PKR 1,457/bag respectively.

Figure: Retention prices



Source (s): Company Financials, AHL Research

Impact of interest rate decline on cement companies

The SBP policy rate has decreased to 15% from its peak of 22%, and it is expected to decline further in the upcoming monetary policy meeting scheduled for 16-Dec-24. We anticipate an additional rate cut of 200bps bringing the policy rate down to 13% and resulting in a cumulative decline of 900 bps.

To assess the impact of this interest rate reduction, we have prepared the following table, which highlights both the impact of a 200bps rate cut and the cumulative impact of a 900bps rate cut.

Exhibit: Impact of rate cut

Company	PKR/share		% of earnings	
	-200bps	**-900bps**	**-200bps**	**-900bps**
			% of FY25 earnings	
DGKC	0.78	3.52	8%	34%
FCCL	0.08	0.36	1%	6%
KOHC	-1.12	-5.04	-2%	-7%
LUCK	-1.40	-6.31	-1%	-6%
MLCF*	0.17	0.75	2%	11%
			% of LTM earnings	
BWCL	0.92	4.13	4%	17%
CHCC	-0.24	-1.09	-1%	-3%
FECTC	0.13	0.61	1%	6%
FLYNG	0.09	0.40	nm	nm
GWLC	0.00	0.02	0.1%	0.4%
PIOC	0.45	2.00	2%	9%
POWER	0.21	0.93	nm	nm
THCCL	0.00	0.00	0.0%	0.0%

Source (s): Company Financials, AHL Research, *consolidated

Next expansion cycle after 3-4 Years

Capacity utilization

The cement sector in Pakistan is currently experiencing low utilization levels due to a decline in domestic cement dispatches. As of 5MFY25, capacity utilization is ~54%, a substantial decline from the 76% average seen over the past decade.

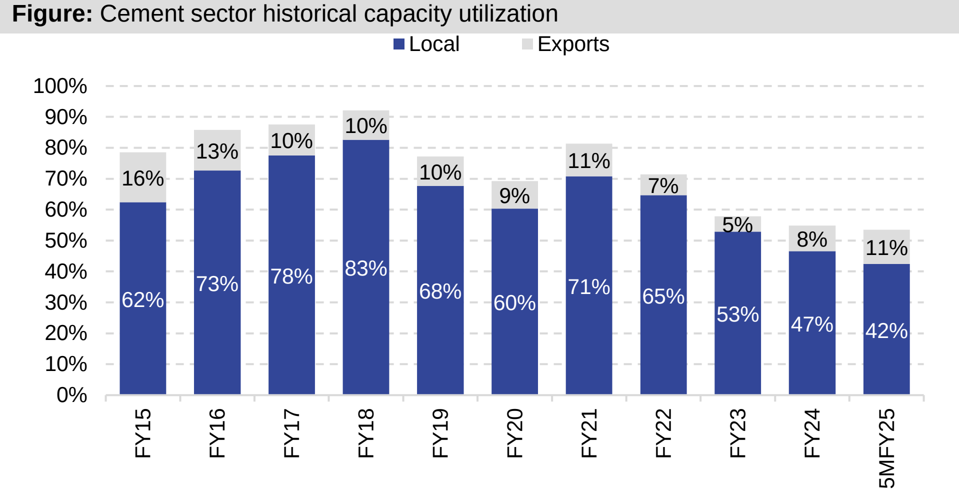
Exhibit: Company wise capacity utilization

	Capacity (K tons/year)	Cement Dispatches*		Capacity Utilization		
		Local	Exports	Local	Exports	Total
ACPL	4,302	492	625	27%	35%	62%
BWCL	15,323	2,640	55	41%	1%	42%
CHCC	4,536	801	235	42%	12%	55%
DCL	3,087	454	-	35%	-	35%
DGKC	6,720	1,432	774	51%	28%	79%
DNCC^	504	174	-	34%	0%	34%
FCCL	9,264	2,062	283	53%	7%	61%
FLYNG^	720	322	-	45%	-	45%
FECTC	1,000	219	15	53%	4%	56%
GWLC	2,111	481	-	55%	-	55%
KOHC	5,197	1,012	15	47%	1%	47%
LUCK	15,300	2,452	1,544	38%	24%	63%
MLCF	8,190	1,398	119	41%	3%	44%
PIOC	5,195	829	-	38%	-	38%
POWER	3,371	481	361	34%	26%	60%
THCCL^^	693	114	-	66%	-	66%
Total	**85,512**	**15,247**	**4,027**	**42%**	**11%**	**54%**

Source (s): Company Financials, APCMA, AHL Research, *5MFY25
^ dispatches and utilization are for FY24, ^^dispatches and utilization are for 1QFY25

Given the lower utilization and domestic demand, we do not anticipate any major capacity additions over the next 3-4 years. However, demand is expected to recover as economy revives and inflationary pressures ease.

Figure: Cement sector historical capacity utilization



Source (s): Company Financials, APCMA, AHL Research

Overview of cement's expansion cycles

Looking into the cement industry data since 1991, the industry has gone through four expansionary cycles. In 1993, the industry's capacity utilization reached 93%, marking the beginning of the first expansion cycle, which lasted from 1995 to 1999 and added 7.9mn tons (87% increase). By 2003, capacity utilization reached 70%, prompting the second expansion, which began in 2004 and continued for six years, increasing capacity by 29mn tons (an increase of 177%).

As demand grew further by FY15, capacity utilization surged to 79%, leading towards another expansion cycle to meet the increasing demand. The third expansion cycle, began from 2017 and ended in 2021, with the addition of 23mn tons (51% increase). By FY21, capacity utilization reached 81%, setting the stage for the fourth expansion cycle, which began in 2021 and concluding in 2024, contributing an additional 17mn tons (24% increase), bringing the total capacity to 85.5mn tons.

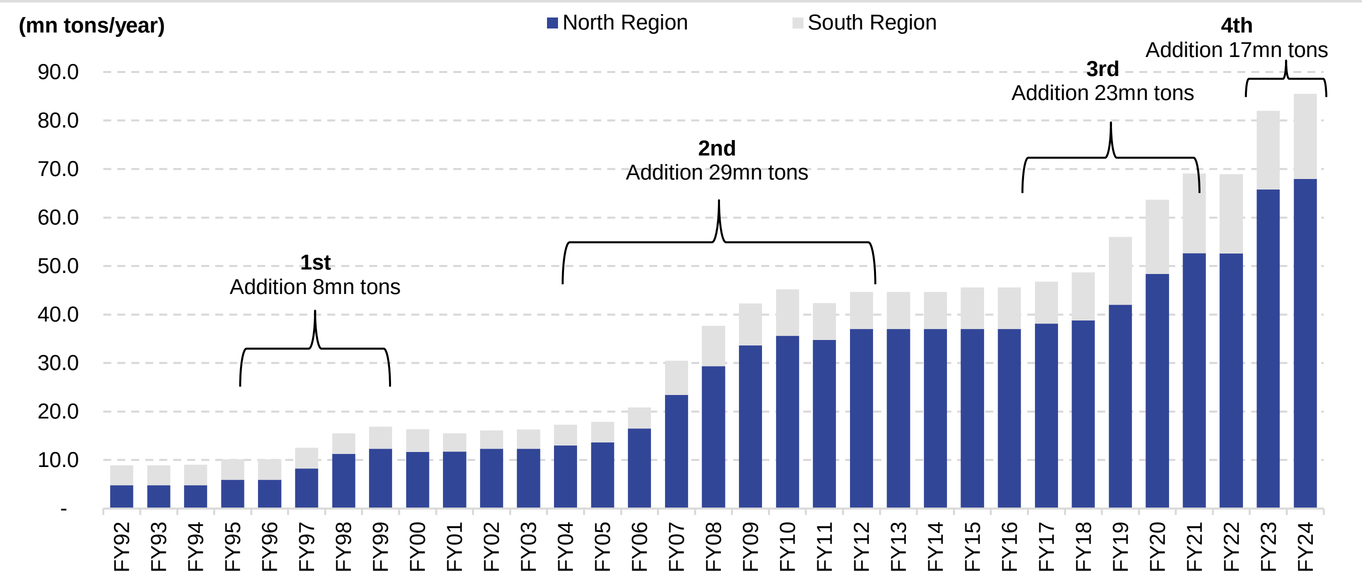
To assess the optimal timing for the next expansion cycle, we conducted a sensitivity analysis of cement demand trends. Our sensitivity suggests that, even with 10% annual growth assumption for local dispatches, industry utilization is expected to surpass 80% by FY30.

Exhibit: Sensitivity analysis - Next expansion cycle

		Growth in domestic dispatches					
		4.0%	5.5%	7.0%	8.5%	10.0%	11.5%
FY26	Capacity utilization	57%	58%	58%	59%	60%	60%
FY27		59%	60%	62%	63%	65%	66%
FY28		61%	63%	66%	68%	70%	73%
FY29		63%	66%	70%	73%	76%	80%
FY30		66%	70%	74%	78%	83%	88%

Source (s): Company Financials, APCMA, AHL Research

Figure: Cement industry capacity expansion cycles



Source (s): Company Financials, APCMA, AHL Research

Fauji Cement Company Limited (FCCL)

Safe and secure

Our Dec'25 target price for Fauji Cement Company (FCCL) is set at PKR 50.1/ share, whereby the stock offers a total return of 32.2% from last closing. Our positive outlook for the stock stems from its recent merger with Askari Cement and the addition of a 2.05mn ton brownfield project, which has positioned FCCL as the third-largest player in the industry and the second-largest cement producer in the northern region. Furthermore, with the commissioning of a 2.05mn ton greenfield project in Feb'24, FCCL's total installed capacity has now reached 9.26mn tons.

Greenfield project commenced in a record time

FCCL successfully commissioned its Greenfield cement manufacturing plant in D.G. Khan on 01-Feb-24, with a production capacity of 6,500 tons/day. The Greenfield project was completed in a record 13 months, underscoring FCCL's strong commitment to growth. This expansion is expected to boost the company's market share, enhance its competitiveness, and open doors to international markets.

Quest for cheapest alternate fuel and power

During FY24, the company installed an additional 12.5MW solar plant, bringing its total solar capacity to 52.5MW. Additionally, it added a 12MW waste heat recovery plant (WHRP) to help mitigate high tariff costs. As a result, approximately 52% of the company's power needs in FY24 were met through inhouse generation. To further reduce its reliance on the national grid, the company plans to install an additional 15MW of solar capacity by 3QFY25, with an expected payback period of 3.5 years. In terms of fuel mix, about 31% of the company's consumption was local coal, while the remainder was a blend of Afghan and imported coal. The company also used 5% alternative fuel to cut production costs and aims to increase this to 10-11% by FY25, further enhancing its cost-efficiency.

Installation of polypropylene (PP) bags

The company has announced plans to establish a Polypropylene (PP) bag manufacturing plant, representing a significant investment of PKR 1.0bn. This strategic initiative is expected to meet approximately 90% of the company's packaging requirements, thereby reducing its reliance on external suppliers and improving overall supply chain efficiency. The project is anticipated to have a payback period of 4-5 years.

Earnings to reach all time high level

We expected the company to post record earnings of PKR 5.3/share in FY25, driven by the successful expansion of its greenfield project and improved power mix efficiency. This growth results from increased production capacity and better energy utilization. We also expect a dividend of PKR 1.50/share during FY25.

FCCL

Summary Data

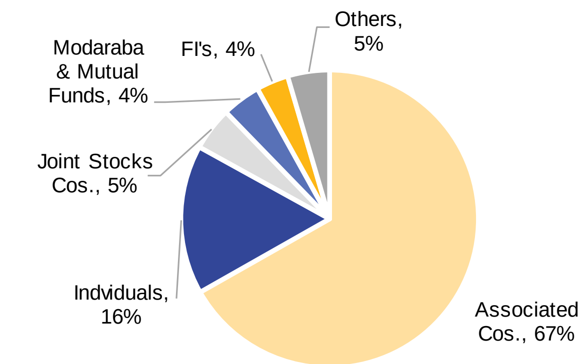
Target Price (Dec'25)	50.1
Last Closing	39.0
Total Return (%)	32.2
Shares (mn)	2,452.8
Free float (%)	35
Market Cap. (PKR mn)	95,735
Market Cap. (USD mn)	344

Recommendation **BUY**

Price Performance

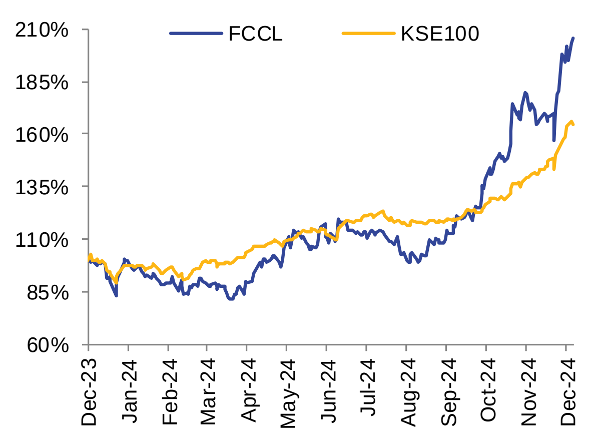
	3M	6M	12M
Return (%)	43.9	51.8	66.9
Avg. Volume (000)	11,565	9,398	9,536
ADTV (mn) - PKR	361	264	231
ADTV (000) - USD	1,299	949	829
High Price - PKR	39.6	39.6	39.6
Low Price - PKR	22.6	19.3	15.8

Shareholding Pattern



Source: Company Financials, AHL Research

Relative Performance



Source: Bloomberg, AHL Research

Exhibit: Key Ratios

		2024a	2025e	2026f
Earnings per share	PKR	3.4	5.5	7.2
Dividend per share	PKR	1.0	1.5	2.0
Book value per share	PKR	29.9	33.9	39.1
Price to Earning	x	6.8	7.1	5.4
Price to Book	x	0.8	1.2	1.0
Dividend Yield	%	4.4	3.8	5.1

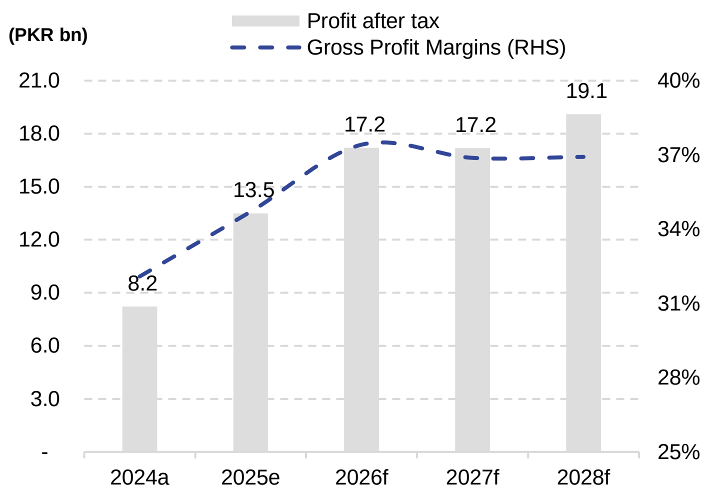
Source (s): Company Financials, AHL Research

Exhibit: Key Financial Highlights

PKR mn	2024a	2025e	2026f
Income Statement			
Net Sales	80,026	91,156	98,971
Gross Profit	25,680	31,639	37,030
Operating Profit	20,878	26,858	32,034
Finance Cost	5,237	3,961	2,808
Post Tax Profit	8,223	13,499	17,200
Balance Sheet			
Shareholder's Equity	73,399	83,219	95,513
Total Liabilities	74,237	77,302	72,454
Current Assets	25,784	37,146	48,724
Non-Current Assets	121,852	123,375	119,243
Total Assets	147,636	160,521	167,968

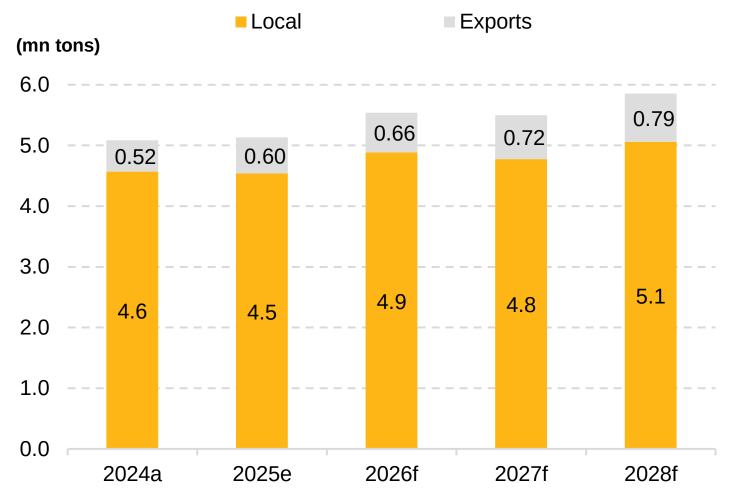
Source (s): Company Financial, AHL Research

Figure: Profitability and Gross Margins



Source (s): Company Financials, AHL Research

Figure: Cement dispatches



Source (s): Company Financials, AHL Research

Maple Leaf Cement Factory Limited (MLCF)

Operational efficiency

Our Dec'25 target price for Maple Leaf Comet (MLCF) is set at PKR 59.9/share. Our liking for the stock stems from i) one of the highest gross margins, ii) one of the lowest EV/ton in AHL cement universe and iii) diverse fuel mix. The stock offers an upside of 24.5% from last closing; we recommend BUY.

Proactive growth and buyback measures

In Nov'22, MLCF completed the commissioning of a new grey clinker production line with a capacity of 7,000 metric tons per day (2.1mn tons annually), increasing its total clinker capacity to 7.8mn tons. As one of the first industry players to operationalize this expansion, MLCF set itself apart as a leader in the sector. The newly established plant not only improves the company's operational efficiency but also gives MLCF a competitive edge in the ongoing expansion phase. This development reinforces MLCF's dominance in the northern market, making it the largest producer in the region at a single location. Additionally, following the successful buyback of 25mn shares, MLCF in FY24 repurchased another 25.8mn shares, representing 2.4% of its paid-up capital and 21.9% of its free float.

Better Energy Mix

MLCF is well positioned to mitigate rising electricity costs due to internal power generation capabilities. Its subsidiary, Maple Leaf Power (MLPL), operates a 40 MW coal-fired power plant. Moreover, MLPL profits are exempt from charge of income tax on profits, resulting in fall in effective taxation for MLCF. In addition, MLCF has successfully installed a 12.5 MW solar power plant, offering partial protection from escalating tariffs. The company has also completed a Waste Heat Recovery Plant (WHRP) for its new Line-4, expanding its capacity from 25 MW to 37 MW, which now covers one-third of the company's total power expenses. These energy initiatives have enabled the company to maintain higher margins than its competitors.

Prudent steps taken to change the fuel mix

MLCF was the first in the industry to use Afghan coal. This has been a game changer as local and Afghan coal became a substantial part of the fuel mix used by the cement manufacturers in North. Furthermore, the company is also using biomass, such as rice husk, to further lower its production cost, resulting in higher margins for the company.

Market leader in white cement

MLCF is one of the few cement producers in Pakistan with a presence in the white cement market, commanding over 90% of the domestic market share. It is also the country's largest exporter of white cement. While, in FY24 white cement accounted for approximately 3.75% of MLCF's total sales, it is sold at a premium compared to grey cement, further enhancing its value contribution.

MLCF

Summary Data

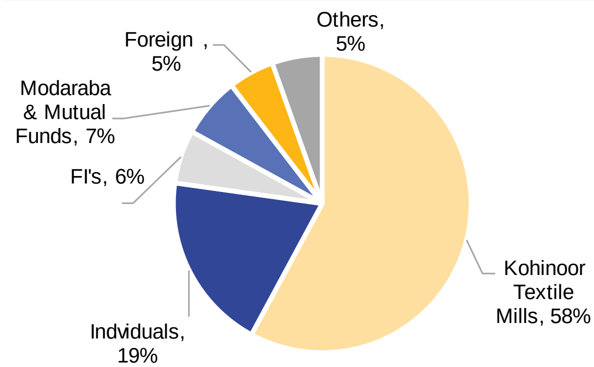
Target Price (Dec'25)	59.9
Last Closing	48.1
Total Return (%)	24.5
Shares (mn)	1,047.6
Free float (%)	45
Market Cap. (PKR mn)	50,388
Market Cap. (USD mn)	181

Recommendation **BUY**

Price Performance

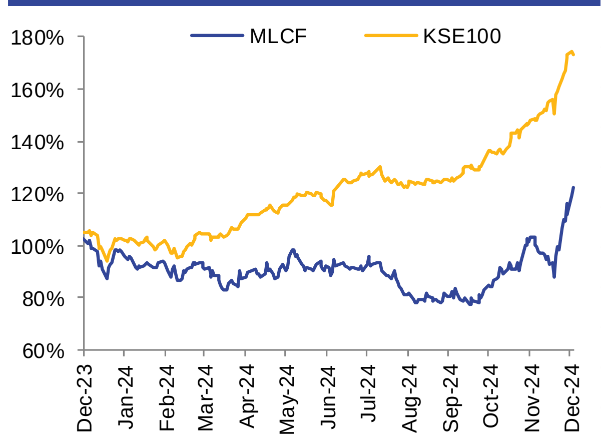
	3M	6M	12M
Return (%)	17.6	8.6	-5.6
Avg. Volume (000)	9,474	6,910	5,732
ADTV (mn) - PKR	372	266	221
ADTV (000) - USD	1,337	957	794
High Price - PKR	49.6	49.6	49.6
Low Price - PKR	32.2	32.2	32.2

Shareholding Pattern



Source: Company Financials, AHL Research

Relative Performance



Source: Bloomberg, AHL Research

Exhibit: Key Ratios				
		2024a	**2025e**	**2026f**
Earnings per share	PKR	6.6	7.2	9.0
Dividend per share	PKR	-	-	3.0
Book value per share	PKR	55.0	62.2	68.2
Price to Earning	x	5.8	6.7	5.4
Price to Book	x	0.7	0.8	0.7
Dividend Yield	%	-	-	6.2

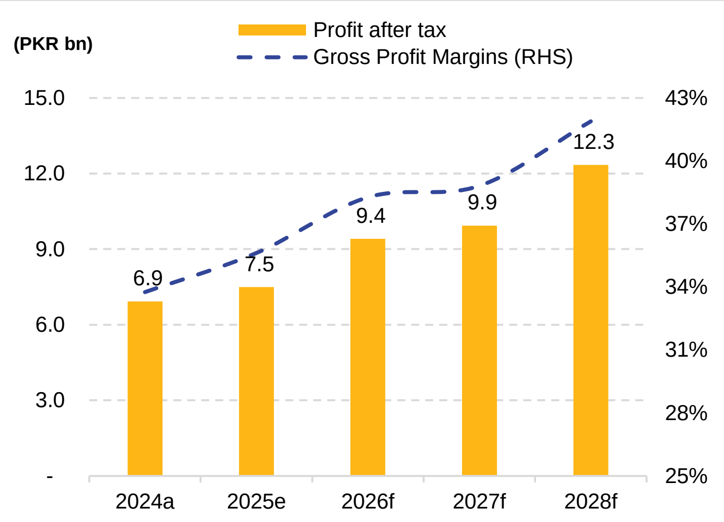
Source (s): Company Financials, AHL Research

Exhibit: Key Financial Highlights

PKR mn	**2024a**	**2025e**	**2026f**
Income Statement			
Net Sales	66,452	62,684	66,579
Gross Profit	22,430	22,327	25,480
Operating Profit	14,971	15,478	18,270
Finance Cost	3,535	1,960	1,207
Post Tax Profit	6,920	7,490	9,412
Balance Sheet			
Shareholder's Equity	57,644	65,134	71,404
Total Liabilities	42,700	32,547	24,304
Current Assets	27,375	27,494	28,402
Non-Current Assets	72,969	70,187	67,305
Total Assets	100,344	97,681	95,708

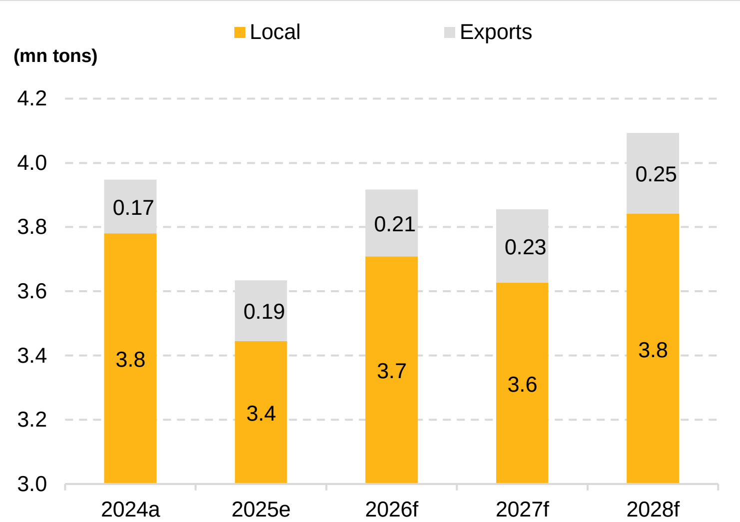
Source (s): Company Financial, AHL Research

Figure: Profitability and Gross Margins



Source (s): Company Financials, AHL Research

Figure: Cement dispatches



Source (s): Company Financials, AHL Research

Lucky Cement Limited (LUCK)

At the Summit

One of our picks in the AHL cement universe is Lucky Cement Limited (LUCK), which offers an total return of 15.6% from last closing to our Dec'25 SoTP based target price of PKR 1,360/share. The company's diverse portfolio is anticipated to serve as a safeguard against disruptions in cyclical operations, including those in the cement and automobile sectors.

Dominant Force in the Cement Sector

LUCK's 3.15mn tons brownfield expansion in the North, commissioned in FY23 and become the largest cement producer in the country, with a total capacity of 15.3mn tons. In FY24, the company's market share increased by 2.2%, reaching 18.7%. Additionally, LUCK boasts an extensive distribution network of over 200 dealers and distributors. It is also the only company in Pakistan with port silos, enabling the export of loose cement.

Strategic Investment in Energy Optimization

Following the successful completion of a 25 MW solar plant in 1QFY24, the company has added two more solar plants with capacities of 6.3 MW and 6.0 MW in Karachi and Pezu, respectively, bringing its total solar capacity to 74.3 MW. In addition, LUCK operates a 56 MW waste heat recovery plant. The company recently commissioned a 28.8 MW wind power project at its Karachi plant, which will reduce cost of production by ensuring that nearly 50% of its energy needs are met through renewables.

Multi-Sector Business Strategy

To diversify its revenue streams, LUCK has strategically invested across various sectors. The company's portfolio includes an automobile assembly venture for Kia and Peugeot vehicles, a mobile phone assembly plant in collaboration with Samsung, and a wind power plant. Additionally, LUCK has overseas cement operations in the Democratic Republic of Congo and Iraq. Furthermore, LUCK has presence in the energy sector through investment in 660MW coal power plant (LEPCL) that achieved CoD in Mar'22 and is currently operating at full capacity. Furthermore, LUCK invested PKR 1.0bn in National Resources Private Limited for copper and gold mining.

IPPs renegotiations might reduce profitability

Potential challenges could arise due to the government's renegotiation efforts with IPPs aimed at reducing the power tariff. We have prepared a sensitivity of the impact of reduction in the RoE component, this would also impact the SoTP valuation. Despite these potential setbacks, LUCK's diverse portfolio mix is expected to cushion the impact and mitigate significant downside risk.

Exhibit: Sensitivity Analysis

	RoE*	EPS (PKR)** FY25e	EPS (PKR)** FY26f	SoTP (PKR)^
Base case	13.6%	190.4	172.7	1,360
Case 1	16.3%	193.9	179.5	1,392
Case 2	19.0%	197.4	186.3	1,425
Case 3	21.8%	200.8	193.2	1,457
Case 4	27.2%	207.7	206.8	1,522

Source (s): AHL Research, *Coal-based power plant, **consolidated, ^Dec'25

LUCK

Summary Data

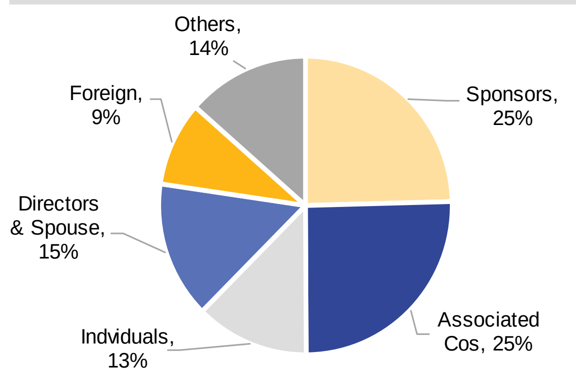
Target Price (Dec'25)	1,359.7
Last Closing	1,202.5
Total Return (%)	15.6
Shares (mn)	293.0
Free float (%)	30
Market Cap. (PKR mn)	352,344
Market Cap. (USD mn)	1,268

Recommendation BUY

Price Performance

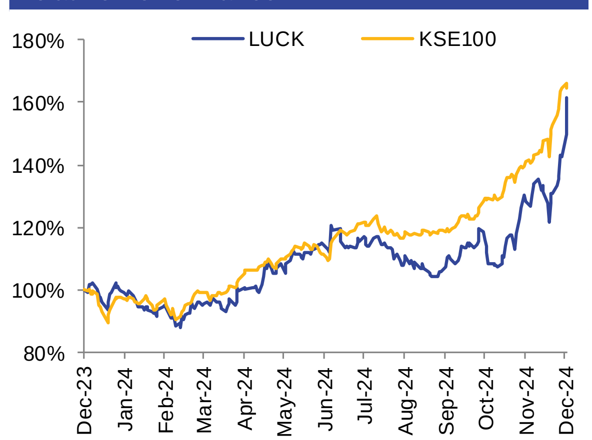
	3M	6M	12M
Return (%)	21.4	19.4	33.9
Avg. Volume (000)	295	212	231
ADTV (mn) - PKR	277	197	199
ADTV (000) - USD	998	708	713
High Price - PKR	1,167.1	1,167.1	1,167.1
Low Price - PKR	837.7	813.3	687.9

Shareholding Pattern



Source: Company Financials, AHL Research

Relative Performance



Source: Bloomberg, AHL Research

Profitability is expected to remain strong on unconsolidated basis: LUCK's bottom line is expected to maintain its growth, mainly due to expected rise in cement demand in FY26, supported by cost reduction initiatives taken by the company, and dividend from its subsidiary and associate companies.

Exhibit: Key Ratios*

		2024a	2025e	2026f
Earnings per share	PKR	95.9	113.2	127.8
Dividend per share	PKR	15.0	30.0	35.0
Book value per share	PKR	504.3	617.5	745.4
Price to Earning	x	9.5	10.6	9.4
Price to Book	x	1.8	1.9	1.6
Dividend Yield	%	1.7	2.5	2.9

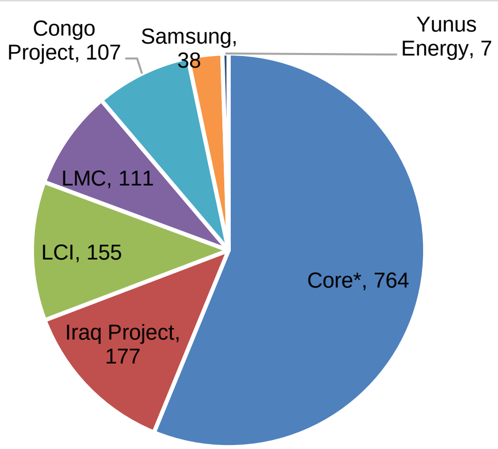
Source (s): Company Financials, AHL Research, *Unconsolidated

Exhibit: Key Financial Highlights*

PKR mn	2024a	2025e	2026f
Income Statement			
Net Sales	115,325	138,391	164,951
Gross Profit	38,805	49,057	56,925
Operating Profit	28,870	33,565	37,700
Finance Cost	1,581	1,438	692
Post Tax Profit	28,107	33,174	37,458
Balance Sheet			
Shareholder's Equity	147,761	180,935	218,394
Total Liabilities	86,257	85,670	88,913
Current Assets	68,452	105,870	151,471
Non-Current Assets	165,566	160,736	155,835
Total Assets	234,018	266,606	307,307

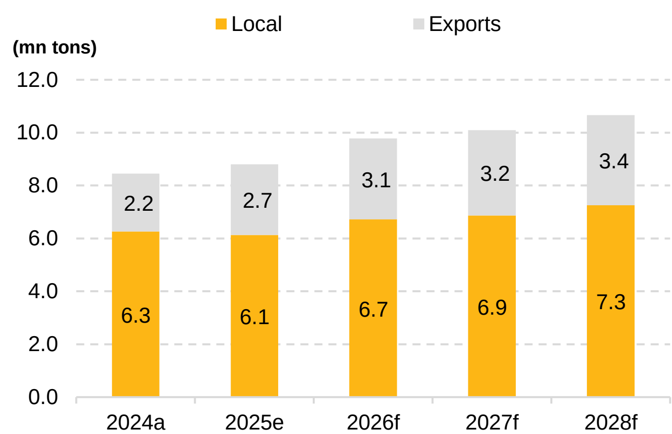
Source (s): Company Financial, AHL Research, *Unconsolidated

Figure: LUCK: SoTP Valuation (Dec'25)



Source (s): Company Financials, AHL Research, *Dividends from LEPCL included

Figure: Cement dispatches



Source (s): Company Financials, AHL Research

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec'25 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside of subject security(ies) is between 0% and +15% from last closing of market price(s)
SELL	Upside of subject security(ies) is less than 0% from last closing of market price(s)

* Upside for Power Generation Companies is upside plus dividend yield.

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- **Discounted Cash Flow (DCF)**
- **Dividend Discounted Model (DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

Risks

The following risks may potentially impact our valuations of subject security (ies);

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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Disclosure required under Research Analyst Regulations, 2015:

In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in MLCF and DGKC.