

KSE-100 Cement sector's profitability

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REP-300

1HFY26 Cement Sector Profits up by 5.9% YoY

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Pakistan Cement Sector

1HFY26: Sector (KSE100) profitability increased by 5.9% YoY

- The cement sector (KSE100) saw a 5.9% YoY increase in **profitability** during 1HFY26, reaching PKR 90.6bn, up from PKR 85.6bn in 1HFY25.
- Sector's Topline:** The sector's topline grew 6.0% YoY to PKR 484.9bn in 1HFY26, driven by higher total dispatches, which rose 9.5% YoY to 25.7mn tons from 23.5mn tons in 1HFY25.
- Sector Gross Margins:** Gross margins for the sector declined to 28.2% in 1HFY26 from 31.9% in 1HFY25, primarily due to lower retention prices and the unavailability of Afghan coal in the northern region.
- Other Income Performance:** Other income rose 5.6% YoY to PKR 19.2 bn, primarily driven by higher dividend income, largely from Lucky Cement.
- Finance Cost Trend:** Finance costs declined 45.1% YoY to PKR 15.4 bn, primarily due to lower interest rates. This reduction eased the sector's overall financial burden, supporting profitability despite margin pressures.
- Cement prices:** The prices averaged PKR 1,381 per bag in the North in 1HFY26, down 6.7% YoY, while in the South, prices rose 4.1% YoY to PKR 1,444 per bag. The increase in Southern prices was driven by higher retention prices, reflecting improved cost recovery and targeted margins, whereas the decline in Northern prices resulted from lower retention prices, pressured by weaker demand and competitive market conditions.
- Capacity utilization trend:** The cement sector's capacity utilization stood at 60.9% in 1HFY26, compared to 55.6% in 1HFY25. The improvement reflects stronger dispatch volumes during the period.
- Meanwhile, **international coal prices** declined by 20.9% YoY during 1HFY26 (average; USD 87/ton).

Exhibit: 1HFY26 Cement Sector Profits up by 5.9% YoY

	Unit	BWCL	CHCC	DGKC	FCCL	KOHC	LUCK*	MLCF*	PIOC	Sector
Income statement										
Net Revenue	PKR mn	55,368	19,706	40,590	47,353	20,744	247,086	35,419	18,678	484,943
Growth YoY	%	0%	-3%	10%	-1%	0%	10%	2%	11%	6%
Gross Profit	PKR mn	15,615	7,158	10,919	15,728	6,877	62,953	12,157	5,543	136,951
Growth YoY	%	-23%	-7%	29%	-6%	-22%	-3%	-3%	-9%	-6%
Other Income	PKR mn	264	813	2,190	366	2,653	11,931	796	259	19,272
Growth YoY	%	-63%	-7%	-2%	-6%	-13%	23%	-34%	203%	6%
Finance Cost	PKR mn	2,627	197	735	1,161	82	9,666	542	393	15,404
Growth YoY	%	-43%	-48%	-72%	-52%	-61%	-35%	-74%	-53%	-45%
PAT	PKR mn	11,095	4,110	5,855	7,317	5,560	48,031	5,846	2,874	90,688
Growth YoY	%	-3%	-20%	66%	1%	-19%	10%	15%	4%	6%
EPS [^]	PKR	18.6	21.2	13.4	3.0	17.3	30.5	5.6	12.7	
Ratio Analysis										
BVPS	PKR	219	188	254	36	58	292	76	215	
P/E	x	12.1	7.2	7.9	9.2	8.4	6.8	8.0	10.9	8.1
P/B	x	2.2	1.5	0.8	1.4	1.6	1.4	1.2	1.1	1.4
Gross Margins		28%	36%	27%	33%	33%	25%	34%	30%	28%
Net Margins		20%	21%	14%	15%	27%	19%	17%	15%	19%
ETR		34%	38%	35%	36%	35%	20%	35%	40%	28%

Source (s): PSX, AHL Research, *Consolidated, ^@current no. of shares



- **DGKC's earnings surged by 66% YoY to PKR 5.8bn in 1HFY26.**
- The improvement in profitability was driven by a 71% YoY reduction in finance costs, and 10% YoY increase in Net Revenue. Additionally, gross margins arrived at 26.9% YoY.



- **BWCL's profitability decreased by 3% YoY to PKR 11.0bn in 1HFY26.**
- The decline in profitability was driven by a 23% YoY reduction in gross profit and a 63% decrease in other income, despite a 43% reduction in finance costs and a 59% YoY rise in associate profits.



- **KOHC reported a 19% YoY decline in profitability for 1HFY26, reaching PKR 5.5 bn.**
- The decline in profitability was primarily driven by a 22% YoY reduction in gross profit. Additionally, gross margins contracted by 940 bps YoY.



- **CHCC reported a 20% YoY decline in earnings for 1HFY26, reaching PKR 4.1 bn.**
- The decline in earnings is driven by higher effective tax rate at 37.9% in 1HFY26 vs. 27.7% recorded in 1HFY25. Furthermore, gross margins reduced to 36.3% vs. 37.9% in 1HFY25.



- **FCCL's profitability remained largely flat in 1HFY26, amounting to PKR 7.3 bn.**
- The company's profit remained largely flat, as a 52% YoY decline in finance costs was offset by a 6% YoY reduction in gross profit and a 14% YoY increase in distribution expenses.



- **MLCF's consolidated earnings increased 15% YoY in 1HFY26, reaching PKR 5.8 bn.**
- The increase in profits was primarily driven by a 74% YoY reduction in finance costs, coupled with a 33% decline in distribution expenses.



- **PIOC's earnings increased by 3.6% YoY in 1HFY26, reaching PKR 2.87bn.**
- The increase in earnings is mainly due to 11% YoY increase in Net Revenue, 2.2x increase in Other Income and 53% YoY decline in finance costs to.

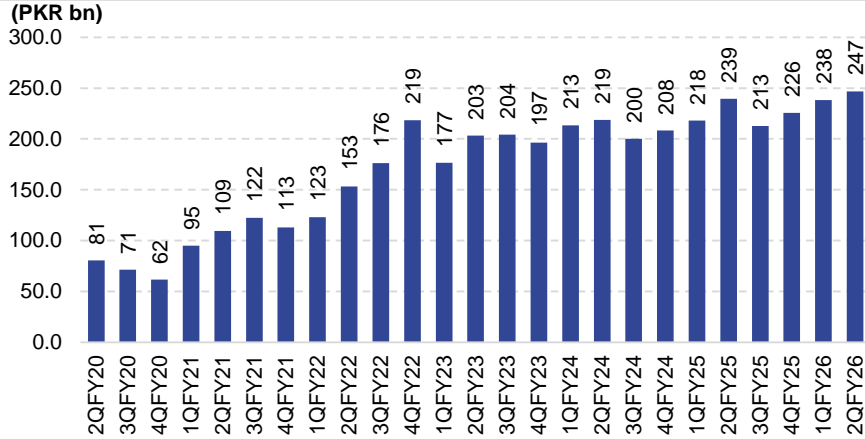


- **LUCK's unconsolidated profitability surged 67.9% YoY in 1HFY26, reaching PKR 23.2 bn.**
- The growth in profitability was mainly driven by a 5.3% YoY rise in Net Revenue and an 87% YoY increase in Other Income, boosted by higher dividends from subsidiaries.

Pakistan Cement Sector

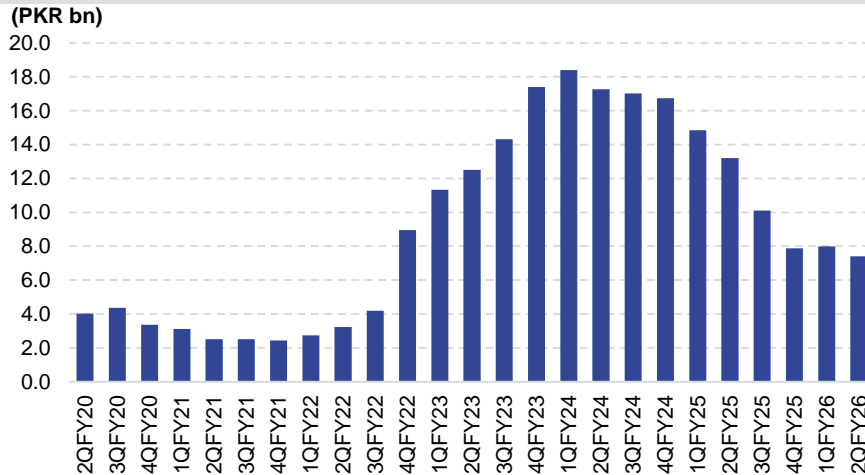
Cement Sector (KSE100) at a glance

Exhibit: Trend of sector's (KSE100) net sales



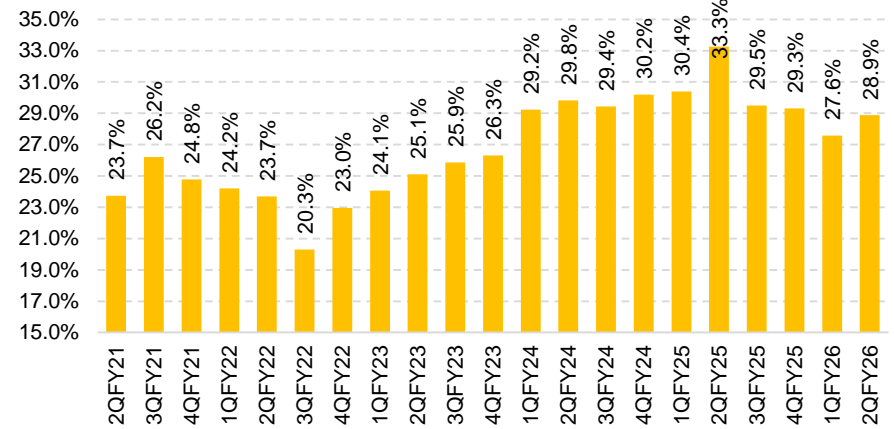
Source (s): Company Financials, AHL Research

Exhibit: Trend of sector's (KSE100) finance cost



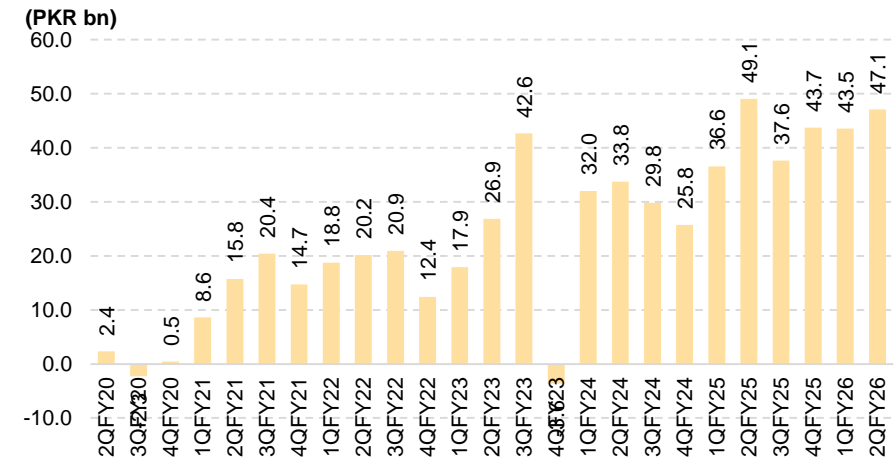
Source (s): Company Financials, AHL Research

Exhibit: Trend of sector's (KSE100) gross margins



Source (s): Company Financials, AHL Research

Exhibit: Trend of sector's (KSE100) profit after tax



Source (s): Company Financials, AHL Research

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

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- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
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