

Insight—Cement Sector Update

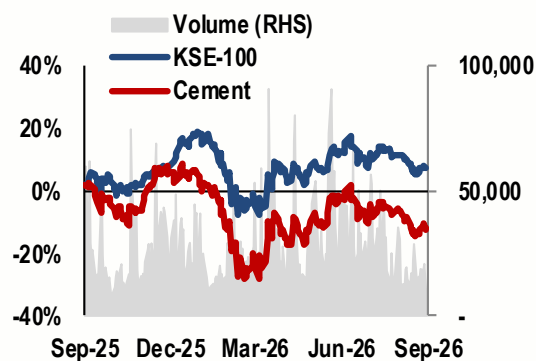
Sep'26 dispatches up 14%MoM / 6%YoY

› Total cement dispatches in Sep'26 were up ~14%MoM to 4.62Mn tons i.e. domestic sales and exports increased ~15% MoM and ~10%MoM, respectively. A significant increase in local sales was attributed to rising construction activities and Provincial Government infrastructure projects along with pickup in pending sales in the North Region; following Aug'26 decline due to rain devastation. However, re-escalation of US-Iran conflict has once again showed concerns as higher international coal prices are likely to put significant pressure on the cost of production; forcing domestic cement players (North-based cement players to suffer mostly) to increase retail prices—make the cement expensive; likely to reduce demand for construction activities. On the export front, increase in exports was mainly due to easing geo-political tensions during the last 2 weeks of Sep'26. Nevertheless, we anticipate some cost pressure on construction materials during 1HFY27 due to unfavorable inflationary outlook against the impact of recent energy crisis before normalizing during the 2HFY27. However, North based players remain concerned as exports were Nil for the 11th consecutive month due to the border closure with Afghanistan. We expect Nil exports from the North region during FY27.

› On a YoY basis, total sales surged ~6% in Sep'26. Wherein, local sales increased ~7%YoY mainly due to increase in construction activities on the back of FY27 favorable budgetary measures for the construction sector. However, exports remained flat compared to the SPLY.

› On a MoM basis, North and South based regions domestic sales increased by ~18%MoM and ~6%MoM, respectively. The significant increase in the North-based sales was the resultant effect of pick up in construction activities following delays during Aug'26 due to the impact of monsoon rains. Further, surge in the South-based domestic sales was largely attributed to increase in the Provincial Government infrastructure project activities along with rise in the housing construction demand. Moreover, export sales in the North region were Nil in Sep'26; mainly due to suspension of trading activities with Afghanistan. While, South-based exports increased ~10%MoM in Sep'26

12 Month Relative Performance of Cement



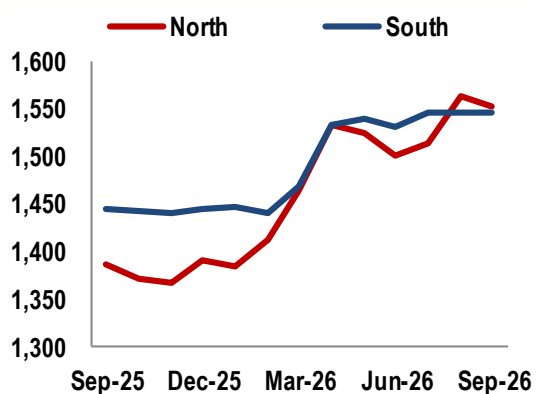
Source: PSX and TSL Research

Coal Prices (USD/Ton) – CY26 TD



Source: Bloomberg & TSL Research

12-Month Region-wise Cement Prices/bag



Source: PBS & TSL Research

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due to reducing tensions in the Middle-East during the last two weeks of the month. On a YoY basis, North and South based local sales were up ~5% and ~23% in Sep'26, respectively. On the export front, North-based exports were Nil, reflecting suspension of exports to Afghanistan. Whereas, South based export sales robustly increased by 36%YoY in Sep'26. During 1QFY26, North and South based local sales were up ~7%YoY and 13%YoY, respectively. Whereas, South based exports went up by 19% in 1QFY27 – Overall total domestic sales increased ~8%YoY while exports declined ~11%YoY in 1QFY27.

- › Elsewhere, average retail prices in the North are currently ~PKR 1,586/bag as of October 01, 2026, up ~15% over the SPLY. Whereas, average prices in the South recorded an increase of ~7%YoY, currently hovering at PKR 1,547/bag as of October 01, 2026. Moreover, Richard Bay coal prices were up ~48%YoY, arriving at USD 127.85/ton as of September 30, 2026 compared to USD 86.40/ton in the SPLY. In PKR terms, international coal prices are currently hovering at ~PKR 44-46K/ton.

Outlook

- › Moving forward, we expect slight uptick in domestic demand during FY27 (despite significant increase in the international coal prices along with an elevated inflation outlook); supported by the favorable budgetary measures i.e. i) Allocated PKR 16.4Bn (up 22%YoY) housing loan under the Federal PSDP (PKR 1Trn) FY27 program; ii) Accelerating "Apna Ghar program" to boost construction activity – PKR 71Bn allocated under Budget FY27; and iii) Super Tax reduced to 8% on earnings exceeding PKR 500Mn.
- › On the export front, we expect sales to remain subdued both for the North and South based players until the first half of FY27. Where, North based exports are likely to remain Nil due to the border closure with Afghanistan (zero exports for the 11th consecutive month). On the South front, exports are likely to recover from 2HFY27 on account of resetting geo-political stability i.e. expecting a permanent ceasefire between the US & Iran and back to normal traffic in the Strait of Hormuz.
- › Finally, we highlight LUCK, DGKC, FCCL and MLCF as our top picks.

Company-wise updates

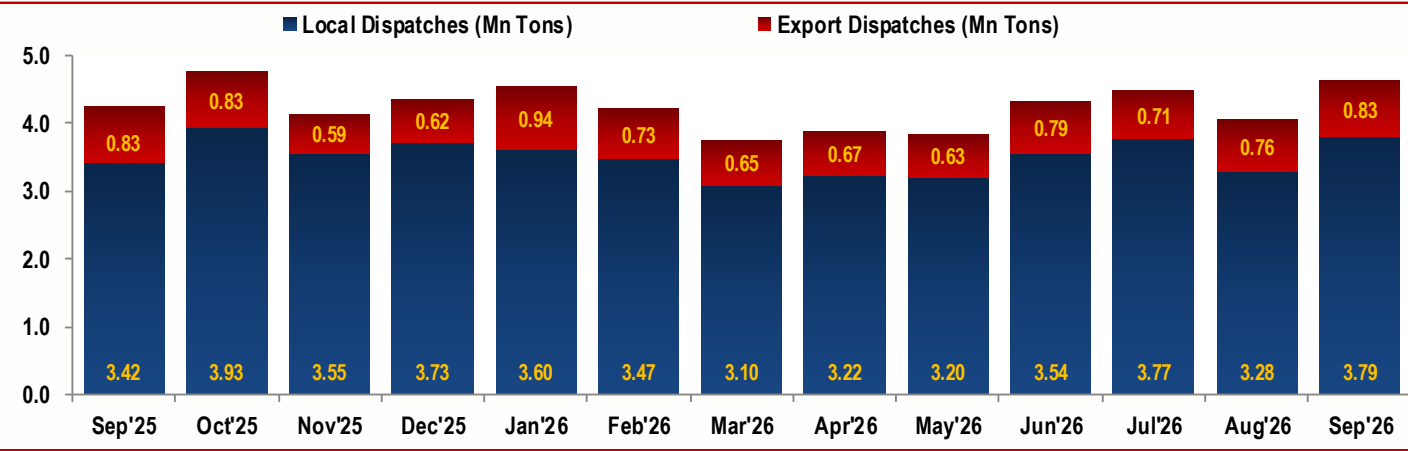
- › **DGKC:** The Company has signed an agreement with EBR Energy Pakistan (Pvt.) Ltd, Sungrow Power Supply Co. Ltd and China & Pragmatic Engineering Solutions FZE for the supply and installation of 25MW PV Solar Power Plant and 10MWh BESS at its Mauza Khofli Sattai Plant. The project is likely to commence by Mar'27.
- › **FCCL & ACPL:** The Board of Directors has approved to install 50MWh BESS Energy and 10MW Solar power projects (25MWh BESS and 5MW Solar power each in Nizampur and Jhang Bahtar Plants). The projects will be completed and commence in 10 months. Similarly, ACPL has also approved the installation of 20MWh BESS Energy along with 5MW Solar power plant.
- › **CHCC:** CHCC has submitted its intention to acquire at least 30% (33,177,164 shares) shareholding in NICL (Nimir Industrial Chemicals Limited) through Share Purchase Agreement (SPA).

Region-wise Cement Dispatches during Sep'26

Mn'Tons	Sep'26	Aug'26	MoM	Sep'25	YoY	1QFY27	1QFY26	YoY
North	3.16	2.69	18%	3.24	-2%	8.95	9.04	-1%
Local	3.16	2.69	18%	3.02	5%	8.95	8.38	7%
Exports	NIL	0.00	N/M	0.22	N/M	NIL	0.66	N/M
South	1.46	1.35	8%	1.12	30%	4.20	3.61	16%
Local	0.62	0.59	6%	0.51	23%	1.90	1.69	13%
Exports	0.83	0.76	10%	0.61	36%	2.30	1.93	19%
Total Local	3.79	3.28	15%	3.53	7%	10.85	10.06	8%
Total Exports	0.83	0.76	10%	0.83	0%	2.30	2.59	-11%
Total Dispatches	4.62	4.04	14%	4.36	6%	13.14	12.65	4%

Source: APCMA, The News & TSL Research

12-Month Cement Dispatches Trend



Source: APCMA, The News & TSL Research

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Valuation Methodology

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

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: <https://jamapunji.pk/>

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/BVPS	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	JPB	Justified Price to Book