VIS
Credit Rating Company Limited

RATING REPORT

POWER CEMENT LIMITED

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RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	January 16, 2026		December 23, 2024	

Shareholding (10% or More)	Other Information
Mr. Muhammad Arif Habib ~22.92%	Incorporated in June 1981
Arif Habib Corporation Limited ~24.48%	Public Limited Company (listed)
	Chief Executive: Mr. Muhammad Kashif
	External Auditor: A.F. Ferguson & Co., Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings reflect Power Cement Limited's ("Power" or "the Company") association with the Arif Habib Group, which provides strong sponsor support in the form of financial flexibility, strategic oversight, and demonstrated commitment during periods of elevated leverage and industry stress. The Company operates in a cyclical and energy-intensive cement sector that is exposed to fluctuations in construction activity, fuel prices, and exchange rates; however, these risks are partially mitigated by its established operating base, diversified sales channels, and growing export presence. During the period under review, profitability improved despite a contraction in revenues, supported by effective cost rationalization, lower fuel and power expenses, and a reduction in finance costs following debt repayment. Operational efficiency remains a key strength, underpinned by improved energy cost due to increasing reliance on renewable energy sources, with further diversification expected through wind power initiatives. Capital structure indicators have strengthened due to lower debt levels and higher equity, resulting in improved leverage and enhanced debt-servicing capacity. Liquidity has also shown improvement, supported by positive cash flows from operations and stronger coverage of short-term obligations. Governance and management practices are broadly in line with regulatory requirements, with ongoing efforts to further strengthen board independence. Going forward, the assigned ratings remain sensitive to the sector's recovery, a revival in the construction industry, and prevailing government policies. The Company's ability to strengthen its capitalization metrics through internal means, enhance liquidity, and normalize coverage indicators will be key considerations.

Company Profile

Power Cement Limited ("Power" or "the Company") was incorporated in 1981 as a private limited company and was later converted into a public limited company in 1987. Power is listed on Pakistan Stock Exchange Limited (PSX). The head office is situated in Karachi, and factory located at Nooriabad in District Jamshoro, Sindh. The Company is engaged in manufacturing, selling and marketing of mainly Portland cement though it also produces other varieties of cement.

Sponsor Profile

Power is part of the Arif Habib Group, a leading industrial and financial conglomerate in Pakistan. The Group holds interests in the securities brokerage, investment and financial advisory, private equity, investment management, fertilizer manufacturing, cement, steel, real estate, energy and textile mills.

Power benefits from strong sponsor support from the Arif Habib Group. The sponsor has historically provided financial and strategic support, particularly during periods of elevated leverage and industry cyclicality. This support has been instrumental in maintaining liquidity, facilitating operational continuity, and enabling the execution of efficiency and cost-rationalization initiatives. On balance, the sponsor's demonstrated commitment and financial flexibility mitigate refinancing and execution risks and underpin the Company's credit profile.

Management and Governance

Power maintains a strong management and corporate governance framework to ensure transparency, accountability, and effective oversight in line with the Listed Companies (Code of Corporate Governance) Regulations, 2019. Presently, the Board comprises a total of eight directors, including seven male and one female director. Out of the total eight directors, two are independent directors, five (including the Chairman) are non-executive and one executive director. The Company recognizes the importance of adequate independent representation and remains committed to further strengthening Board independence in line with regulatory expectations and best governance practices.

During the year under review, the composition of the Board underwent certain changes. Mr. Muhammad Arif Habib was appointed as Chairman and Non-Executive Director. In addition, Mr. Khalilullah Shaikh was appointed as an Independent Director. During the same period, Mr. Javed Kureishi and Mr. Andres Paludan-Muller resigned from the Board. Additionally, Ms. Aaiza Khan was appointed to the Board during the year; however, she subsequently resigned within the same financial year. Furthermore, the election of Directors was held at the Annual General Meeting, and all Directors were re-elected in October 2025.

The Board held five meetings with satisfactory attendance. To further support effective governance, the Board has established key committees, including the Audit Committee and the Human Resources & Remuneration Committee. The Audit Committee held four meetings during the year, which were attended by the committee members in accordance. the Human Resources & Remuneration Committee convened one meeting during the year.

Auditor
A.F Ferguson & Co. Chartered Accountants has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of June 2025.

Business Risk

INDUSTRY

The cement industry is a cornerstone of Pakistan's industrial economy, directly tied to construction, housing, and infrastructure. With an installed capacity of 80 million tons and production of 45–50 million tons annually, Pakistan ranks among the top 15 global producers. The sector contributes about 1% to GDP and employs over 400,000 workers directly and indirectly.
Pakistan's cement sector is moderately high to high risk in the near term. The two dominant negative drivers are energy sensitivity (severe) and cyclical demand dependence (high). These create a setting where even modest external shocks (fuel price spikes, FX moves, or construction

slowdowns) can quickly compress margins and depress utilization. Defensive strengths include an established production base, a set of large, integrated firms with scale advantages, and growing export channels (notably into Africa) that offer diversification.

OPERATIONAL UPDATE

Production and Capacity (In Metric Tons)	FY21	FY22	FY23	FY24	FY25
Production Capacity - Clinker	3,210,000	3,210,000	3,210,000	3,210,000	3,210,000
Actual Production - Clinker	2,333,980	1,863,323	2,297,890	2,285,325	2,134,913
Capacity Utilization - Clinker	**72.70%**	**58.00%**	**71.60%**	**71.20%**	**66.50%**
Production Capacity - Cement	3,370,500	3,370,500	3,370,500	3,370,500	3,370,500
Actual Production - Cement	1,809,737	1,593,324	1,924,996	1,691,795	1,601,983
Capacity Utilization - Cement	**53.70%**	**47.30%**	**57.10%**	**50.20%**	**47.50%**

Operational performance in FY25 reflected lower utilization levels across clinker and cement lines amid a subdued local demand. Despite lower throughput, the Company was able to retain its position within the cement industry with a market share of 3.6% (FY24: 3.5%) in FY25.

Operational efficiency remained an area of relative strength, supported by the performance of Line-III (7,700 TPD). Coal consumption improved marginally, with achieved heat rates at 705 Kcal/kg, better than the internal standard of 710 Kcal. Electrical efficiency for cement grinding also outperformed benchmarks, with actual consumption of 80 kWh/ton against a standard of 87 kWh/ton. Energy-cost mitigation was further supported by the Company's 11 MW WHRS, which generated 65.36 million kWh during the year, and the 7 MW solar plant, which contributed 10.61 million kWh. These measures partially offset the impact of fuel and power volatility on operating costs.

Energy cost optimization remains a core operational priority for the Company. It has installed 7 MW of solar capacity, and a 7.5 MW wind power project is currently underway under a rental model. This project is expected to deliver financial benefits from FY27 onwards. Following implementation, approximately 45–50% of the Company's power requirements will continue to be met through the national grid as backup.

Recent government-led reductions in electricity tariffs have provided near-term cost relief. Solar power is being generated at an estimated cost of PKR 16 per unit, while wind power is expected to cost approximately PKR 26 per unit. Together, these initiatives contribute to a more diversified and cost-efficient energy mix. The Company does not operate in-house thermal power generation.

Sales Mix

Metric Tonnes	FY23	FY24	FY25
Local Dispatches	65.6%	52.5%	56.1%
Export Dispatches	34.4%	47.5%	43.9%
Total	**2,401,439**	**2,529,153**	**2,384,950**

In terms of the volumetric sales mix, the Company has broadly followed prevailing industry trends. During FY24, the proportion of local sales volume declined, reflecting subdued domestic demand and challenging market conditions. This decline was offset by a corresponding increase in export volumes, as the Company focused on international markets to sustain overall sales growth and optimize capacity utilization.

Though in FY25, overall volumetric dispatches declined, primarily due to a 12.8% reduction in export volumes. In contrast, local sales remained largely stable, reflecting relatively steady domestic demand despite broader market challenges.

PKR million	FY23	FY24	FY25
Retail/Distributor sales	17,363	18,646	17,712
Institutional sales	11,576	12,431	11,808
Total Sales	**28,939**	**31,077**	**29,520**

In terms of distribution, approximately 60% of the Company's business is conducted through the retail and distributor channel, while the remaining portion is derived from institutional customers.

From a geographical perspective, around 40% of total sales originate from Sindh (excluding Karachi), with the majority of these sales executed through Sindh Traders. Approximately 20% of sales are generated from Karachi. The remaining 40% of sales are attributable to institutional customers located across other parts of Pakistan, including a relatively small contribution from Balochistan.

PROFITABILITY

Profitability strengthened in FY25, driven primarily by better cost performance despite a decline in revenue. Net sales decreased from PKR 31.1bn in FY24 to PKR 29.5bn in FY25, mainly due to lower export volumes. Despite the topline contraction, gross profitability improved because the cost of sales declined proportionately more than revenue, supported by lower fuel and power cost at PKR 13.5bn (FY24: PKR 16.6bn). As a result, gross margin widened to 28.5% (FY24: 21.9%) in FY25. Operating profitability also improved, supported by stable administrative and selling expenses. Finance costs declined significantly to PKR 3.1bn (FY24: PKR 5.0bn) in FY25, owing to a reduction in total debt and cost of borrowing. Consequently, the Company shifted from a loss before tax of PKR 1.9bn to a profit before tax of PKR 1.6bn. The net margin improved to 2.8% (FY24: –8.7%).

The improvement observed in FY25 continued into Q1FY26. Net sales for the quarter reached PKR 7.8bn (Q1FY25: PKR 5.0). Cost performance remained strong, resulting in gross margin of 34.7% (Q1FY24: PKR 24.5%). With the improvement in operating margin and further reduction in finance costs has resulted in Company reporting a profit after tax similar to full year result.

Financial Risk

CAPITAL STRUCTURE

The capital structure improved as of Sept'25 as total debt declined from PKR 16.7bn (Jun'25: PKR 18.6bn, Jun'24: PKR 22.5bn), driven by reductions in both long-term borrowings and short-term borrowings. Equity increased from PKR 19.42bn to PKR 23.9bn, supported by conversion of preference share and contribution from associated undertaking. This resulted in improved capitalization ratios, with gearing reducing to 0.70x (Jun'25: 0.79x; Jun'24: 1.16x) and leverage to 0.80x (Jun'25: 1.03; Jun'24: 1.46x).

DEBT COVERAGE & LIQUIDITY

During the review period, the Company's trade receivables remain at a low level, primarily due to payment received in advance against sales. Conversely, stores and spares are reported at a relatively elevated level on account of coal inventory, which is aligned with the Company's operational requirements. The Company reported a positive FFO of PKR 1.1bn (FY24: PKR -1.1bn) in FY25. Debt-servicing capacity strengthened with ratio improving to 1.08x (Jun'24: 0.56x) which further improved as of Sept'25. Liquidity improved, with the current ratio rising to 1.00x as of Jun'25. Coverage of short-term debt strengthened to 1.44x, (Jun'24: 0.93x).

Financial Summary				***Appendix I***
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	3MFY25M
Property, plant and equipment	34,853.98	34,309.31	33,682.31	33,559.01
Right-of-use Assets	12.36	0.00	83.47	78.25
Long-term Investments	26.87	28.27	21.59	21.99
Deferred Tax Asset	3,649.91	3,186.71	2,751.78	2,667.81
Stock-in-trade	2,593.22	2,019.89	2,056.20	1,876.13
Stores and Spares	1,636.76	3,532.48	3,828.52	4,246.88
Trade debts	276.09	294.90	343.57	349.49
Short-term Investments	26.40	135.37	140.46	240.46
Derivative Financial Asset	3,509.15	2,186.89	1,474.29	954.42
Cash & Bank Balances	409.82	407.37	1,496.18	647.64
Other Assets	1,536.06	1,676.6	1,801.65	1,489.00
Total Assets	**48,530.62**	**47,777.79**	**47,680.02**	**46,131.08**
Creditors	1,522.92	1,695.49	1,542.58	1,332.62
Long-term Debt (incl. current portion)	18,858.67	16,267.33	14,271.01	13,014.01
Short-Term Borrowings	5,012.00	6,269.07	4,311.18	3,743.06
Total Debt	23,870.67	22,536.40	18,582.19	16,757.07
Other Liabilities	5,569.001	4,126.77	4,025.99	1,052.48
Total Liabilities	**30,962.60**	**28,358.66**	**24,150.76**	**22,197.44**
Paid up Capital	11,118.71	11,118.85	12,905.24	12,917.33
Preference Share	2,082.43	2,082.32	742.53	733.46
Capital Reserve	618.35	618.32	171.72	168.70
Accumulated Profit/(Loss)	-3,251,46	-6,100.37	-5,290.23	-4,485.87
Contribution from associated undertakings	7,000.00	11,700.00	15,000.00	14,600.00
Equity (excl. Revaluation Surplus)	**17,568.03**	**19,419.12**	**23,529.26**	**23,933.62**
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	3MFY25M
Net Sales	28,939.09	31,077.21	29,520.14	7,814.35
Gross Profit	6,932.21	6,790.40	8,398.90	2,709.14
Operating Profit	3,749.87	3,056.11	4,650.88	1,768.34
Finance Costs	3,830.78	4,975.03	3,078.57	514.93
Profit Before Tax	-80.91	-1,918.92	1,572.31	1,253.41
Profit After Tax	168.99	-2,703.29	814.99	804.35
Ratio Analysis	FY23A	FY24A	FY25A	3MFY25M
Gross Margin (%)	23.95%	21.85%	28.45%	34.67%
Operating Margin (%)	12.96%	9.83%	15.75%	22.63%
Net Margin (%)	0.58%	-8.70%	2.76%	10.29%
Funds from Operation (FFO) (PKR Millions)	2,154.16	-1,125.98	1,053.62	1,044.63
FFO to Total Debt* (%)	9.02%	-5.00%	5.67%	24.94%
FFO to Long Term Debt* (%)	11.42%	-6.92%	7.38%	32.11%
Gearing (x)	1.36	1.16	0.79	0.70
Leverage (x)	1.76	1.46	1.03	0.80
Debt Servicing Coverage Ratio* (x)	1.06	0.56	1.08	1.64
Current Ratio (x)	0.76	0.79	1.00	0.85
(Stock in trade + trade debts) / STD (x)	0.90	0.93	1.44	1.73
Return on Average Assets* (%)	0.36%	-5.61%	1.71%	1.71%
Return on Average Equity* (%)	0.97%	-14.62%	3.80%	3.39%
Cash Conversion Cycle (days)	12	14	11	-14

**Annualized, if required*

A - Actual Accounts

P - Projected Accounts

M - Management Accounts

REGULATORY DISCLOSURES	**Appendix II**
Name of Rated Entity	Power Cement Limited
Sector	Cement Industry
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
01/16/2026	A-	A2	Stable	Reaffirmed
12/23/2024	A-	A2	Stable	Reaffirmed
12/27/2023	A-	A2	Stable	Reaffirmed
12/30/2022	A-	A2	Stable	Reaffirmed
11/30/2021	A-	A2	Stable	Reaffirmed
11/092020	A-	A2	Stable	Maintained
10/25/2019	A-	A2	Negative	Maintained
10/02/2018	A-	A2	Stable	Reaffirmed
07/10/2017	A-	A2	Stable	Initial

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Muhammad Taha Hamdani	Chief Financial Officer (CFO)	8th December 2025
Mr. Muhammad Zeeshan Malik	Sr. Deputy Manager Finance	