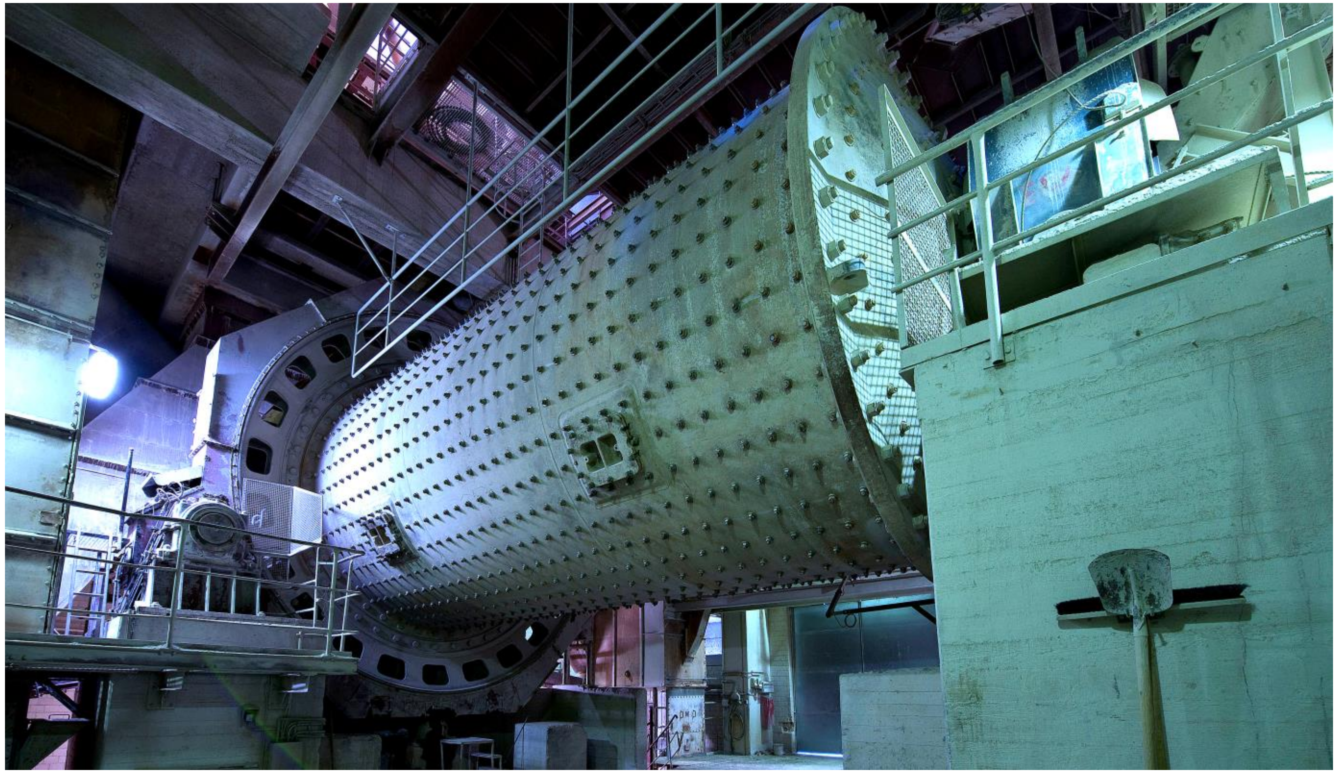
SECTOR STUDY . APRIL 2025

Together. Creating Value.

CEMENT



Research Team

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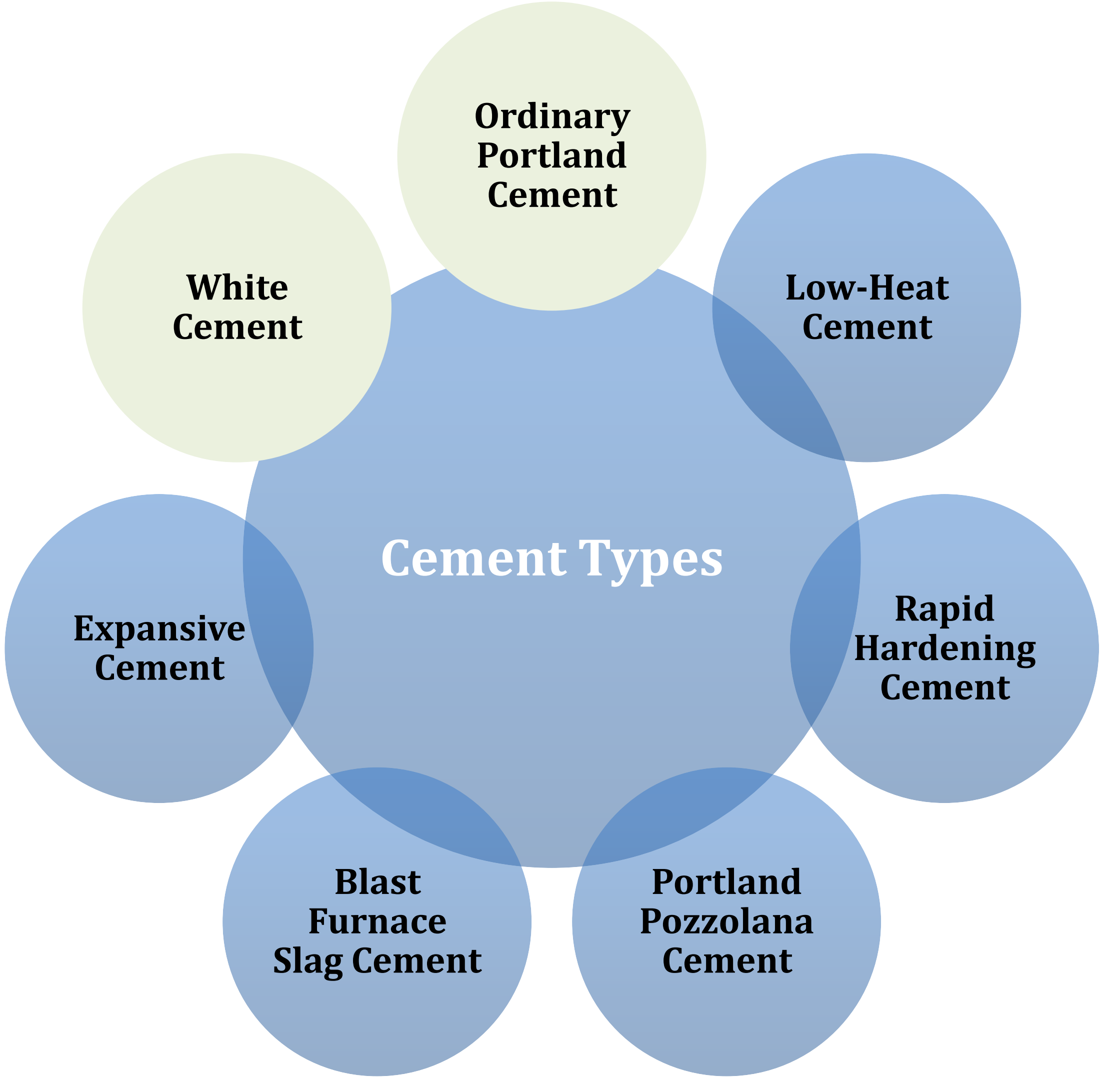
Cement

Cement

Introduction

- Cement is a glue which acts as a hydraulic binder, i.e. it hardens when water is added to it. It is primarily used to bind fine sand and coarse aggregates together in concrete. Most commonly used types of cement are as following –
- **Ordinary Portland Cement:** OPC is the go-to choice for most construction projects, offering versatility and strength. OPC is known for its strength, durability, and workability, making it suitable for various construction applications.
- **White Cement:** As its name suggests, white cement has a high degree of whiteness. This type of cement is used primarily for decorative purposes, such as in constructing architectural elements, precast concrete products, and terrazzo flooring. It can also be combined with pigments to produce various colored concrete finishes.
- Cement is a key ingredient in both concrete and mortar, and it is always mixed with other materials before use. concrete is a resilient and durable material that can bear heavy loads and resist environmental extremes.



Source: Cembureau, Ultratech Cement

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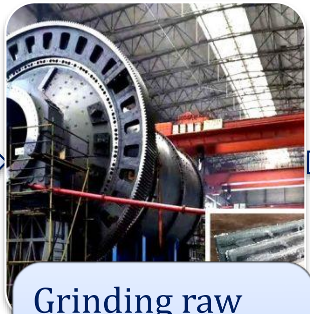
Production Process

Mining of raw material including limestone, clay, gypsum and others.



Grinding raw material to a fine powder, called raw meal.

Raw meal is heated at a temperature of ~1,450 °C in a cement kiln to produce clinker.

Hot clinker exits from kiln and enters the clinker cooler to reduce its temperature from ~1,450 °C to ~100°C .

Cooled clinker mixed with gypsum and other additions. It is grinded into fine and homogenous powder, cement.

Manufactured cement is then stored in silos before packaging and sale to end-consumers.

Source: PACRA Database

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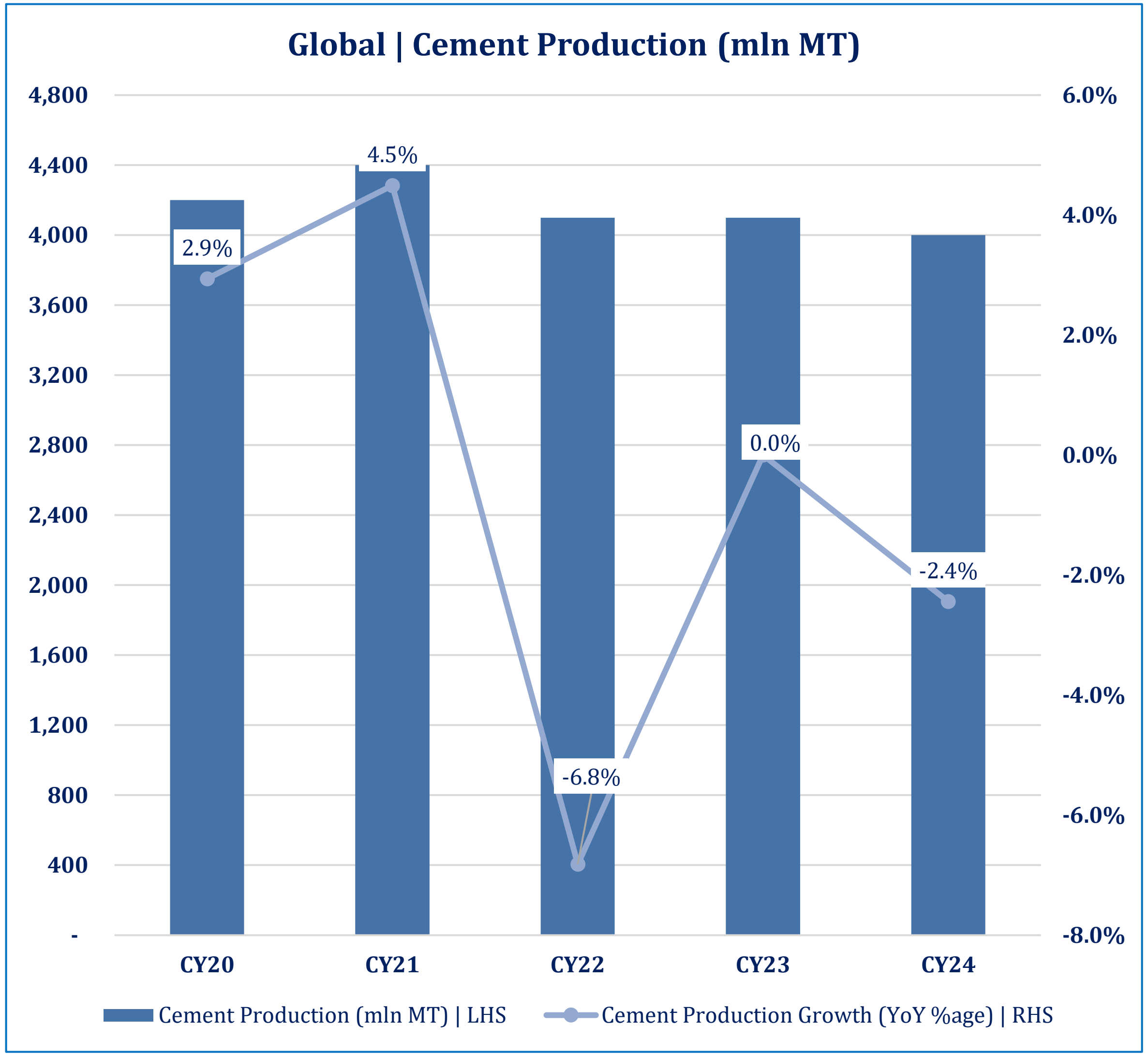
Global | Overview

- In CY24, the global cement sector was estimated at USD~423.0bln, up ~1.2% YoY while its contribution to global GDP stood at ~0.4%, same as last year. The is expected to grow to USD~728.5bln by CY37 with a CAGR of ~5.3%. The sector also contributes ~7.7% to global employment.
- Global cement production stood at ~4,000mln MT, down ~2.4% YoY. Cement production is a highly energy-intensive process. The clinker that is produced is the primary raw material for all cement blends (covered subsequently).
- Clinker is, essentially, a mix of limestone and other minerals that are heated in a kiln at a temperature of ~1,450°C and transformed by heat into complex reactive minerals. Once produced, clinker is finely ground and mixed with gypsum and normally with alternative constituents (raw materials or by-products) to make cement.
- In CY24, global clinker production capacity remained stable at ~3,800mln MT, same as last year. Meanwhile, Cement consumption was recorded at ~3,853mln MT in CY24.
- Since cement is a hydroscopic substance with a maximum shelf life not greater than ~03 months, its consumption closely matches production levels.



Latest available.

Source: Fortune Business Insights, Global Trade, U.S, Cembureau, IEA

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Global | Production

- The top five countries comprised ~67.9% of the global clinker capacity in CY24 (SPLY: ~68.5%). During the year, China's cement production registered a significant decline of ~9.5% YoY due to weak demand from the country's major real estate developers, while cement production in India, Iran, Bazil and Russia increased by ~7.1%, ~1.4%, ~1.5% and ~3.2% YoY, respectively.
- China's clinker capacity was lowered to ~1.9bln MT in CY24 (SPLY: ~2.0bln MT) while this is planned to further be reduced to ~1.8bln MT by CY25. In order to cut China's carbon emissions, local cement plants are shifting to energy-efficient levels. Going forward, cement plants will be restricted from adding captive coal power plants.
- During the year, China's cement production was ~4.2x that of the world's second-largest producer, India (~11.3% share). India's installed cement capacity recorded at ~643.0mln MT in FY24, whereas capacity utilization stood at ~70.0%. As of Apr'25, cement production capacity stands at ~700.0mln MT.
- Meanwhile, higher cement production in Turkey came on the back of rebuilding efforts in the wake of earthquakes and ongoing urban transformation. In CY24, the country's cement production capacity stood at ~120.0mln MT, making it the largest producer in Europe and fifth largest in the world.

Regional Shares | Clinker Capacity and Cement Production

Sr.	Country	Clinker Capacity		Cement Production	
		CY23	CY24	CY23	CY24
1	China	52.7%	50.0%	50.7%	47.5%
2	India	7.9%	10.0%	9.9%	11.3%
3	Vietnam	2.9%	2.9%	2.7%	2.8%
4	USA	2.6%	2.6%	2.2%	2.2%
5	Turkey	2.4%	2.4%	1.9%	2.1%
6	Iran	2.1%	2.2%	1.6%	1.8%
7	Brazil	2.1%	1.6%	1.4%	1.7%
8	Indonesia	2.1%	2.1%	1.5%	1.6%
9	Russia	1.6%	2.1%	1.3%	1.6%
10	Egypt	2.0%	1.6%	1.5%	1.3%
11	ROW*	21.6%	22.5%	25.4%	26.1%
	Total	100%	100%	100%	100%

*Includes Iran, Egypt, Japan, Korea and Turkey amongst others.

Source: Fortune Business Insights, Global Trade, USGS, CMA, World Cement

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Global | Top 10 Players (CY24)

- Cement sector's importance can be underpinned by its massive standalone output as well as its significance in being an essential part of the supply chain for major industries such as construction. Due to its capital-intensive nature, the sector tends to be oligopolistic in nature where the global market was dominated by Chinese firms CY24, based on production capacity.

- It accounted for ~47.5% of global cement production. Three of the top 10 global players (as depicted) are located in China.

Sr.	Company	Country	Capacity (mln MT)
1	**China National Building Material Group (CNBM)**	China	530
2	**Anhui Conch**	China	388
3	**Lafarge Holcim**	Switzerland	274
4	**Heidelberg**	Germany	186
5	**China Resource Cement**	China	92
6	**CEMEX**	Mexico	84
7	**UltraTech Cement**	India	79
8	**Votorantim Cement**	Brazil	70
9	**Taiwan Cement**	Taiwan	66
10	**Shree Cement**	India	51
Total (Top 10)			**1,820**

Note: *Capacity figures are for Cement.*

Source: WCA

Cement

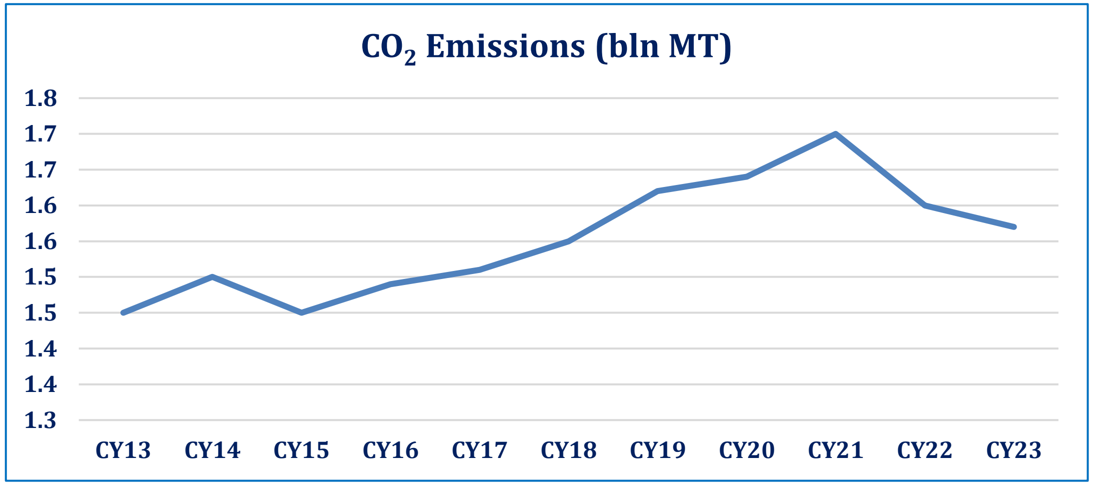
Global | Carbon Emissions

- In CY23, the global cement sector accounted for ~1.6bln MT of carbon dioxide (CO_2) emissions, ~4.1% of the total global CO_2 emissions, thus underscoring the sector's significant environmental impact. Majority of these emissions stem from two primary sources, as follows:

i. **Process Emissions**: These are inherent to the chemical process of calcination, where limestone (calcium carbonate) is heated to produce lime (calcium oxide), releasing CO_2 in the process and is responsible for ~60.0% emissions.

ii. **Energy-Related Emissions**: These arise from the combustion of fossil fuels required to achieve the high temperatures necessary for cement production and is responsible for ~40.0% emissions.

- Cement manufacturing is a significant industrial polluter. However, tightening government regulations and increasing environmental concerns are pushing the adoption of green cement around the globe. The Green Cement concept refers to cement manufactured from emissions-reducing processes and/ or use of lower clinker substituted with fly-ash or blast-furnace slag and is expected to contribute towards de-carbonatization and sustainability.
- Adoption of supplementary cementitious materials (SCMs) and fillers could clear the way for decarbonization ambitions, particularly in Europe. Global SCM revenues are expected to grow to USD~40-60.0bln by CY35 from the present levels of USD~15-30.0bln.
- The growing potential of SCMs and other alternatives is underpinned by lower forecast cement demand by CY50 resulting from redesign of buildings that would less concrete, cement and clinker.



Sr.	Countries	CO_2 Emissions (mln MT) CY23
1	China	718.1
2	India	177.2
3	Vietnam	51.3
4	United States	39.7
5	Iran	38.9
6	Turkey	38.3
7	Saudia Arabia	29.8
8	Indonesia	26.0
9	Brazil	24.9
10	Russia	23.2
	ROW	401.6
	Total	**1,569**

Source: WCA

Global | Exports (CY24)

- In CY24, global clinker and cement cumulative export volumes stood at ~99.4mln MT (CY23: ~99.3mln MT), forming ~1.8% of global cement production (CY23: ~2.3%). Total export volumes comprised ~35.3% clinker (CY23: ~33.3%) and ~64.7% various cement varieties including Portland Grey & White, Aluminous and others (CY23: ~66.6%). During the year, China's volumetric cement and clinker exports increased ~39.5% YoY and ~57.6% YoY (in SPLY, the country formed ~33.5% share in global exports).
- In USD terms, clinker held ~22.3% global export share in CY24 (CY23: ~28.4%), amounting to USD~1,659mln, while cement comprised ~77.7% of total exports. The top 10 exporting counties had ~68.1% in global cement volumetric exports and ~45.3% share in global clinker exports during the year.

Sr.	Exporting Countries	Share in Exports Volume (%)	Cement Exports (mln MT)	Clinker Exports (mln MT)	Cement Exports (USD mln)	Clinker Exports (USD mln)	Cement Exports (USD/MT)	Clinker Exports (USD/MT)
1	Turkey	23.2%	14.9	6.0	928.4	247.5	62.2	41.5
2	China	7.5%	4.9	0.4	255.4	17.8	52.6	51.6
3	Japan	6.4%	4.1	3.9	146.0	122.8	35.4	31.5
4	Canada	6.1%	3.9	0.4	487.3	36.9	124.2	78.5
5	Greece	5.6%	3.6	0.1	230.3	1.2	64.5	31.4
6	Pakistan	5.3%	3.4	4.8	149.1	148.6	43.4	30.7
7	Germany	4.5%	2.9	0.2	383.7	13.2	131.9	72.9
8	Slovakia	4.1%	2.6	0.1	305.1	1.5	117.2	97.2
9	Ukraine	3.0%	1.9	0.1	129.9	5.7	66.8	57.7
10	Portugal	2.2%	1.5	0.1	116.2	1.5	80.7	37.8
	ROW	32.0%	20.5	19.2	2,651.3	1,062.2	128.7	55.2
Total/ Average		**100%**	**64.3**	**35.1**	**5,783.9**	**1,659.0**	**89.9**	**47.2**

***Note**: HS Codes Include "2523.1000, 2523.2100 & 2523.2900"; Pakistan figures, on FY basis, match against locally available PBS data.*

Source: UN Comtrade

Cement

Global | Imports (CY24)

- The top 10 importing countries held ~28.5% share in global clinker imports in CY24 (CY23: ~56.3%), with Australia holding ~9.1% share.
- With respect to cement imports, the top 10 importers held ~70.3% share (CY23: ~52.8%) whereas the USA accounted for ~36.2% share. In Apr'25, the USA-imposed ~25.0% tariffs on cement imports from Canada and Mexico. This is likely to drive up USD/MT export price for Canada, resulting in reduced demand for Canadian cement in the USA market.
- Meanwhile, average import prices for cement were ~1.9x higher than those of clinker imports.

Sr.	Importing Countries	Share in Imports Volume (%)	Cement Imports (mln MT)	Clinker Imports (mln MT)	Cement Imports (mln USD)	Clinker Imports (mln USD)	Cement Imports (USD/MT)	Clinker Imports (USD/MT)
1	USA	36.2%	23.3	0.9	2,194.0	66.4	94.1	73.7
2	Philippines	7.9%	5.1	2.7	273.5	111.8	53.8	40.8
3	Hong Kong	4.9%	3.2	0.3	184.5	14.9	58.4	44.6
4	Israel	4.7%	3.0	0.3	324.4	18.9	108.1	67.8
5	Italy	4.4%	2.8	1.8	270.5	116.7	96.4	64.3
6	Hungary	3.7%	2.4	0.1	279.6	10.6	117.0	113.6
7	Poland	2.6%	1.7	0.1	179.6	4.2	108.2	82.1
8	Australia	2.4%	1.5	3.2	111.5	161.8	72.8	49.8
9	Uzbekistan	1.8%	1.2	0.1	42.0	0.1	35.6	48.6
10	Romania	1.7%	1.1	0.5	97.9	27.5	91.8	58.1
	ROW	29.7%	19.0	25.1	1,826	1,126.1	95.4	44.7
Total/ Average		**100%**	**64.3**	**35.1**	**5,783.9**	**1,659.0**	**89.9**	**47.2**

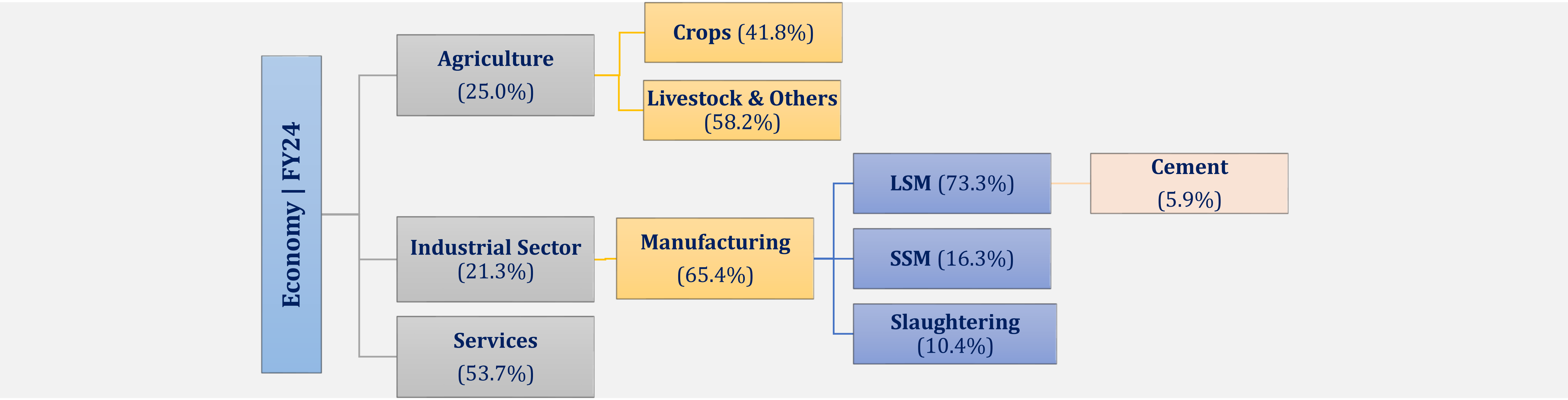
Note: *HS Codes Include "2523.1000,2523.2100 & 2523.2900".*

Source: UN Comtrade

Together. Creating Value.

Local | Overview

- In FY24, Pakistan's GDP (nominal) stood at PKR~105.6trn, increasing, in real terms, by ~2.5% YoY (FY23: ~-0.2% YoY). Industrial activities during the year held ~21.3% share in the GDP while services made up ~53.7%. In 2QFY25, GDP (nominal) stood at PKR~27.8trn, rising in real terms by ~2.9% YoY (SPLY: ~2.7% YoY). Real GDP growth rate for 2QFY25 signals a tepid improvement in economic activity as compared to SPLY.
- Large Scale Manufacturing (LSM) in Pakistan is essential for the economic growth considering its linkages with other sectors, as it represented ~73.3% value in manufacturing activities and ~10.2% to country's GDP in FY24. The LSM increased by ~0.8% YoY in FY24 (FY23: ~-10.3%), however, declined by ~1.9% YoY during 8MFY25.
- The Cement sector is classified as a Large-Scale Manufacturing (LSM) industrial component within the industrial sector. In FY24, the cement sector's weight in the QIM was recorded at ~5.9%. During 8MFY25, cement production registered a decline of ~6.4% YoY.



Source: PBS

Cement

Local | Snapshot

- The country's infrastructural developments and construction activities alongside multiple allied sectors are directly influenced by the performance of the cement sector.
- In FY24, the sector's gross revenue grew by ~12.3% YoY although total dispatches increased by ~1.6% YoY. The ~15.8% higher local prices per bag drove the sector's topline (FY24: PKR~1,242/bag; SPLY: PKR~1,072/bag).
- The sector comprises 16 companies (after Askari Cement merged with Fauji Cement in Oct'21 and is divided into two regions, North and South, with North covering areas of Punjab, KPK and AJK and South including areas of Sindh and Baluchistan.
- The market structure is categorized as oligopolistic in nature, with most players listed on the Pakistan Stock Exchange. Sector's market capitalization was recorded at PKR~346.0bln in Mar'25 (SPLY: PKR~176.0bln; End-Jun'24: PKR~207.3bln).
- In FY24, Pakistan's per capita cement consumption stood at ~191.0Kg whereas world average was recorded at ~550.0Kg in CY22, reflecting an immense potential for growth in local cement demand. Meanwhile, for India, Sri Lanka, Bangladesh, USA and Turkey, this stood at ~293.0KG, ~325.0KG, ~230.0KG, 358.0KG and ~757.0KG in CY23.

Particulars	Units	FY22	FY23	FY24	1HFY24	1HFY25
Gross Revenue	PKR bln	687	805	904	338	381
GDP Contribution	%	1.1%	1.0%	1.0%	0.7%*	0.8%*
Sector Players	No.	17	16	16	16	16
Particulars	**Units**	**FY22**	**FY23**	**FY24**	**8MFY24**	**8MFY25**
Production Capacity	mln MT	70	77	84	-	-
Cement Production*	mln MT	48	41	40	27	25
Local Dispatches	mln MT	48	40	38	26	25
Exports	mln MT	5	5	7	4	6
Total Dispatches*	mln MT	53	45	45	30	31
Per Capita Consumption	Kg	211	173	191	-	-
Prices | North	PKR/50Kg	764	1,064	1,208	1,205	1,383
Price | South	PKR/50Kg	777	1,081	1,276	1,192	1,382
Regulator		Securities and Exchange Commission of Pakistan (SECP)				
Associations		All Pakistan Cement Manufacturers Association (APCMA)				
Market Structure		Oligopoly				

**Sector's contribution to GDP is for 1HFY25 and SPLY, respectively. *Total dispatches include local sales and exports Numbers for 8MFY25 are rounded off to nearest whole number.*Cement production figures are from LSM. Prices depict retail prices.*

Source: PES, APCMA, PBS, Financial Statements

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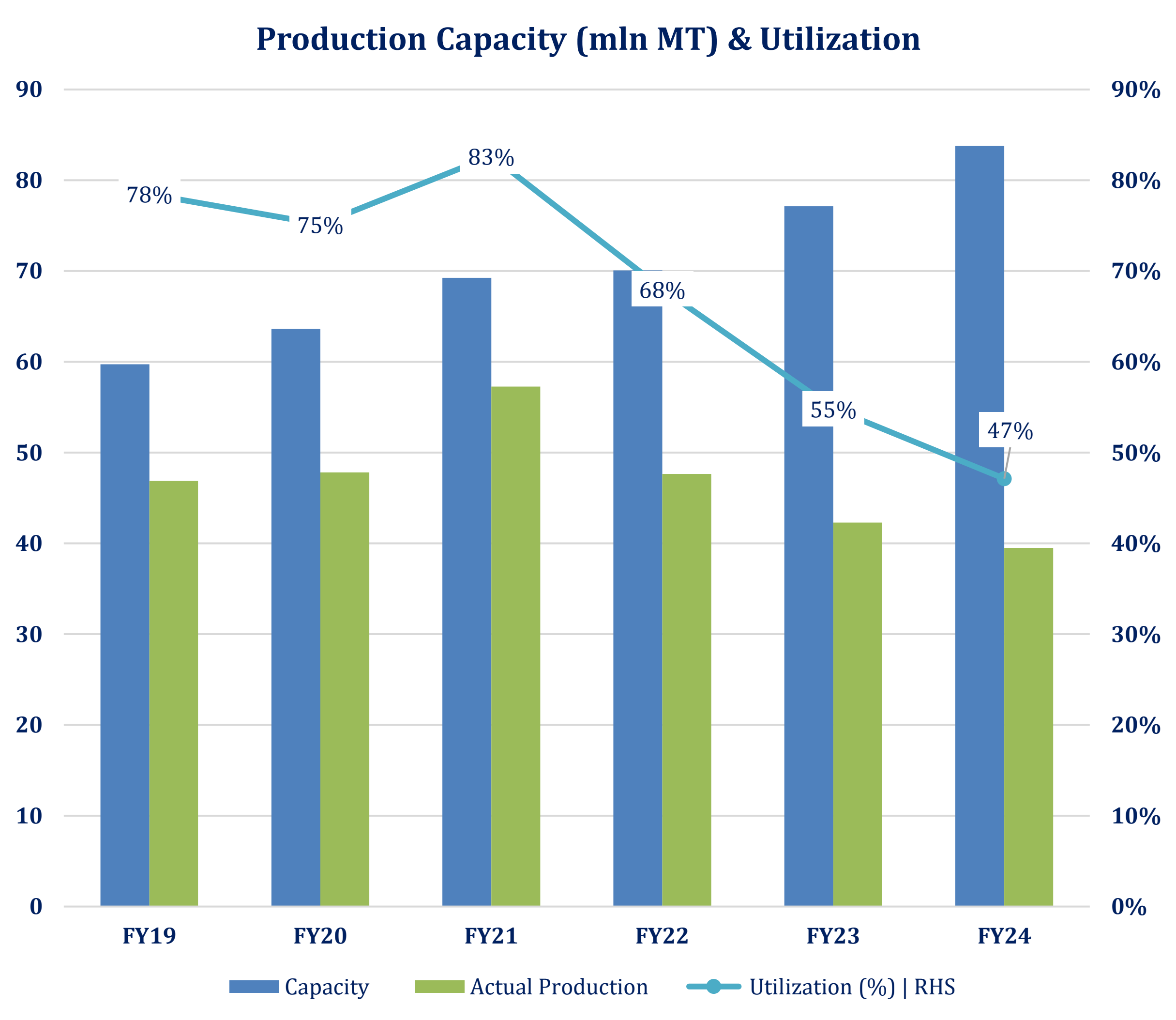
Supply Side | Production

- Cement sector's production capacity was recorded at ~83.8mln MT in FY24, up ~8.6% YoY. Of this, companies in the North region represented ~51.8% share, same as last year, while the rest comprised sector players in the South region.
- Capacity utilization had declined at a CAGR of ~13.1% during FY21-24 whereas in FY24 it declined to ~47.0%. This came despite ~8.6% YoY increase in the overall production capacity. High interest rate (policy rate as at End-Jun'24: ~20.5%; SPLY: ~22.0%), and inflationary pressures resulted in lower demand by the real estate and construction sectors during FY24.
- The total number of operational cement plants in the country stood at ~27 in FY24 (same as the previous year), ~76.0% of which were based in the North Region, while the remaining ~24.0% was located in the South Region.



Source: APCMA, SBP, PACRA Database, Financial Statements

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Supply Side | Production

- The sector has 16 operational companies with 27 operational plants across the country. 10 companies have presence in North region while 3 have presence in the South region, whereas 3 companies have production plants in both regions.
- As of Jun'24, Lucky Cement Ltd. is the largest player with production capacity of ~15.3mln MT followed by Bestway Cement Ltd. and Fauji Cement Ltd. as depicted in the adjacent table.
- Companies in the South Region incur lower transportation costs while transporting imported coal from the port to their plants. Moreover, due to their close proximity to the port, these have better access to export markets through sea routes in comparison with their Northern counterparts.
- Although the companies in the North Region have to incur higher transportation costs, these have better access to Afghanistan.

Cement Production Capacity ('000' MT)

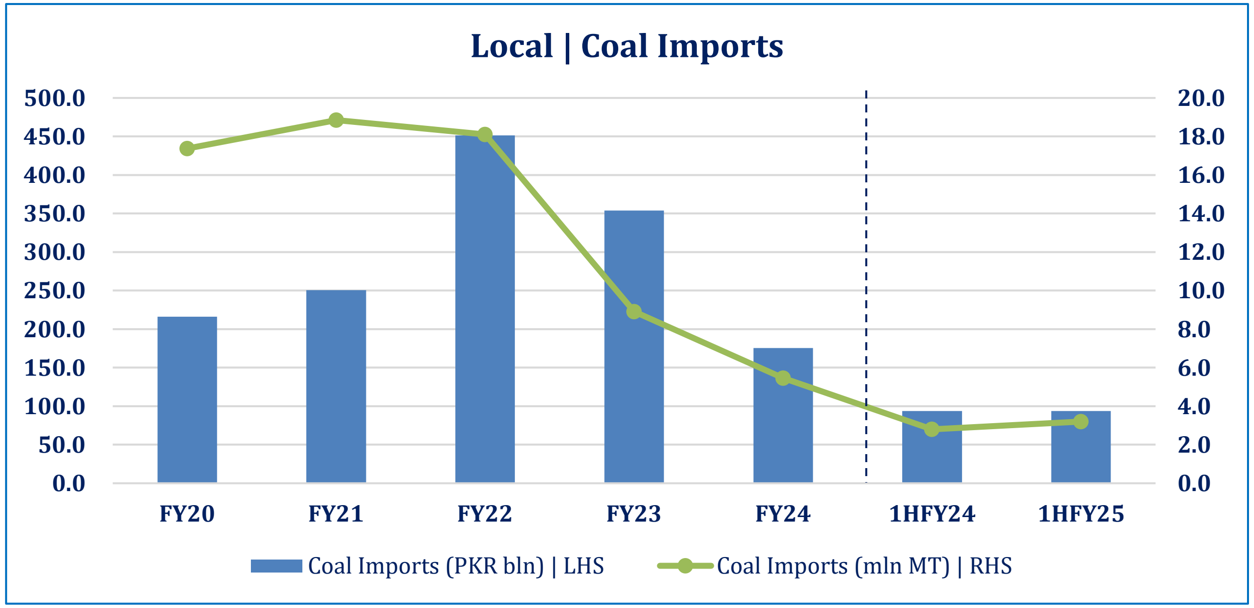
Sr.	Company	FY24				FY23			
		No. of Plants	North	South	Total	No. of Plants	North	South	Total
1	Lucky Cement Ltd.	2	10,216	5,084	**15,300**	2	10,216	5,084	**15,300**
2	Bestway Cement Ltd.	5	14,593	-	**14,593**	5	11,623	-	**11,623**
3	Fauji Cement Company Ltd.	3	9,263	-	**9,263**	3	7,472	-	**7,471**
4	Maple Leaf Cement Factory Ltd.	1	7,800	-	**7,800**	1	7,100	-	**7,100**
5	D.G. Khan Cement Company Ltd.	3	2,010	4,710	**6,720**	3	2,010	4,710	**6,720**
6	Pioneer Cement Ltd.	1	5,195	-	**5,195**	1	5,195	-	**5,195**
7	Kohat Cement Company Ltd.	2	4,950	-	**4,950**	2	4,913	-	**4,913**
8	Cherat Cement Company Ltd.	1	4,536	-	**4,536**	1	4,536	-	**4,536**
9	Power Cement Ltd.	1	-	3,371	**3,371**	1	-	3,371	**3,371**
10	Attock Cement Pakistan Ltd.	1	-	4,302	**4,302**	1	-	3,027	**3,027**
11	Dewan Cement Ltd.	2	1,080	1,860	**2,940**	2	1,080	1,860	**2,940**
12	Gharibwal Cement Ltd.	1	2,010	-	**2,010**	1	2,010	-	**2,010**
13	Fecto Cement Ltd.	1	1,000	-	**1,000**	1	1,000	-	**1,000**
14	Flying Cement Company Ltd.	1	720	-	**720**	1	720	-	**720**
15	Thatta Cement Company Ltd.	1	-	693	**693**	1	-	693	**693**
16	Dandot Cement Ltd.	1	504	-	**504**	1	504	-	**504**
Total		**27**	**63,877**	**20,020**	**83,897**	**27**	**58,379**	**18,745**	**77,124**

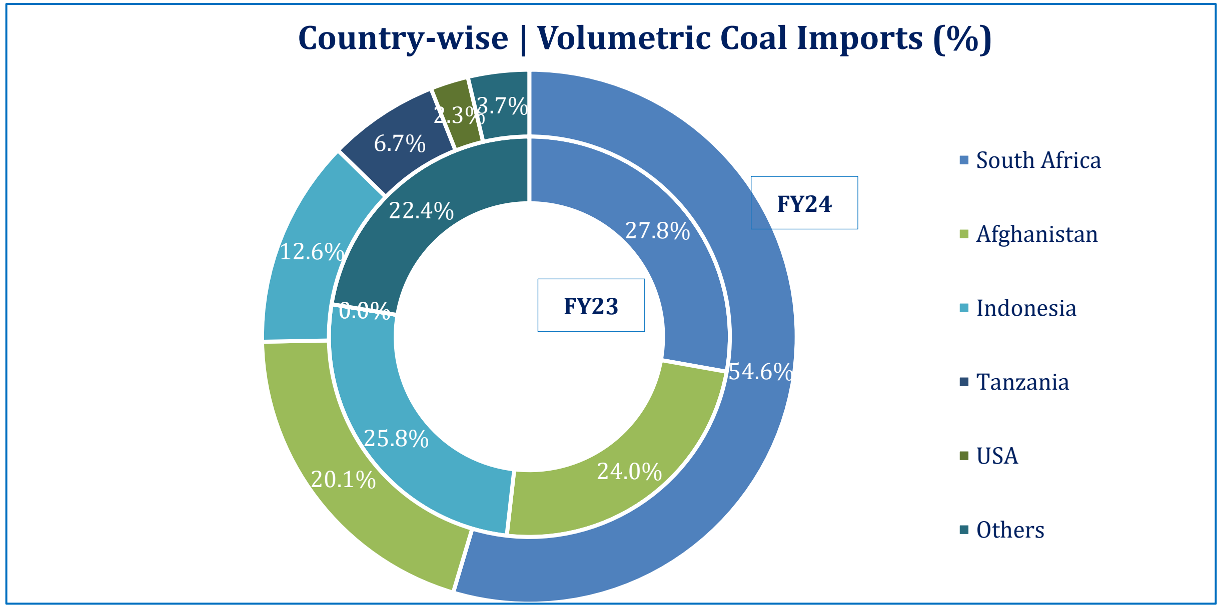
Source: APCMA, PACRA Database, Financial Statements

Cement

Raw Material | Coal

- Pakistan's coal imports in FY24 stood at ~5.5mln MT, down ~38.2% YoY. On the other hand, local production of coal during 9MFY24* clocked in at ~14.6mln MT (SPLY: ~8.7mln MT), a YoY increase of ~68.4%. While the bituminous type formed ~86.1% of Pakistan's total coal imports in FY24, the type found in the country usually comprises lignite and sub-bituminous. Moreover, the share of coal in country's power generation mix declined from ~32.0% in FY20 to ~31.0% in FY24, reflecting a shift towards cleaner energy sources.
- Of total coal consumption as an energy source in 9MFY24 period, cement sector formed ~16.2% share (SPLY: ~31.3; FY20: ~24.2%). Meanwhile, in FY24, fuel cost of imported coal recorded at PKR~17.2/kWh against that of local coal at PKR~11.6/kWh.
- During FY24, South African coal imports increased ~20.8% YoY to ~2.9mln MT while international South African coal price was down ~43.4% YoY. Meanwhile, Afghanistan coal imports were down ~54.8% YoY to ~1.1mln MT due to export duties imposed by Afghanistan. In 1HFY25, South African and Afghan coal cumulatively formed ~74.7% of the ~3.2mln MT coal imports, with these respectively up ~20.4% and ~-64.4% YoY.





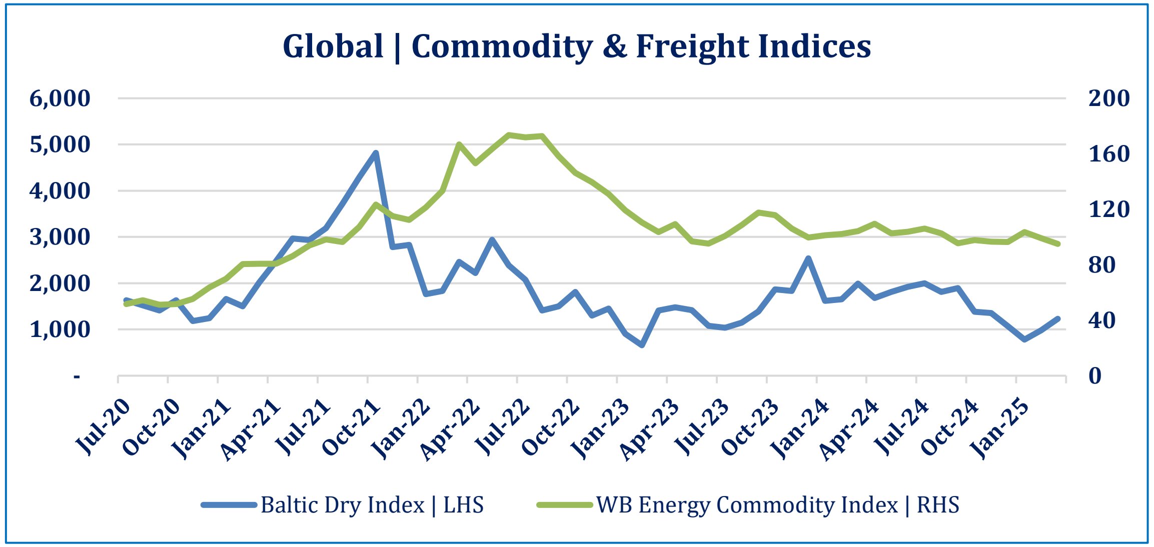
Note: *HS codes for coal imports includes "2701.1200, 2701.1900". *Latest Available*

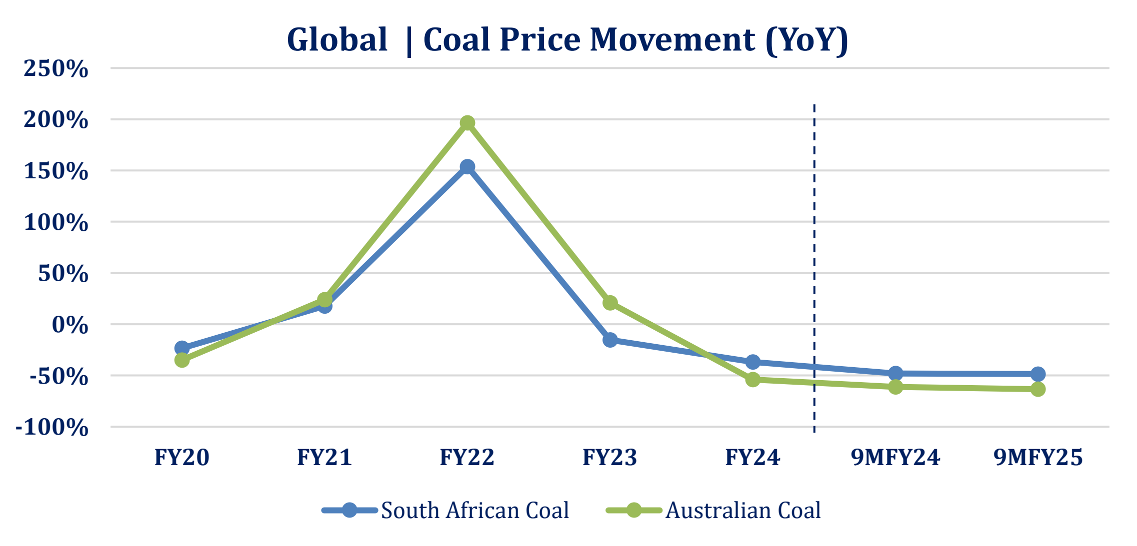
Source: WB, PBS, PES, EIA, NEPRA

Cement

Raw Material | Prices

- In FY24, the Baltic dry index, a measure of the cost of shipping dry bulk commodities like iron ore, coal, and grain, averaged at ~1,708 (SPLY: ~1,376) while in Mar'25, it was recorded at ~1,229, down ~38.2% YoY due to a potential slowdown in global activity amid the US-imposed tariffs.
- At the same time, the international energy commodity index averaged at ~106.3 (SPLY: ~129.5) while as of End-Mar'25 this stood at ~95.1 (SPLY: ~104.2). Hikes in freight rates during FY24 imply cost pressure on the local cement sector.
- South African and Australian average FOB coal prices declined ~43.4% and ~22.6% YoY in FY24 to USD~106.1/MT and USD~178.5/MT, respectively, owing to low demand from countries like China.
- In FY24, the landing cost for South African bituminous coal clocked in at PKR~32,413/MT, down ~29.1% YoY, while that for Afghan bituminous coal imports was recorded at PKR~29,176/MT, a decline of ~14.1% YoY.

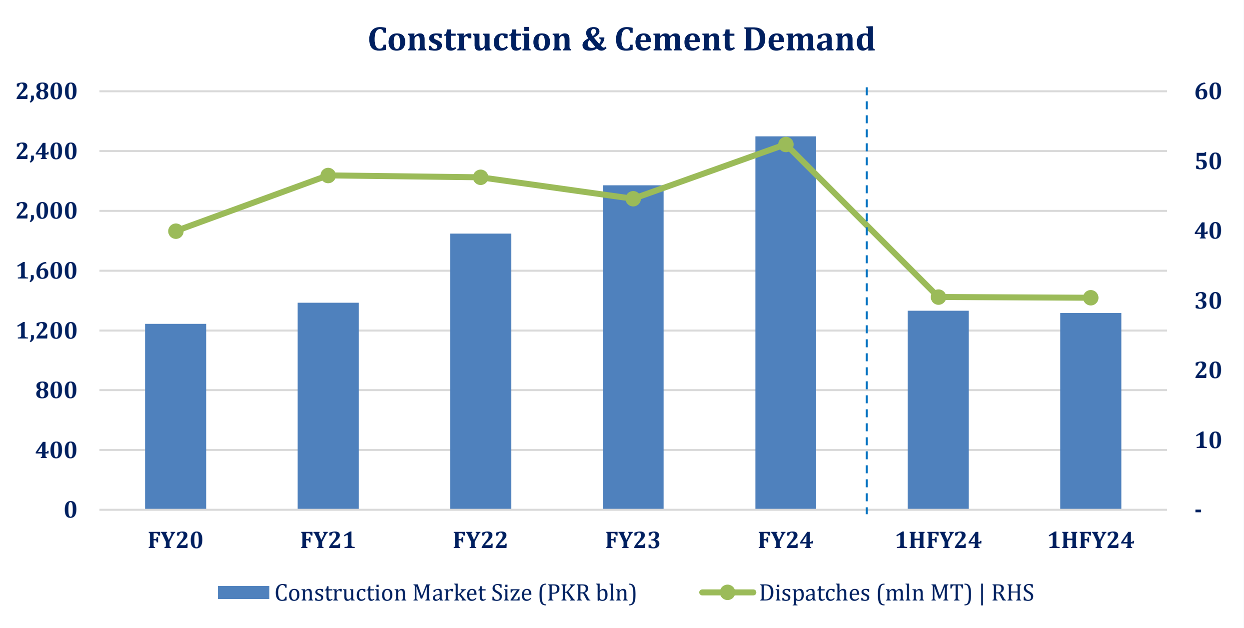


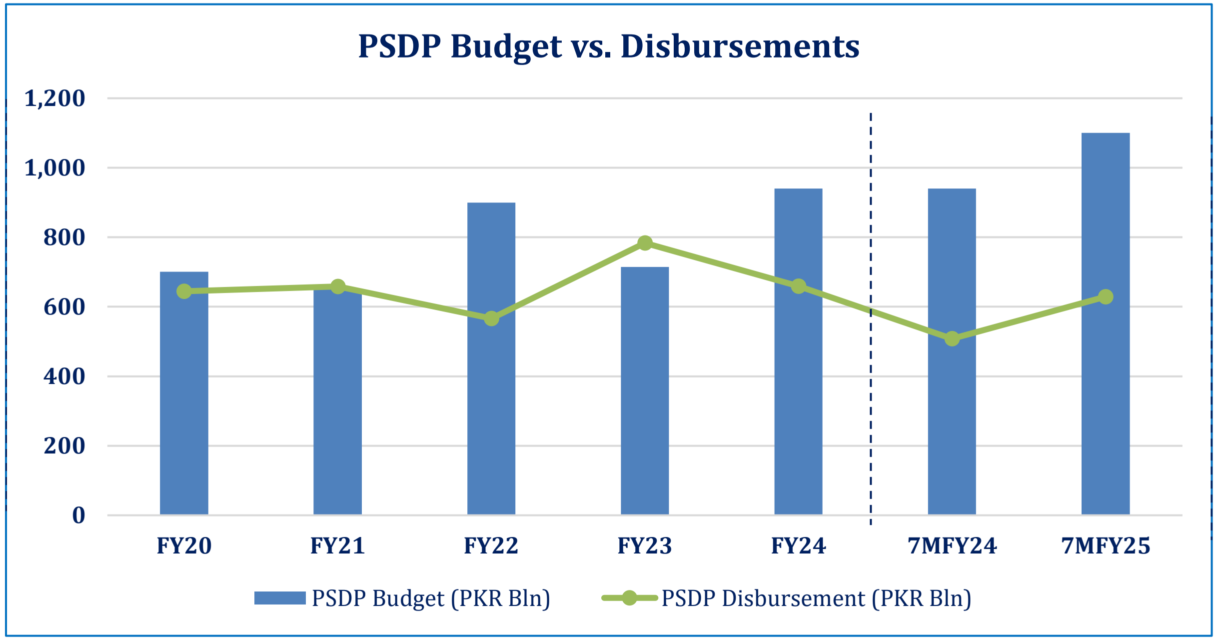


Cement

Local | Demand Side

- The demand for cement is correlated with construction and infrastructure development by Public Sector Development Program (PSDP). Historically (FY20-24), PSDP fund disbursements have been ~15.2% lower than the budgeted amounts. During FY24, budgeted PSDP spending was increased to PKR~940.0bln (SPLY: PKR~714.0bln), of which ~70.1% (or PKR~659.0bln) was actually disbursed. During 7MFY25, ~57.2% of the budgeted PKR~1,100bln PSDP spending got disbursed (SPLY: ~54.0%).
- Historically (FY20-24), construction sector, on average, held ~2.8% share in the national GDP. During FY24, this stood at ~2.5%. The IMF has increased Pakistan's real GDP FY25 growth forecast to ~3.0% (FY24: ~2.5%)**.** However, the Staff-Level Agreement regarding second tranche amounting to USD~1.0bln under the EFF agreement (subject to IMF Board approval) and factors such as easing inflation, steady interest rates, lower electricity tariffs and political stability in the country are expected to improve demand for construction inputs during FY25.





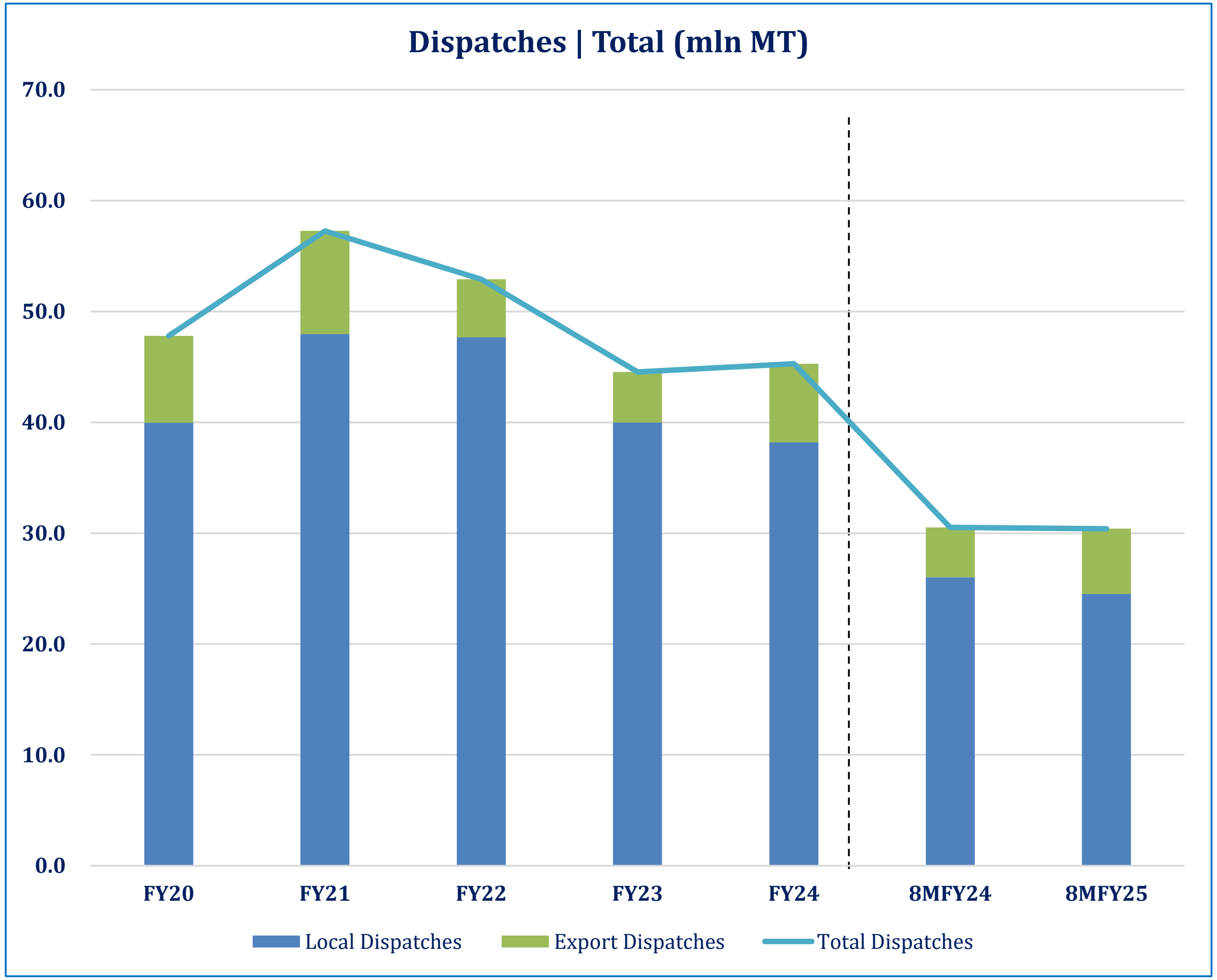
***Note**: Construction market size is estimated based on GDP contribution.*

Source: APCMA, PC, PBS, PES, IMF

Cement

Demand Side | Total Dispatches

- In FY24, total cement dispatches stood at ~45.5mln MT, increasing by ~1.6% YoY. Of these, exports held ~13.5% while local dispatches formed ~86.5% share.
- Total dispatches for 8MFY25 stood at ~30.4mln MT of which ~19.4% comprised exports (SPLY: ~14.8%) while ~80.6% volumes comprised local dispatches (SPLY: ~85.3%). Local dispatches declined ~5.8% YoY while export dispatches rose by ~31.1% YoY during the same period.
- Cement and clinker exports to Bangladesh clocked in at ~1.5mln MT during FY24 (SPLY: ~1.2mln MT), a YoY increase of ~23.2%, while those to Sri Lanka increased by ~71.4% YoY to clock in at ~1.2mln MT (SPLY: ~0.7mln MT).

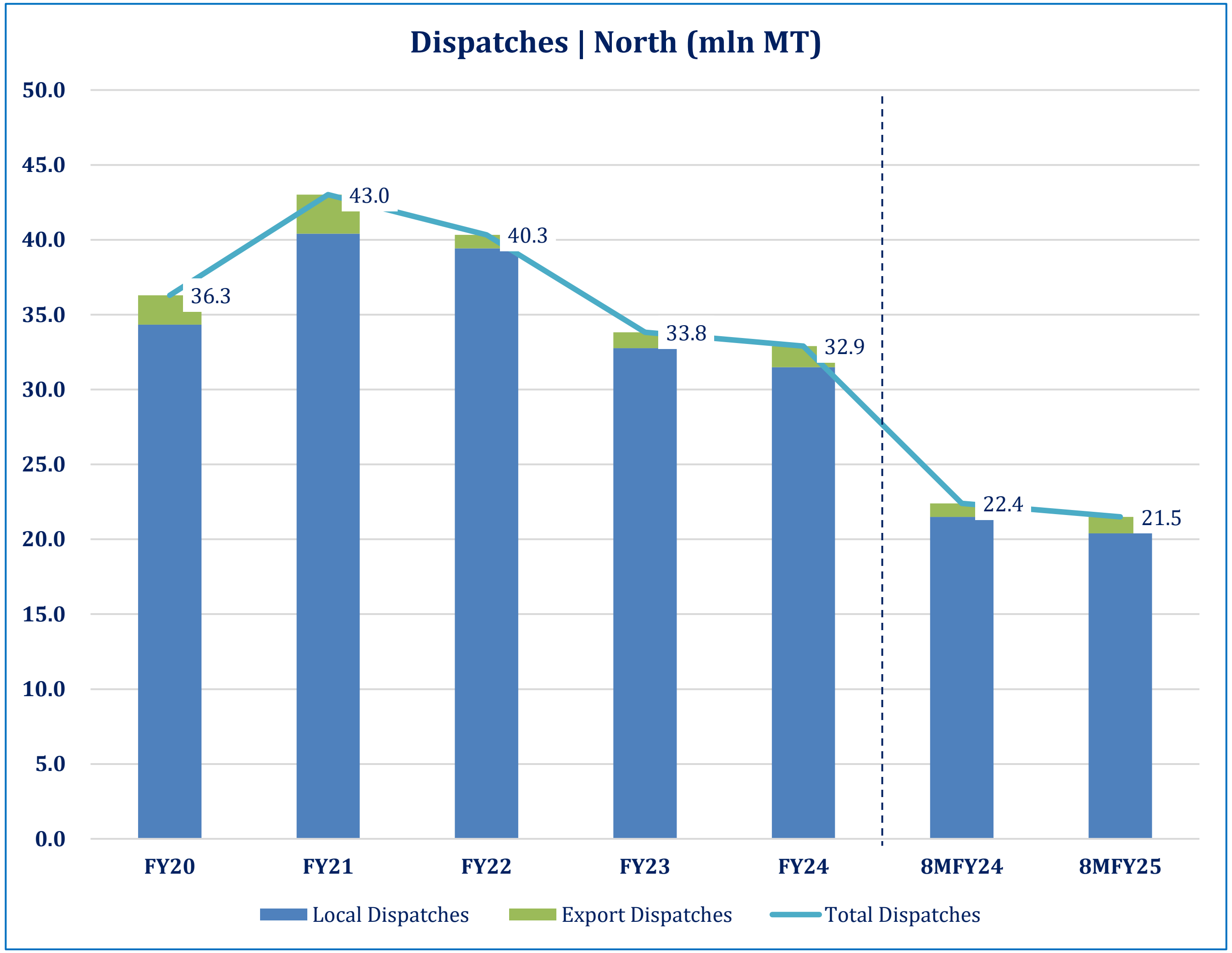


Source: APCMA, cemnet.com, PES, MoF

Cement

Demand Side | North Dispatches

- In FY24, the North region represented ~72.6% share in the overall national cement dispatches (SPLY: ~76.0%) (FY20-24 average: ~72.1%).
- During the year, dispatches in the North stood at ~32.9mln MT, declining ~2.6% YoY. Of these, export volumes held ~4.3% while local dispatches formed ~95.7% share. Local dispatches declined ~3.8% YoY, while exports rose ~31.4% YoY.
- During 8MFY25, total North dispatches receded by ~4.0% YoY. Local dispatches declined ~5.1% YoY, while export dispatches grew by ~22.2% YoY during the same period.
- Of total dispatches in the North during 8MFY25, ~5.1% comprised exports while local dispatches formed the rest.
- The country's North-to-South dispatch ratio stood at ~1:3 ratio in terms of total volumes during FY24.

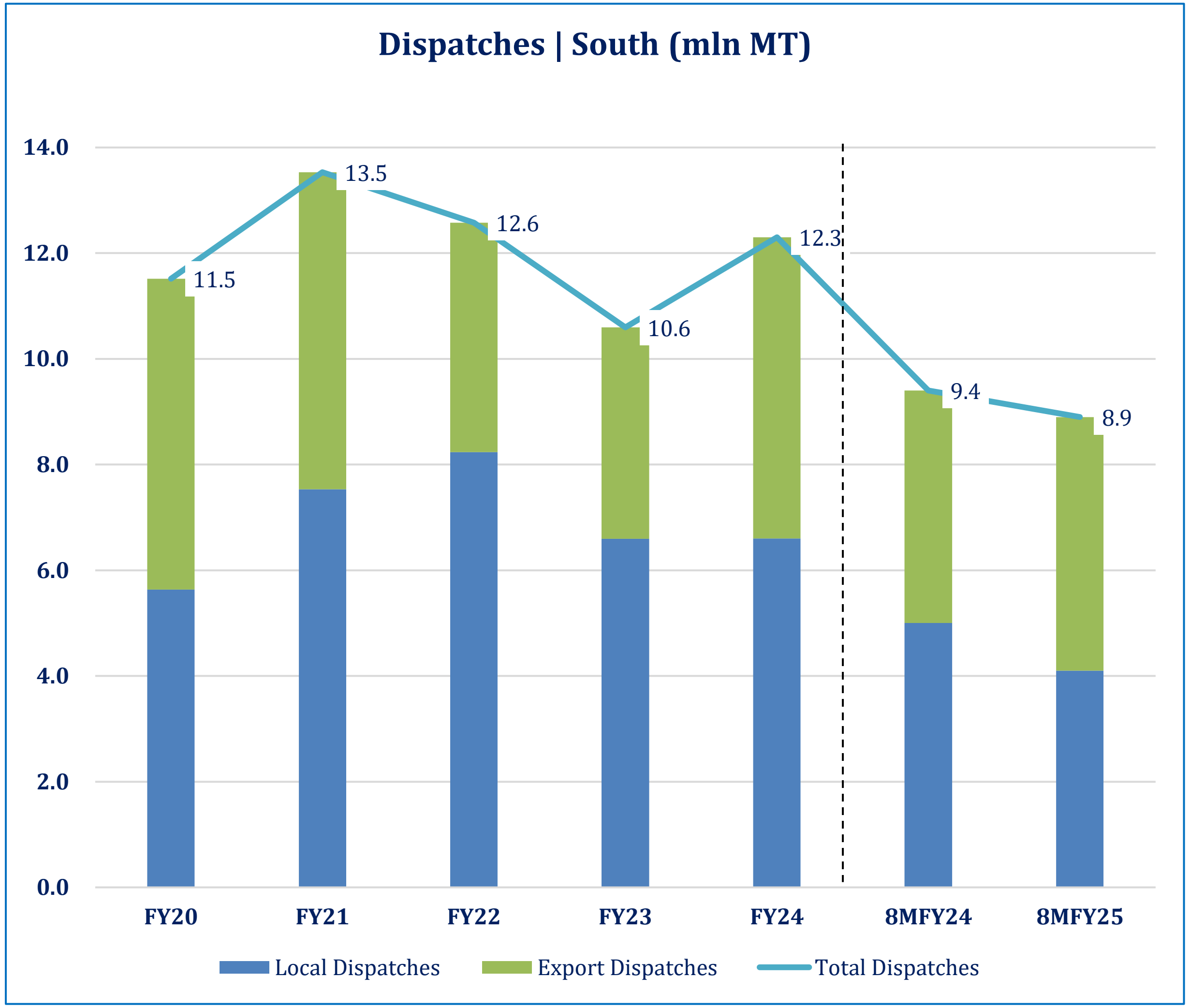


Source: APCMA, Cemnet

Cement

Demand Side | South Dispatches

- Historically (FY20-24), the South region represented ~24.4% share in total national cement dispatches while in FY24, this was recorded at ~27.2%.
- In FY24, South dispatches stood at ~12.3mln MT, increasing ~16.1% YoY. Of these, export volumes held ~46.3% while local dispatches formed ~53.7% share.
- During the year, local dispatches stayed the same at ~6.6mln MT, thereby reflecting that ~100.0% increase in total South dispatches came on the back of exports which rose ~42.5% YoY.
- In 8MFY25, local dispatches in the South declined ~18.0% YoY, while export dispatches increased by ~9.1% YoY, leading to a ~5.3% YoY decline in total cement dispatches in the South.
- During 8MFY25, cement dispatches in the South comprised ~53.9% exports (SPLY: `46.8%) while local dispatches formed the rest.

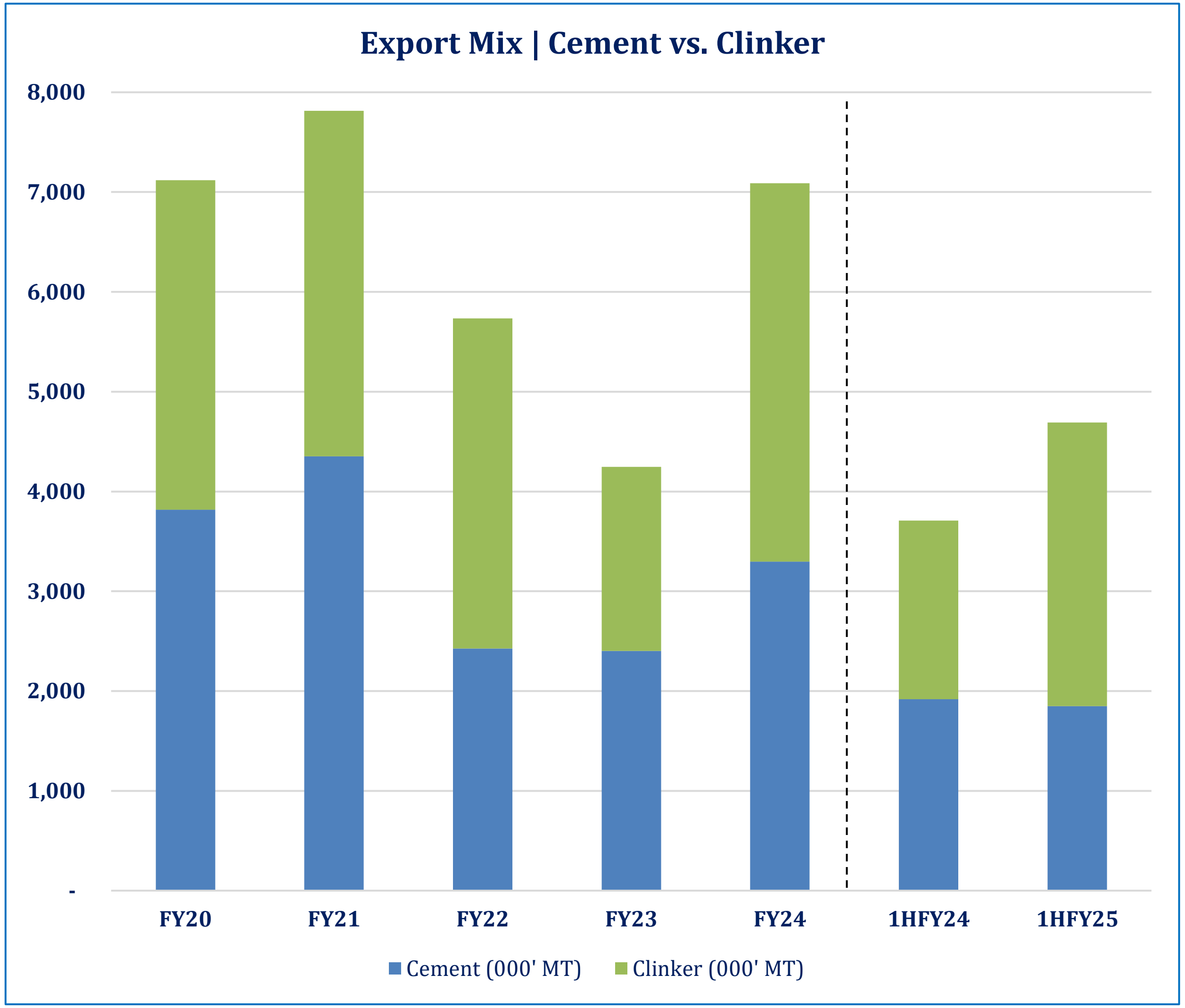


Source: APCMA, cemnet.com, PES

Cement

Demand Side | Export Mix

- Pakistan's cement and clinker exports in FY24 were valued at USD~266.5mln, representing ~0.8% of country's total exports (FY23: ~0.6%). In value terms, FY24 clinker exports clocked in at USD~121.8mln (SPLY: USD~69.4mln), a YoY increase of ~75.5%.
- Volumetrically, total exports stood at ~7.1mln MT, up ~66.9% YoY, comprising ~46.5% cement and ~53.5% clinker during the year.
- Total cement exports during 1HFY25, in value terms, stood at USD~167.4mln, up ~23.2% YoY and represented ~1.0% of national exports (SPLY: ~0.9%).
- Volumetric exports stood at ~4.7mln MT (SPLY: ~3.5mln MT) for the same period and depicted an increase of ~33.8% YoY. These comprised ~39.4% cement and ~60.6% clinker during the period.



***Note**: Cement exports include clinker. HS codes for Clinker, and Cement are 2523.1000, 2523.2900 and 2523.2100 , respectively. 1HFY25 data, in volume terms, is the latest available.*

Source: PBS, UN Comtrade

Cement

Demand Side | Export Partners (FY24)

- In FY24, average clinker export value stood at PKR~454.0/50KG (FY23: PKR~466.0/50KG) while that for ordinary Portland cement was recorded at PKR~618.0/50KG (FY23: PKR~634.0/50KG), ~36.1% (or ~1.4x) higher than that of clinker (SPLY: ~36.0% or ~1.3x). During the year, the USD/PKR parity averaged at ~283.2, up ~14.4% YoY.
- Although white cement fetched the most premium price among all categories as depicted, it held a negligible share (~0.5%) in the overall export mix during the year.
- Bangladesh held the highest share of ~38.7% in Pakistan's clinker exports, followed by Sri Lanka at ~25.3% (SPLY: ~20.3%) during FY24.
- Afghanistan, in FY24, held the highest share in Pakistan's ordinary Portland cement volumetric exports at ~46.5% (~44.5% YoY increase) while in 1HFY25, this was recorded at ~21.3%.
- During 8MFY25, total exports in PKR of cement and clinker increased by ~23.4% YoY (SPLY: ~71.8%) to record at PKR~57.9bln.

Clinker							
Sr.	Export Destinations	Exports ('000' MT)	Exports (PKR mln)	Share (Vol.)	Share (PKR)	PKR/MT
1	Bangladesh	1,469	12,401	38.7%	35.9%	8,444
2	Sri Lanka	958	9,578	25.3%	27.7%	9,995
3	Qatar	161	1,375	4.2%	3.9%	8,531
4	Others	1,204	11,133	31.8%	32.5%	9,246
	Total	**3,792**	**34,487**	**100%**	**100%**	**9,094**
Ordinary Portland Cement						
1	Afghanistan	1,529	18,639	46.5%	45.9%	12,190
2	Madagascar	654	8,097	19.9%	19.9%	12,380
3	Somalia	279	2,970	8.4%	7.3%	10,645
4	Others	620	7,402	18.8%	18.2%	11,938
	Total	**3,283**	**40,610**	**100%**	**100%**	**12,369**
White Portland Cement						
1	Afghanistan	9	236	68.9%	64.1%	24,704
2	Tanzania	2	60	11.3%	16.2%	38,209
3	Oman	1	33	10.9%	8.9%	21,746
4	Others	2	39	8.9%	10.8%	28,011
	Total	**14**	**368**	**100%**	**100%**	**26,285**

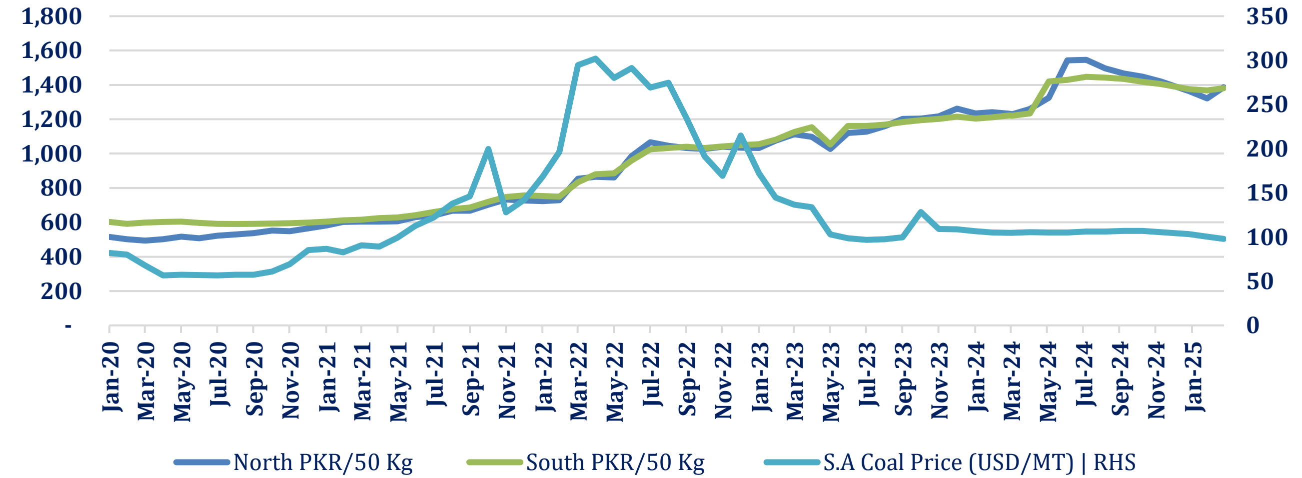
***Note**: HS codes for Clinker, Ordinary Portland Cement and White Portland Cement are 25231000, 25232900 and 25232100 , respectively.*

Source: PBS, UN Comtrade

Cement

Demand Side | Price Dynamics

- Local cement prices are generally dependent upon the behavior of major cost components of cement production, including coal prices, exchange rates, fuel costs and freight charges. Over the 10-year horizon of FY14-24, local cement prices have exhibited a correlation factor of ~0.5 with South African coal prices.
- In FY24, local retail cement prices exhibited steady growth, averaging at PKR~1,208/50KG and PKR~1,276/50KG in the North and South regions, respectively (SPLY: PKR~1,064/50KG and PKR~1,080/50KG, respectively). Historically (FY20-24), in the South, retail price has remained ~1.2x higher than in the North owing to a large number of players located with greater market share.
- Local average retail prices of cement rose ~15.9% YoY during FY24 whereas prices of South African coal were down ~43.4% YoY. Higher local prices reflected high inflationary pressures and interest rates during the year. In 8MFY25, average retail prices rose ~15.9% YoY.
- During FY20-24, cement export prices have remained ~1.4x higher than those for clinker while average ex-factory price stood at PKR~554/50KG, ~1.5x lower than retail price.
- Going forward, international coal prices are forecast to remain muted owing to a shift towards renewable sources as well as a steady supply.



Local vs. Export Prices (PKR/50KG)							
Region/Type	FY20	FY21	FY22	FY23	FY24	8MFY24	8MFY25
North	528	571	767	1,064	1,208	1,205	1,391
South	608	606	777	1,080	1,276	1,192	1,386
Clinker | Export	375	334	401	466	454	473*	421*
Cement | Export	519	442	540	634	618	651*	615*

Note: *Local prices for North and South depicted in the table represent retail prices, inclusive of federal excise duty, sales tax and other provincial royalties. *Cement and clinker export prices pertain to 7MFY25 and 7MFY24. Cement includes Ordinary Portland and White Portland. Ex-refinery price reflects 01 sector player's data.*

Source: APCMA, PBS, WB, UN Comtrade

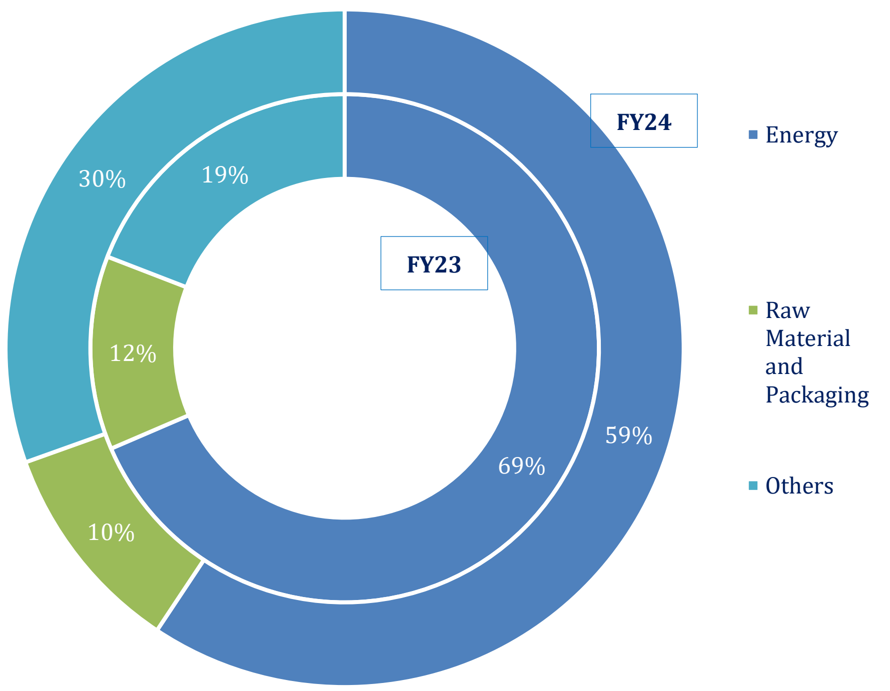
Cement

Local | Business Risk

- In FY24, sector's size (or gross revenue) grew by ~12.3% YoY reaching PKR~904.0bln on the back of ~15.8% YoY increase in average local 50KG cement bag retention prices. Additionally, despite a decline in local dispatches of ~4.5% YoY, ~66.9% YoY increase in export dispatches translated into sector's net profit growing by ~72.6% YoY.

Financial Highlights (PKR mln)							
Companies	FY20	FY21	FY22	FY23	FY24	1HFY24	1HFY25
Gross Sales	**401,747**	**541,566**	**686,541**	**804,890**	**904,017**	**338,456**	**381,309**
Net Sales	254,779	377,727	498,173	602,443	669,866	348,760	362,679
Cost of Sales	243,517	288,676	375,232	454,597	486,421	229,153	248,509
Gross Profit	**11,234**	**88,079**	**122,941**	**147,846**	**183,444**	**95,907**	**114,170**
Operating Expense	9,865	9,922	52,740	61,597	67,598	38,041	55,289
Operating Profit	**1,369**	**78,157**	**70,202**	**86,249**	**115,846**	**57,865**	**58,881**
Finance Cost	18,866	14,407	16,279	31,688	41,551	20,637	18,416
Profit/(Loss) Before Tax	**(13,642)**	**67,892**	**58,349**	**60,805**	**82,791**	**41,609**	**46,578**
Taxation	(513)	16,231	5,824	11,435	(2,424)	(1,356)	(11,283)
Profit/(Loss) After Tax	**(13,129)**	**51,661**	**52,524**	**49,369**	**85,216**	**42,965**	**57,861**

COGS Breakdown (%)



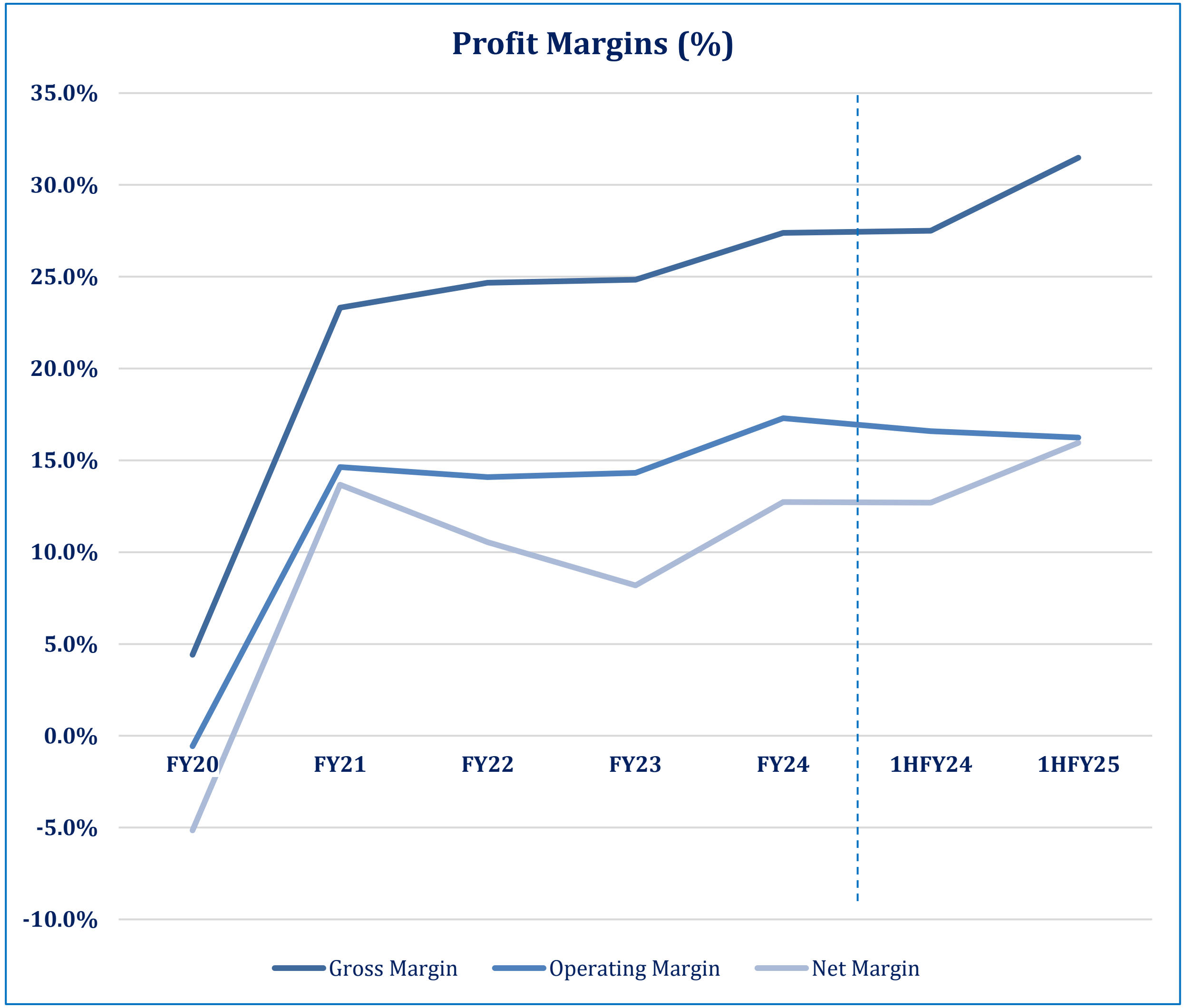
Note: *Calculations are based on data of all 16 listed entities in the sector. Others category in COGS includes salaries & wages, depreciation etc.*

Source: APCMA, PES, Companies Financial, PACRA Database

Cement

Local | Business Risk

- In FY24, the sector's average gross margins increased to ~27.4% (FY23: ~24.8%) owing to ~12.3% YoY increase in gross sales despite total dispatches declining ~1.6% YoY. On the other hand, there was an ~11.2% YoY uptick in COGS.
- Average operating margins rose to ~17.3% (FY22: ~14.3%) owing to a decline in operating expenses of ~7.9% YoY.
- Sector's finance cost rose by ~31.1% YoY while other income was also up ~31.2% YoY, therefore, average net margins clocked in at ~12.7% during FY24 (SPLY: ~8.2%).
- Local dispatches declined by ~3.9% YoY in 1HFY25 while average retention price per 50KG bag increased by ~15.3% YoY. Improvement in retention prices maintained the sector margins during 1HFY25 where average gross margins increased to ~31.5% (SPLY: ~27.5%), operating margins at ~16.2% (SPLY: ~16.6%) and net margins at ~16.0% (SPLY: ~12.7%). In 1HFY25, borrowing was down ~10.7% YoY while interest rate stood at ~13.0% as of End-Dec'24 (SPLY: ~22.0%).



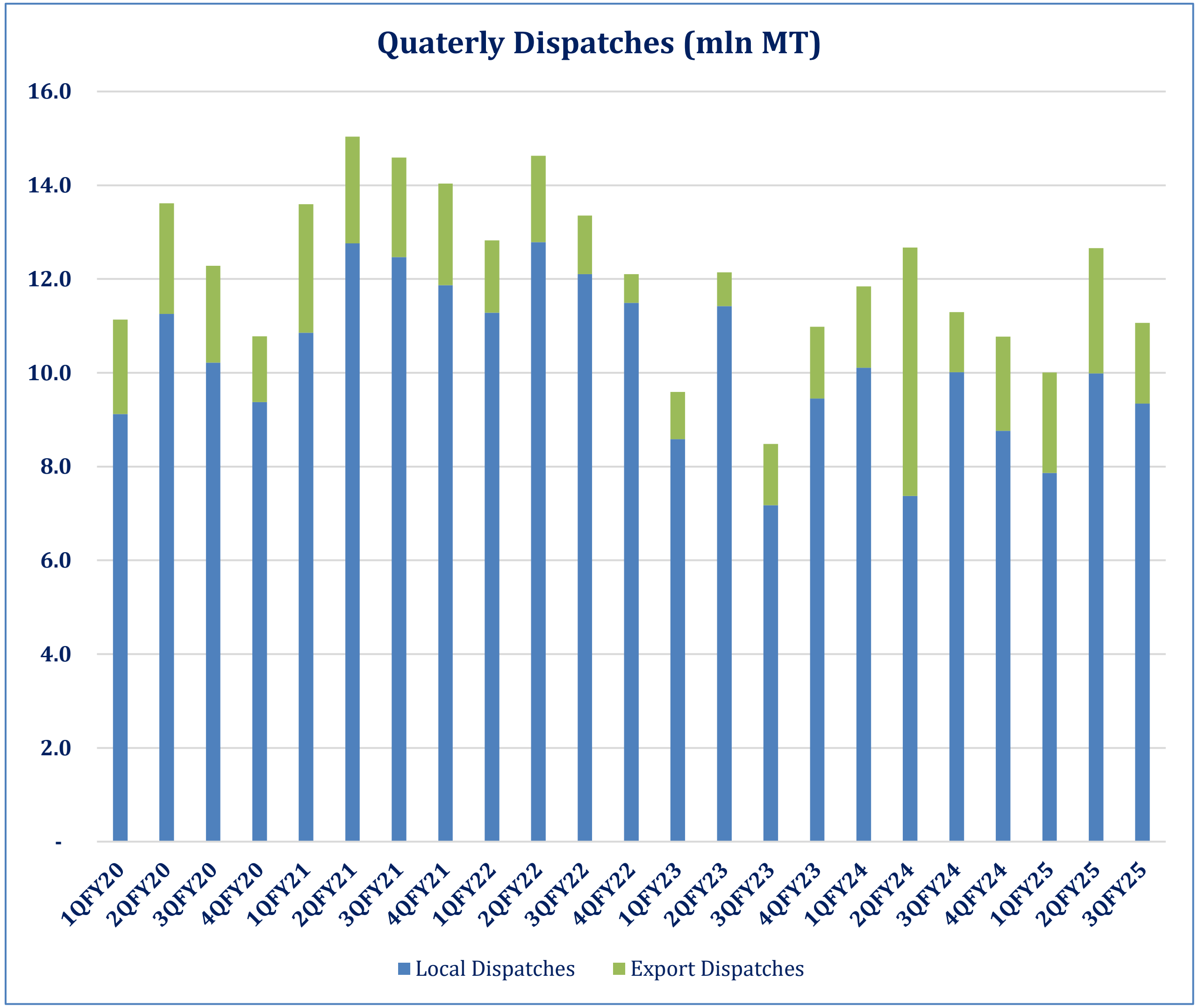
Note: Calculations are based on data of all 16 listed entities in the sector.

Source:, Companies Financial, PACRA Database

Cement

Local | Business Risk

- Being a primary construction material, cement offtake is highly dependent upon infrastructure development and construction activities in the country.
- Federal PSDP budget for FY24 provided a base-line support for the construction activities in the country, however, central bank's hawkish monetary policy and high inflationary pressures led to lower levels of local dispatches.
- While the PSDP budget for FY25 was set at PKR~1,100bln, ~57.2% of this been authorized/ disbursed as of 7MFY25 (SPLY: ~57.4%).



Source: APCMA, PBS, MoF

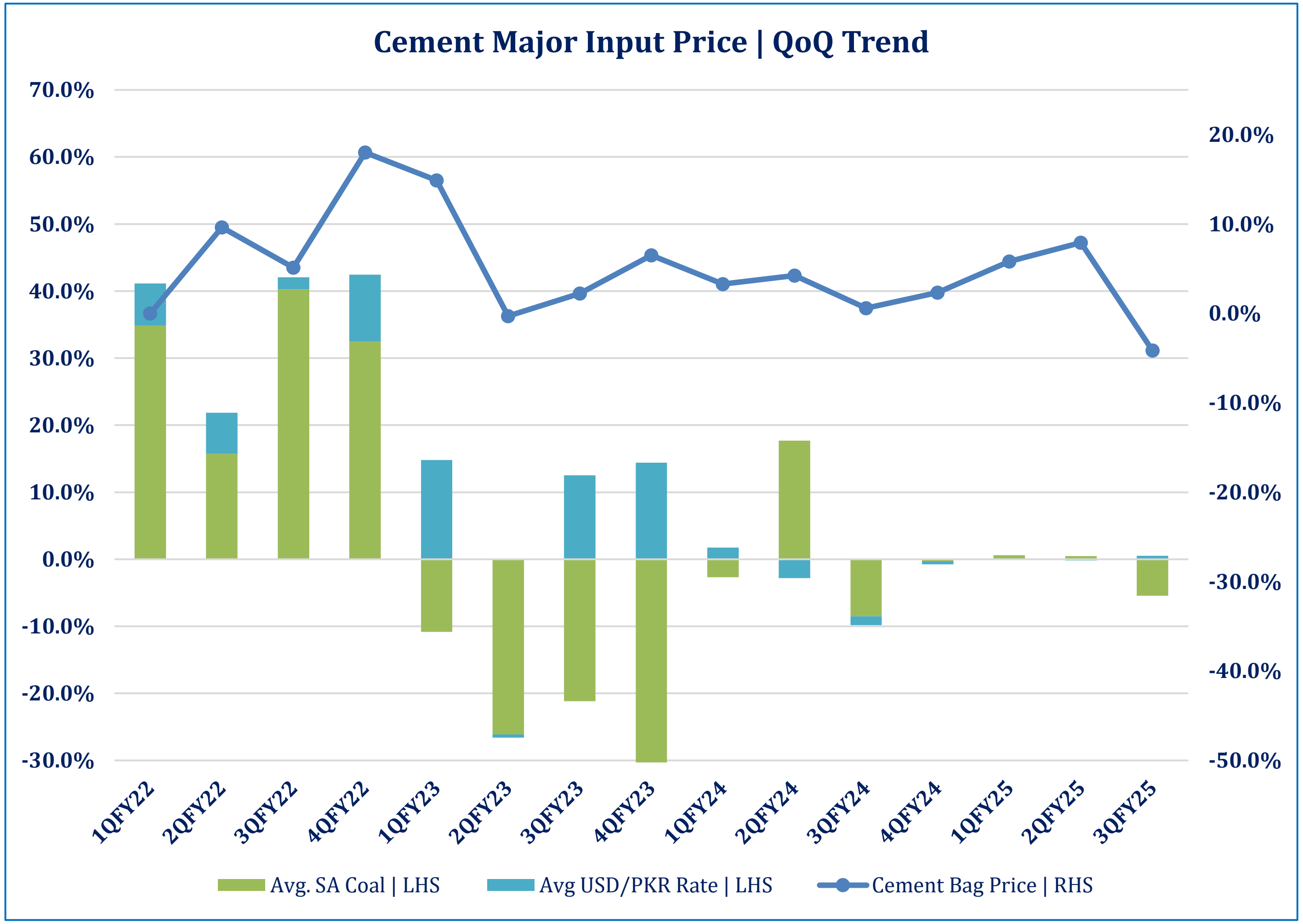
Cement

Local | Business Risk

- During 2QFY25, local cement 50KG bag prices were up ~7.9% YoY whereas international South African coal prices fell ~0.5% YoY and the USD/PKR parity registered ~3.1% decline.

- After growing at a CAGR of ~3.9% during 3QFY24-2QFY25, local cement prices registered ~4.2% QoQ decline in 3QFY25, whereas international cement prices and average USD/PKR, on a QoQ basis, posted ~4.1% and ~0.5% decline, respectively.

- Going forward, given the declining trend in average energy input prices continues and a stable PKR momentum against the USD holds, cement prices are expected to further stabilize. However, these will also remain a function of local offtake, which, if improves, is likely to result in better profit margins for sector players.



Note: *Calculations for COGS is based on data of all 16 listed entities in the sector. Cement bag prices are average of North and South regions.*

Source: APCMA, PBS, MoF

Business Risk | Company-wise COGS Breakdown (FY24)

- Major raw materials used in cement manufacturing are clinker, limestone, clay and gypsum. Raw materials and packaging, however, constituted a smaller portion of the production cost ~10.0% in FY24 (FY23: ~12.0%).

<table>
<tr><th>Sr.</th><th>Company</th><th>Raw Material</th><th>Packaging</th><th>Fuel</th><th>Power</th><th>Others</th></tr>
<tr><td>1</td><td>Attock Cement</td><td>10.5%</td><td>4.4%</td><td>50.2%</td><td>16.2%</td><td>18.7%</td></tr>
<tr><td>2</td><td>Bestway Cement</td><td colspan="2">16.8%</td><td colspan="2">63.2%</td><td>20.0%</td></tr>
<tr><td>3</td><td>Cherat Cement</td><td colspan="2">18.6%</td><td colspan="2">55.7%</td><td>25.7%</td></tr>
<tr><td>4</td><td>DG Khan Cement</td><td>1.8%</td><td>6.7%</td><td colspan="2">59.6%</td><td>31.8%</td></tr>
<tr><td>5</td><td>Dewan Cement</td><td colspan="2">20.1%</td><td colspan="2">64.4%</td><td>15.5%</td></tr>
<tr><td>6</td><td>Dandot Cement</td><td colspan="2">11.7%</td><td>41.3%</td><td>36.5%</td><td>10.5%</td></tr>
<tr><td>7</td><td>Fauji Cement</td><td>10.1%</td><td>6.0%</td><td>44.0%</td><td>20.2%</td><td>19.6%</td></tr>
<tr><td>8</td><td>Flying Cement</td><td>4.0%</td><td>8.0%</td><td>33.6%</td><td>53.0%</td><td>1.3%</td></tr>
<tr><td>9</td><td>FECTO Cement</td><td colspan="2">12.7%</td><td colspan="2">73.3%</td><td>14.0%</td></tr>
<tr><td>10</td><td>Gharibwal Cement</td><td colspan="2">9.2%</td><td>59.8%</td><td>10.5%</td><td>20.4%</td></tr>
<tr><td>11</td><td>Kohat Cement</td><td>4.8%</td><td>8.1%</td><td>46.3%</td><td>21.6%</td><td>19.2%</td></tr>
<tr><td>12</td><td>Pioneer Cement</td><td>8.5%</td><td>7.8%</td><td colspan="2">65.6%</td><td>18.1%</td></tr>
<tr><td>13</td><td>Maple Leaf Cement</td><td>8.6%</td><td>7.8%</td><td colspan="2">63.1%</td><td>20.5%</td></tr>
<tr><td>14</td><td>Power Cement</td><td>10.7%</td><td>5.6%</td><td colspan="2">68.3%</td><td>15.4%</td></tr>
<tr><td>15</td><td>Thatta Cement</td><td>6.6%</td><td>7.9%</td><td colspan="2">59.9%</td><td>25.5%</td></tr>
<tr><td>16</td><td>Lucky Cement</td><td>7.2%</td><td>7.8%</td><td colspan="2">69.2%</td><td>15.7%</td></tr>
</table>

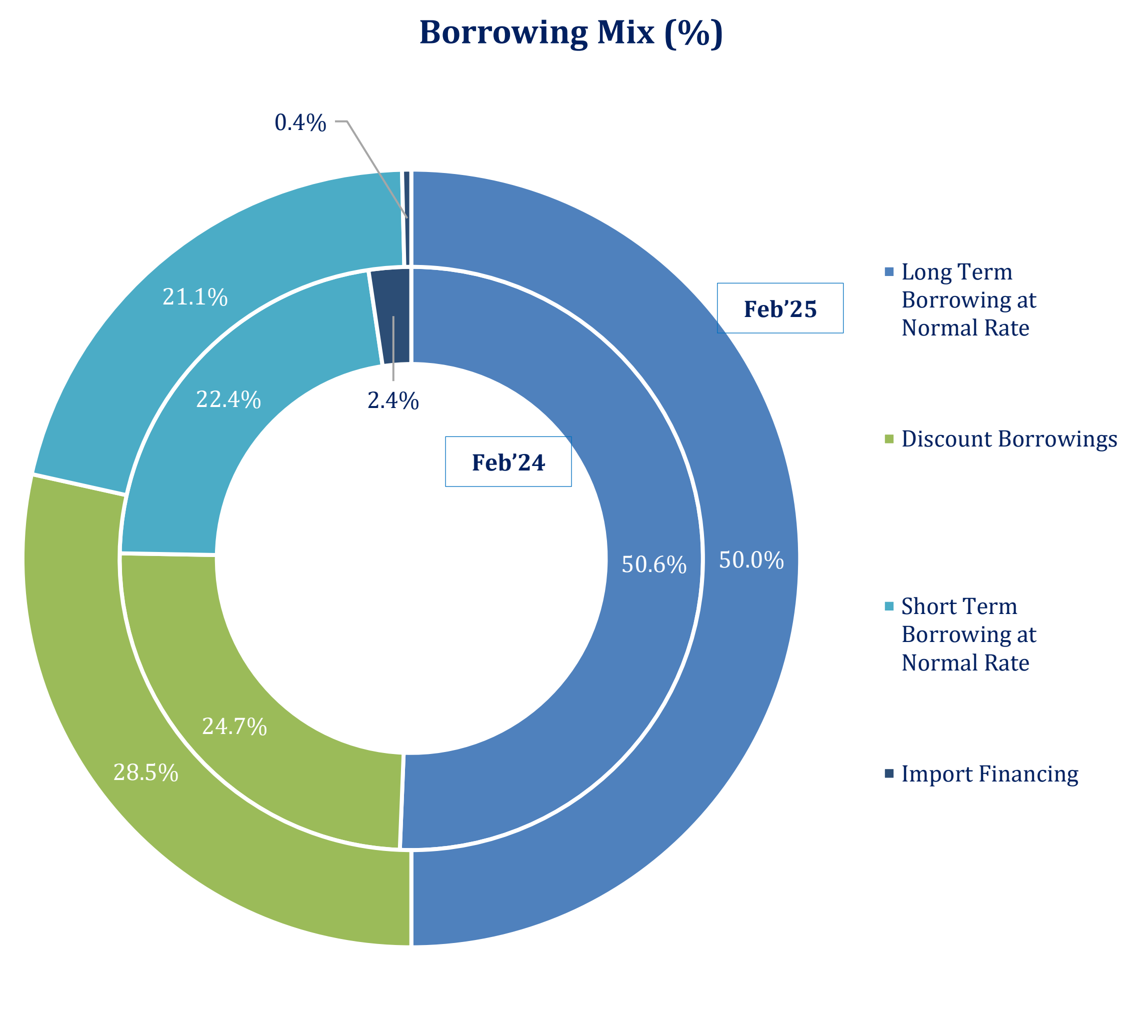
**Latest available.*

Source: PACRA Database, Companies Financials, US Department of Energy

Cement

Financial Risk | Borrowings

- By End-Feb'25, sector's total borrowings stood at PKR~204.6bln, down ~24.6% YoY. Other long-term borrowings comprised ~50.0% of the total borrowings (SPLY: ~50.6%), while other short-term borrowings represented ~21.1% (SPLY: ~22.4%).
- Other short-term borrowings as at End-Feb'25 were down ~24.6% YoY, recording at PKR~43.3bln. Other long-term borrowings stood at PKR~102.3bln, down ~21.2% YoY.
- Discounted borrowings, comprising LTFF and EFS, represented ~28.5% of total borrowings and stood at PKR~58.3bln as at End-Feb'25 (SPLY: ~63.2bln), down ~7.8% YoY.
- The sector held PKR~44.1bln worth of LTFF facilities by End-Jun'24, down ~6.4% YoY while as of End-Feb'25, this stood at PKR~38.2bln (SPLY: PKR~46.4bln), down ~17.6% YoY. The LTFF facility serves to dilute the borrowing cost of projects, making it an attractive opportunity for sector players to expand. However, LTFF discount rates were revised down to ~3.0% in Dec'22, compared with ~5.0% during the prior period.
- Import financing held ~0.4% share in total borrowing and stood at PKR~0.8bln, down ~87.1% YoY.

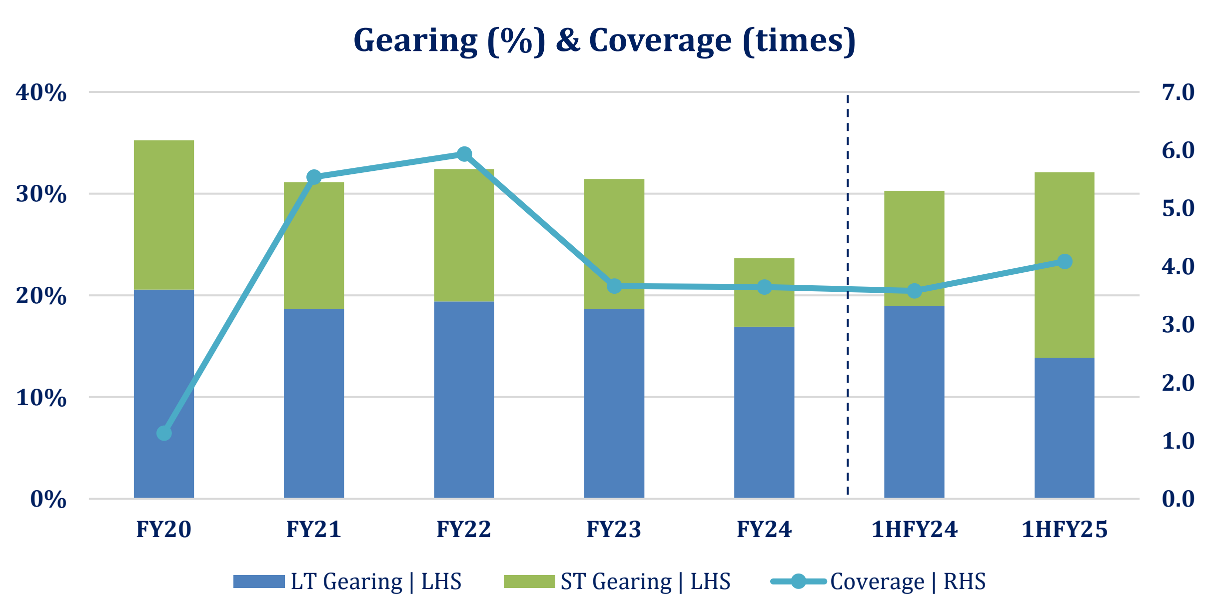


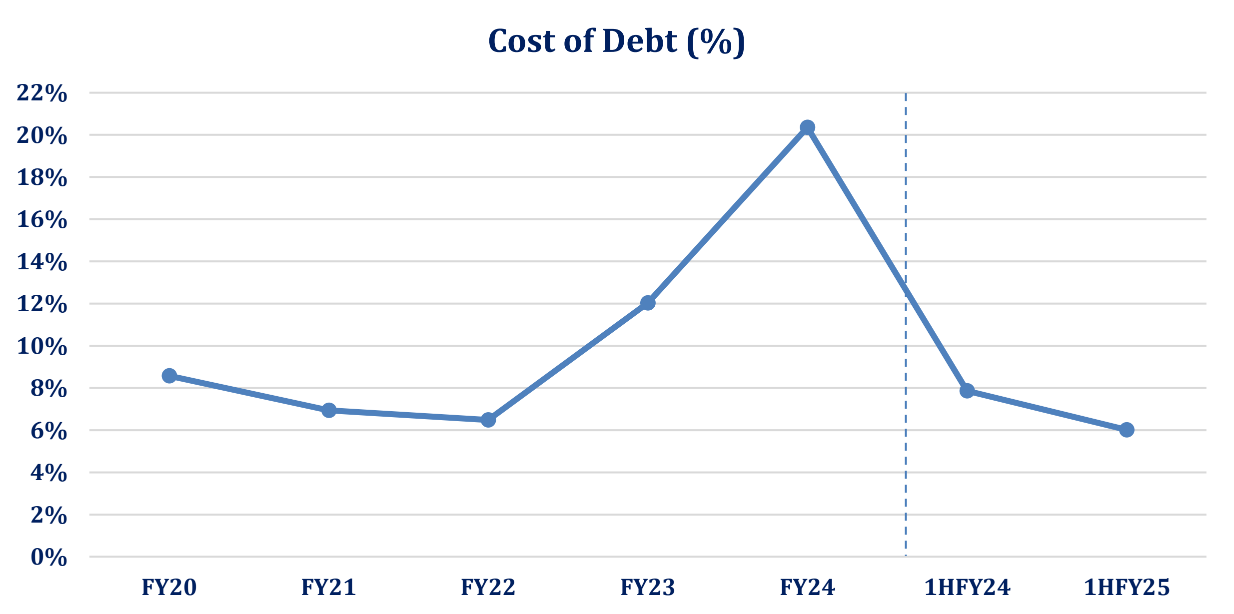
Note: *Borrowing figures is representative of 'Manufacture of Cement, Lime and Clinker' as per SBP classification.*

Source: Companies Financial, PACRA Database, SBP

Financial Risk | Coverage & Cost of Debt

- In FY24, the sector's debt-to-equity ratio stood at ~24.0% (FY23: ~32.0%), as total borrowings increased by ~2.3% YoY while equity grew by ~14.6% YoY. During 1HFY25, the sector's gearing stood at ~32.0% (SPLY: ~30.0%) as total debt increased by ~22.5% YoY while equity grew by ~7.2% YoY.
- The sector's average debt coverage reduced slightly to ~3.6x in FY24 (FY23: ~3.7x) as operating profit increased by ~34.2% whereas finance cost was up ~31.1% YoY. During 1HFY25, coverage improved to ~4.1x (SPLY: ~3.6x), as operating profit grew by ~1.7% YoY while finance cost declined by ~10.7% YoY.
- Owing to increase in sector's borrowings as well as SBP's hawkish policy during FY24, the sector's effective average cost of debt increased to ~20.4% (FY23: ~12.0%). During 1HFY25, however, this declined to ~6.0% (SPLY: ~7.9%) where the policy rate recorded at ~20.5% as at End-Jun'24 (~13.0% as at End-Dec'24). This was further reduced sequentially to ~12.0% in Jan'25 and has maintained status quo in 4MCY25.



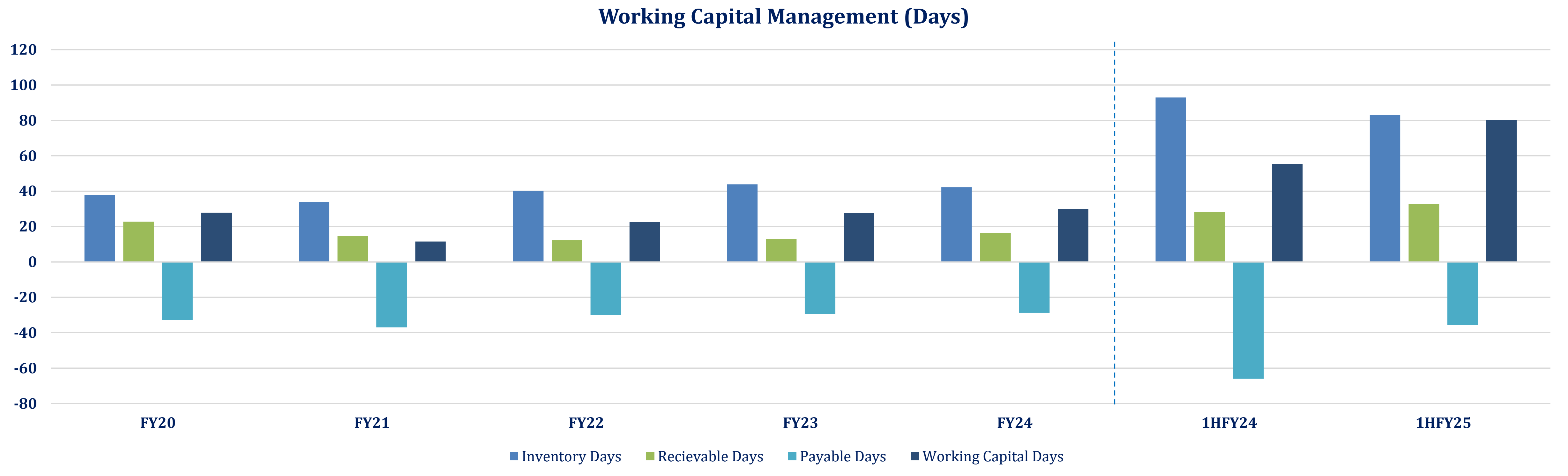


Note: *Calculations are based on data of all 16 listed entities in the sector.*

Source: Companies Financial, PACRA Database

Financial Risk | Working Capital Management

- In FY24, the sector's average working capital days were recorded at ~30 days (FY23: ~28 days) as inventory days decreased to ~42 days (FY23: ~44 days) owing to growth in inventories by ~3.0% YoY (FY23: ~32.3%), while receivable days increased to ~16 days during FY24 (SPLY: ~13 days). However, the sector's payable days remained stable at ~29 days in FY24 (FY23: ~29 days).
- During 1HFY25, sector's working capital days increased to ~80 days (SPLY: ~55 days) as inventory days declined to ~83 days (SPLY: ~93 days) while receivable days increased to ~16 days. Meanwhile, payable days declined to ~36 days (SPLY: ~66 days).



***Note**: Calculations are based on data of all 16 listed entities in the sector.*

Source: Companies Financial, PACRA Database

Cement

Duty Structure

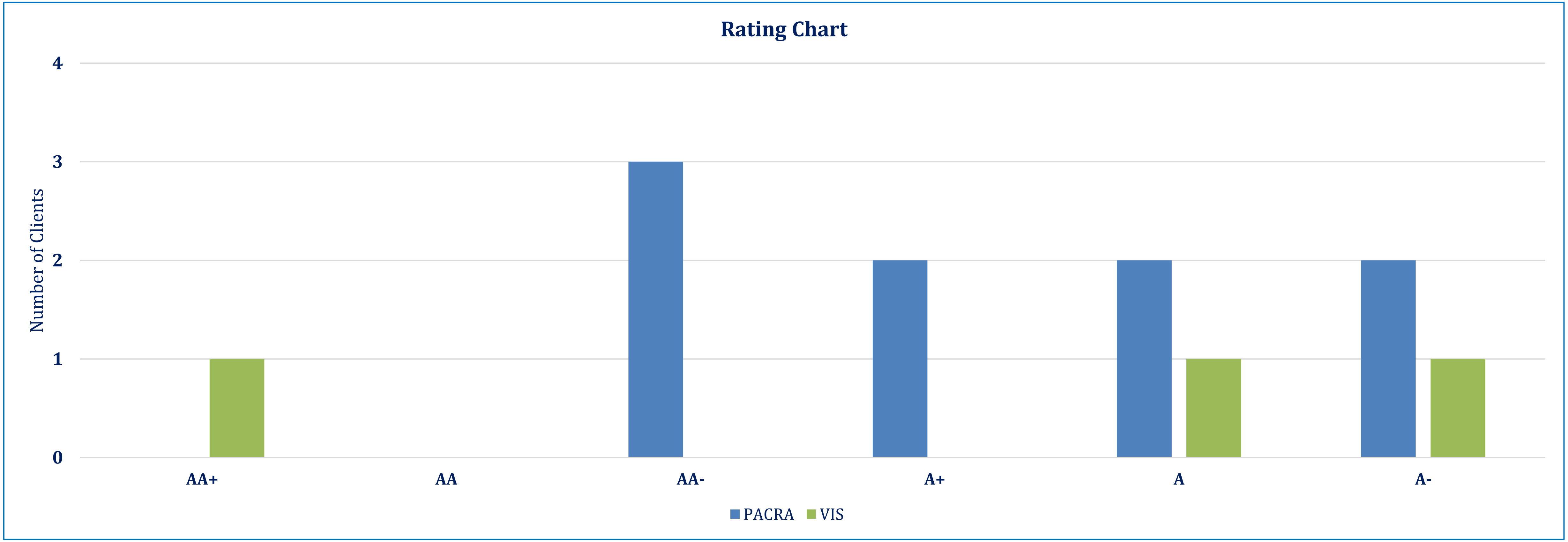
PCT Code	Description	Custom Duty		Additional Custom Duty		Federal Excise Duty		Total	
	Raw Material for Cement	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
2701.1200	Bituminous Coal	3%	3%	2%	2%	-	-	5%	5%
2701.1900	Other Coal	3%	3%	2%	2%	-	-	5%	5%
2523.1000	Cement Clinker	11%	11%	2%	2%	PKR 2 per 1 tariff unit	PKR 4 per 1 tariff unit	13%	13%
	Finished Goods	FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25
6810.1100	Building Block and Bricks	20%	20%	6%	6%	-	-	26%	26%
2523.2100	White Cement	20%	20%	6%	6%	PKR 2 per 1 tariff unit	PKR 4 per 1 tariff unit	26%	26%
2523.2900	Other Cement	20%	20%	6%	6%	PKR 2 per 1 tariff unit	PKR 4 per 1 tariff unit	26%	26%

Source: FBR

Cement

Rating Curve

- PACRA rates 9 clients in the cement sector, with the rating bandwidth of A- to AA-. Collectively, PACRA-rated clients make up ~58.4% of the total sector in terms of production capacity (FY24).



Source: PACRA Database

Cement

Porter's 5 Forces Model

POTENTIAL NEW ENTRY

- Low threat to Entry
- High Capital cost of plant development and query availability
- Extensive regulatory requirement to establish new plants
- Strong dealer network of established players

BUYERS

- Medium to high
- Abundance supply
- Homogeneous nature of the product

SUBSTITUTES

- No/Low threat of substitutes
- Indispensable component of construction

SUPPLIERS

- Medium to High
- Abundance supply of basic raw material
- Heavy reliance on imported coal comes with its set of challenges

COMPETITIVE RIVALRY

- High capacity enhancement amid stagnant demand increases competition

Cement

SWOT

Strengths

- Local availability of basic raw material
- Low-cost skilled and unskilled labor
- Capital-intensive sector
- Good margins in period of robust demand
- Demand potential
- Strong dealership and distribution network
- Non-availability of substitute

Weaknesses

- Quick perishability of finished product
- Heavy reliance on imported coal
- Exposure to exchange rate volatility

Threats

- Energy prices and Foreign Exchange rate volatility
- High Production capacity – supply surplus
- Low demand in export markets
- Rising environmental concerns related to production of cement

Opportunities

- Low per capita consumption
- Improving infrastructure under PSDP & CPEC related projects

Cement

Outlook: Stable

- Pakistan's economy posted a real GDP growth of ~2.5% (FY23: ~-0.22%) in FY24. Meanwhile, the LSM grew ~0.9% YoY (FY23: ~10.3%) owing to a low-base effect. The economy has posted a growth of ~1.7% YoY in 2QFY25 while the LSM has declined ~1.9% YoY in 8MFY25. The decline in LSM primarily reflects the industry reeling in from high interest rate of previous two years. Meanwhile, the SBP estimates the GDP growth between ~2.5%-3.5% for FY25 while the IMF projections for the same stand at ~2.6% for CY25.
- Cement sector's production capacity was recorded at ~83.8mln MT in FY24, up ~8.6% YoY. In FY24, total cement dispatches stood at ~45.5mln MT, increasing by ~1.6% YoY. Total dispatches for 8MFY25 stood at ~30.4mln MT, of which, ~19.4% comprised exports (SPLY: ~14.8%) while ~80.6% volumes comprised local dispatches (SPLY: ~85.3%).
- During FY24, average gross and net margins improved largely on the back of higher revenues (factoring in the price effect) and lower short-term borrowing, respectively. Going forward, with the policy rate standing at ~12.0% as at End-Mar'25, financial indicators like net margins and interest coverage are expected to remain stable. These can improve depending on GoP-supported project activities as well as allied sectoral performances.
- An improved GDP growth rate, combined with factors like PKR~7.6/kWh reduction in energy tariffs (Mar'25) and lower international coal prices, is likely to further improve cement sector's financial performance. The previous two years (FY23-24) were marred by extremely high inflation levels, with headline inflation recording at an average of ~26.5%. However, headline inflation has eased in 9MFY25 to record at an average of ~5.4% (SPLY: ~27.2%).
- Going forward, with PKR stabilizing against the USD, lower inflationary expectations and overall improved economic situation, as aforementioned, the sector is expected to remain in the positive zone. The USA formed ~4.8% (SPLY: ~1.6%) share in cement exports during FY24, therefore, the ~39% reciprocal tariff (inclusive of ~10% baseline tariff) imposed by the USA on Pakistan is less likely to negatively impact the country's cement exports. Moreover, new destinations may be explored, such as in Europe and Africa, where demand for cement is high.

Cement

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