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Cement | Result Previews | 3QFY25

Earnings to drop 25% QoQ on weaker Offtakes and Prices



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Industry dispatches clocked in at 11 million tons in 3QFY25, down by 13% QoQ, primarily due to lower demand during the winter and Ramadan period. Utilization levels declined from 58% in the previous quarter to 51% in 3QFY25, driven by a 7% and 35% drop in local and export dispatches, respectively.

For the IIS cement universe, local dispatches declined by 8% QoQ, in line with the overall industry trend. Moreover, cement prices in the North region remained under pressure, falling by PKR 80-90 per bag. As a result, profitability is projected to decline by 25% QoQ. However, on a YoY basis, the bottom line is expected to increase by 38%, supported by higher gross profits and lower financing costs.

We anticipate LUCK/DGKC/FCCL/MLCF/PIOC to report EPS of 21.7/4.2/1.2/2.2/5.7, respectively, for the quarter under review.

The topline is projected to grow by 6.4% YoY, reaching PKR 90.8bn compared to PKR 85.4bn, mainly driven by higher bag prices and volumetric growth in exports. Gross margins are expected to improve by 3.6% YoY, supported by a YoY increase in bag prices, with 10% in the North and 15% in the South, along with a higher share of renewables in the power mix. However, on a QoQ basis, we anticipate margins to contract by 250bps due to lower dispatches and a 6% QoQ drop in North region prices, though this is partially offset by lower coal costs.

Finance costs are likely to decline by 38% YoY, reflecting the impact of lower interest rates. On a QoQ basis, they are also expected to fall by 26%, as we foresee normalization in short-term borrowings compared to the last quarter. In the previous quarter, companies had increased short-term borrowing to capitalize on cheap loans amid ADR pressure on banks and invested in short-term instruments. Consequently, other income is expected to decline by 25% QoQ.

The bottom line is projected to post a profit of PKR 14.6bn, compared to PKR 10.6bn in the last quarter, reflecting a 38% YoY increase. This improvement is attributed to stronger gross margins and lower financing costs.

EPS	3QFY25	3QFY24	YoY	2QFY25	QoQ
LUCK	21.7	16.9	29%	24.8	-13%
DGKC	4.2	2.7	54%	6.2	-33%
FCCL	1.2	0.7	61%	1.6	-29%
MLCF (Con.)	2.2	1.4	55%	3.6	-38%
PIOC	5.7	5.3	8%	7.7	-25%

Source: Company Accounts, IIS Research

IIS Universe	3QFY25E	3QFY24A	YoY	2QFY25A	QoQ
Net Sales	90,847	85,368	6.4%	109,005	-16.7%
Cost of Sales	61,582	60,916	1.1%	71,201	-13.5%
Gross profit	29,265	24,453	19.7%	37,804	-22.6%
Admin expenses	2,013	1,754	14.7%	2,161	-6.9%
Dist. expenses	4,756	4,581	3.8%	5,484	-13.3%
Operating Profit	22,497	18,118	24.2%	30,159	-25.4%
Other income	4,833	4,340	11.4%	6,409	-24.6%
Financial charges	3,405	5,483	-37.9%	4,609	-26.1%
PBT	22,433	15,969	40.5%	29,640	-24.3%
Taxes	7,785	5,374	44.9%	10,137	-23.2%
PAT	14,648	10,595	38.3%	19,503	-24.9%
Gross margin	32.2%	28.6%	3.6%	34.7%	-2.5%
Net Margin	16.1%	12.4%	3.7%	17.9%	-1.8%

Source: Company Accounts, IIS Research

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Condition	Stance
Total Return > 18%	BUY
Total Return > -10% & <=18%	HOLD
Total Return <-10%	SELL

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Discounted cash flow (DCF, DDM)
Relative Valuation (P/E, P/B, P/Setc.)
Equity & Asset return based methodologies (EVA, Residual Incomeetc.)

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