

## Pakistan Cements

### 3QFY25 Previews: Profitability to increase by 36% YoY

We expect ISL cement universe to post a PAT of ~PKR10.6bn in 3QFY25 increasing by 36% YoY amid higher offtakes and lower finance cost. While on QoQ, profitability is expected to decline by 21%, mainly due to decline in offtakes and lower retention price for north based players. Revenue is anticipated to increase by 7% YoY due to higher volumetric sales and retention price. While on QoQ, same is expected to decline by 16% due to lower retention price and volumetric sales. Gross margins are expected to clock in at 30% in 3QFY25 vs. 28% in 3QFY24 and 34% in 2QFY25. Finance cost is expected to decline by 46% YoY on account of decline in interest rates and debt levels. To note, in previous quarter cement companies took advantage of cheaper loans amid ADR pressure on banking sector. However, we have assumed normalization of short term borrowing this quarter resulting in decline in other income (↓20%) and finance cost (↓43%). On company specific basis, we expect LUCK/DGKC/MLCF/FCCL/PIOC/ACPL to post EPS of PKR22.1/3.6/2.2/1.1/ 5.8 /4.0 in 3QFY25, respectively.

During the quarter, local cement dispatches increased by 2% YoY, while on QoQ same is down by 6% due to winter and Ramadan effect. Similarly, cement exports surged by 19% YoY to clock in at 1.7mn tons. To note, capacity utilization of the sector clocked in at 52% in 3QFY25 vs 50% in SPLY.

In 3QFY25, northern cement players used blend of Afghan coal and local coal. While in south, cement players mostly relied on Richard Bay coal. To note, RB coal prices averaged at US\$97/ton in 3QFY25 vs. US\$100/ton in SPLY.

#### LUCK: 3QFY25 EPS to clock in at PKR22.1

We expect LUCK to post an unconsolidated PAT of PKR6.5bn (EPS: PKR22.1) in 3QFY25, up by 31% YoY. Revenue is anticipated to increase by 10% YoY due to higher retention prices and volumetric sales. On QoQ basis, same is expected to decline by 12%, attributable to lower volumetric sales. Gross margins are likely to increase by ~469bps YoY on account of better energy mix and decline in coal prices. Other income is expected to increase by 26%/2% YoY/QoQ due to higher short term investments. Finance cost is expected to decline by 15%/29% YoY/QoQ attributable to

#### EPS - Quarterly Summary

PKR/sh	3QFY25E	3QFY24	2QFY25	YoY	QoQ
LUCK	22.1	16.9	24.8	31%	-11%
LUCK*	70.3	53.2	73.2	32%	-4%
DGKC	3.6	2.7	6.2	33%	-42%
MLCF*	2.2	1.4	3.6	52%	-39%
FCCL	1.1	0.7	1.6	51%	-33%
PIOC	5.8	5.3	7.7	9%	-25%
ACPL	4.0	1.3	4.2	207%	-6%

\*consolidated

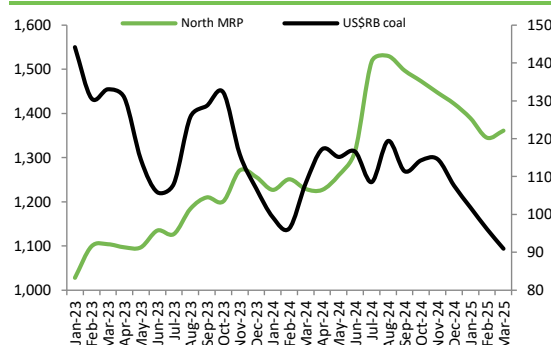
Source: Company accounts, Insight Research

#### Cement offtakes - Quarterly Summary

Dispatches	3QFY25	3QFY24	2QFY25	YoY	QoQ
<b>Local</b>	<b>9.34</b>	<b>9.17</b>	<b>9.99</b>	<b>2%</b>	<b>-6%</b>
North	7.61	7.47	8.33	2%	-9%
South	1.73	1.71	1.66	1%	4%
<b>Export</b>	<b>1.72</b>	<b>1.45</b>	<b>2.66</b>	<b>19%</b>	<b>-35%</b>
North	0.13	0.27	0.48	-52%	-73%
South	1.59	1.18	2.18	35%	-27%
<b>Grand Total</b>	<b>11.06</b>	<b>10.62</b>	<b>12.65</b>	<b>4%</b>	<b>-13%</b>

Source: APCMA, Insight Research

#### Cement Price vs US\$RB Coal



Source: PBS, Barchart, Insight Research

#### LUCK - Quarterly Summary

Financials (PKRmn)	3QFY25E	3QFY24	2QFY25	YoY	QoQ
Net Sales	30,357	27,523	34,498	10%	-12%
Cost of Sales	20,182	19,591	22,334	3%	-10%
<b>Gross Profit</b>	<b>10,174</b>	<b>7,932</b>	<b>12,164</b>	<b>28%</b>	<b>-16%</b>
<b>G.M</b>	<b>34%</b>	<b>29%</b>	<b>35%</b>		
Admin Expense	503	547	611	-8%	-18%
Distribution Cost	2,266	1,899	2,556	19%	-11%
Other income	3,622	2,869	3,541	26%	2%
Finance costs	332	389	467	-15%	-29%
<b>PBT</b>	<b>9,917</b>	<b>7,177</b>	<b>11,285</b>	<b>38%</b>	<b>-12%</b>
Taxation	3,429	2,238	4,007	53%	-14%
<b>PAT</b>	<b>6,488</b>	<b>4,938</b>	<b>7,278</b>	<b>31%</b>	<b>-11%</b>
<b>EPS</b>	<b>22.1</b>	<b>16.9</b>	<b>24.8</b>		

Source: Company account, Insight Research

## REP-147

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decline in interest rates and debt level. Moreover, ETR is likely to clock in at ~35% vs. ~36% in SPLY. On consolidated level, EPS is expected to clock in at PKR70.3/sh increasing by 32% YoY, attributable to higher profit from cement, pharmaceutical and auto & mobile segments.

### DGKC: 3QFY25 EPS to clock in at PKR3.6

We expect DGKC to post an unconsolidated PAT of PKR1.6bn (EPS: PKR3.6) in 3QFY25, up by 34% YoY. Revenue is likely to increase by 23% YoY attributable to higher volumetric sales and retention prices. While on QoQ, same is down by 19% due to lower offtakes (↓12%) and retention prices (↓7%). Gross margins are expected to decline by ~593bps YoY, due to higher clinker sales. Finance cost is estimated to decline by 51%/9% YoY/QoQ attributable to decline in interest rates coupled with lower debt levels. To note, ETR is expected to clock in at 30% in 3QFY25.

### MLCF: 3QFY25 EPS to clock in at PKR2.2

In 3QFY25, we expect MLCF to post consolidated PAT of PKR2.3bn (EPS: PKR2.2), increasing by 52% YoY. Revenue is expected to increase by 4% YoY due to higher cement offtakes. While on QoQ, same is expected to decline by 13% due to lower volumes (↓10%) and retention price (↓3%). Gross margins is expected to increase by ~516bps YoY amid lower fuel cost supported by decline in coal prices and reliance on cheaper fuel mix, while on QoQ, same is expected to decline by ~471bps driven by lower retention price. Finance cost is likely to clock in at PKR0.4bn down by 46%/68% YoY/QoQ due to decline in interest rates and debt levels. To note, ETR for the quarter is likely to clock in at 38% vs. 35% SPLY.

### FCCL: 3QFY25 EPS to clock in at PKR1.1

In 2QFY25, we expect FCCL to post PAT of PKR2.7bn (EPS: PKR1.1), up by 51% YoY. While on QoQ, same is expected to decline by 33%. Revenue is expected to decrease by 24% QoQ due to lower volumetric sales (↓20%) and retention price (↓4%). Gross margins are likely to increase by 446bps YoY in 3QFY25 due to decline in coal prices and reliance on optimal energy mix. While on QoQ, same is expected to decline by 321bps on lower retention price. Finance cost is expected to decline by 43%/30% YoY/QoQ. To note, ETR for the quarter is likely to clock in at 39% vs. 33% in SPLY.

#### DGKC (PKRmn) - Quarterly Summary

Financials (PKRmn)	3QFY25E	3QFY24	2QFY25	YoY	QoQ
Sales	17,607	14,266	21,690	23%	-19%
Cost of Sales	14,155	10,623	16,239	33%	-13%
<b>Gross Profit</b>	<b>3,452</b>	<b>3,644</b>	<b>5,451</b>	<b>-5%</b>	<b>-37%</b>
<b>Gross Margin</b>	<b>20%</b>	<b>26%</b>	<b>25%</b>		
Admin Cost	319	307	327	4%	-2%
Distribution Cost	1,004	414	1,139	143%	-12%
Other Income	1,128	1,013	1,119	11%	1%
Financial Charges	956	1,957	1,050	-51%	-9%
<b>PBT</b>	<b>2,211</b>	<b>1,921</b>	<b>3,885</b>	<b>15%</b>	<b>-43%</b>
Taxes	629	740	1,166	-15%	-46%
<b>PAT</b>	<b>1,582</b>	<b>1,180</b>	<b>2,719</b>	<b>34%</b>	<b>-42%</b>
<b>EPS</b>	<b>3.6</b>	<b>2.7</b>	<b>6.2</b>		

Source: Company accounts, Insight Research

#### MLCF - Quarterly Summary

Financials (PKRmn)	3QFY25E	3QFY24	2QFY25	YoY	QoQ
Sales	16,563	15,980	19,028	4%	-13%
Cost of Sales	10,748	11,195	11,451	-4%	-6%
<b>Gross Profit</b>	<b>5,815</b>	<b>4,785</b>	<b>7,577</b>	<b>22%</b>	<b>-23%</b>
<b>Gross Margin</b>	<b>35%</b>	<b>30%</b>	<b>40%</b>		
Admin Cost	673	460	674	46%	0%
Distribution Cost	950	1,316	1,043	-28%	-9%
Other Income	278	170	1,158	64%	-76%
Financial Charges	449	825	1,416	-46%	-68%
<b>PBT</b>	<b>3,720</b>	<b>2,298</b>	<b>5,121</b>	<b>62%</b>	<b>-27%</b>
Taxes	1,430	793	1,385	80%	3%
<b>PAT</b>	<b>2,290</b>	<b>1,505</b>	<b>3,735</b>	<b>52%</b>	<b>-39%</b>
<b>EPS</b>	<b>2.2</b>	<b>1.4</b>	<b>3.6</b>		

Source: Company accounts, Insight Research

#### FCCL - (PKRmn) - Quarterly Summary

Financials (PKRmn)	3QFY25E	3QFY24	2QFY25	YoY	QoQ
Net Sales	18,994	19,048	24,888	0%	-24%
Cost of Sales	12,811	13,697	15,987	-6%	-20%
<b>Gross Profit</b>	<b>6,184</b>	<b>5,352</b>	<b>8,901</b>	<b>16%</b>	<b>-31%</b>
<b>G.M</b>	<b>33%</b>	<b>28%</b>	<b>36%</b>		
Admin Expense	402	386	435	4%	-8%
Distribution Cost	676	918	709	-26%	-5%
Finance Income	257	62	276	313%	-7%
Finance costs	937	1,632	1,329	-43%	-30%
<b>PBT</b>	<b>4,388</b>	<b>2,646</b>	<b>6,468</b>	<b>66%</b>	<b>-32%</b>
Taxation	1,711	877	2,447	95%	-30%
<b>PAT</b>	<b>2,676</b>	<b>1,769</b>	<b>4,020</b>	<b>51%</b>	<b>-33%</b>
<b>EPS</b>	<b>1.1</b>	<b>0.7</b>	<b>1.6</b>		

Source: Company account, Insight Research

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### PIOC: 3QFY25 EPS to clock in at PKR5.8

In 3QFY25, we expect PIOC's earning to clock in at PKR1.3bn (EPS: PKR5.8) up by 9% YoY. While on QoQ, same is expected to decline by 25%. Revenue is expected to decline by 5%/9% YoY/QoQ due to lower cement offtakes. Gross margins are expected to decline by ~63bps/1025bps YoY/QoQ. Finance cost is likely to decline by 66%/33% YoY/QoQ to clock in at PKR0.2bn due to decline in interest rates and debt level. We expect ETR to clock in at 39% this quarter vs. 38% SPLY.

PIOC (PKRmn) - Quarterly Summary

Financials (PKRmn)	3QFY25E	3QFY24	2QFY25	YoY	QoQ
Net Sales	8,090	8,550	8,901	-5%	-9%
Cost of Sales	5,548	5,810	5,190	-5%	7%
<b>Gross Profit</b>	<b>2,542</b>	<b>2,740</b>	<b>3,710</b>	<b>-7%</b>	<b>-31%</b>
<b>G.M</b>	<b>31%</b>	<b>32%</b>	<b>42%</b>		
Admin Expense	118	54	113	119%	4%
Distribution Cost	36	34	37	6%	-3%
Other income	141	54	25	161%	464%
Finance costs	231	680	347	-66%	-33%
<b>PBT</b>	<b>2,153</b>	<b>1,928</b>	<b>2,881</b>	<b>12%</b>	<b>-25%</b>
Taxation	840	725	1,131	16%	-26%
<b>PAT</b>	<b>1,314</b>	<b>1,202</b>	<b>1,750</b>	<b>9%</b>	<b>-25%</b>
<b>EPS</b>	<b>5.8</b>	<b>5.3</b>	<b>7.7</b>		

Source: Company accounts, Insight Research

### ACPL: 3QFY25 EPS to clock in at PKR4.0

In 3QFY25, we expect ACPL to post a PAT of PKR548mn (EPS: PKR4.0) up by 3.1x YoY, while same is expected to decline by 6% QoQ. Revenue is expected to increase by 8% YoY, primarily due to higher volumetric sales, while on QoQ same is expected to decline by 15% due to lower volumetric sales (↓20%) which will be partially offset by increase in retention price (↑5%). Gross margins are expected to increase by ~813bps/506bps YoY/QoQ due to addition of 4.8MW wind power plant and lower clinker offtakes. Finance cost is expected to increase by 40% YoY due to reallocation of interest expense, following commencement of Line 4, while same is expected to decline by 81% QoQ amid decline in debt levels. To note, ETR for the quarter is likely to clock in at 39%.

ACPL (PKRmn) - Quarterly Summary

Financials (PKRmn)	3QFY25E	3QFY24	2QFY25	YoY	QoQ
Net Sales	7,620	7,056	8,925	8%	-15%
Cost of Sales	5,622	5,779	7,036	-3%	-20%
<b>Gross Profit</b>	<b>1,998</b>	<b>1,276</b>	<b>1,889</b>	<b>57%</b>	<b>6%</b>
<b>G.M</b>	<b>26%</b>	<b>18%</b>	<b>21%</b>		
Admin Expense	223	196	218	14%	2%
Distribution Cost	754	701	1,014	8%	-26%
Other income	60	56	747	8%	-92%
Finance costs	134	96	690	40%	-81%
<b>PBT</b>	<b>898</b>	<b>306</b>	<b>667</b>	<b>193%</b>	<b>35%</b>
Taxation	350	128	85	174%	310%
<b>PAT</b>	<b>548</b>	<b>178</b>	<b>581</b>	<b>207%</b>	<b>-6%</b>
<b>EPS</b>	<b>4.0</b>	<b>1.3</b>	<b>4.2</b>		

Source: Company account, Insight Research

### ISL Cement Universe - Quarterly Summary

Financials (PKRmn)	3QFY25E	3QFY24	2QFY25	YoY	QoQ	9MFY25E	9MFY24	YoY
Net Sales	99,232	92,423	117,930	7%	-16%	315,279	295,653	7%
Cost of Sales	69,066	66,695	78,237	4%	-12%	216,259	209,160	3%
<b>Gross Profit</b>	<b>30,165</b>	<b>25,729</b>	<b>39,692</b>	<b>17%</b>	<b>-24%</b>	<b>99,020</b>	<b>86,492</b>	<b>14%</b>
<b>G.M</b>	<b>30%</b>	<b>28%</b>	<b>34%</b>			<b>31%</b>	<b>29%</b>	
Admin Expense	2,238	1,951	2,377	15%	-6%	6,848	5,840	17%
Distribution Cost	5,687	5,282	6,499	8%	-12%	18,167	16,192	12%
Other income	5,486	4,224	6,865	30%	-20%	17,785	13,065	36%
Finance costs	3,038	5,579	5,299	-46%	-43%	13,284	16,112	-18%
<b>PBT</b>	<b>23,287</b>	<b>16,276</b>	<b>30,306</b>	<b>43%</b>	<b>-23%</b>	<b>73,795</b>	<b>61,635</b>	<b>20%</b>
Taxation	10,308	6,833	13,348	51%	-23%	25,784	20,992	23%
<b>PAT</b>	<b>10,645</b>	<b>7,827</b>	<b>13,352</b>	<b>36%</b>	<b>-20%</b>	<b>48,009</b>	<b>40,644</b>	<b>18%</b>

Source: Company accounts, Insight Research

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- Discounted cash flow (DCF)
- Relative Valuation (P/E, P/Bv, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

### Frequently Used Acronyms

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

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