THATTA CEMENT COMPANY LIMITED

Analyst:
M. Amin Hamdani
amin.hamdani@vis.com.pk

RATING DETAILS				
RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
LT-SUKUK	AA-	-	AA-	-
OUTLOOK/RATING WATCH	Rating Watch - Developing		Stable	
RATING ACTION	Maintained		Final	
RATING DATE	November 24, 2026		November 14, 2025	

Shareholding (5% or More)	Other Information
Sky Pak Holding (Private) Limited - ~21.2%	Incorporated in 1980
Al Miftah Holding (Private) Limited - ~14.94%	Public Listed Company
	Chief Executive: Mr. Kamran Munir Ansari
	External Auditor: BDO Ebrahim & Co Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Instrument Rating Methodology
https://docs.vis.com.pk/Methodologies-2026/IRM-2026.pdf

Rating Scale

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

Rating Rationale

Thatta Cement Company Limited's ratings reflect its longstanding presence in the cement industry, established operating base, historically conservative financial profile, and fairly stable fund flow generation. The Company also benefits from its investment in Thatta Power (Pvt.) Limited (TPPL), whose dividend contributions and energy savings support overall profitability. However, the Company maintains a modest presence in the southern region, with market share declining to 0.88% in FY26 and gross margin narrowing to 21.7% amid lower dispatches and higher fuel and power costs.

The financial risk profile has changed following the PKR 5.5bn Sukuk raised to partially finance the PKR 6.5bn acquisition of a 28% stake in Pakistan Services Limited (PSEL). Consequently, gearing increased to 0.57x from 0.03x at FY25, while the DSCR stood at 1.14x with further comfort from cash & bank balances of PKR 1.6b. Liquidity remains satisfactory, supported by a current ratio of 1.56x. The increasing allocation of balance sheet resources to subsidiaries and associated companies has also heightened the importance of sustained investment returns and dividend inflows in supporting earnings and debt servicing. The placement of ratings on Rating Watch – Developing is on account of pending matters before the High court with respect to the PSEL investment.

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Company Profile

Thatta Cement Company Limited ("THCCL" or "the Company") was incorporated in Pakistan in 1980 as a public limited company under the repealed Companies Act, 1913 (now the Companies Act, 2017) and was listed on the Pakistan Stock Exchange in 2008. The Company's principal business activity is the manufacturing and marketing of clinker and cement. The registered office is located in Karachi, while the production facility is situated at Ghulamullah Road, Makli, District Thatta, Sindh.

The Company has two subsidiaries, namely Thatta Power (Pvt.) Limited and Minsk Work Tractors and Assembling (Pvt.) Limited, and one associate, Pakistan Services Limited.

Management and Governance

BOARD & MANAGEMENT

The Board of Directors has seven members: five male and two female directors. Four are independent, two are non-executive and one is executive (the CEO). The Chairman, Mr. Khawaja Muhammad Salman Younis, is non-executive and separate from the CEO. The independent majority and the female representation exceed the minimum requirements of the Listed Companies. The Board met four times during FY26. There was no change in the Board during the year under review. Two committees operate under the Board's oversight: the Audit Committee, chaired by Ms. Naheed Memon (four meetings), and the HR & Remuneration Committee (one meeting).

Mr. Kamran Munir Ansari has been Chief Executive Officer since September 30, 2023, and is also a director of the Company and CEO of its subsidiary, Thatta Power (Pvt) Ltd. He previously served as Vice President, Operations Finance at Pakistan Services Ltd and as CFO and Company Secretary at BIPL Securities Ltd. After the year end there were two management changes. Mr. Muhammad Owais ceased to be CFO on July 20, 2026, and Ms. Sidra Zakir was appointed CFO effective September 7, 2026. Mr. Naveed Zaman was appointed Company Secretary effective October 1, 2026, replacing Mr. Muhammad Abid Khan.

AUDITOR

M/s BDO Ebrahim & Co., Chartered Accountants, audited the FY26 financial statements. The firm holds a satisfactory QCR rating from ICAP and is in Category "A" of the SBP panel. It issued an unqualified opinion on the FY26 financial accounts, with an emphasis of matter on the investment in PSEL.

The auditors drew attention on the Company's 28% investment in PSEL. Previous shareholders have challenged the share transfer before the Islamabad High Court, which has restrained the Company from disposing of the shares while the case is pending. Management believes, on its legal advisor's view, that it holds valid title; the auditors' opinion was not modified.

SUKUK STRUCTURE

THCCL has issued a secured, listed, & privately placed Long-Term Islamic Certificate ('Sukuk' or 'the Instrument') of up to PKR 5,500 million inclusive of green shoe option of PKR 500 million on 10th October, 2025. The proceeds from the issue were utilized for the purpose of acquiring a listed operational company registered under the Companies Act, 2017.

The structure of the Sukuk is as follows:

- The tenor of the instrument is four (04) years from the date of drawdown.
- The profit rate is based on 6 months KIBOR plus 2.50% per annum.
- Profit will be payable on six monthly basis in arrears on the outstanding principal amount.

Security structure:

- Pari Passu charge on the present and future Current and Fixed Assets of the Company with a 35% margin from the Issue Date. Upon principal redemption, charge on present and future current and fixed assets will be proportionately released.
- The Company shall maintain a Sukuk Payment Account (SPA) with a lien marked in favor of the investment agent. In order to ensure availability of funds during each instalment, the Company shall make the requisite deposits from the collection account as per the repayment schedule.

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- The Company shall deposit the principal and profit amounts in the SPA thirty (30) days prior to the repayment date of each semi-annual instalment. In case of a shortfall in funds, the Company will replenish/furnish the differential amount through the cashflows of the company being acquired by THCCL.

Additional Security:
In case the Company is unable to deposit the redemption amounts in the SPA to meet its payment or repayment obligations under the Sukuk Issue, the Board of Directors has authorized the disposal of Treasury Shares held under the Listed Companies (Buy-Back of Shares) Regulations, 2019. Pursuant to this, the Company has obtained a Board-approved undertaking authorizing the CEO to sell the Treasury Shares in the event of any shortfall in the SPA. The disposal of Treasury Shares, if triggered, shall be completed within 20 days to ensure that the SPA is adequately funded at least 10 days prior to the payment due date.

Business Risk

INDUSTRY UPDATE

The cement industry's overall business risk is assessed as High to Medium. Demand is closely tied to construction activity, public spending and interest rates, and the sector carries a structural overcapacity overhang. Against this, entry barriers are high because the business needs heavy capital investment and access to limestone reserves. Cement also has no real substitute in construction, and the industry is fairly concentrated at the top, with Lucky Cement, Bestway Cement, and Fauji Cement as the largest players. Their estimated sales market shares are approximately 17.7%, 16.3% and 13.2% respectively, together accounting for nearly half of industry sales. THCCL is a small player in the south zone.

Industry Dispatches (million tons)	FY22	FY23	FY24	FY25	FY26	1QFY27
Local	47.64	40.01	38.18	37.91	41.51	10.85
Export	5.26	4.57	7.11	9.21	9.01	2.30
Total	**52.89**	**44.58**	**45.29**	**47.12**	**50.52**	**13.14**

Industry conditions improved in FY26, with local sales rising 9.5% to 41.51Mt while exports slipped 2.19% to 9.01Mt. Total volumes reached the highest level in several years. Northern mills drove domestic growth (+10.8%), but their exports fell sharply, partly because no exports went out of the north in June due to the Afghan border closure. Southern mills remain export-oriented, and their June utilisation was about 90%, against 54% in the north. Demand continued in 1QFY27: domestic despatches rose 7.79% to 10.85Mt while exports fell 11.3% to 2.30Mt. Industry capacity is about 84.6Mt, with utilisation improving to 60.2% in FY26 from 55.1% a year earlier. More than a third of capacity is still idle.

Profitability was mixed. Industry gross margins eased to about 30% in 9MFY26 from 31% a year earlier. Earnings were supported mainly by lower interest rates, which cut finance costs sharply. This also helped deleveraging across the sector. The outlook for FY27 depends on domestic construction activity and energy costs. Local cement offtake is expected to grow in FY27, supported by the 7.8% YoY increase recorded in 1QFY27, government housing schemes and planned PSDP spending. However, an increase in the policy rate could raise borrowing costs and moderate the pace of construction activity. Nevertheless, the sector's demand outlook remains positive, although the pace of growth will depend on the monetary policy stance, execution of development spending and the affordability of construction.

Key industry risks are coal and energy price volatility, geopolitical tensions, and competition from excess capacity. Coal has recently risen toward $125/ton, and each $10/ton increase adds around Rs 30 per bag to industry costs. Taxation remains a further risk, with the federal excise duty on cement (Rs 4/kg) expected to be retained.

OPERATIONAL UPDATE

THCCL's cement production declined to 502,985 tons in FY25 (FY24: 529,700 tons), with capacity utilization at 72.6% (FY24: 76.4%). In FY26, production declined 10.5% Y/Y to 450,150 tons (utilization: 65.0%), while offtake fell 12.1% Y/Y to 447,099 tons against 7.2% Y/Y industry growth. This reduced market share to 0.88% in FY26 (FY25: 1.08%).

	FY23	FY24	FY25	FY26
Cement capacity (tons)	693,000	693,000	693,000	693,000
Cement production (tons)	441,480	529,700	502,985	450,150
Capacity utilization (%)	63.7%	76.4%	72.6%	65.0%

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Offtake (local + export)	438,739	533,880	508,503	447,099
Industry offtake (local + export, million tons)	44.58	45.29	47.12	50.52
THCCL market share	0.98%	1.18%	1.08%	0.88%

Other than cement operations, the Company has other notable investments which account for 46% of the total assets as of June 2026.

Thatta Power (Pvt.) Limited

THCCL has invested PKR 436.7mn in Thatta Power (Pvt.) Limited (TPPL) and is an 88.52% owned subsidiary of THCCL, engaged in the generation and sale of electricity. The Company supplies power to Thatta Cement, while surplus electricity can be sold to the national grid under an arrangement with Hyderabad Electric Supply Company Limited (HESCO). TPPL commenced operations in 2012 with an installed generation capacity of 23.1MW. Subsequently, a 4MW Waste Heat Recovery (WHR) project was commissioned in FY20, increasing its total generation capacity to 27.1MW.

The Group has further expanded its power generation portfolio through the addition of a 5MW solar power plant and a 4.8MW wind power project, the latter commissioned in April 2025. These additions have increased the Group's total installed generation capacity to 36.9MW, including 9.8MW from renewable energy sources. TPPL distributed dividends of PKR 634.8mn in FY25 and approximately PKR 1.95bn during FY26 (THCCL's share: PKR 1,722mn), respectively, contributing to the profitability of its parent company. While TPPL has subsequently entered into restructuring agreements with its lenders to address its debt repayment obligations, the effective implementation of the revised repayment terms remains important for assessing the sustainability of its financial position and the continuity of dividend flows to the parent.

Minsk Work Tractors and Assembling (Pvt.) Limited

THCCL has invested PKR 500 mn in Minsk Work Tractors and Assembling (Pvt.) Limited (MWTAPL) and is a wholly owned subsidiary of THCCL, incorporated in August 2024 with a paid-up capital of PKR 500mn. MWTAPL has entered into an exclusive agreement with OJSC Minsk Tractor Works, Belarus, granting it exclusive rights to assemble BELARUS tractors in Balochistan. The subsidiary is currently engaged in the import and sale of Completely Built Units (CBUs), with plans to transition to the assembly of Semi Knocked Down (SKD) units and, subsequently, Completely Knocked Down (CKD) BELARUS tractors through a local assembly facility. To date, 150 tractors have been imported.

Pakistan Services Limited

THCCL has invested PKR 6.48bn in Pakistan Services Limited (PSEL), an associate principally engaged in the hospitality and hotel management business, with Pearl Continental (PC) Hotels as its core operation. In October 2025, THCCL acquired 9.108mn shares, representing a 28% stake in PSEL, through the open market at PKR 710 per share. The investment has been classified as a long-term investment in associate in THCCL's financial statements. Subsequent to the acquisition, certain matters relating to the fresh election of directors and the proposed Extraordinary General Meeting (EOGM) became subject to proceedings before the Islamabad High Court through an order dated November 28, 2025. The matter remains pending before the High Court.

PROFITABILITY

In FY25, net sales were broadly flat at Rs 7,566 million (FY24: Rs 7,522 million) as higher prices offset lower volumes. Dispatches declined ~5% Y/Y on weak local demand, while the average net selling price rose ~6% Y/Y. Gross margin held at 28.4% (FY24: 28.8%) on local coal and renewable energy, while operating margin eased to 22.2% (FY24: 23.7%) on higher other operating expenses. Net margin improved to 33.8% (FY24: 20.0%), driven by a jump in other income to Rs 1,999 million (FY24: Rs 744 million). This comprised dividend income of Rs 600 million from Thatta Power, interest income of Rs 482 million on bank deposits and TDRs, waste heat recovery income of Rs 270 million, and one-off gains including gratuity income (Rs 300 million) and reversal of royalty provision (Rs 151 million).

In FY26, net sales fell 10.2% to Rs 6,795 million, mainly due to volume, as dispatches declined 12.1% Y/Y while the average net selling price rose ~2%. Gross margin narrowed to 21.7% (FY25: 28.4%) on higher fuel and power costs, and finance cost rose to Rs 583 million (FY25: Rs 43 million) following the financing raised for the investment in Pakistan Services Limited. Net margin eased to 29.6% (FY25: 33.8%), as higher other income of Rs. 2,354 million (FY25: Rs. 1,999 million) only partly offset weaker operating performance, with a major portion comprising dividend income (Rs. 1,733 million), including dividends from subsidiary Thatta Power *(Rs. 1.72 billion*). This reflects an increased reliance on dividend income from Thatta Power, highlighting the importance of sustaining its contribution alongside improving cement sales volumes to support overall profitability.

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Financial Risk

CAPITAL STRUCTURE

The Company maintained a conservative capital structure through FY25, supported by the absence of long-term borrowings and limited short-term borrowings of PKR 198mn. Equity increased to PKR 6,698mn (FY24: PKR 4,209mn), primarily driven by retained earnings, keeping gearing and leverage low at 0.03x and 0.42x, respectively. During FY26, the Company raised PKR 5,500mn through a long-term Sukuk (PKR 4,756mn outstanding at year-end) to partially finance its PKR 6,476mn acquisition of a 28% stake in Pakistan Services Limited (PSEL) and provide PKR 1,107mn of loans to its subsidiaries. Equity rose to PKR 8,707mn, while total borrowings increased to PKR 4,954mn, taking gearing and leverage to 0.57x and 0.87x, respectively. After adjusting for cash and bank balances of PKR 1,630mn, net borrowings stood at approximately PKR 3,324mn. The increase in gearing primarily reflects debt-funded investments, with the financial returns generated from these investments remaining important to the Company's future cash flows.

DEBT COVERAGE & LIQUIDITY

Debt coverage has narrowed following the recent debt-funded investments, which have also reduced the Company's cash liquidity cushion. The issuance of a long-term Sukuk to finance the acquisition of a 28% stake in Pakistan Services Limited increased total borrowings and declined cash and bank balances to PKR 1,630mn at end-FY26. Nevertheless, liquidity metrics and debt servicing capacity remained adequate, with a DSCR of 1.14x and a current ratio of 1.56x. The operating cycle also remained negative at 54 days, supporting working capital efficiency. Going forward, the maintenance of adequate debt servicing capacity will remain dependent on sustained profitability and cash flow generation from the core cement business, alongside continuity of dividend inflows from Thatta Power, which collectively remain important sources of financial flexibility.

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Financial Summary					(Amount in Million)
BALANCE SHEET	FY22A	FY23A	FY24A	FY25A	FY26A
Property, Plant & Equipment	1,920	1,839	2,220	3,426	3,448
ROU Asset	42	-	-	-	-
Intangible Assets	5	4	3	2	1
Long-term Investments	299	299	299	937	7,413
Stock in Trade	563	934	244	62	372
Trade Debts	524	425	139	166	304
Short Term Investments	474	224	1,191	-	426
Cash & Bank Balances	228	667	2,954	4,070	1,630
Other Assets	577	352	577	853	2,680
Total Assets	4,633	4,743	7,627	9,515	16,273
Trade and Other Payables	1,297	1,236	2,166	1,349	1,393
Short Term Borrowings	212	207	198	198	198
Long-Term Borrowings *(Inc. current maturity)*	42	-	-	-	4,756
Total Debt	255	207	198	198	4,954
Deferred Liabilities	278	278	349	680	689
Total Liabilities	1,893	1,758	3,417	2,817	7,566
Issued, Subs, and Paid Up Capital	997	997	847	847	847
Equity	2,740	2,985	4,209	6,698	8,707
INCOME STATEMENT					
Net Sales	4,264	5,410	7,522	7,566	6,795
Gross Profit	321	421	2,164	2,151	1,476
Operating Profit	134	157	1,782	1,683	1,077
Profit Before Tax	155	365	2,473	3,639	2,848
Profit After Tax	119	249	1,501	2,557	2,009
FFO	277	435	2,537	2,749	1,921
RATIO ANALYSIS					
Gross Margin (%)	7.5%	7.8%	28.8%	28.4%	21.7%
Net Margin (%)	2.8%	4.6%	20.0%	33.8%	29.6%
FFO to Long-Term Debt	6.56	NA	NA	NA	0.40
FFO to Total Debt	1.09	2.10	12.84	13.89	0.39
Debt Servicing Coverage Ratio (x)	7.70	9.43	48.59	64.79	1.14
ROAA (%)	2.9%	5.3%	24.3%	29.8%	15.6%
ROAE (%)	4.4%	8.7%	41.7%	46.9%	26.1%
Gearing (x)	0.09	0.07	0.05	0.03	0.57
Leverage (x)	0.69	0.59	0.81	0.42	0.87
Current Ratio	1.52	1.76	1.67	2.41	1.56
Inventory + Receivables/Short-term Borrowings (x)	6.37	7.48	2.83	2.97	5.63

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REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Thatta Cement Company Limited
Sector	Cement
Type of Relationship	Solicited
Purpose of Rating	Instrument Rating

Rating History

Rating Date	Medium to Long Term	Short Term	Outlook/Rating Watch	Rating Action
RATING TYPE: SUKUK				
24/11/2026	AA-	-	Rating Watch – Developing	Maintained
14/11/2025	AA-	-	Stable	Final
18/09/2025	AA-	-	Stable	Preliminary

Instrument Structure

Instrument	Details
Nature of Instrument	Long-term Sukuk
Tenure of Instrument	4 years
Size of the Issue	PKR 5,500 million
Principle Redemption Schedule	Semi-annual
Interest Redemption Schedule	Semi-annual
Issue Date	10th October 2025
Grace Period	-
Redemption Date	10th October 2029
Nature of Security (in case of secured instrument)	Secured
Name of Trustee	Pak Brunei Investment Company

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.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Kamran Munir Ansari	CEO	October 01, 2026

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