November 3, 2026

REP-019

MARKET VISTA

PAKISTAN CEMENT

Offtakes hit 5-year October high led by rise in local offtakes

- **Cement offtakes slightly increased by 0.4%YoY during Oct'26 against a high base, supported by rising local sales amid recovering construction activity.**
- **We expect sector's gross margins to remain largely stable, as rise in cement prices is anticipated to outweigh the impact of increasing input cost.**
- **We project local cement offtakes to continue growth momentum in FY27, driven by availability of cheaper financing, improving income levels and favorable fiscal policy.**
- **Our top picks are LUCK, FCCL, and DGKC, with Dec'26 target prices of PkR735/sh, PkR88/sh and PkR389/sh, respectively.**

Oct'26 offtakes remained flat YoY: Cement offtakes slightly increased by 0.4%YoY at 4.8mn tons during Oct'26 (highest October in five years), as 1%YoY growth in local sales was largely offset by a 4%YoY decline in exports. Local sales grew 1%YoY to 4.0mn tons, the highest since Jun'22, as growth moderated against an elevated SPLY base, when local sales had surged 15%YoY on post-flood reconstruction demand. Regionally, North domestic dispatches were flat YoY at 3.4mn tons, while South domestic sales rose 7%YoY to 0.6mn tons, supported by steady construction activity in the region. Exports declined 4%YoY to 0.8mn tons, as 12%YoY growth in South exports to 0.8mn tons on sustained sea-borne demand was outweighed by absence of North exports (0.1mn tons in SPLY) amid the continued Afghan border closure. On a sequential basis, offtakes rose 4%MoM (local: +7%MoM; exports: -8% MoM) as construction activity continued to normalize after the monsoon-related disruptions in Aug'26, with North daily local dispatches rising to ~110k tons/day from ~105k in Sep'26.

On a cumulative basis, 4MFY27 offtakes grew 3%YoY to 18.0mn tons, with local dispatches up 6%YoY to 14.9mn tons (North: +5%YoY to 12.3mn tons; South: +11%YoY to 2.5mn tons). Exports declined 10%YoY to 3.1mn tons, as the Afghan border closure wiped out North exports (0.8mn tons in 4MFY26), more than offsetting a 17%YoY rise in South exports to 3.1mn tons.

Utilization flat YoY on regional divergence: Industry-wide utilization stood at 67% in Oct'26, flat YoY and up 0.5ppts MoM from 66% in Sep'26. Regionally, North utilization stood at 60%, though it was down 1.9ppts YoY on the absence of exports. South utilization stood at 93%, up 6.9ppts YoY on higher exports and local sales.

Rising cement prices to outweigh cost pressures: We expect sector's margins to remain largely stable, as 12% (PkR167/bag) rise in avg. cement prices since ME War is expected to largely offset the impact of increasing coal and fuel prices. The aforesaid increase in prices resulted in gross margins expansions to 35.1% in 3Q despite elevated coal prices, leading to 17%YoY growth in sector's profitability. We expect margins to slightly normalize in next quarters as cheaper coal inventory depletes, though we expect annual margins to remain largely stable due to sectors pass-on ability.

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, prolongation of the 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.

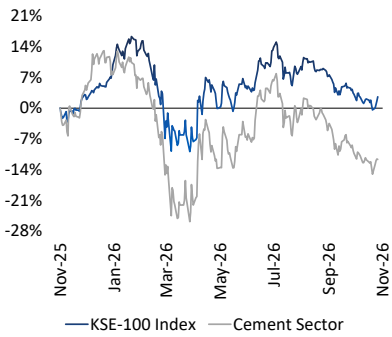
Usama Rauf
usama.rauf@akdsl.com
+92-21-111-253-111 Ext: 634

Cement dispatches in Oct'26

(mn tons)	Oct-26	YoY	MoM	4MFY27	YoY
North Domestic	3.4	0%	7%	12.3	5%
South Domestic	0.6	7%	3%	2.5	11%
Total Domestic	**4.0**	**1%**	**7%**	**14.9**	**6%**
North Exports	0.0	-100%	n.m.	0.0	-100%
South Exports	0.8	12%	-8%	3.1	17%
Total Exports	**0.8**	**-4%**	**-8%**	**3.1**	**-10%**
Total Sales	**4.8**	**0%**	**4%**	**18.0**	**3%**

Source: APCMA & AKD Research

Cement Sector vs. KSE100 Index

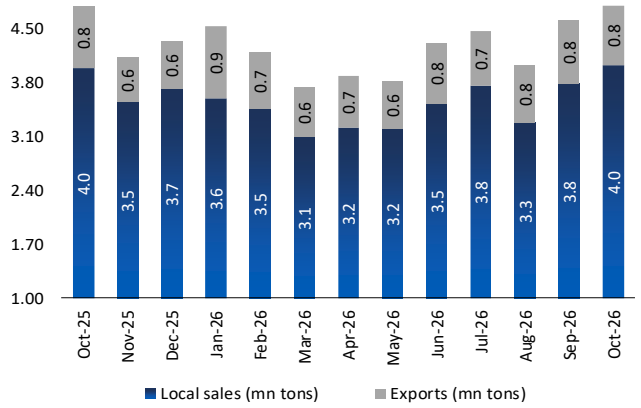


Source: PSX & AKD Research

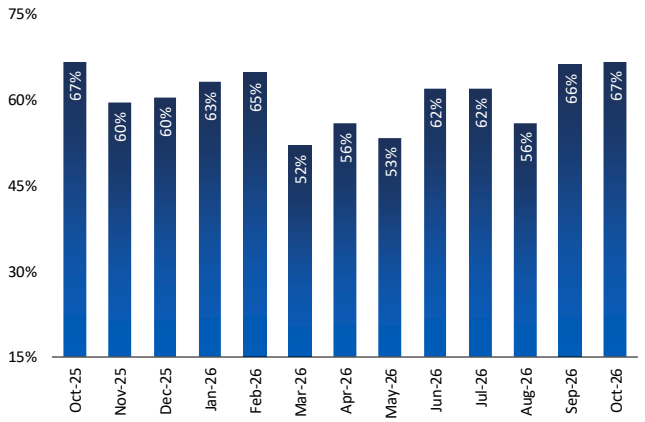
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Robust demand sustains capacity utilization

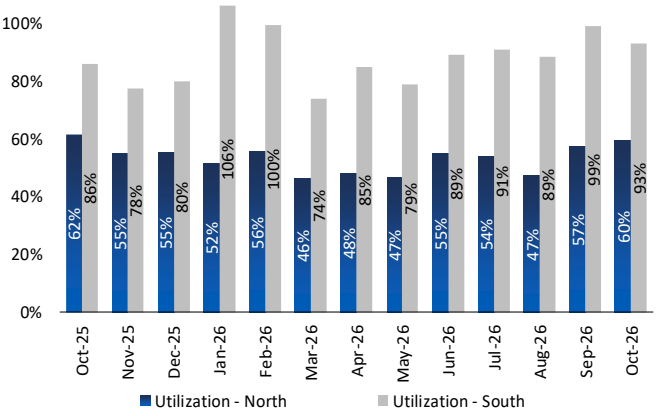
Cement offtakes remained flat YoY in Oct'26



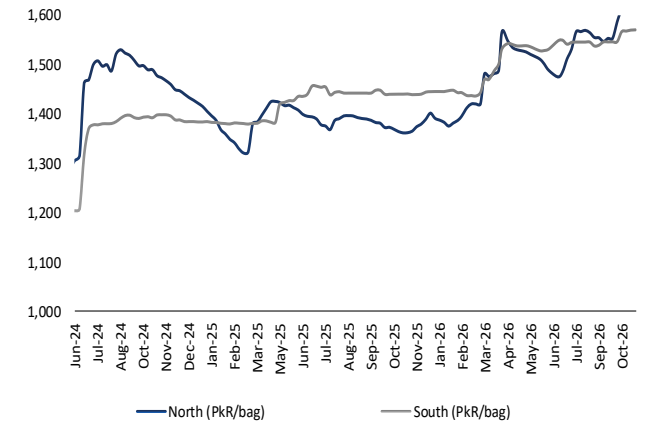
...consequently utilization also remaining flat YoY



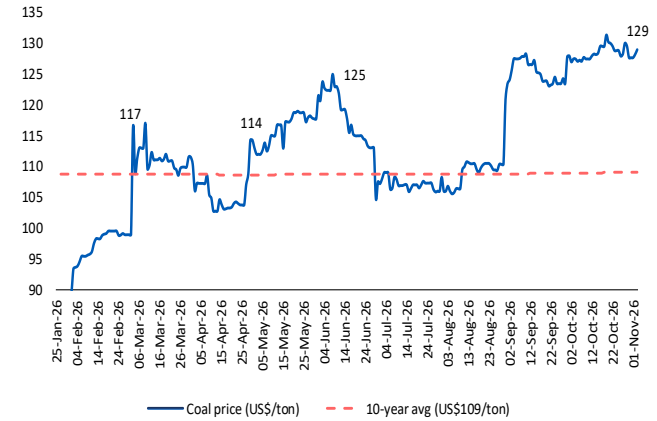
South utilization improves by 6.9ppts YoY



...Prices continue their upward momentum...



...to support margins ahead of increased coal prices



LUCK remains the least sensitive to coal prices

(ton)		Base @ US$85	@US$100/	@US$110/	@US$120/
LUCK	EPS FY27	71.9	69.8	68.3	66.9
	% Change		-3.0%	-5.0%	-7.0%
MLCF	EPS FY27	12.2	10.9	10.1	9.4
	% Change		-11.0%	-17.0%	-22.9%
FCCL	EPS FY27	7.7	7.0	6.6	6.1
	% Change		-8.9%	-14.8%	-20.6%
DGKC	EPS FY27	29.2	24.8	22.3	19.7
	% Change		-15.0%	-23.7%	-32.3%
CHCC	EPS FY27	51.6	47.3	44.5	41.7
	% Change		-8.3%	-13.8%	-19.2%
PIOC	EPS FY27	30.3	26.2	24.0	21.9
	% Change		-13.3%	-20.6%	-27.7%
KOHC	EPS FY27	14.3	13.2	12.6	12.0
	% Change		-7.3%	-11.5%	-15.7%

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

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NEUTRAL > 0% to < 15% expected total return

SELL < 0% expected total return

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AKD Securities Limited

602, Continental Trade Centre,
Clifton Block 8, Karachi, Pakistan.
research@akdsl.com