PAKISTAN CEMENTS

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REP-019

MARKET VISTA

1QFY27 Result Preview: Earnings to rise on offtakes growth and higher prices

- **AKD Cement Universe profitability is projected to increase in 1QFY27, primarily driven by higher offtakes and increased retention prices.**
- **MLCF, DGKC & PIOC profitability is expected to incline as companies pass-on cost pressure, with additional support from higher offtakes, while FCCL's earning growth is projected on gross margin expansion and lower finance cost.**
- **CHCC & KOHC profitability is expected to decline due to lower offtakes, whereas, LUCK profitability drop is attributable to higher opex and taxation.**
- **We maintain our 'Overweight' stance on cement sector with LUCK, FCCL and DGKC as our preferred picks.**

Earnings to rise in 1QFY27: We expect AKD Cement Universe profitability to increase by 2%YoY to PkR29.6bn in 1QFY27 from PkR29.1bn in SPLY, primarily driven by higher offtakes and increased retention prices. We project revenue to increase by 15%YoY to PkR141bn, mainly on the back of 2%YoY growth in offtakes along with 10%YoY increase in cement prices. Gross margins are projected to rise by 60bps YoY to 33.5% from 32.9% in the SPLY, mainly due to a higher proportion of local offtakes and higher retention prices offsetting the impact of increased coal prices and transportation cost.

MLCF, FCCL, DGKC & PIOC earnings to increase: We expect earnings for MLCF, FCCL, DGKC & PIOC to increase by 14%/42%/16%/48% to PkR3.0/1.9/5.7/8.3 per share, respectively. The said profitability growth is primarily led by offtakes growth and higher retention prices as companies pass-on cost pressures. Wherein, MLCF, DGKC, and PIOC offtakes have increased by 2%/19%/7%YoY, respectively, while FCCL offtakes dropped by 3%YoY amid absence of exports. Meanwhile, MLCF's earning growth would be primarily due to inclusion of PIOC, though partially offset by increased finance cost over higher borrowing for aforesaid acquisition.

LUCK, CHCC & KOHC earnings to lag: We expect LUCK, CHCC & KOHC earnings to decline during the first quarter by 3%/13%/2%YoY to EPS of PkR9.6/9.4/3.1, respectively. Wherein, LUCK's earning decline is attributable to higher opex and taxation which outweighed offtakes growth and higher other income. CHCC's drop is led by margins attrition to 31.5% from 36.3%, mainly due to absence of exports and higher coal prices amid absence of Afghan coal. Furthermore, KOHC's earnings decline is projected on the back of 44%YoY drop in other income led by negative return on equities.

Notably, LUCK's consolidated profitability is expected to decline by 4%YoY to PkR22.5bn (EPS: PkR14.4) from PkR23.6bn (EPS: PkR15.0) in SPLY, primarily attributable to lower profitability of auto segment, i.e., LMC.

Investment Perspective: We project local cement offtakes to grow by ~8%YoY in FY27, driven by availability of cheaper financing under government schemes, improving income levels, favorable fiscal policy, and ease in construction cost following the potential de escalation of Middle East tensions. In addition, sector's price pass-on ability amid strong demand would support sector margins going forward. However, prolonged ME conflict, and spiked oil and coal prices remain key risks to our demand and margin outlook. We maintain an 'Overweight' stance on the sector, supported by i) demand recovery, ii) stability in gross margins, and iii) reduction in debt levels. Our top picks are LUCK, FCCL, and DGKC, with Dec'26 target prices of PkR735/sh, PkR88/sh and PkR389/sh, respectively.

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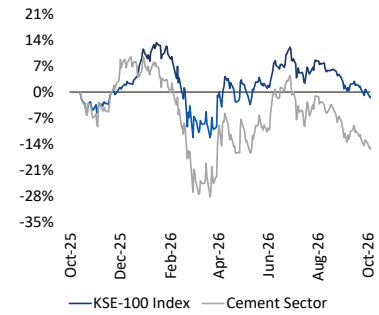
Cement Earnings Preview—1QFY27

EPS (PkR)	1QFY27	YoY	QoQ
LUCK	9.6	-3%	43%
LUCK*	14.4	-4%	-17%
MLCF*	3.0	14%	-38%
FCCL	1.9	42%	-14%
DGKC	5.7	16%	-19%
CHCC	9.4	-13%	5%
PIOC	8.3	48%	-14%
KOHC	3.1	-2%	-12%

*Consolidated

Source: PSX & AKD Research

Cement Sector vs. KSE100 Index



Source: PSX & AKD Research

AKD Securities Limited

AKD Cement Universe profitability to increase by 2%YoY in 1QFY27

AKD Cement Universe Earnings snapshot

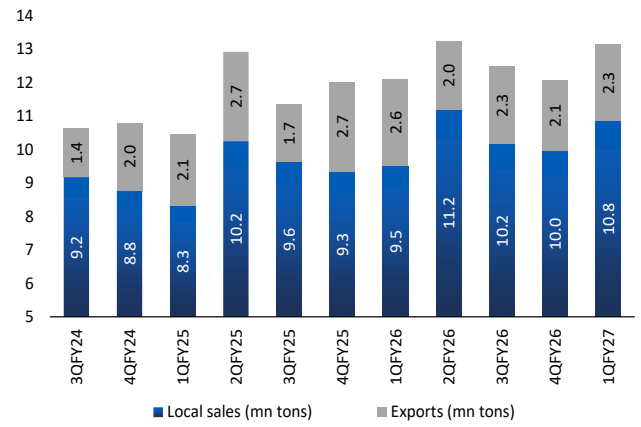
(PkRmn)	1QFY27E	1QFY26	YoY	4QFY26	QoQ
Sales	141,161	122,561	15%	125,147	13%
COGS	93,942	82,274	14%	79,598	18%
Gross Profit	47,219	40,287	17%	45,550	4%
Gross Margins	33.5%	32.9%		36.4%	
Opex	8,053	7,442	8%	8,984	-10%
Other Income	12,569	13,163	-5%	11,146	13%
Finance Cost	5,178	2,563	2x	3,762	38%
PBT	43,038	42,057	2%	39,661	9%
Taxation	13,481	12,954	4%	10,749	25%
ETR	31.3%	30.8%		27.1%	
NPAT	29,557	29,103	2%	28,912	2%

Company-wise EPS and DPS

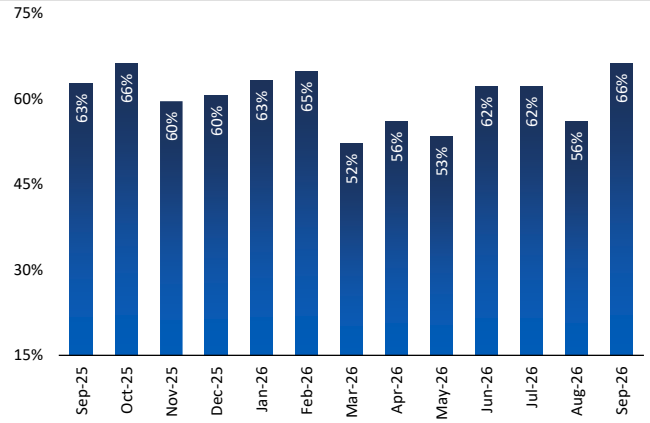
EPS (PkR)	1QFY27E	1QFY26	YoY	4QFY26	QoQ	DPS—1QFY27
LUCK	9.6	10.0	-3%	6.8	43%	-
LUCK*	14.4	15.0	-4%	17.3	-17%	-
MLCF*	3.0	2.6	14%	4.8	-38%	-
FCCL	1.9	1.3	42%	2.2	-14%	-
DGKC	5.7	4.9	16%	7.0	-19%	-
CHCC	9.4	10.8	-13%	8.9	5%	-
PIOC	8.3	5.6	48%	9.7	-14%	-
KOHC	3.1	3.2	-2%	3.6	-12%	-

*Consolidated

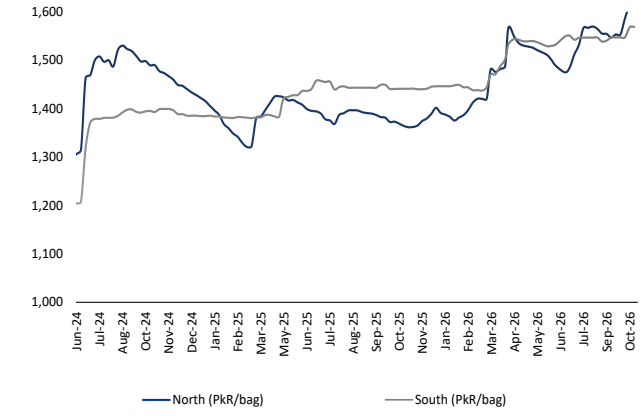
Total offtakes increased by 2%YoY in 1QFY27



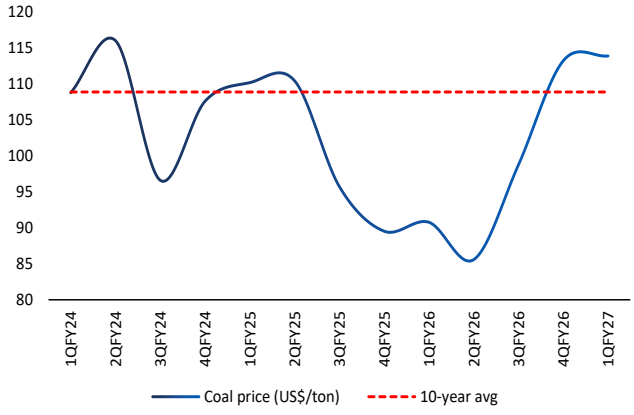
...leading to increase in utilization



Cement prices are on an increasing trend



...supporting the margins against increased coal prices



Source: PSX, PBS, Bloomberg, APCMA & AKD Research

Company-wise cement offtakes

mn tons	1QFY27	1QFY26	YoY	4QFY26	QoQ
LUCK					
Domestic	1.74	1.61	8%	1.61	8%
Exports	0.78	0.81	-4%	0.85	-9%
Total	**2.52**	**2.42**	**4%**	**2.46**	**2%**
MLCF					
Domestic	1.02	0.95	8%	0.95	7%
Exports	0.00	0.05	-100%	0.00	n.m
Total	**1.02**	**1.00**	**2%**	**0.95**	**7%**
FCCL					
Domestic	1.45	1.24	17%	1.36	7%
Exports	0.00	0.27	-100%	0.00	n.m
Total	**1.45**	**1.50**	**-3%**	**1.36**	**7%**
DGKC					
Domestic	0.96	0.86	11%	0.86	12%
Exports	0.65	0.49	34%	0.39	68%
Total	**1.61**	**1.35**	**19%**	**1.25**	**29%**
CHCC					
Domestic	0.58	0.54	7%	0.53	11%
Exports	0.00	0.16	-100%	0.00	n.m
Total	**0.58**	**0.70**	**-17%**	**0.53**	**11%**
PIOC					
Domestic	0.59	0.55	7%	0.57	3%
Exports	0.00	0.00	n.m	0.00	n.m
Total	**0.59**	**0.55**	**7%**	**0.57**	**3%**
KOHC					
Domestic	0.68	0.65	4%	0.58	17%
Exports	0.00	0.05	-100%	0.00	n.m
Total	**0.68**	**0.70**	**-3%**	**0.58**	**17%**
ACPL					
Domestic	0.41	0.34	23%	0.33	26%
Exports	0.42	0.49	-15%	0.54	-22%
Total	**0.84**	**0.83**	**1%**	**0.87**	**-4%**
POWER					
Domestic	0.37	0.36	2%	0.30	23%
Exports	0.44	0.23	94%	0.32	41%
Total	**0.81**	**0.59**	**38%**	**0.61**	**32%**
BWCL					
Domestic	1.87	1.66	12%	1.60	17%
Exports	0.00	0.04	-100%	0.00	n.m
Total	**1.87**	**1.70**	**10%**	**1.60**	**17%**
DCL					
Domestic	0.33	0.29	14%	0.30	9%
Exports	0.00	0.00	n.m	0.00	n.m
Total	**0.33**	**0.29**	**14%**	**0.30**	**9%**
FECTC					
Domestic	0.24	0.24	-1%	0.19	27%
Exports	0.00	0.00	-100%	0.00	n.m
Total	**0.24**	**0.24**	**-2%**	**0.19**	**27%**
GWLC					
Domestic	0.22	0.32	-31%	0.35	-37%
Exports	0.00	0.00	n.m	0.00	n.m
Total	**0.22**	**0.32**	**-31%**	**0.35**	**-37%**

Source: APCMA & AKD Research

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- 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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