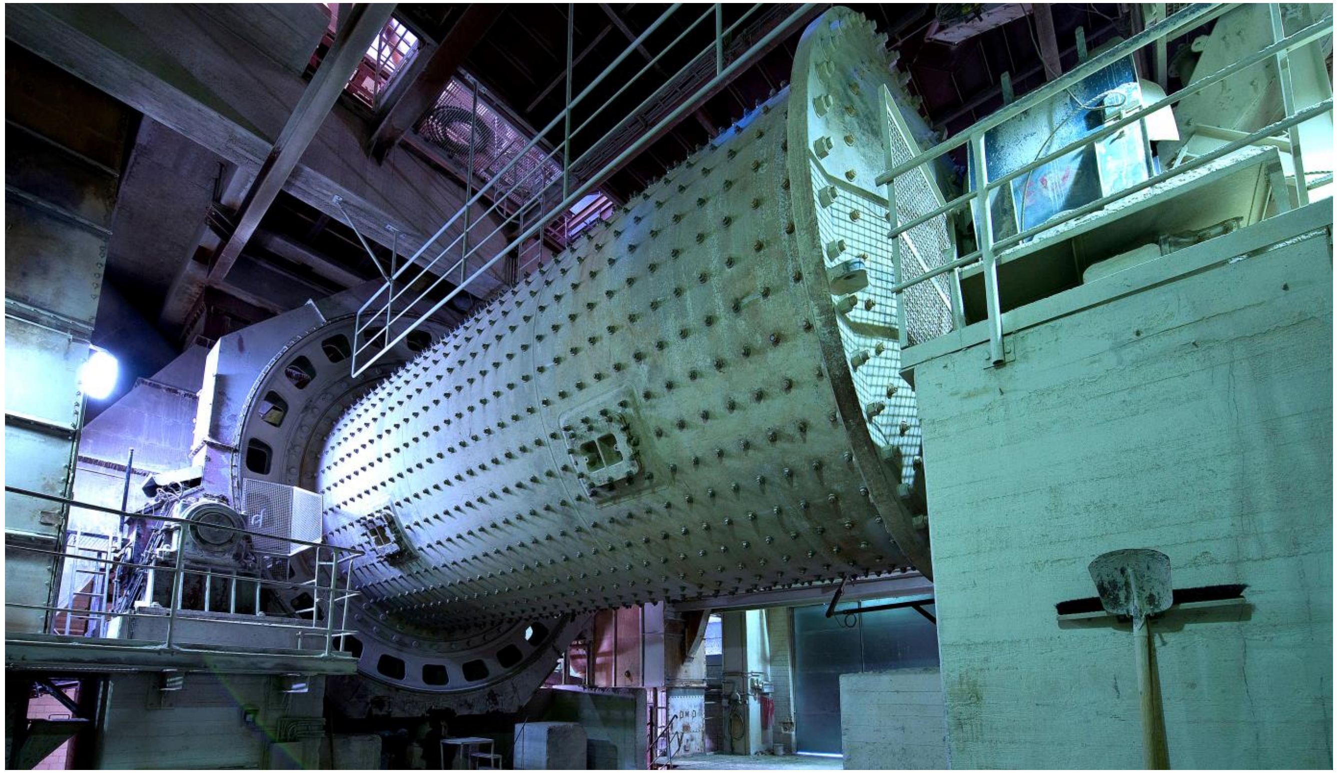
SECTOR STUDY | 29 APRIL 2026

Together. Creating Value.

CEMENT



Research Team

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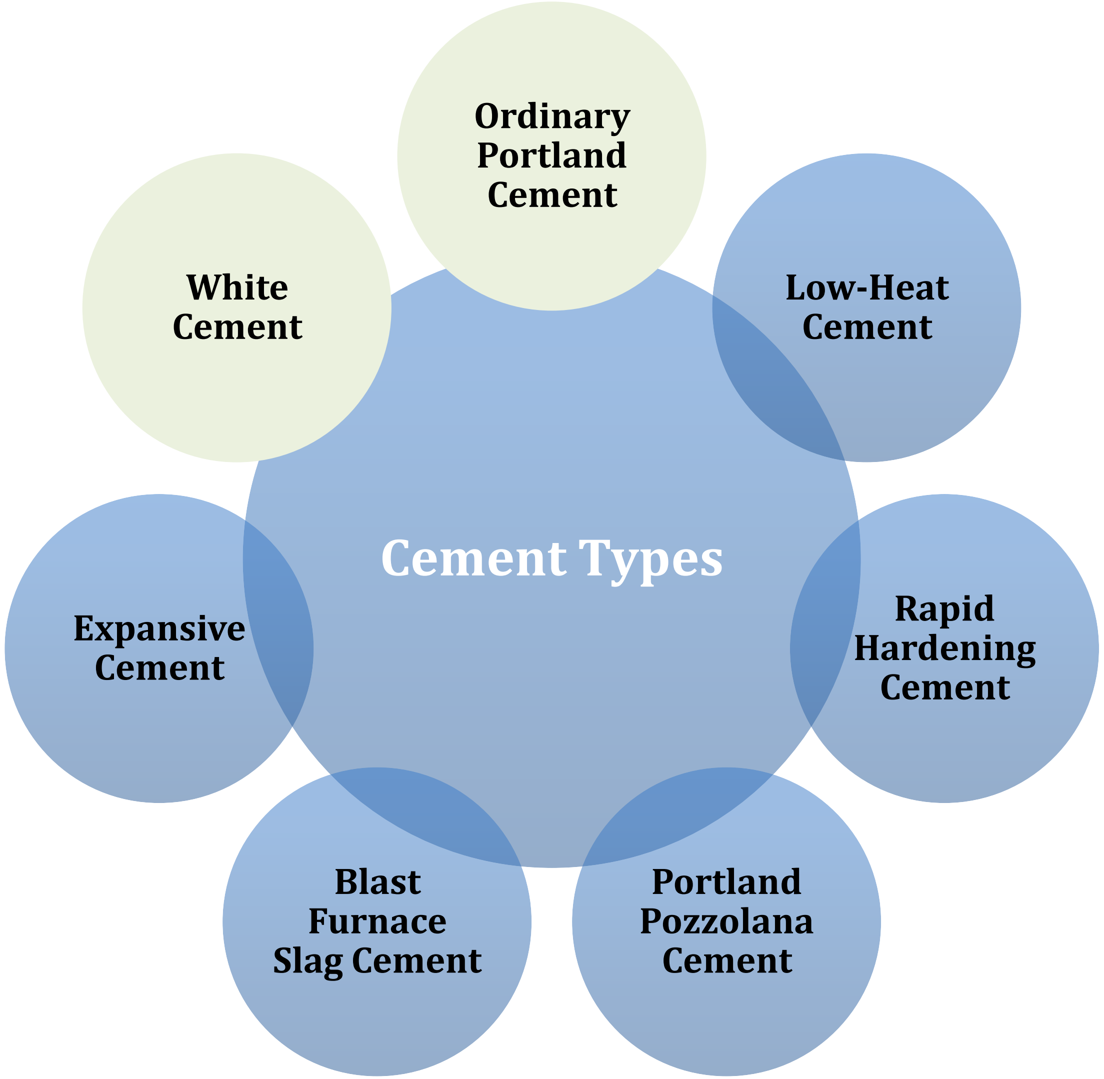
Introduction

- Cement is a glue which acts as a hydraulic binder and 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.



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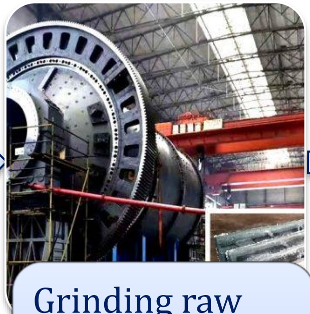
Production Process

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

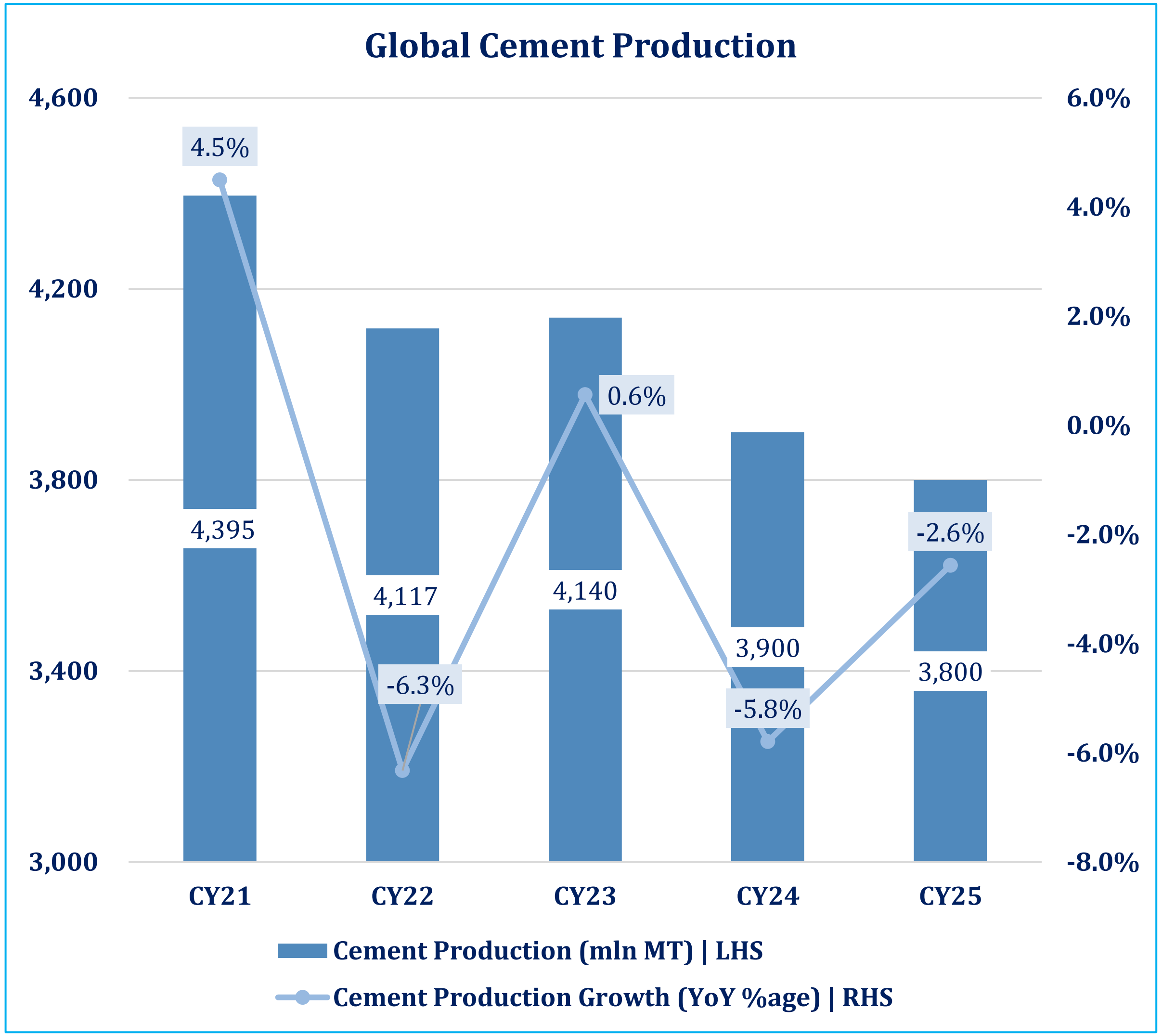
- In CY25, the global cement sector sales were estimated at USD~384.0bn, while its contribution to global GDP stood at ~0.4%. The sector is expected to grow to USD~500.3bn by CY34 with a CAGR of ~5.3%. The sector also contributes ~7.7% to global employment.

- Global cement production stood at ~3,800mn MT, down ~2.6% 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).

- Global cement output has declined primarily due to China, which accounts for nearly half of global production , where cement output witnessed its fourth consecutive annual decline, driven by a prolonged real estate sector downturn and sluggish infrastructure investment.

- 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.

- 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 ~66.1% of the global clinker capacity in CY25 (SPLY: ~68.2%).

- China is the largest producer of clinker despite it's clinker capacity being lowered to ~1.9bn MT in CY24 (SPLY: ~2.0bn MT). It is planned to be further reduced to ~1.8bn MT in 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 ~3.6x that of the world's second-largest producer, India (~12.4% share). India's installed cement capacity recorded at ~668.0mn MT as of March 2025, whereas capacity utilization was estimated to range between ~67.8% to ~70.0% for FY25.

- Meanwhile, higher cement production in Turkey came on the back of rebuilding efforts in the wake of earthquakes and ongoing urban transformation. In CY25, the country's cement production stood at ~89mn MT with a clinker capacity of ~100mn MT, maintaining its position as one of the largest producers in Europe and among the top globally.

Regional Shares | Clinker Capacity and Cement Production

Sr.	Country	Clinker Capacity		Cement Production	
		CY24	CY25	CY24	CY25
1	China	50.0%	47.4%	47.5%	44.7%
2	India	10.0%	10.5%	11.3%	12.4%
3	Vietnam	2.9%	2.9%	2.8%	2.6%
4	USA	2.6%	2.6%	2.2%	2.2%
5	Turkey	2.4%	2.6%	2.1%	2.3%
6	Iran	2.2%	2.2%	1.8%	1.8%
7	Brazil	1.6%	1.6%	1.7%	1.8%
8	Indonesia	2.1%	2.2%	1.6%	1.7%
9	Russia	2.1%	2.1%	1.6%	1.6%
10	Egypt	1.6%	2.0%	1.3%	1.7%
11	ROW*	22.5%	23.8%	26.1%	27.2%
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 (CY25)

- 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 CY25, based on production capacity.
- China accounted for ~44.7% of global cement production. Three of the top 10 global players (as shown in the table) are located in China.
- The top 10 cement players accounted for 60.8 of total world production capacity.

Sr.	Company	Country	Capacity (mn MT)
1	**China National Building Material Group (CNBM)**	China	530
2	**Anhui Conch**	China	407
3	**Lafarge Holcim**	Switzerland	203
4	**Heidelberg Materials**	Germany	187
5	**Huaxin Cement**	China	126
6	**Taiwan Cement**	Taiwan	110
7	**UltraTech Cement**	India	99
8	**CRMBT**	China	70
9	**Cemex**	Mexico	86
10	**Votorantim**	Brazil	71
Total (Top 10)			**1,888**

Note: *Capacity figures are for Cement.*

Source: WCA

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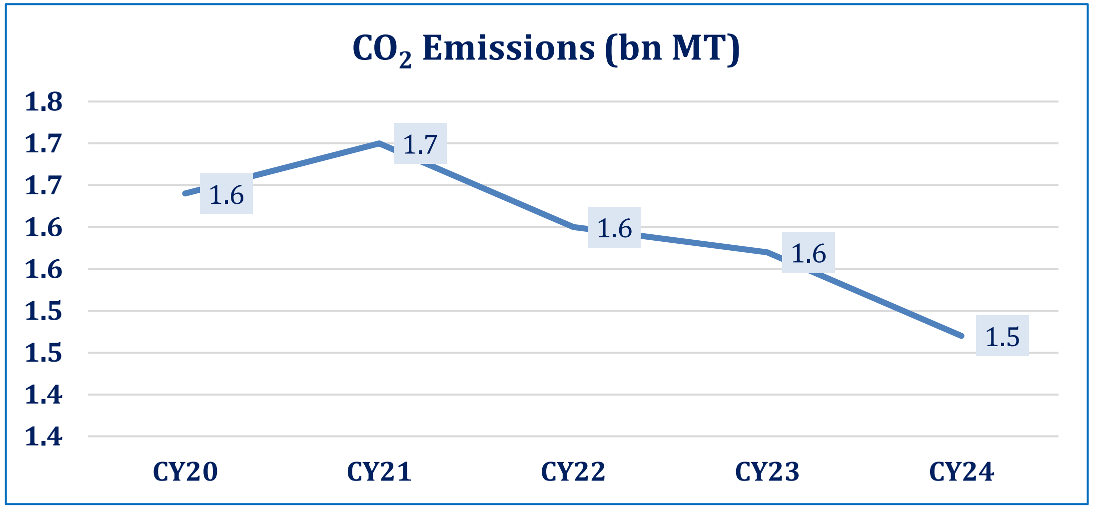
Global | Carbon Emissions

- In CY24, the global cement sector accounted for ~1.5bn MT of carbon dioxide (CO_2) emissions, ~3.7% 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.

- However, tightening government regulations and increasing environmental concerns are pushing the adoption of green cement production practices 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~40-60.0bn by CY35 from the present levels of USD~15-30.0bn.
- 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 (mn MT) CY24
1	China	618.8
2	India	186.0
3	Vietnam	44.5
4	Türkiye	42.2
5	United States	37.3
6	Iran	37.0
7	Indonesia	30.0
8	Saudi Arabia	29.4
9	Egypt	27.6
10	Brazil	25.4
	ROW	394.8
	Total	1,473

***Note**: Latest available data.*

Source: WCA

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Global | Exports (CY25)

- The global clinker export market is heavily concentrated, with the top two exporters, Indonesia (~38.7%) and Pakistan (~17.9%), accounting for over ~56% of total export volumes. Clinker exports accounted for ~19.5% of Indonesia's production and ~10.7% for Pakistan during CY25.
- Egypt commands a significant premium over Pakistan on clinker exports, reflecting its access to higher-value Mediterranean and West African markets versus Pakistan's more price-sensitive South Asian corridors.
- The top four countries collectively represent ~88% of the ~32.4 mn MT traded globally. For cement, the top four exporters, namely Egypt (~14.1%), Japan (~12.5%), Canada (~11.2%), and Pakistan (~11.2%), accounted for ~49.7% of the ~32.4 mn MT traded globally, but the ROW category alone contributed ~25.7% (~7.8 mn MT). Cement and clinker exports remain relatively low when compared to production due to bulkier nature of the product and higher transportation costs.

Clinker Exports				
Sr.	**Country**	**Volume (mn MT)**	**Value (USD mn)**	**Share in Export Volume (%)**
1	**Indonesia**	12.5	378.2	38.7%
2	**Pakistan**	5.8	181.1	17.9%
3	**Egypt**	5.5	264.4	16.8%
4	**Japan**	4.8	135.2	14.8%
5	**Spain**	1.5	102.4	4.6%
6	**Azerbaijan**	0.9	54.7	2.8%
7	**Canada**	0.5	37.1	1.4%
8	**South Africa**	0.2	20.4	0.6%
9	**Finland**	0.1	17.0	0.5%
10	**Bhutan**	0.1	5.7	0.4%
	ROW	0.4	55.7	1.2%
	Total	**32.4**	**1,259.7**	**100.0%**

Cement Exports				
Sr.	**Country**	**Volume (mn MT)**	**Value (USD mn)**	**Share in Export Volume (%)**
1	**Egypt**	4.3	493.0	14.1%
2	**Japan**	3.8	114.4	12.5%
3	**Canada**	3.6	394	11.8%
4	**Pakistan**	3.4	147.6	11.2%
5	**Croatia**	1.4	177.8	4.6%
6	**Malaysia**	1.4	72.9	4.6%
7	**Italy**	1.3	145.8	4.3%
8	**Portugal**	1.2	109.2	3.9%
9	**Indonesia**	1.2	51.2	3.9%
10	**South Africa**	1	85.8	3.3%
	ROW	7.8	2,008.20	25.7%
	Total	**30.4**	**3,799.90**	**100.0%**

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

Source: UN Comtrade

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Global | Imports (CY25)

- Australia is the dominant clinker importer at ~11.0% (~3.55 mn MT, USD ~167.5 mn). The remaining importers are broadly spread across developed markets (USA, UK, Romania, Brazil).
- For cement imports, USA alone accounts for ~69.7% of global cement import volumes at ~21.2 mn MT and USD~1,845 mn.

Clinker Imports				
Sr.	**Country**	**Volume (mn MT)**	**Value (USD mn)**	**Share in Import Volume (%)**
1	Australia	3.55	167.5	11.0%
2	Malaysia	1.25	61.1	3.9%
3	USA	0.98	83.8	3.0%
4	Romania	0.93	54.2	2.9%
5	Brazil	0.88	51.2	2.7%
6	South Africa	0.45	17.4	1.4%
7	Egypt	0.30	19.1	0.9%
8	United Kingdom	0.29	29.2	0.9%
9	Kyrgyzstan	0.17	9.7	0.5%
10	Croatia	0.16	13.4	0.5%
	ROW	23.4	753.1	72.3%
	Total	**32.4**	**1,259.7**	**100.0%**

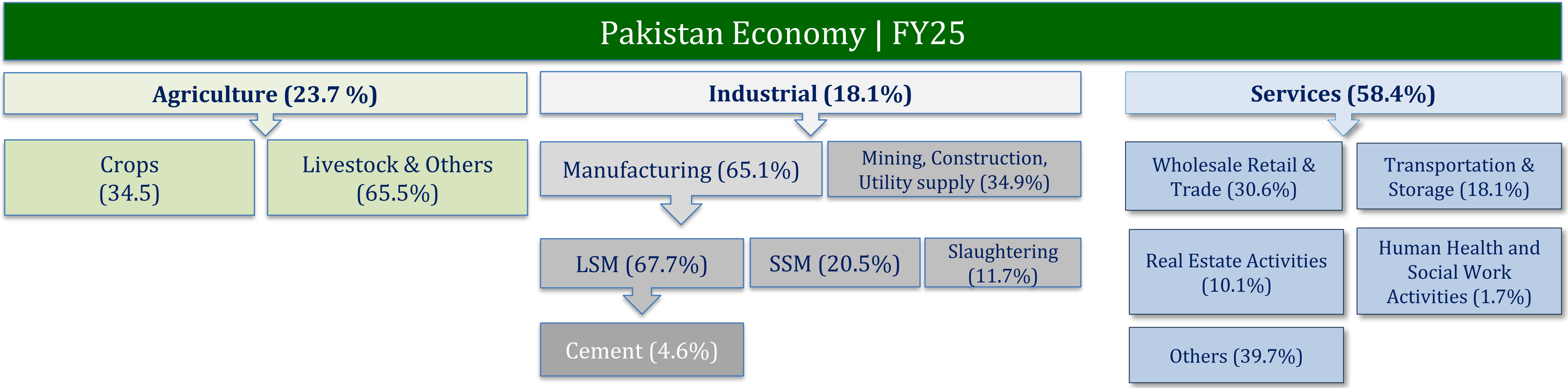
Cement Imports				
Sr.	**Country**	**Volume (mn MT)**	**Value (USD mn)**	**Share in Import Volume (%)**
1	USA	21.2	1,845.0	69.7%
2	Hungary	1.6	190.8	5.3%
3	South Africa	1.4	64.7	4.6%
4	Australia	1.4	91.8	4.6%
5	Kyrgyzstan	0.9	66.8	3.0%
6	Serbia	0.7	89.9	2.3%
7	Canada	0.7	78.2	2.3%
8	Czechia	0.6	80.8	2.0%
9	Bosnia	0.4	59.3	1.3%
10	Lithuania	0.4	42.2	1.3%
	ROW	1.1	1,190.4	3.6%
	Total	**30.4**	**3,799.9**	**100.0%**

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

Source: UN Comtrade

Local | Overview

- In FY25, Pakistan's GDP (nominal) stood at PKR~113.8trn, increasing, in real terms, by ~3.1% YoY (FY24: ~2.6% growth). Industrial activities during the year held ~18.1% share in the GDP while services made up ~58.4%. In 2QFY26, GDP (nominal) stood at PKR~61.1trn, rising in real terms by ~3.8% YoY.
- Large Scale Manufacturing (LSM) in Pakistan is essential for the economic growth considering its linkages with other sectors, as it represented ~67.7% value in manufacturing activities and ~9.8% to country's GDP in FY25. The LSM grew by ~1.8% in FY25 and continued its upward trajectory into 9MFY26 with a ~5.9% growth.
- The Cement sector is classified as a Large-Scale Manufacturing (LSM) industrial component within the industrial sector. In 9MFY26, the cement sector's weight in the QIM was recorded at ~4.6%.



Source: PBS

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Local | Snapshot

- Sector revenues grew to PKR ~679.1 bn in FY25, supported by a ~19% YoY increase in retail prices in the North (PKR~1,433/bag) and a ~11% increase in the South (PKR~1,415/bag). Cement production rose to ~45 mn MT. However, domestic dispatches contracted to ~37 mn MT, with production growth entirely attributable to a sharp ~29% surge in export volumes from ~7 to ~9 mn MT.

- Per capita consumption declined from ~191 kg to ~182 kg in FY25 reflecting subdued local demand during the year. Local dispatches contracted from ~38mn to ~37mn MT while export volumes surged ~29% from 7mn to 9mn MT, effectively exporting the sector's incremental output.

- Total dispatches in 8MFY26 reached ~34.1 mn MT against ~31 mn MT in 8MFY25 (a ~10% YoY increase) with local dispatches rising from ~25.1 to ~27.9 mn MT (~11% YoY increase). This indicates slight recovery in domestic demand, driven by monetary easing and improved PSDP disbursements. Exports also grew from ~5.9 to ~6.3 mn MT (~7% increase YoY).

- Revenue, however, declined, despite higher volumes, pointing to price compression. Northern retail prices fell to PKR~1,378/bag from PKR~1,451/bag (~5% decline YoY). Southern prices held firmer at PKR~1,435/bag versus PKR~1,415/bag (~1.4% increase YoY). Prices have started to increase in March and April again.

Particulars	Units	FY23	FY24	FY25	8MFY26
Revenue	**PKR bn**	578.4	642.6	679.1	455.9
GDP Contribution	**%**	0.7%	0.6%	0.6%	0.6%
Sector Players	**No.**	16	16	16	16
Production Capacity	**mn MT**	77	84	85	85
Cement Production*	**mn MT**	41	40	45	28
Local Dispatches	**mn MT**	40	38	37	28
Exports	**mn MT**	5	7	9	6
Total Dispatches*	**mn MT**	45	45	46	34
Per Capita Consumption	**Kg**	173	191	182	-
Prices | North	**PKR/50Kg**	1,064	1,208	1,433	1,378
Price | South	**PKR/50Kg**	1,081	1,276	1,415	1,435
Regulator		Securities and Exchange Commission of Pakistan **(SECP)**			
Associations		All Pakistan Cement Manufacturers Association **(APCMA)**			

**Cement production figures are from LSM. Prices depict retail prices.*

Source: PES, APCMA, PBS, Financial Statements

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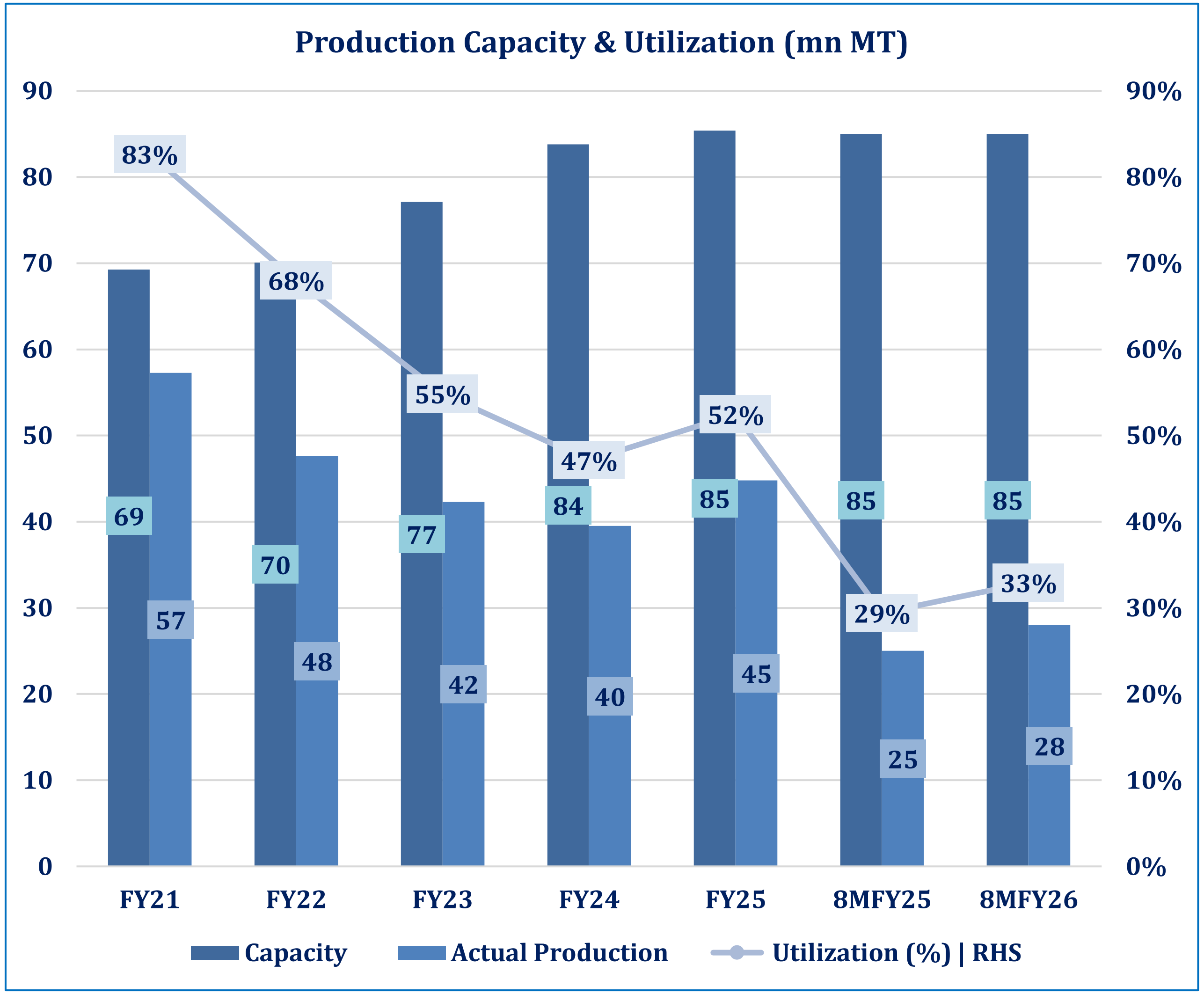
Supply Side | Production

- Cement sector's production capacity was recorded at ~84.6mn MT in FY25, up ~1.0% YoY. Of this, companies in the North region represented ~70.8% share, while the rest comprised sector players in the South region. Cement production recovered in FY25, increasing ~13.4% YoY, reversing three consecutive years of declining or stagnant demand. This was supported by a sharp decline in interest rates and increased allocations under the Public Sector Development Programme (PSDP), reviving private-sector construction activity that had been suppressed by record-high interest rates in FY23–24.
- During 8MFY26, ~28 mn MT of cement was produced, reflecting a growth of ~12.0% (SPLY: ~7.4% decline). Utilization was at ~33% during 8MFY26, up from ~29% in 8MFY25.
- The total number of operational cement plants in the country stood at ~28 in FY25 (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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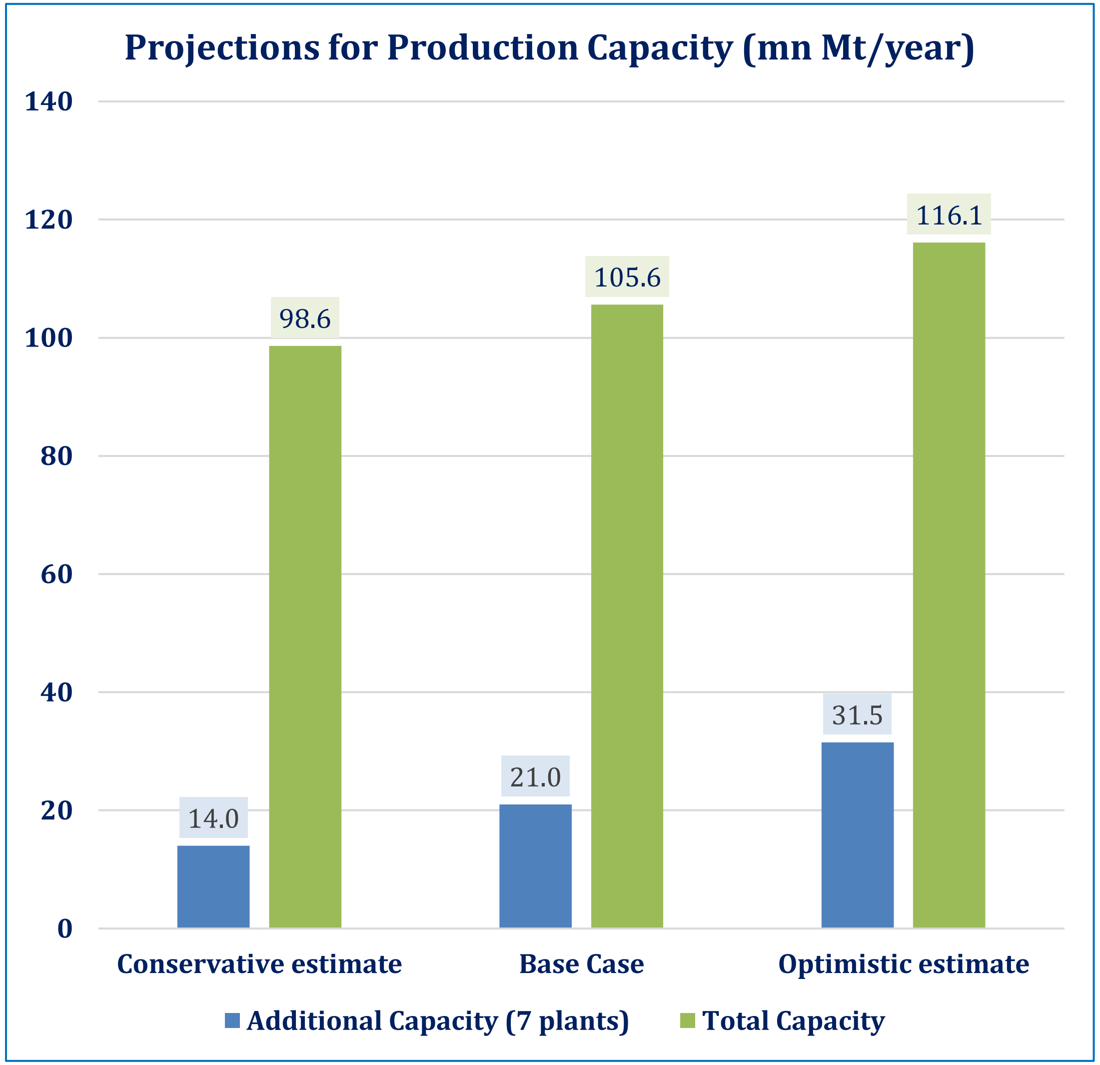
Supply Side | Production

- In April 2026, the SIFC resolved long-standing regulatory and procedural bottlenecks for the establishment of seven new cement plants with an estimated investment of USD~700 mn. The likelihood of significant additional capacities coming in next 3-5 years remains low. Additional capacities will put further pressure on capacity utilization, which is already quite low. This could trigger a price war among sector players.

- **Conservative Estimate – ~2.0 Mt/plant:** The conservative case assumes an average annual installed capacity of ~2.0 Mt per plant, which will add ~14mn Mt, bringing national installed capacity to ~98.6mn Mt. This scenario reflects the possibility that several of the approved entities, particularly the newer or less capitalized ones opt for smaller plants in the 5,000–6,000 tpd range.

- **Base Case – ~3.0 Mt/plant:** The base case assumes an average capacity of ~3.0mn Mt per plant, consistent with recent expansion projects by major Sector players. On this basis, the seven plants would collectively add ~21mn Mt, lifting total installed capacity to ~105.6mn MT, a ~25% increase over FY25 levels.

- **Optimistic Estimate – ~4.5 Mt/plant:** This estimate assumes high-throughput plants averaging ~4.5mn Mt/plant, which would add ~31.5 Mt and push total installed capacity toward ~116.1mn MT. This scenario is plausible if large investors such as Lucky Cement pursue plants of comparable scale to their existing ones.



Source: PACRA Database

Cement

Supply Side | Production

- The sector has 16 operational companies with 28 operational plants across the country. 10 companies have presence in North region, while 3 have presence in the South region, whereas 4 companies have production plants in both regions.
- As of FY25, Lucky Cement Ltd. is the largest player with production capacity of ~15.3mn 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				FY25			
		No. of Plants	North	South	Total	No. of Plants	North	South	Total
1	Lucky Cement Ltd.	2	10,216	5,084	**15,300**	2	10,250	5,050	**15,300**
2	Bestway Cement Ltd.	5	14,593	-	**14,593**	5	14,593	-	**14,593**
3	Fauji Cement Company Ltd.	3	9,263	-	**9,263**	4	9,263	1,195*	**10,458**
4	Maple Leaf Cement Factory Ltd.	1	7,800	-	**7,800**	1	7,800	-	**7,800**
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	5,023	-	**5,023**
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	-	4,302	**4,302**
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	2,250	-	**2,250**
13	Fecto Cement Ltd.	1	1,000	-	**1,000**	1	1000	-	**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**	**28**	**64,224**	**19,986**	**85,405**

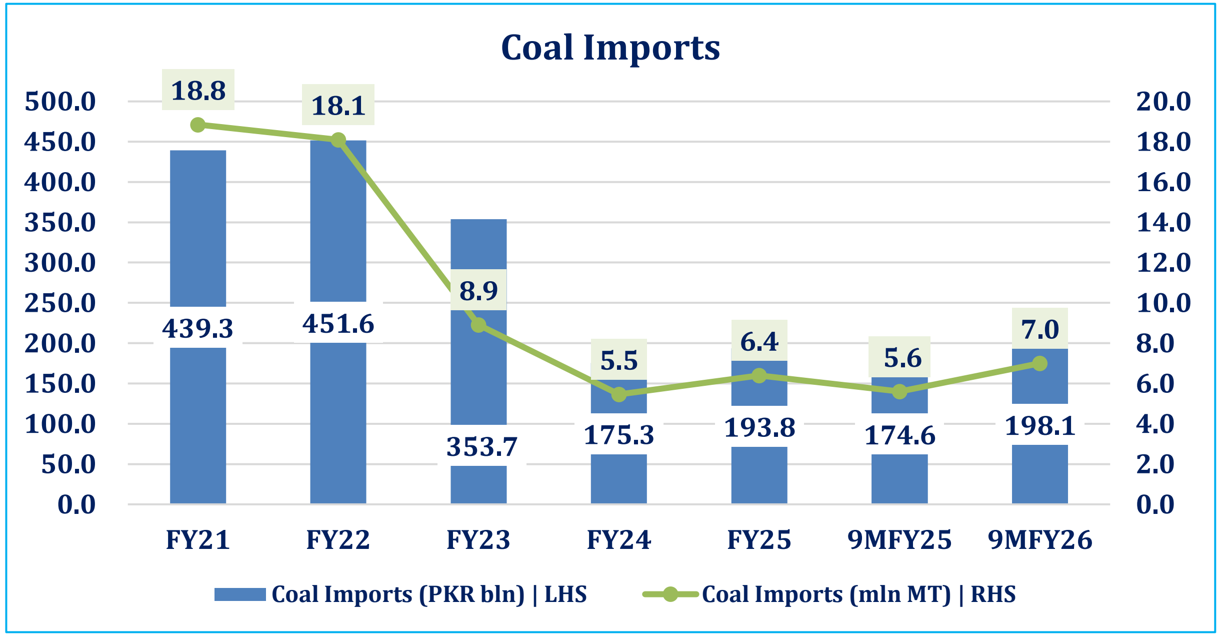
**The production capacity for Fauji Cement's Southern plant has been annualized based on daily production capacity.*
***Fauji Cement and KAPCO jointly acquired ~92% controlling stake in Attock Cement, completing the transaction on April 24, 2026.*

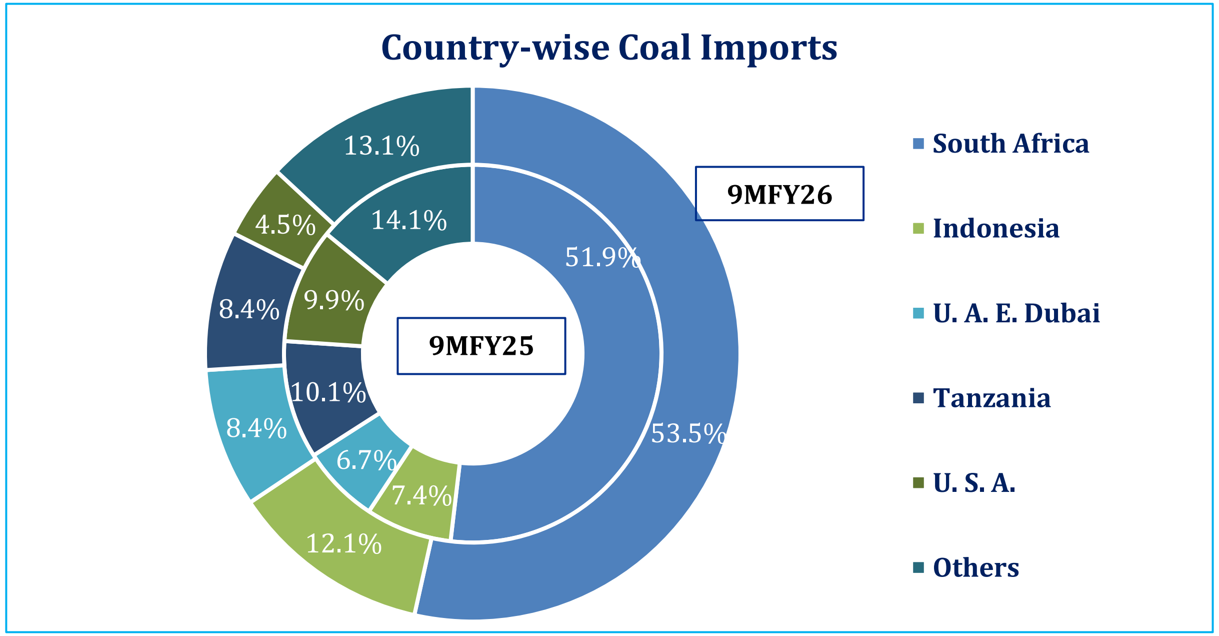
Source: APCMA, PACRA Database, Financial Statements

Cement

Raw Material | Coal

- Pakistan's coal imports in 9MFY26 stood at ~7.0mn MT, up~25.0% on YoY basis.
- Local production of coal during FY25* clocked in at ~11.7mn MT (SPLY: ~13.9mn MT), a YoY decrease of ~15.8%. While the bituminous type formed ~89.2% of Pakistan's total coal imports in FY25, domestically produced coal comprises predominantly lignite and sub-bituminous varieties, making imported bituminous coal the preferred input for energy-intensive industries such as cement manufacturing.
- In addition to cement plants, local coal-fired power plants (~12.23% share in the electricity generation mix) and imported coal-fired plants (~7.13% share) use coal. As of March 2026, fuel cost of imported coal recorded at PKR~15.2/kWh against that of local coal at PKR~11.1/kWh.
- The cement sector accounted for ~16.1% of Pakistan's total coal consumption in 9MFY26 (SPLY: ~16.2%), operating predominantly on imported coal given its higher calorific value relative to locally produced lignite and sub-bituminous varieties.
- During FY25, South African coal imports increased ~24.9% YoY to ~3.7mn MT while international South African coal price was down ~5.7% YoY. Meanwhile, Afghanistan coal imports were up ~5.3% YoY to ~1.2mn MT.





*Latest available figure

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

Source: WB, PBS, PES, EIA, NEPRA

Cement

Raw Material | Prices

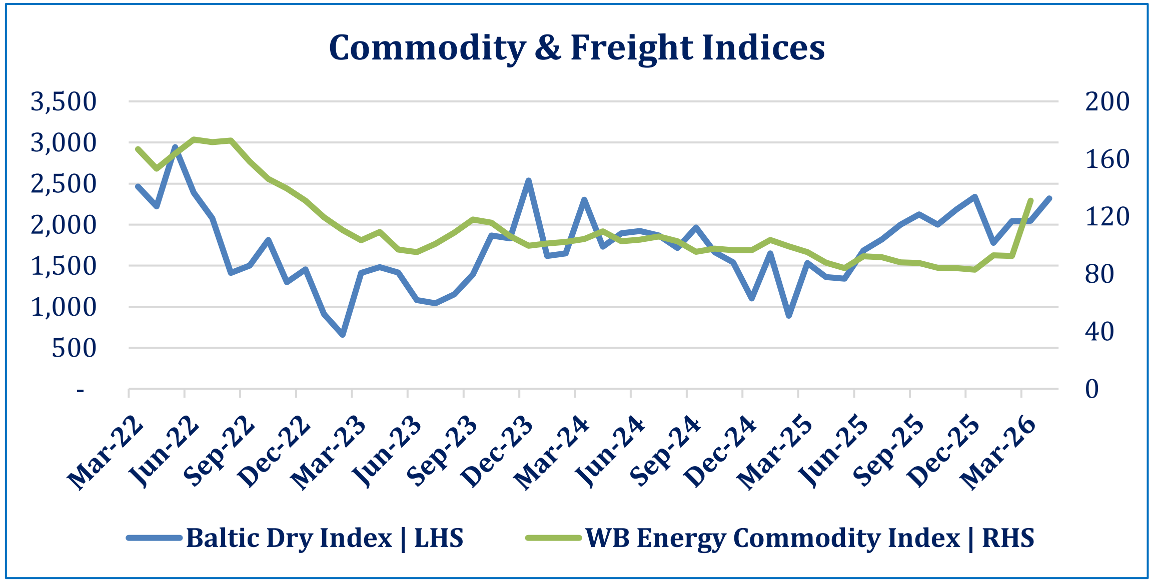
- In FY25, the Baltic dry index, a measure of the cost of shipping dry bulk commodities like iron ore, coal, and grain, averaged at ~1,526.5 (SPLY: ~1,745.1). As of Mar’26, the index was at 2,047.5 (Mar’25: 1,531.5).

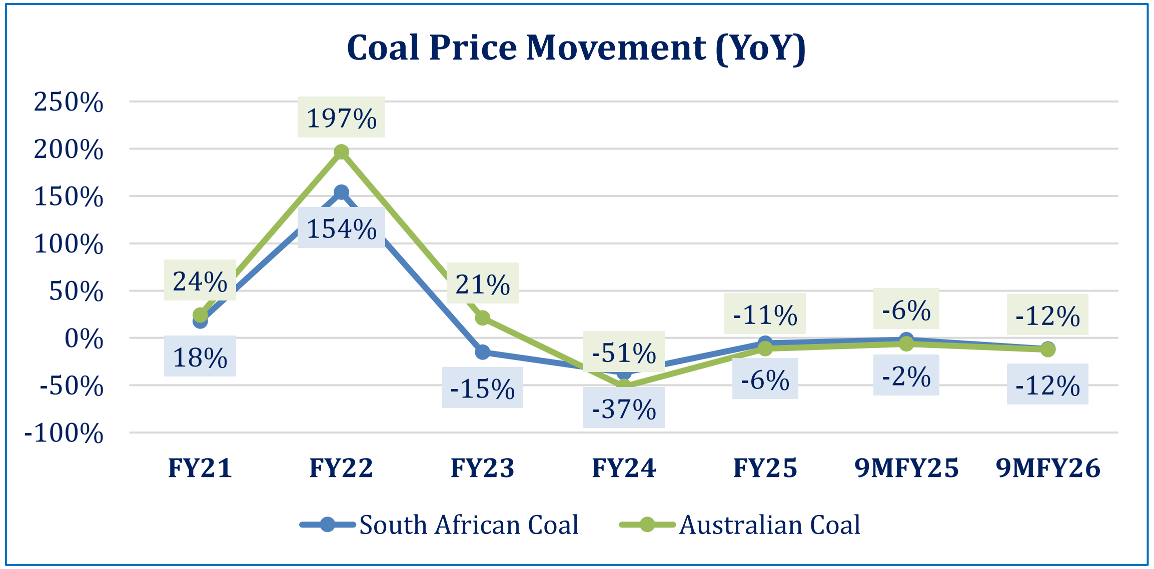
- During FY25, the international energy commodity index averaged at ~95.2 (SPLY: ~106.3) while as of End-Mar’26 this stood at ~130.9 (SPLY: ~95.7).

- South African and Australian average FOB coal prices declined ~6% and ~11% YoY in FY25 to USD~101.8/MT and USD~123.6/MT, respectively. In 9MFY26, prices for both declined ~12% compared to a ~2% decline in the South African coal price and ~6% in the Australian coal price in the same period last year.

- The consistent decline in South African and Australian coal prices is attributable to decreased demand from China, which was the single largest driver of global coal demand in recent years. According to China's national coal industry association, thermal coal imports to dropped by ~22% in 2025 compared to 2024, as the country has been shifting towards domestic production and renewable energy sources.

- Following the outbreak of the US-Iran conflict, South African coal prices surged ~21.7% to a peak of USD 129/MT in early March 2026, before easing back to USD 101/MT in April 2026 on improved diplomatic signals, though continued geopolitical uncertainty remains a risk to sector margins.

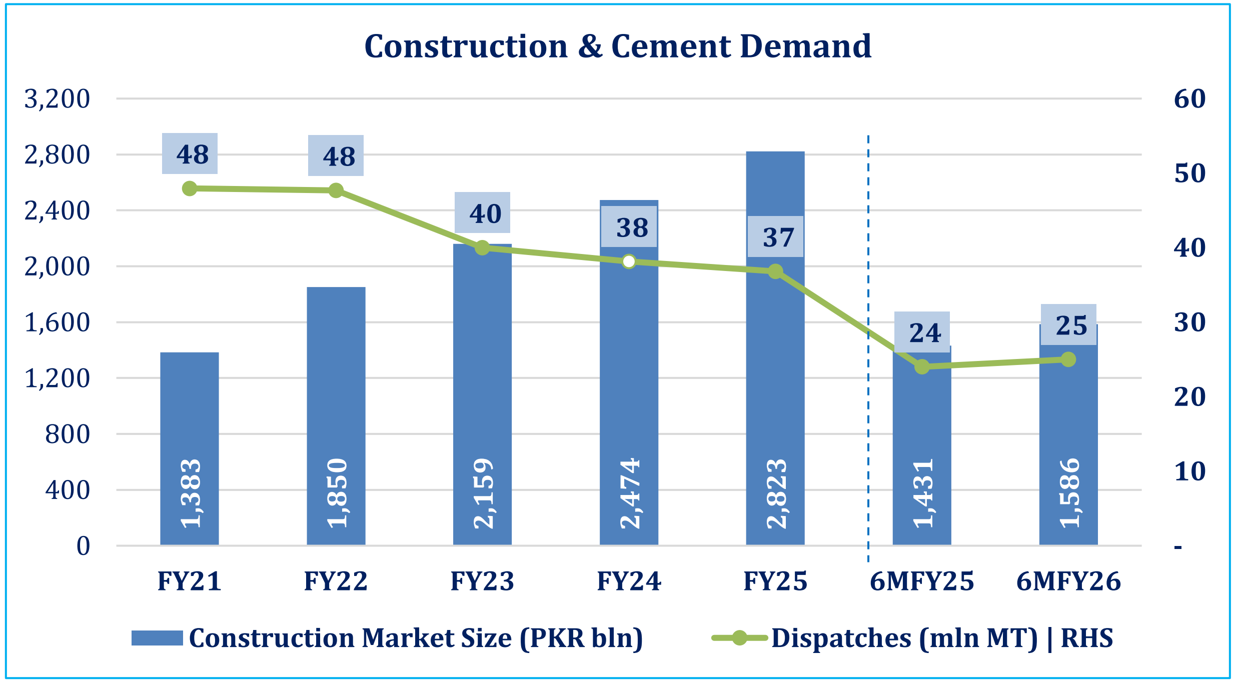


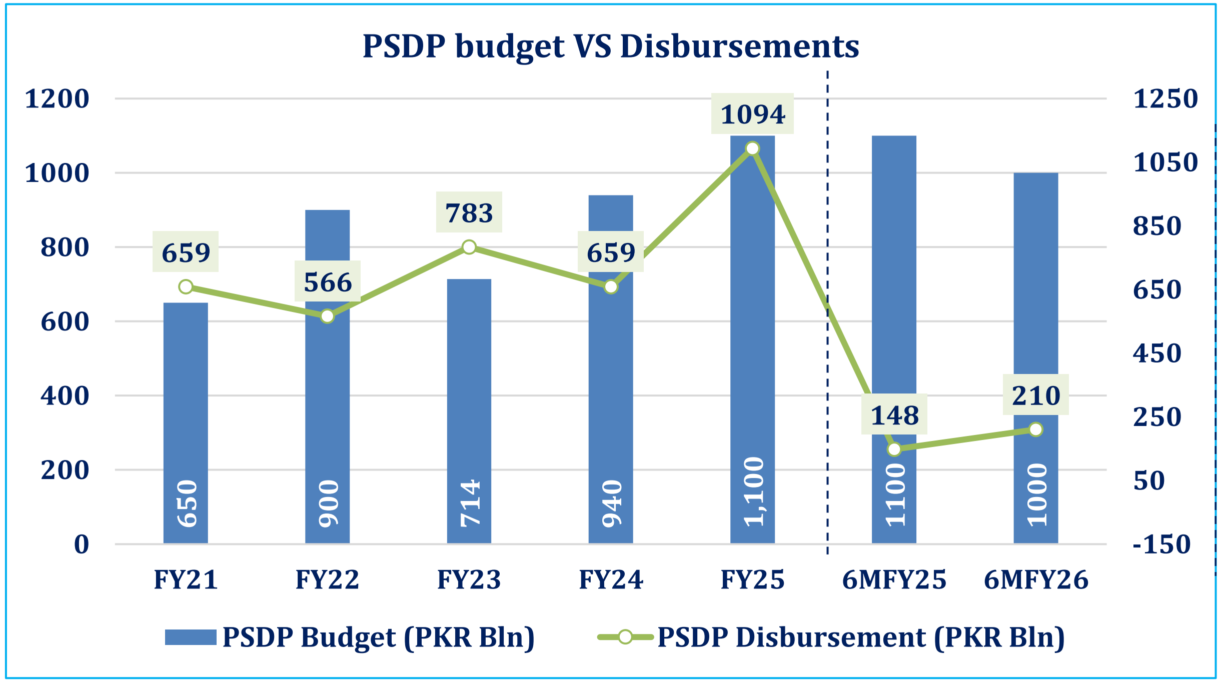


Cement

Local | Demand Side

- The demand for cement correlates with construction and infrastructure development by Public Sector Development Program (PSDP). During FY25, budgeted PSDP spending increased to PKR~1,100bn (SPLY: PKR~940bn), of which ~99.4% (or PKR~1,094bn) was disbursed. During 6MFY26, ~21.0% of the budgeted PKR~1,000bn PSDP has been disbursed (SPLY: ~13.4%).
- Historically (FY20-24), construction sector, on average, held ~2.8% share in the national GDP. During FY25, this stood at ~2.6% and increased back ~2.8% in 6MFY26. With the IMF projecting real GDP growth of ~3.6% and ~3.5% for FY26 and FY27, respectively, construction activity is expected to remain low. This is evident in local demand growth of last 3 years. The sector has reverted to exports to increase capacity utilization.





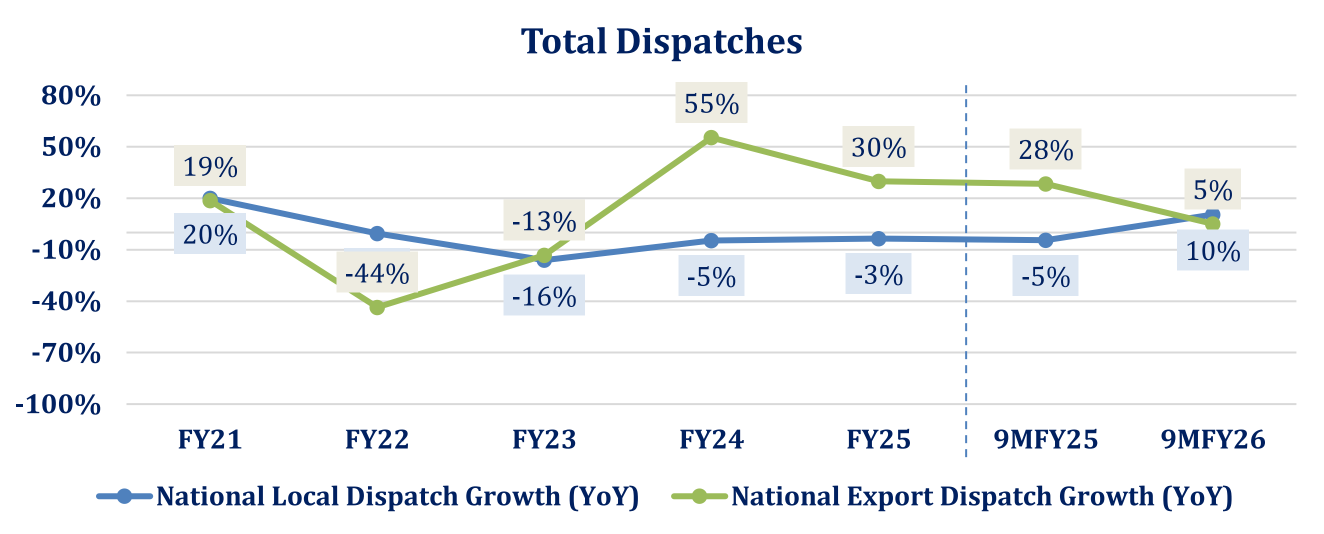
***Note**: Construction market size is estimated based on GDP contribution.*

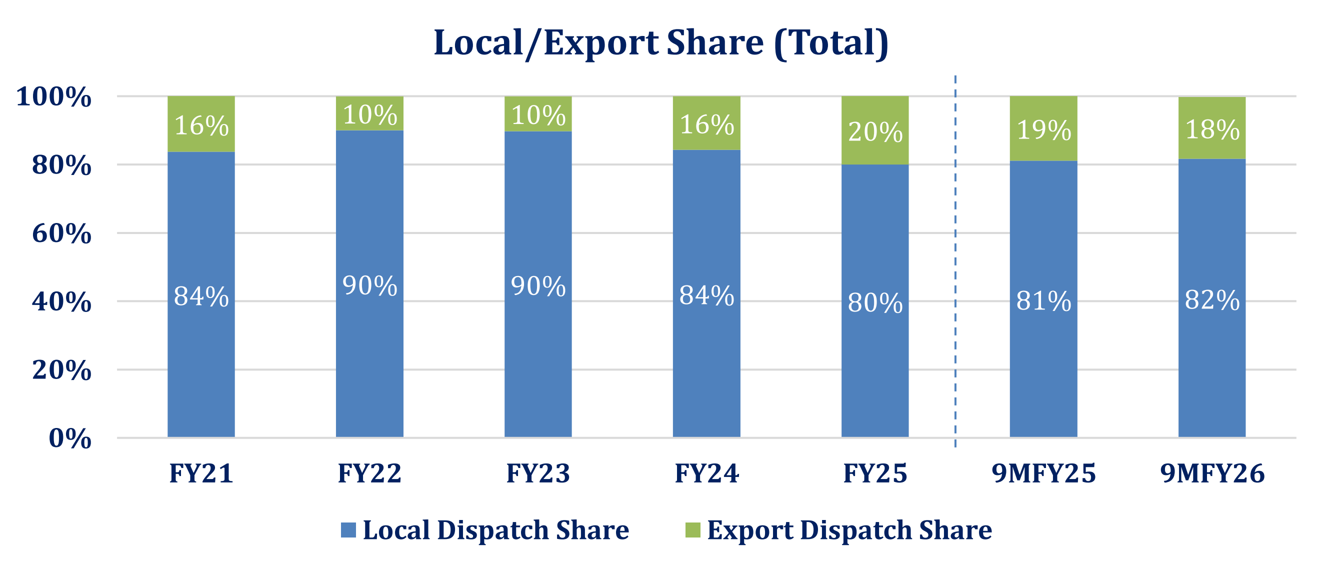
Source: APCMA, PC, PBS, PES, IMF

Cement

Demand Side | Total Dispatches

- In FY25, total cement dispatches stood at ~46.0mn MT, increasing by ~1.8% YoY. Of these, exports accounted for ~20.0%, while local dispatches accounted for ~80.0%.
- Total dispatches for 9MFY26 stood at ~37.9 mn MT of which ~18.1% comprised exports (SPLY: ~18.9%) while ~81.7% were local dispatches (SPLY: ~81.1%). Local dispatches increased by ~10.4% YoY, while export dispatches rose by ~5.1% YoY during the same period.
- Cement and clinker exports to Bangladesh went down by ~19.6% YoY to record at ~1.2mn MT during FY25 (SPLY: ~1.5mn MT), while those to Sri Lanka increased by ~13.0% YoY to clock in at ~1.3mn MT (SPLY: ~1.2mn MT).
- The border closure with Afghanistan since October 2025 has halted cement exports via land routes to one of Pakistan's primary export markets, with northern mills bearing the majority of the impact as they relied predominantly on Afghanistan for export volumes.

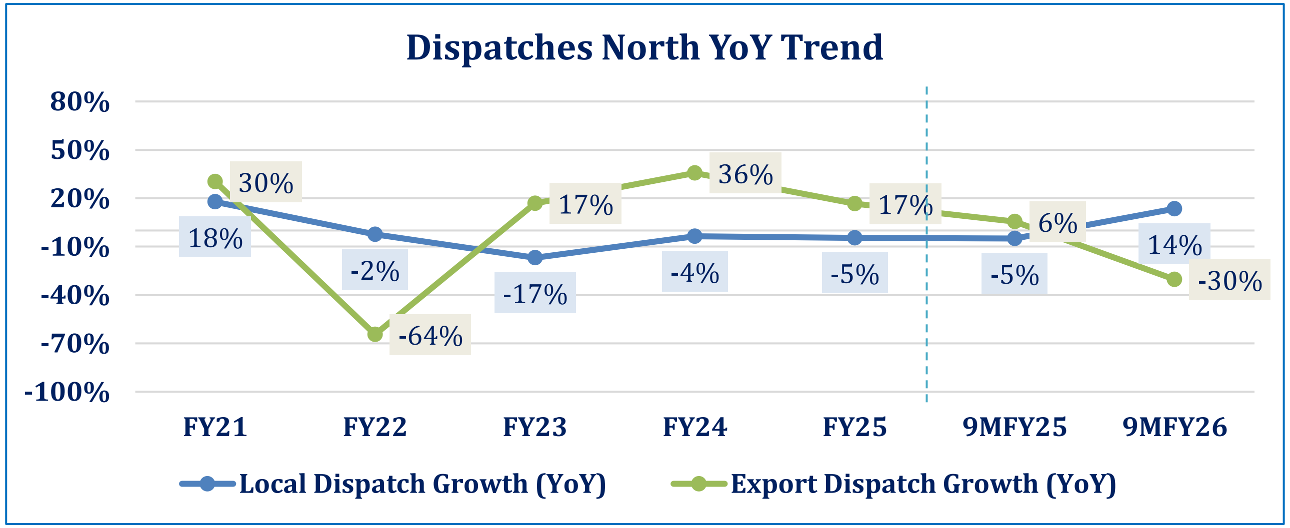


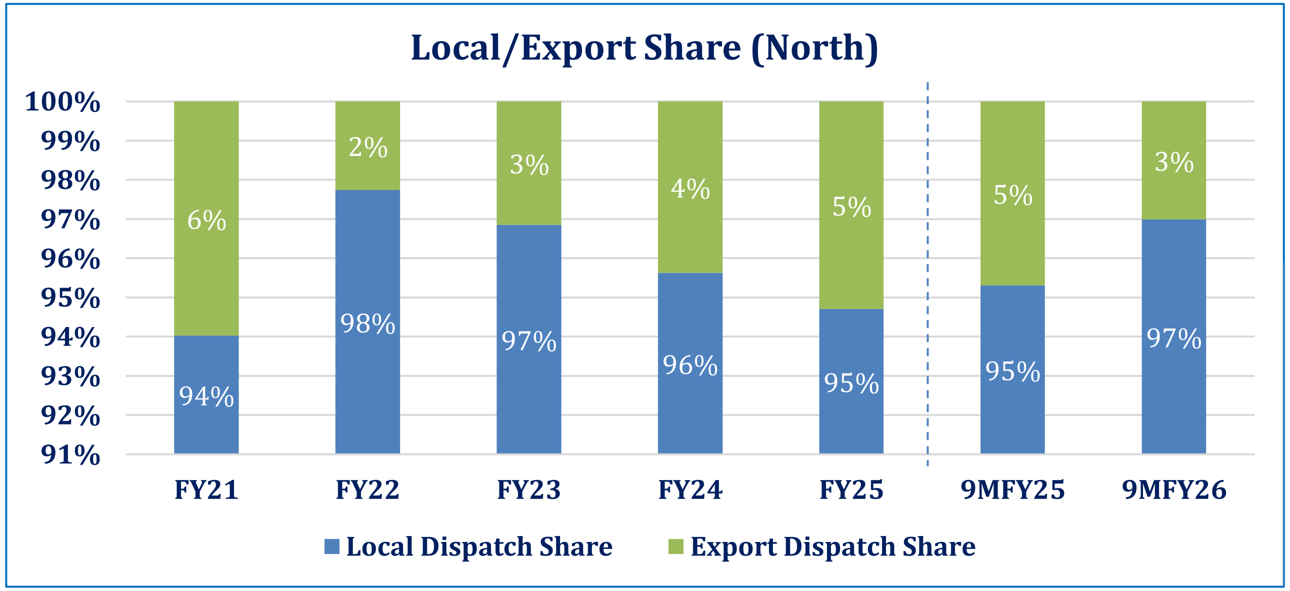


Cement

Demand Side | North Dispatches

- In FY25, the North region represented ~69.1% share in the overall national cement dispatches (SPLY: ~72.6%). During 9MFY26, North dispatch share was ~70.8% (SPLY: ~69.0)
- During FY25, dispatches in the North stood at ~31.8mn MT, declining ~3.6% YoY. Of these, export volumes held ~5.3% while local dispatches formed ~94.7% share. Local dispatches declined ~4.5% YoY, while exports rose ~16.6% YoY.
- During 9MFY26, total North dispatches went up by. ~12.4% YoY Local dispatches declined ~14.4% YoY, while export dispatches declined by ~27.9% YoY during the same period. Export dispatches from the North have completely stopped since November 2025 due to closures along the Pak-Afghan border.

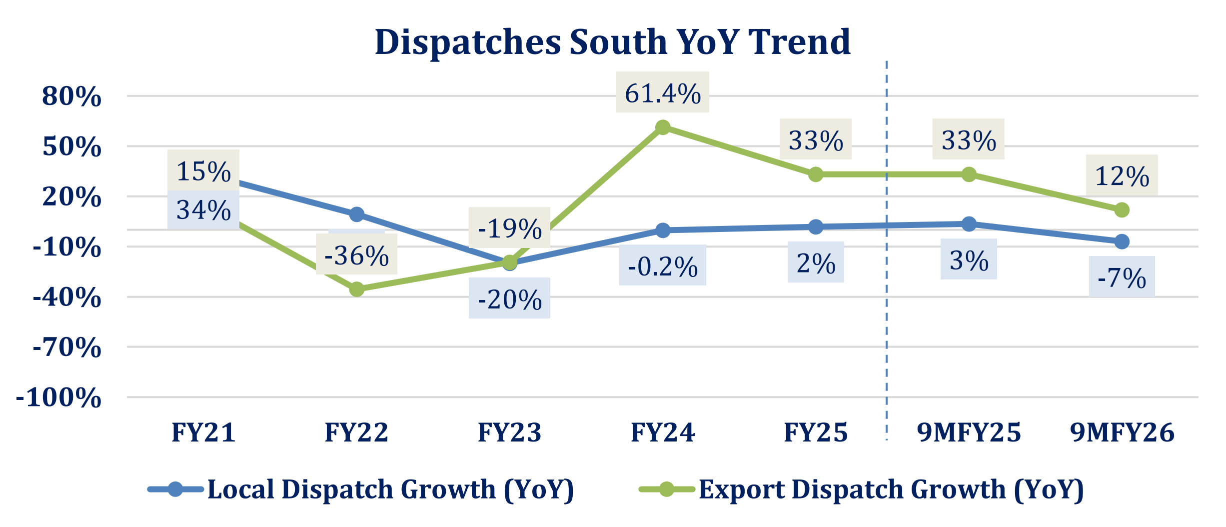


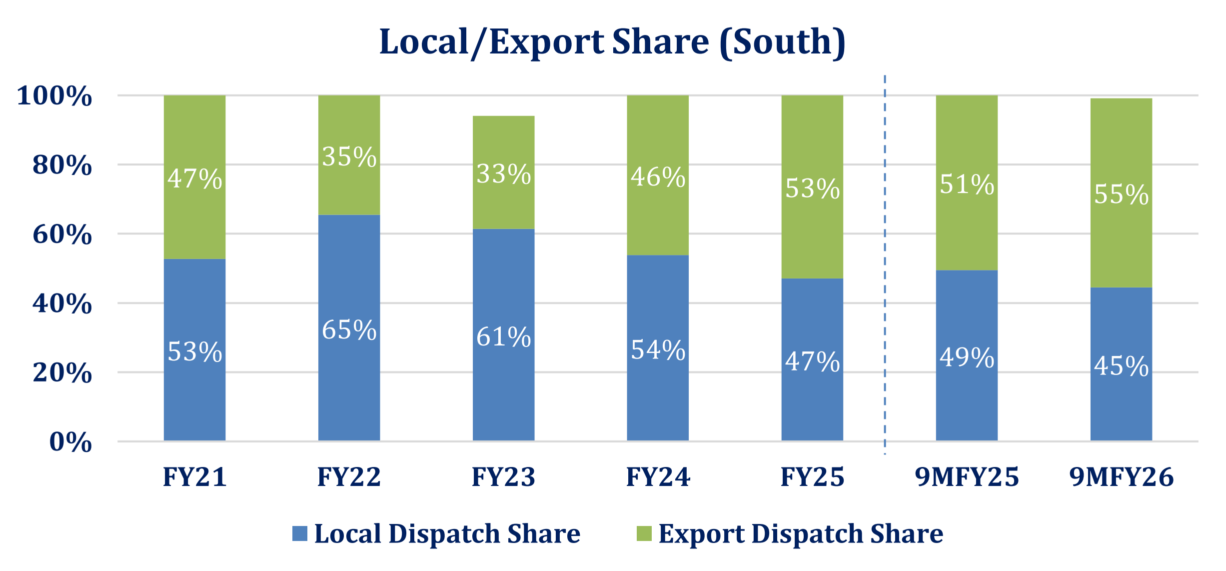


Cement

Demand Side | South Dispatches

- During FY25, the South region represented ~30.9% share in total national cement dispatches while in FY24, this was recorded at ~24.4%.
- In FY25, South dispatches stood at ~14.2mn MT, increasing ~16.6% YoY. Of these, export volumes held ~52.9% while local dispatches formed ~47.1% share.
- In 9MFY26, local dispatches in the South declined ~6.9% YoY, while export dispatches increased by ~11.9% YoY, leading to a ~3.4% YoY increase in total cement dispatches in the South.
- During 9MFY25, cement dispatches in the South comprised ~54.6% exports while local dispatches formed the rest.

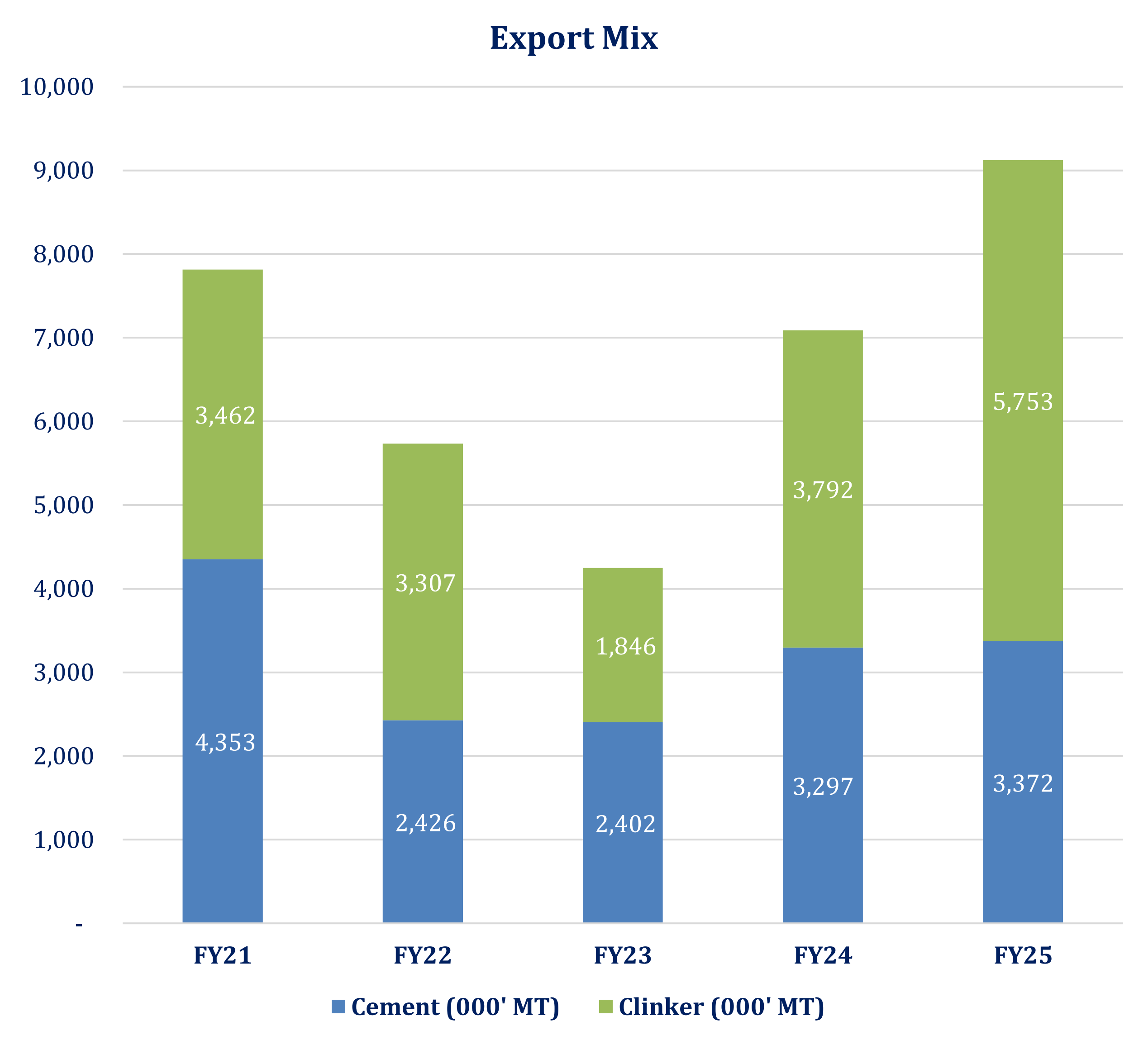




Cement

Demand Side | Export Mix

- Pakistan's cement and clinker exports in FY25 were valued at USD~330.0mn, representing ~1.0% of country's total exports (FY24: ~0.8%). In value terms, FY25 clinker exports clocked in at USD~181.2mn (SPLY: USD~121.8mn), a YoY increase of ~48.7%.
- Volumetrically, total exports stood at ~9.1mn MT, up ~28.2% YoY, comprising ~37.0% cement and ~63.0% clinker during the year.



***Note**: Cement exports include clinker. HS codes for Clinker, and Cement are 2523.1000, 2523.2900 and 2523.2100 , respectively.*
The export mix is available on an annual basis.

Source: PBS, UN Comtrade

Cement

Demand Side | Export Partners (FY25)

- In FY25, average clinker export value stood at USD~1.6/50KG while that for ordinary Portland cement and White Portland cement was recorded at USD~2.2/50KG and USD~4.2/50KG respectively. During the year, the USD/PKR parity averaged at ~279.3, down ~1.4% YoY
- Although white cement fetched the most premium price among all categories as depicted, it held a negligible share (~0.2%) in the overall export mix during the year.
- Sri Lanka held the highest share of ~20.6% in Pakistan's clinker exports, followed by Bangladesh at ~20.5% during FY25.
- Afghanistan accounted for ~50% of Pakistan's ordinary Portland cement volumetric exports in FY25, representing a significant market concentration risk. Following the closure of the Pakistan-Afghanistan border in October 2025, cement exports declined sharply, falling ~26.5% YoY in November 2025.

Sr.	Export Destinations	Exports ('000' MT)	Exports (USD mn)	Share (Vol.)	Share (USD)	USD/MT
Clinker (FY25)						
1	**Sri Lanka**	1,183	40.6	20.6%	22.4%	34.3
2	**Bangladesh**	1,179	35.0	20.5%	19.3%	29.7
3	**Ghana**	969	29.2	16.8%	16.1%	30.1
4	**Others**	2,422	76.3	42.0%	42.1%	31.5
	Total	**5,753**	**181.1**	**100.0%**	**100.0%**	**31.5**
Ordinary Portland Cement (FY25)						
1	**Afghanistan**	1,678	75.1	50.0%	50.8%	44.7
2	**Madagascar**	825	34.5	24.6%	23.4%	41.8
3	**U.S.A**	158	8.3	4.7%	5.6%	52.4
4	**Others**	695	29.8	20.7%	20.2%	42.9
	Total	**3,356**	**147.6**	**100.0%**	**100.0%**	**44.0**
White Portland Cement (FY25)						
1	**Afghanistan**	12.0	0.9	80.0%	72.1%	76.4
2	**Tanzania**	2.0	0.2	13.3%	19.2%	121.7
3	**Sri Lanka**	0.4	0.0	2.7%	3.1%	98.5
4	**Others**	0.6	0.1	4.0%	5.6%	119.3
	Total	**15**	**1.3**	**100.0%**	**100.0%**	**84.7**

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

Source: PBS, UN Comtrade

Cement

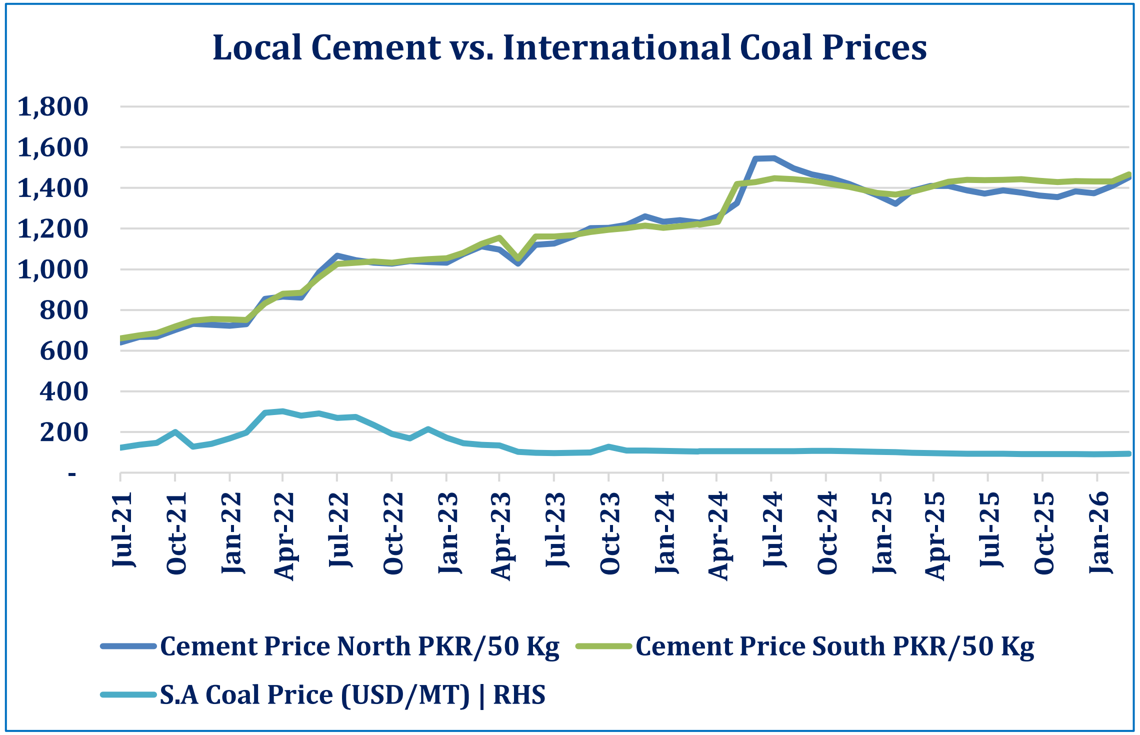
Demand Side | Price Dynamics

- Local cement prices are generally dependent upon the behavior of major cost components of cement production, including coal prices, exchange rates, fuel costs, capacity utilizations 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 FY25, local retail cement prices exhibited a significant increase, averaging at PKR~1,433/50KG and PKR~1,415/50KG in the North and South regions, respectively (SPLY: PKR~1,208/50KG and PKR~1,276/50KG, respectively). This rise in prices can be attributed to the increase in FED on cement from PKR 2/kg to PKR 4/kg announced in the FY25 federal budget.

- Local average retail prices of cement fell by ~4.0% in the North during 9MFY26 and went up by ~2.0% in the South whereas prices of South African coal were down ~12.0% during the same period. During 9MFY26, the closure of the Afghanistan border disrupted export channels for northern cement manufacturers. Consequently, export volumes were redirected to the domestic market, putting downward pressure on price.

- International coal prices are projected to continue declining through 2026, driven by weak global demand, rising renewable energy, and increased supply.



Local vs. Export Prices (PKR/50KG)							
Region/Type	FY21	FY22	FY23	FY24	FY25	9MFY25	9MFY26
North	571	767	1,064	1,208	1,433	1,444	1,386
South	606	777	1,080	1,276	1,415	1,411	1,439
Clinker | Export	334	401	466	454	440	-	-
Cement | Export	442	540	634	618	505	494	548

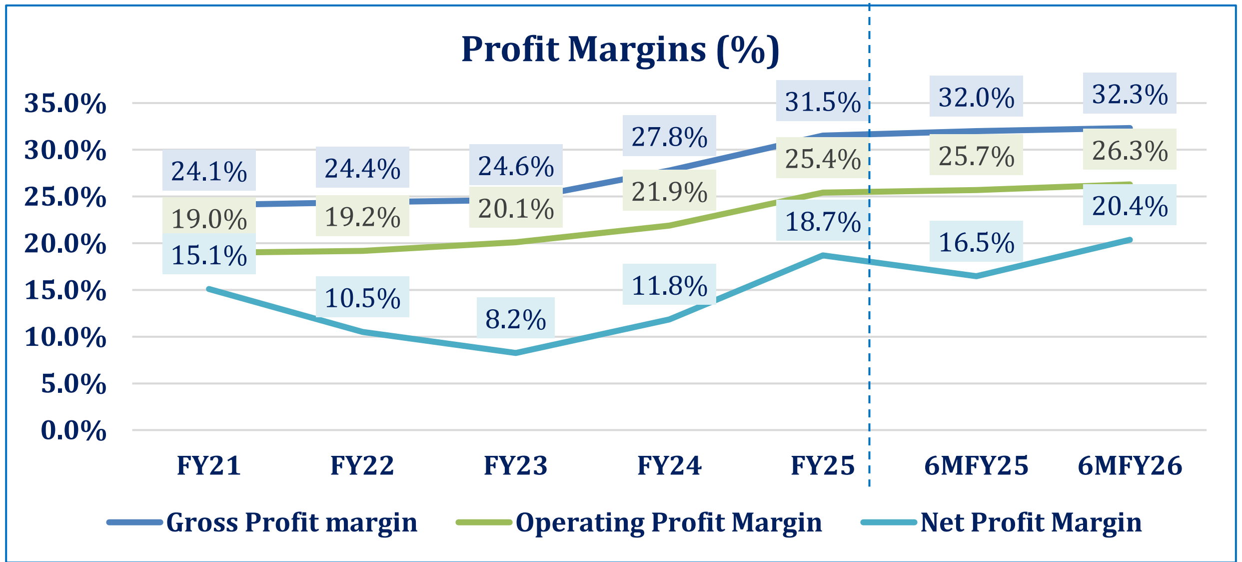
Note: *Clinker export values are latest available till FY25*

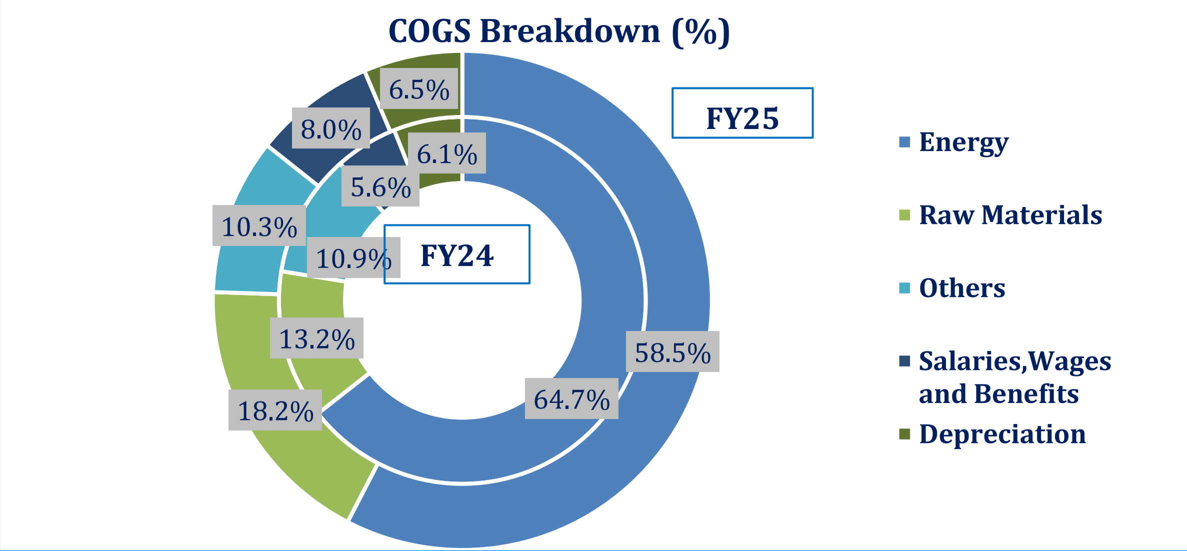
Source: APCMA, PBS, WB, UN Comtrade

Cement

Local | Business Risk

- In FY25, the Sector's gross margins increased to ~31.5% (FY24: ~27.8%) driven by stronger prices, lower coal costs, and a better power mix. Operating margins rose to ~25.4% (FY24: ~21.9%) while net margins also went up to~18.7% during FY25 (SPLY: ~11.8%) on the back of a significant decrease in finance costs.
- In 6MFY26, gross margin remained stable at ~32.3% (6MFY25: ~32.0%) . Coal prices fell, reducing the sector's largest input cost, and the adoption of alternative fuels and renewable energy provided additional relief. However, these gains were partially offset by the Afghan border closure, which disrupted cheaper Afghan coal supply for northern producers and forced a shift to more expensive imported coal.
- Operating margin edged up to ~26.3% in 6MFY26, while net margin improved to ~20.4% (SPLY: ~16.5%). The improvement in net margins was primarily driven by a ~52.7% decline in finance costs, as the SBP's aggressive rate-cutting cycle, which reduced the policy rate by 1,150 basis points between June 2024 and December 2025, lowered borrowing costs across the sector, while players simultaneously used stronger operating cash flows to pay down debt, further reducing their interest burden. The increase in interest rates in April by 1% will increase financing costs of the sector by ~PKR 2.6 bn.





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

Source:, Companies Financial, PACRA Database

Cement

Business Risk | Company-wise COGS Breakdown (FY25)

- Major raw materials used in cement manufacturing are clinker, limestone, clay and gypsum. Raw materials and packaging, however, constituted a smaller portion relative to Fuel & Power, which accounted for ~58.5% of the Sector's total cost in FY25.

- Fuel & Power costs vary significantly across companies, ranging from ~53.2% (Bestway Cement) to ~80.0% (Flying Cement) of total COGS in FY25, reflecting differences in plant efficiency, energy mix, and the extent of adoption of alternative energy sources such as waste heat recovery and solar power, with companies at the lower end of the range holding a structural cost advantage over peers.

Sr.	Company	Raw Material & Packaging	Fuel & Power	Others
1	Attock Cement	14.3%	59.7%	26.0%
2	Bestway Cement	34.4%	53.2%	12.4%
3	Cherat Cement	21.1%	52.9%	26.0%
4	DG Khan Cement	8.0%	60.5%	31.5%
5	Dewan Cement	15.4%	59.8%	24.8%
6	Dandot Cement	15.2%	64.2%	20.6%
7	Fauji Cement	26.8%	55.0%	18.2%
8	Flying Cement	3.4%	80.0%	16.6%
9	FECTO Cement	14.5%	64.1%	21.4%
10	Gharibwal Cement	7.3%	57.7%	35.0%
11	Kohat Cement	15.2%	65.1%	19.7%
12	Pioneer Cement	25.6%	56.8%	17.6%
13	Maple Leaf Cement	19.6%	55.3%	25.1%
14	Power Cement	12.8%	64.0%	23.2%
15	Thatta Cement	18.5%	62.5%	19.0%
16	Lucky Cement	7.6%	61.0%	31.4%
	Average	**16.2%**	**60.7%**	**23.0%**

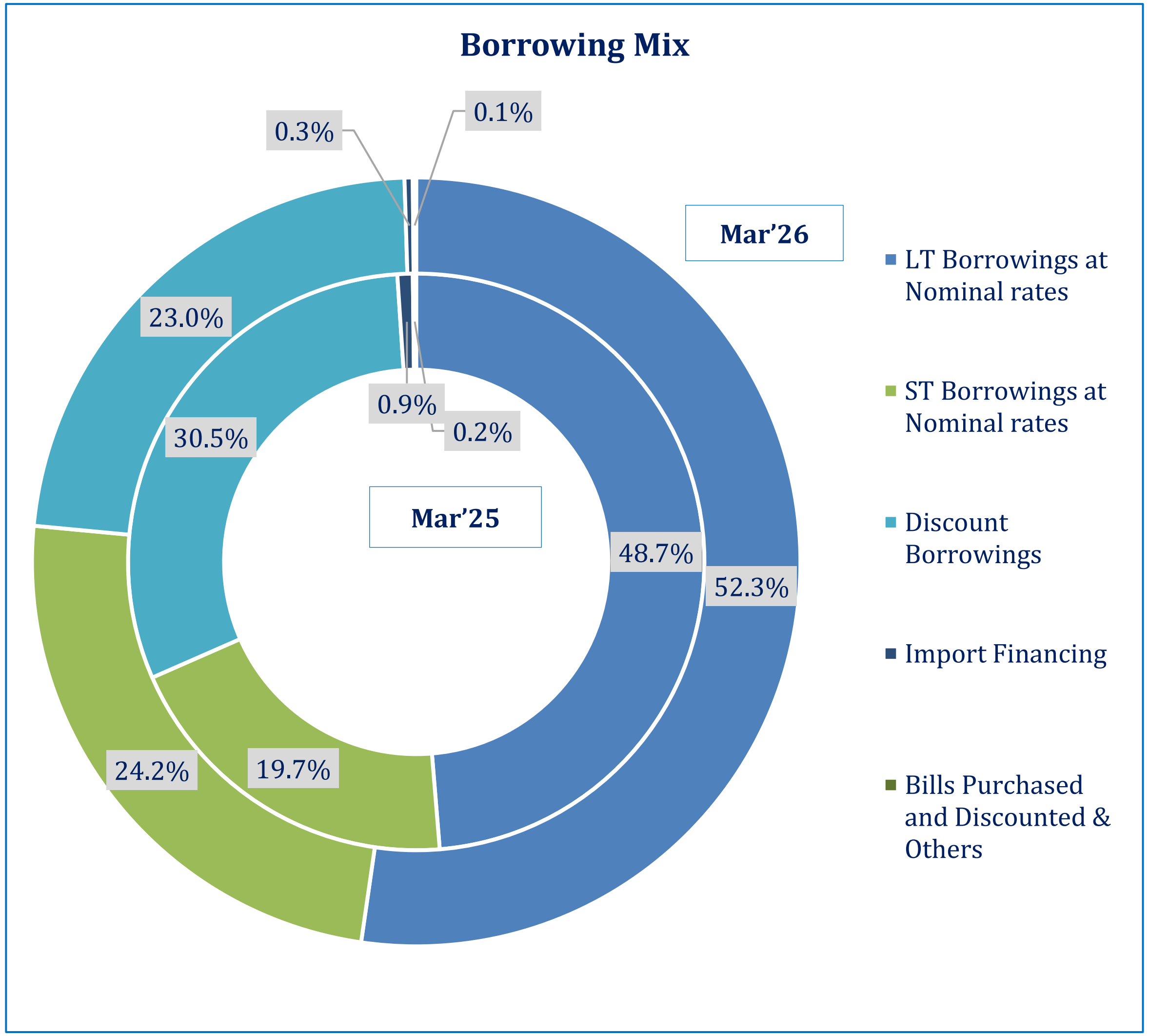
**Latest available.*

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

Cement

Financial Risk | Borrowings

- By End-Mar'26, sector's total borrowings stood at PKR~256.4bn, down ~21.5% YoY. Long-term borrowings at nominal rates comprised ~52.3% of the total borrowings (SPLY: ~48.7%), while short-term borrowings at nominal rates represented ~24.2% (SPLY: ~19.7%).
- Short-term borrowings at nominal rates as at End-Mar'26 were up ~49.1% YoY, recording at PKR~62.1bn. Long-term borrowings at nominal rates stood at PKR~134.1bn, up ~30.5% YoY.
- Discounted borrowings, comprising LTFF and EFS, represented ~23.0% of total borrowings and stood at PKR~59.0bn as at End-Mar'26 (SPLY: ~64.4bn), down ~7.7% YoY.
- However, LTFF discount rates were revised down to ~3.0% in Dec'22, compared with ~5.0% during the prior period.
- Import financing held ~0.3% share in total borrowing and stood at PKR~0.8bn, down ~51.3% YoY.

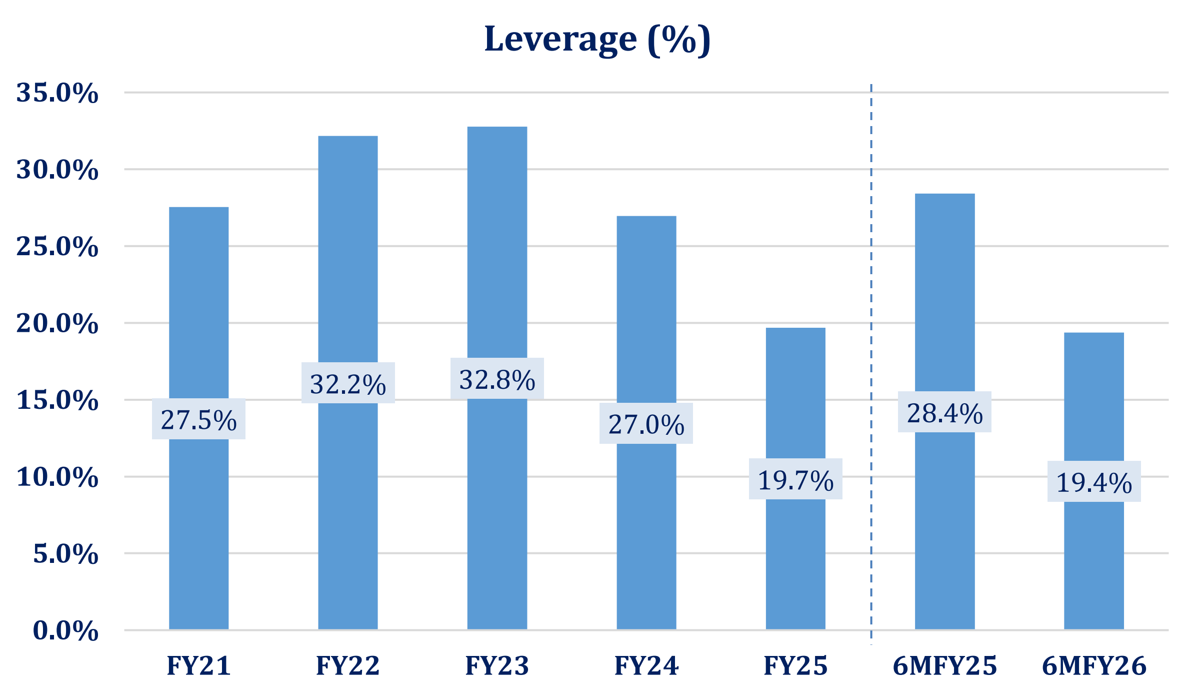


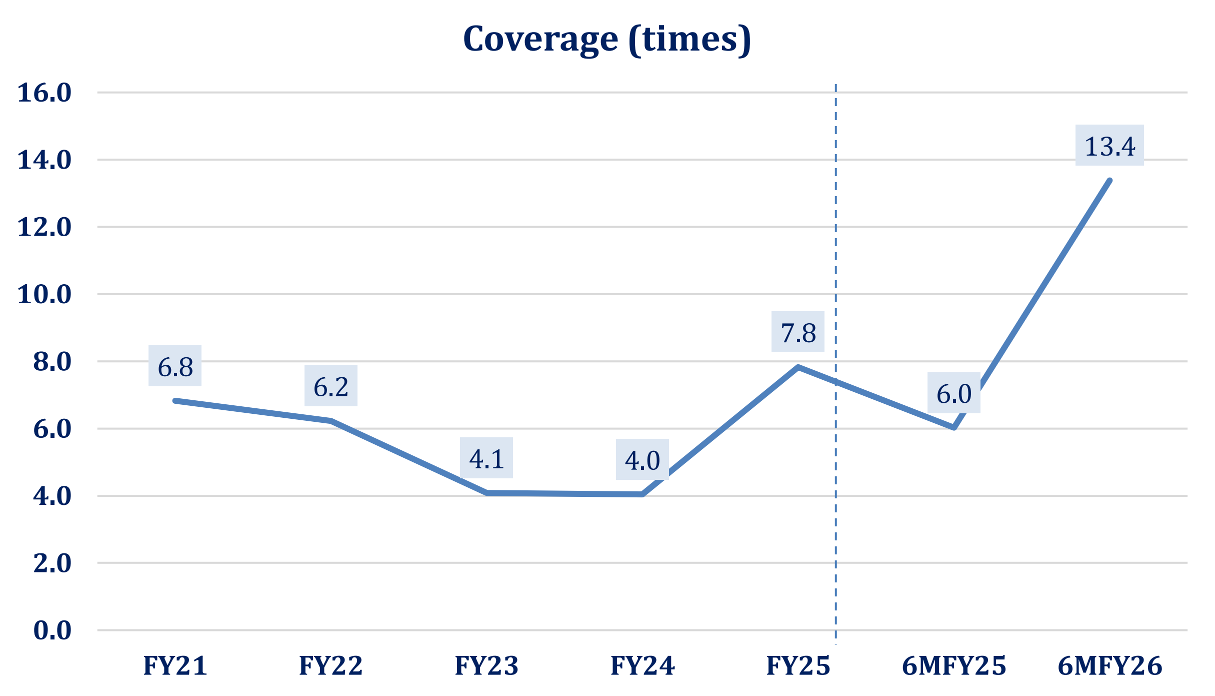
Note: *Borrowing figures is representative of 'Manufacture of Cement, Lime and Clinker' as per SBP classification.*

Source: Companies Financial, PACRA Database, SBP

Financial Risk | Coverage & Leverage

- In FY25, the Sector's leverage was at ~19.7%, down from ~27.0% in FY24. Even though sales volumes were only modestly higher during this period, the Sector posted a significant increase in gross profits (~19.7% increase YoY) as companies maintained high prices per bag while global coal prices dropped, which reduced dependence on debt for financing operations.
- In 6MFY26, Sector leverage was ~19.4% compared to ~28.4% SPLY, while coverage surged up to ~13.4x (SPLY: ~6.0x). This reflects the combined effect of lower debt and improved operating profitability, giving sector players a comfortable buffer to service their remaining obligations.



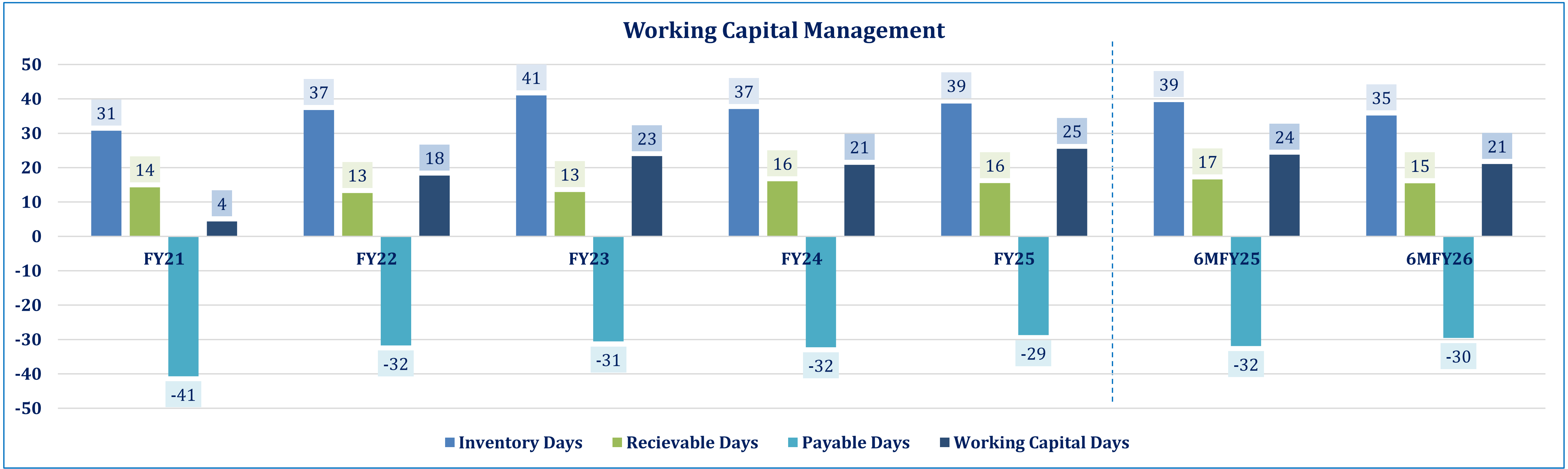


Note: *Calculations are based on data of all 16 listed entities in the sector.*

Source: Companies Financial, PACRA Database

Financial Risk | Working Capital Management

- The Sector's inventory days stood at ~39 days in FY25 and came down to ~35 days in 6MFY26 (SPLY:~24). This 4-day reduction suggests faster turnover as domestic demand (~12% rise in production) began to absorb the stored stock.
- Receivable days remained steady at ~16 days during FY25, improving marginally to ~15 days in 6MFY26 (SPLY:~17).Payable days settled at ~29 days in FY25, going up to ~30 days in 6MFY26 (SPLY: ~32 days).
- Working capital days were at ~25 days during FY25. These declined to ~21 days during 6MFY26 (SPLY: 24).



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

Source: Companies Financial, PACRA Database

Cement

Duty Structure

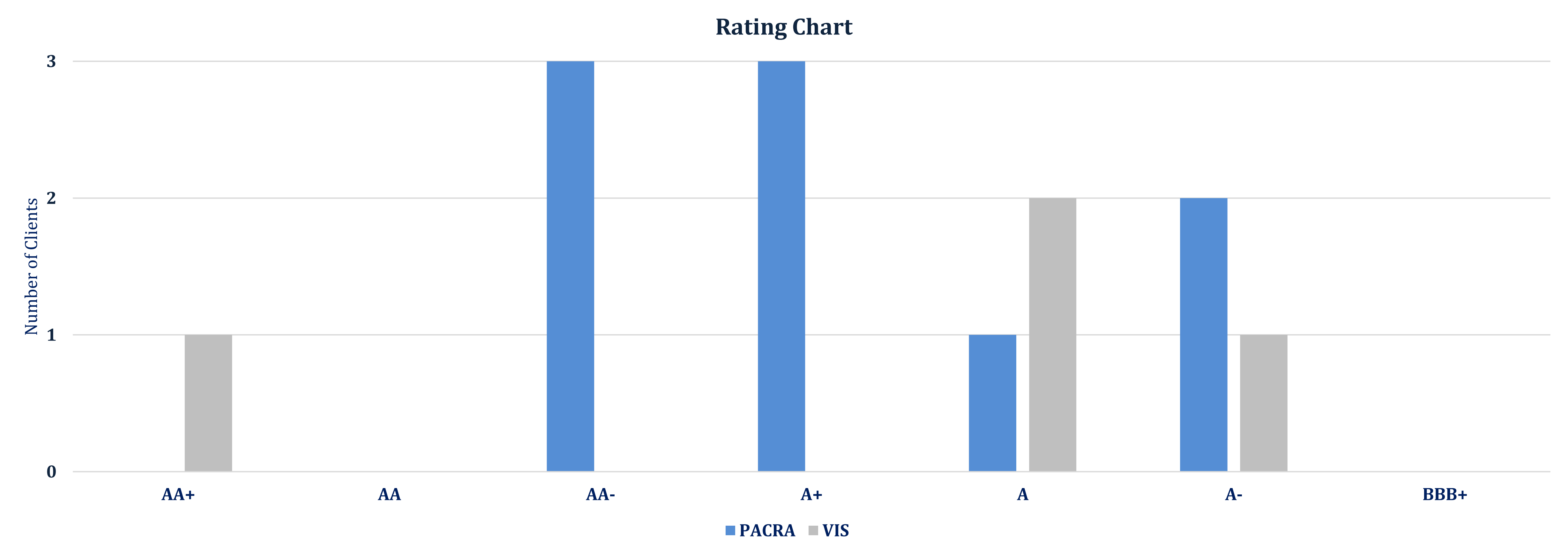
PCT Code	Description	Custom Duty		Additional Custom Duty		Federal Excise Duty		Total	
	Raw Material for Cement	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
2701.12	Bituminous Coal	3%	5%	2%	0%	-	-	5%	5%
2701.19	Other Coal	3%	5%	2%	0%	-	-	5%	5%
2523.1	Cement Clinker	11%	10%	2%	0%	PKR 4 per 1 tariff unit	PKR 4 per 1 tariff unit	13%	10%
	Finished Goods	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
6810.11	Building Block and Bricks	20%	20%	6%	4%	-	-	26%	24%
2523.21	White Cement	20%	20%	6%	4%	PKR 4 per 1 tariff unit	PKR 4 per 1 tariff unit	26%	24%
2523.29	Other Cement	20%	20%	6%	4%	PKR 4 per 1 tariff unit	PKR 4 per 1 tariff unit	26%	24%

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 (FY25).



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

- The cement sector is operating in a gradually improving but still challenging environment. Domestic demand has been recovering, supported by a pickup in construction activity, lower interest rates, and increased government spending on infrastructure. However, demand levels remain below the highs seen in prior years, and the sector continues to run at excess capacity, which limits capacity utilization. This increases the risk of a price war among players.
- On the cost side, conditions have improved. International coal prices, the sector's major input cost, have declined sharply, with both South African and Australian benchmarks falling by ~12% in 9MFY26. This has provided significant relief to cement manufacturers, as coal accounts for a large share of their production costs.
- Coal prices surged sharply following the onset of the US-Iran conflict, rising from USD 106/MT on February 27, 2026 to a peak of USD 129/MT on March 5, 2026 (~21.7% increase), before easing to USD 101/MT by April 17, 2026, reflecting improved diplomatic signals around the Strait of Hormuz; however, continued geopolitical uncertainty keeps downside risk to cement sector margins elevated given the energy-intensive nature of production.
- The construction sector recorded strong growth of ~19.2% in Q1 FY26, while moderating to ~11.5% in 2QFY26 (SPLY: ~3.0% growth). This trajectory has supported cement offtake domestically, though volumes and revenues have not fully met expectations due to subdued private sector activity and still slow real estate market.
- On the export front, strong competition, particularly from regional players, continues to cap market share gains. Afghan border disruptions have added further pressure on export volumes, as Afghanistan remains one of the key export destinations for Pakistani cement.
- Domestically, higher fuel prices have pushed headline inflation to ~7.3% in March 2026, with further increases expected in the coming months. In response, the SBP raised the policy rate by 100 basis points to 11.5% on April 27, increasing financing costs for companies with variable-rate debt and dampening private construction demand, the sector's key growth driver.
- Against the backdrop of actual PSDP expenditure representing only ~21.0% of the PKR 1,000 billion full-year allocation through January 2026, the sector's cement offtake momentum remains contingent on the pace of second-half infrastructure and housing disbursements, given that government-linked construction activity has been a primary driver of domestic dispatches in 9MFY26. Any shortfall in release would weigh directly on volumes in the seasonally stronger second half of the fiscal year.

Cement

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- Cemnet
- International Trade Center

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