VIS Credit Rating Company Limited

CEMENT

Sector Study Report by VIS

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.

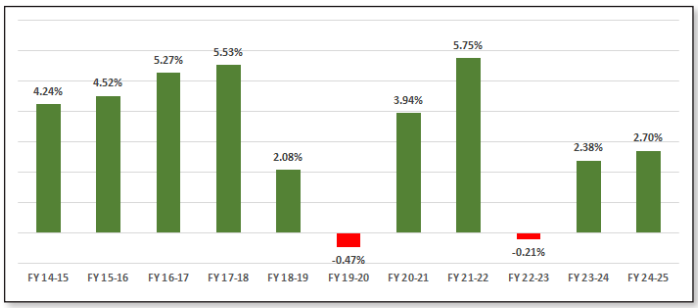
September 18, 2025

Pakistan Macro-economic Overview

Pakistan has made notable progress in pulling back from crisis, with inflation easing significantly, the current account recording a temporary surplus, and the fiscal deficit narrowing. However, the economy continues to grapple with high debt, import dependence, and a persistently narrow tax base. While short-term conditions indicate relative stability, medium-term sustainability will depend on comprehensive reforms—expanding the tax net, restructuring the energy sector, and diversifying exports beyond traditional textiles.

Growth, Prices, and Employment

GDP Growth: Pakistan stabilized growth at 2.5% in FY24 following near-stagnation in FY23. In FY25, growth inched up to 2.7%, supported by a gradual recovery in agriculture and certain service sectors. For FY26, multilateral institutions such as the IMF and World Bank project growth in the range of 3.5–3.6%, conditional on sustained policy discipline.



Inflation: Inflation was the dominant challenge in FY24, averaging above 23%, primarily due to elevated energy costs, currency depreciation, and supply disruptions. A sharp disinflation followed in FY25, with average CPI declining to 4.6%, and further easing to 3.6% during July–August FY26. This improvement reflects currency stability, moderation in food prices, and a tight monetary stance.

Employment: The official unemployment rate stands at 6.3%, based on the 2020–21 Labor Force Survey. The absence of updated surveys obscures the current labor market dynamics. Anecdotal evidence suggests limited job creation, rising underemployment, and continued informality, despite a stable headline unemployment figure.

Implication: While growth recovery is progressing, it remains fragile, with employment gains lagging behind. Inflation is now firmly under control, creating scope for monetary easing and potential adjustments in interest rates.

Fiscal and Debt Dynamics

Fiscal Deficit: The consolidated deficit remained elevated at 6.9% of GDP in FY24 but narrowed to 5.4–5.6% in FY25, supported by record FBR collections and curtailed federal development spending. The FY26 budget sets an ambitious target of 3.9% of GDP.

Tax Revenues: FBR collections rose from Rs 9.3 trillion in FY24 to Rs 11.9–12.0 trillion in FY25, with a target of Rs 14.1 trillion for FY26. Despite this improvement, the tax-to-GDP ratio remains in single digits, significantly below emerging-market benchmarks.

Public Debt: Debt sustainability continues to pose the most significant macroeconomic risk. Public debt increased to 73.2% of GDP in FY25, compared to 72% in FY24, with the nominal stock reaching Rs 74.9 trillion by April 2025. Domestic debt forms the majority, standing at Rs 54.5 trillion as of June 2025.

Debt Servicing: Interest payments now absorb over 60% of FBR revenues, severely constraining fiscal space for development and social sector spending.

Implication: Fiscal consolidation has shown progress, but debt dynamics remain highly vulnerable. Without meaningful tax base expansion, dependence on borrowing will persist, keeping debt ratios elevated.

External Sector and Balance of Payments

Remittances: A key positive, remittance inflows rose from USD 30.3 billion in FY24 to a record USD 38.3 billion in FY25, largely driven by strong contributions from the Gulf region. Momentum continued in July 2025, with inflows of USD 3.2 billion.

Exports & Imports: Exports of goods and services increased modestly from USD 38.9 billion in FY24 to

Pakistan Macro-economic Overview

Indicator	FY24	FY25	Commentary / Direction
GDP Growth (%)	2.4%	2.7%	Gradual recovery driven by agriculture and stabilization policies.
Inflation (CPI, % avg)	23.4%	4.6%	Sharp moderation but still elevated vs peers.
Policy Rate (%)	20.5% (Jun-24)	11.0% (Jun-25)	Tight stance easing slightly with inflation fall.
Exchange Rate (PKR/USD)	278 (Jun-24)	284 (Jun-25)	Relative stability post-IMF SBA, but pressure persists.
Fiscal Deficit (% of GDP)	6.9%	5.4%	Some consolidation via revenue measures.
Current Account Balance ($ bn)	-2.0	+2.1	Slipped back into deficit as imports rose.
Trade Balance ($ bn)	-24.0	-29.0	Import rebound outpaced exports.
Exports (Goods & Services, $ bn)	30.7	40.7	Modest growth, led by textiles & IT.
Imports (Goods & Services, $ bn)	54.7	70.1	Stronger import demand with partial recovery.
Workers' Remittances ($ bn)	30.3	38.3	Steady inflows, supporting FX reserves.
Foreign Direct Investment ($ bn)	1.4	2.3	Still weak but some uptick in energy & telecoms.
Foreign Exchange Reserves ($ bn, SBP)	9.4 (Jun-24)	14.5 (Jun-25)	Import cover 1.7 months, still thin.
Public Debt (% of GDP)	70%	73%	Rising burden amid high interest payments.
Energy Prices (Avg Power Tariff, Rs/kWh)	29.8	36.0	Significant rise, eroding industrial competitiveness.
Gas Price ($/MMBtu)	5.0 to 11.0	10.0 to 11.0	High regional disadvantage.
Unemployment Rate (%)	6.3%	6.3%	Latest official LFS 2020–21 figure

USD 40.7 billion in FY25. However, imports expanded more sharply, rising from USD 64 billion to USD 70 billion, thereby widening the trade deficit. July 2025 reinforced this trend, with exports at USD 3.5 billion against imports of USD 6.3 billion.

Current Account: Despite the widening trade gap, record remittances drove the current account into a surplus of USD 2.1 billion in FY25 — a rare outcome after years of persistent deficits. However, July 2025 saw a return to deficit (USD 254 million), underscoring the fragility of this balance.

Implication: The external sector has strengthened due to robust remittances, but remains exposed to import dependence, elevated energy costs, and vulnerability to global oil price volatility.

Future Outlook (FY26 and beyond)

Growth: GDP growth in FY26 is projected to improve moderately to 3.5–4%, contingent on political stability and continued progress in power sector reforms.

Inflation & Monetary Policy: With CPI easing to around 3–4%, the central bank has scope to gradually reduce policy rates, which could support investment and credit expansion. Nonetheless, risks persist if fiscal slippages erode market confidence.

Pakistan Macro-economic Overview

Fiscal and Debt: Meeting the FY26 fiscal deficit target of 3.9% appears challenging. Pressures from energy subsidies and weaker petroleum levy collections may widen the gap, necessitating additional borrowing. Public debt is expected to remain elevated, near 77% of GDP, raising concerns about long-term sustainability.

External Accounts: Remittance inflows are likely to remain strong, but exports will require structural reforms in value addition and market diversification to accelerate meaningfully. Imports are expected to rise alongside growth, potentially straining the current account. Adequate SBP reserves will depend on sustained support from the IMF, EU, and China.

The macroeconomic outlook remains finely balanced. Political uncertainty — whether in the form of contested reforms, governance slippages, or delays in decision-making — poses a key risk to investor sentiment and external financing flows. Similarly, slow or incomplete implementation of energy and tax reforms could reverse the recent stabilization gains by perpetuating fiscal imbalances and structural inefficiencies. Externally, Pakistan remains vulnerable to global commodity price swings, particularly oil, which could quickly widen the import bill and reignite inflationary pressures.

On the upside, steadfast adherence to the IMF program and continued engagement with bilateral and multilateral partners would help secure external financing and maintain reserve adequacy. Robust remittance inflows are also expected to provide a vital cushion to the current account, partially offsetting the structural trade deficit. If complemented by credible reforms in taxation, energy pricing, and export competitiveness, these factors could not only consolidate short-term stabilization but also lay the foundation for a more durable growth trajectory.

Global Cement Industry

The cement industry forms the backbone of the global construction and infrastructure value chain, providing the essential binding material for concrete—the most widely used construction material worldwide. Cement demand is directly linked to urbanization, industrialization, housing development, and infrastructure projects, making it highly cyclical but strategically vital to national economies.

Globally, the sector produces over 4.2 billion tons annually (2025), with Asia—particularly China, India, and Vietnam—accounting for more than two-thirds of output. While the industry has historically been energy- and emission-intensive, there is now a growing focus on sustainability, alternative fuels, and carbon capture technologies.

Market Size and Growth

Global Cement Market: Estimated at USD 410 billion in 2025, projected to grow at a CAGR of 4.5% through 2030, driven by urban infrastructure, housing demand, and emerging market growth.

China: Produces 2.1 billion tons annually (≈50% of global output), though demand is stabilizing due to slowing real estate activity.

India: Second-largest producer with 410 million tons annually; demand is forecast to grow 6–7% annually, supported by government-led infrastructure programs.

Middle East & Africa: Growth hubs, with demand linked to mega projects (e.g., Saudi Vision 2030, African urbanization).

Key Regions and Players

Asia-Pacific: Dominates global supply, led by China National Building Material (CNBM), Anhui Conch, UltraTech Cement, and Lucky Cement (Pakistan's largest).

Europe: Focuses on green cement and alternative fuels, with global majors like Heidelberg Materials, Holcim, and CRH spearheading decarbonization.

Middle East & Africa: Rapid capacity expansions in Egypt, Nigeria, and Saudi Arabia.

Americas: US demand is rebounding with infrastructure spending, though imports play a key role.

Technologies and Processes

Cement manufacturing involves three stages: raw material extraction, clinker production, and grinding/blending. The clinker stage is the most energy- and carbon-intensive, accounting for 90% of CO_2 emissions.

Traditional Technology: Rotary kilns powered by coal and natural gas dominate.

Efficiency Gains: Modern plants use dry-process kilns, pre-heaters, and waste heat recovery systems to reduce energy intensity.

Emerging Trends:

Alternative Fuels (refuse-derived fuel, biomass, industrial waste).

Blended Cement (slag, fly ash, pozzolana mixes) to reduce clinker factor.

Carbon Capture and Storage (CCS) pilots in Europe.

Digitalization (AI-driven kiln optimization, predictive maintenance).

Key Trends

Decarbonization & Sustainability: Cement contributes 7–8% of global CO_2 emissions. Pressure from regulators and financiers is accelerating the shift to green cement.

Consolidation: Larger groups acquiring smaller regional players to optimize scale.

Export Growth from Emerging Markets: Vietnam, Pakistan, and Turkey gaining share in clinker/cement exports.

Innovation in Products: Growth of blended cement, low-clinker cement, and alternative binders.

Infrastructure Megaprojects: Demand in South Asia, Middle East, and Africa driven by highways, housing, ports, and energy infrastructure.

Challenges

Carbon Emissions: Regulatory pressure (e.g., EU's CBAM) threatens competitiveness of exporters.

Energy Costs: Coal, petcoke, and electricity constitute 50–60% of production costs.

Overcapacity: Global production capacity exceeds demand in many regions, creating pricing pressures.

Logistics & Distribution: Cement is bulky and expensive to transport, making local competitiveness critical.

Financing & Technology Gaps: Smaller regional players struggle with modernization.

Opportunities

Green Cement: Rapidly growing demand for low-carbon and blended cement products.

Exports: South Asia and MENA exporters (Pakistan, Vietnam, Turkey) are well-placed to serve Africa and regional markets.

Digitalization: AI-driven process optimization can reduce energy costs by 5–10%.

Public Infrastructure Programs: Massive housing and infrastructure projects in emerging markets sustain demand growth.

Alternative Fuels: Cost savings and carbon reduction potential.

Pakistan Cement 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.

Market Size and Export Performance

Domestic consumption averages 40–45 million tons annually, primarily driven by urbanization, housing demand, and infrastructure development. In FY2025, exports totaled 5.2 million tons valued at USD 275 million, directed mainly to Afghanistan, Bangladesh, Sri Lanka, East Africa, and the Middle East. Clinker has become the dominant export due to competitive pricing and freight economics.

Capacity and Structure

The sector comprises over 25 players, with Lucky Cement, DG Khan Cement, Bestway Cement, Maple Leaf Cement, Fauji Cement, and Attock Cement being the leading entities.

With an installed capacity of 84.58 million tons per annum (Mtpa), capacity utilization of the sector averaged 50–55% in 2025, reflecting subdued domestic demand and elevated energy costs. Several announced expansion projects have been delayed due to financing challenges and high import costs.

Recent Price Trends

The price of a 50-kg cement bag has generally moved in the range Rs 1,300-1,450 over 2025.

There is marked regional variation: prices in southern Pakistan (Sindh, Balochistan) and in premium/brand-strong markets tend to be higher; northern and more competitive markets show lower or more quickly changing pricing.

As of late 2025, pricing seems to be flattening or showing minor declines in some markets, especially northern Pakistan, partially due to weak demand and competition; whereas southern and premium markets remain more resilient.

Key Challenges

- High reliance on imported coal (South Africa, Indonesia, Afghanistan), making costs vulnerable to global price volatility.
- Energy tariffs (electricity and gas) rising sharply, squeezing margins.
- Domestic demand slowdown amid weak construction sector and real estate slump.
- Export competitiveness constrained by high freight costs.
- Carbon emissions regulation risks (EU CBAM, global financiers).

Opportunities

- Export expansion into Africa, where cement shortages persist.
- Growing demand for blended and green cement.
- Government infrastructure pipeline (dams, housing schemes, transport networks).
- Potential coal substitution with local alternatives and renewable integration.

Outlook (2025–2030)

The Pakistan cement industry faces near-term headwinds from weak domestic demand, high energy costs, and global coal price volatility. Capacity utilization may remain below 65% unless housing and infrastructure projects accelerate.

Exports will be the key growth driver, with Africa, Sri Lanka, and Middle East markets offering opportunities. However, competitiveness will depend on freight costs and carbon regulation compliance.

Green transition is inevitable—firms that invest in blended cement, alternative fuels, and digital optimization will be better positioned to secure financing and maintain export market access.

Cement Bag Price – Historical Trend (50 kg Bag)

Fiscal Year	Price Range	Key Drivers / Notes
FY2021	PKR 800 – 900	Gradual inflation, energy & transport costs rising; demand relatively stable; fewer taxes/duties on imports.
FY2022	PKR 900 – 1,100	Inflationary pressures, increased coal costs, currency depreciation; some input cost shock.
FY2023	PKR 1,100 – 1,300	Higher inflation plus rising fuel, power and logistics costs; domestic demand high; some cement price hikes in regions.
FY2024	PKR 1,200 – 1,420	Following budget 2024-25, increase in federal excise and other levies; energy cost inflation; dispatch constrained by input costs.
FY2025	PKR 1,350 – 1,425	Further cost inflation (fuel, coal), increases in taxes, freight and energy; mixed domestic demand

Pakistan Cement Sector – Key Statistics

Indicator	Latest Figure	Commentary / Direction
Contribution to GDP	1%	Reflects direct industry contribution; indirect impact via construction is much higher
Employment	400,000 (direct & indirect)	Significant source of jobs across construction supply chain
Installed Capacity	85 million tons	Concentrated in North Zone (Punjab, KPK); South Zone caters to exports
Annual Cement Production	45–50 million tons	Represents 55–60% utilization of installed capacity
Domestic Consumption	40–45 million tons	Heavily linked to housing, real estate, and infrastructure projects
Exports (FY2025)	5.2 million tons (USD 275 million)	Clinker-led exports to Africa, Afghanistan, Sri Lanka, Middle East
Export Mix	65% clinker / 35% cement	Clinker increasingly dominant due to competitive freight economics
Number of Producers	25+	Industry led by Lucky Cement, DG Khan, Bestway, Maple Leaf, Fauji, Attock
Capacity Utilization	50–55%	Reflects weak domestic demand and energy cost pressures
Energy Dependence	50–60% of production cost	Primarily coal-based, with 70% imported (South Africa, Indonesia, Afghanistan)
Key Export Markets	Afghanistan, Bangladesh, Sri Lanka, East Africa, Middle East	Africa growing as priority diversification hub
Recent Expansion Projects	6 million tons planned (Maple Leaf, Fauji)	Delayed due to financing and import cost pressures
Carbon Emissions Profile	7–8% of Pakistan's industrial CO_2 emissions	Compliance risk under EU CBAM from 2026

Sector Risk Profile: MODERATE TO HIGH

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. The sector's medium-term resilience will therefore depend on three levers:

- **Energy mitigation** — WHR, alternative fuels, captive generation and fuel hedging to reduce import dependence.
- **Product & market diversification** — blended/low-clinker cements and targeted export growth (Africa, neighbours) to offset domestic volatility.
- **Policy & financing support** — clear incentives for green capex, concessional finance for modernization, and predictable tax/tariff regimes to unlock necessary investments.

If companies and policymakers act on these levers, the sector can transition from a high-risk, cost-sensitive industry toward a more resilient, lower-carbon profile by the end of the decade. Absent credible progress on energy and green financing, downside risks (low utilization, margin compression, consolidation) will remain elevated.

Cyclicality
Risk Rating: High

Pakistan's cement demand is tightly linked to the construction cycle (residential real estate, commercial construction, and public infrastructure). Recent indicators — weak real-estate activity, slower private housing starts, and uneven project execution of public schemes — have pushed capacity utilization down (mid-50%s in 2025). Key cyclical features:

- Demand swings are amplified by the project-led nature of consumption: large government contracts and donor-funded projects can rapidly increase tonnage, while any delay or fiscal squeeze causes a sharp fall in local volumes.
- Seasonality (monsoon months, winter working windows) adds short-term volatility to dispatch and cash flows.
- Export markets provide some smoothing when domestic demand is weak, but exports are fickle (dependent on freight, regional competitors and currency moves).
- Input cost shocks (coal/fuel) can convert modest demand slowdowns into sharp margin compressions, intensifying cyclical pain.

Overall Cyclicality Risk Assessment: High cyclical vulnerability — downside is pronounced in an extended domestic slowdown; upside depends on timely execution of government projects and export momentum.

Competition
Risk Rating: High to Moderate

Competition is a mix of strong incumbent players and regionally aggressive exporters. Cement's local nature (high freight per ton) protects incumbents in proximal markets but does not eliminate competitive pressure:

- Market structure: a handful of large integrated groups (Lucky, DG Khan, Bestway, etc.) dominate volumes and pricing discipline, giving incumbents bargaining power.
- Export competition: Pakistan competes with Turkey, Egypt, Gulf suppliers and increasingly Vietnam in overseas clinker/cement markets; price competition in Africa and South Asia is intense and margin-sensitive.
- Product differentiation: blended cements and value-added products are emerging as levers

for differentiation; larger players are quicker to deploy these while smaller peers compete on price.

- Consolidation potential: the sector could undergo further consolidation if weak demand persists — this would improve pricing power but raises execution/financing risks.

Overall Competition Risk Assessment: Competition is meaningful but manageable for large, efficient players; smaller producers face greater pressure.

Capital Intensity
Risk Rating: Moderate

Cement is capital-heavy: kilns and preheaters are long-lived, expensive to build and costly to retrofit for greener technologies. This creates both barriers and risks:

- High fixed costs and long payback horizons create exposure if demand remains depressed or if newer low-carbon technologies render some assets less economic.
- Incumbents benefit from sunk investments and economies of scale; however, securing finance for modernization (WHR, AF, grinding mills, green capex) is increasingly difficult under tight FX and high interest rates.
- While several firms have announced capacity expansion plans, evidence suggests that these projects are not proceeding as quickly as expected. With low utilisation (~55%) and weak domestic demand, expansion is unlikely to be aggressively pursued until demand strengthens. Financing and rising import/equipment costs are likely contributing constraints, although specific project delays have not been consistently documented publicly.Capital required for green transition (e.g., alternative fuel handling, partial clinker substitution) may be outside the reach of smaller firms without government incentives or concessional financing.

Industry Medians	2012-14	2017-19	2022-24
Capex/ Sales	4.12%	13.57%	7.06%
Asset Turn-over	0.70x	0.56x	0.64x
Depreciation/ Sales	4.94%	5.50%	4.73%

Sources: VIS proprietary database

Overall Capital Intensity Risk Assessment: Moderate capital-intensity risk — manageable for large players today, but prospective green capex raises future funding and asset-stranding concerns.

Technology Risk
Risk Rating: Moderate

Technology risk is twofold: operational efficiency (energy use, emissions control) and product innovation (blended/low-clinker cements):

- Operational upgrades such as dry-process kilns, pre-heater towers, waste-heat recovery (WHR) and kiln optimization are proven ways to cut costs — leading players have begun adoption, but penetration is uneven.
- R&D and product innovation (low-clinker blends, specialty cement) are limited sector-wide; most innovation is incremental and vendor driven rather than in-house R&D.
- Advanced decarbonization solutions (CCS, novel binders) are capital-intensive and remain out of reach for most local players in the near term.
- Digitalization (predictive maintenance, process control) offers modest near-term savings, but rollout is limited by skills and capex availability.

Overall Technology Risk Assessment: Technology risk is moderate — immediate gains lie in deploying existing efficiency tech (WHR, AF, blending), while frontier technologies remain a longer-term challenge.

Sector Risk Profile

Regulatory Framework
Risk Rating: Moderate

The regulatory environment is mixed: domestic demand support exists (public infrastructure commitments) but external regulatory shocks (carbon border measures) and fiscal unpredictability create uncertainty:

- Domestic policy: government infrastructure commitments provide demand visibility, but actual disbursement timing and procurement efficiency determine real benefit to cement players.
- Fiscal/tax volatility: tariff and tax policy shifts, import duty changes and exchange rate stress affect equipment imports and working capital — unpredictability harms investment decisions.
- Environmental regulation & CBAM: international (EU CBAM) and lender expectations are raising the bar on emissions reporting and low-carbon credentials — local readiness is limited, creating a compliance and market-access risk.
- Industry advocacy: sector bodies are engaging government for green incentives and export support, but a clear "Green Cement Incentive Framework" or concessional green finance is still nascent.

Overall Regulatory Risk Assessment: Regulatory risk is moderate — supportive on demand terms but exposed on environmental compliance and policy predictability.

Energy Sensitivity
Risk Rating: High

Energy is the single largest vulnerability. Cement production is energy-intensive and Pakistan relies heavily on imported fuels:

- Fuel & power share: fuel (coal/petcoke) and electricity commonly account for 50–60% of production cost, so fuel price shocks have outsized margin impact.
- Import dependence: a high share of fuel is imported (Indonesia, South Africa, others); freight and FX swings transmit quickly into local costs.
- Continuous-process risk: kiln stoppages are very costly, making stable fuel and power supply critical — unplanned disruptions materially hit output and margins.
- Alternatives & mitigation: alternative fuels (biomass, RDF), WHR and captive power can reduce exposure but require upfront capex and logistics; adoption is uneven across the sector.

Overall Energy Sensitivity Assessment: Energy sensitivity is the sector's dominant risk — until fuel mix, captive generation, or alternative fuels scale up meaningfully, margins will remain highly exposed to external shocks.

Sector In Numbers

Financial Metrics	2016-18 Upper Quartile	2016-18 Median	2016-18 Lower Quartile	2019-21 Upper Quartile	2019-21 Median	2019-21 Lower Quartile	2022-24 Upper Quartile	2022-24 Median	2022-24 Lower Quartile
Current Ratio (x)	2.47	**1.35**	0.85	1.41	**0.99**	0.63	1.46	**0.96**	0.64
Days to Sell Inventory	125.88	**107.20**	86.48	143.24	**110.68**	89.01	128.80	**105.32**	76.56
Collection Period (Days)	17.55	**10.37**	4.70	21.90	**15.91**	9.57	17.80	**13.08**	6.70
Creditors Period (Days)	38.40	**19.89**	9.19	40.29	**24.08**	7.18	34.84	**25.26**	12.45
Net Trade Cycle (Days)	127.88	**95.78**	68.81	134.86	**102.31**	78.50	118.43	**97.90**	49.98
Asset Turnover (x)	0.83	**0.67**	0.52	0.72	**0.54**	0.38	0.78	**0.64**	0.52
LT & ST Debt (Rs. M)	6,792	**3,075**	888	22,221	**6,530**	2,618	22,702	**11,920**	3,380
Leverage (x)	1.28	**0.73**	0.37	1.55	**0.89**	0.51	1.30	**1.01**	0.61
Gearing (x)	0.63	**0.31**	0.08	0.83	**0.43**	0.14	0.68	**0.47**	0.13
Cash Margins (%)	43.76	**35.80**	25.02	27.19	**19.14**	11.15	29.49	**24.43**	14.09
Gross Margin (%)	39.74	**31.94**	21.80	23.66	**17.56**	4.10	27.19	**22.91**	13.60
Operating Margin (%)	32.27	**24.87**	17.60	18.84	**9.44**	-0.48	23.99	**16.25**	7.80
Net Profit Margin (%)	25.62	**18.00**	11.34	13.04	**5.33**	-1.10	13.55	**6.73**	0.82
Return on Assets (%)	15.11	**10.55**	5.83	6.17	**2.34**	-0.95	6.44	**4.13**	0.26
Return on Capital Employed (%)	27.66	**18.74**	11.16	13.90	**7.34**	1.04	16.48	**10.54**	6.10
Return on Equity (%)	25.62	**18.00**	11.34	13.04	**5.33**	-1.10	13.55	**6.73**	0.82
EBIT/ Total Debt (%)	127.96	**52.20**	17.71	71.52	**16.72**	1.57	102.79	**38.44**	13.56
EBIT/ Interest (x)	63.03	**16.95**	6.33	10.33	**3.84**	0.23	10.59	**4.36**	1.29
FFO/Total Debt (%)	107.63	**41.77**	13.46	68.87	**19.27**	-0.44	103.60	**34.49**	11.31
Free Cash flow/ Total Debt (%)	37.21	-	-25.39	17.07	**-7.25**	-24.95	33.30	**0.99**	-22.75
Data Count	52			66			45		

Sources: VIS proprietary database

Recent Events related to the Sector

Several notable developments have taken place in the Pakistan cement industry recently, reflecting the sector's exposure to both global and domestic challenges. These events, listed below, underscore the mix of policy, energy, and export dynamics shaping the sector.

Surge in Coal Prices and Supply Shifts (August 2025)
Global coal prices rebounded in August 2025, climbing back to USD 125–135/ton amid supply disruptions in Indonesia and South Africa. Pakistani cement producers, who rely on imports for 70% of their fuel needs, reported a 10–15% increase in input costs, eroding margins. Some firms partially shifted toward Afghan coal, which, while cheaper, faces quality and logistics constraints.
Impact: Sustains high energy sensitivity, with cost pass-through to consumers constrained by weak domestic demand.

Pakistan Cement Exports to Africa Cross 2 Million Tons (FY2025 Cumulative)
By August 2025, Pakistan's cement exports to Kenya, Tanzania, and Mozambique surpassed 2 million tons, up 18% YoY, reflecting Africa's cement shortages and infrastructure growth. Exporters like Lucky Cement and Bestway Cement reported stronger clinker demand, aided by competitive Pakistani pricing relative to Gulf suppliers.
Impact: Reinforces export diversification, but high freight charges (USD 40–50/ton) remain a bottleneck for wider expansion.

Government Push on Infrastructure Spending (September 2025 Budgetary Announcements)
The government reaffirmed allocations for dams (Diamer-Bhasha, Mohmand), highways, and low-cost housing schemes in its FY2025–26 mid-year budget review. While fiscal space is tight, the announcements provide demand visibility for cement producers, particularly in the North Zone.
Impact: Positive for medium-term demand recovery, though actual disbursement and project execution remain uncertain.

Carbon Policy Developments – EU CBAM Compliance Pressure (August 2025)
The EU confirmed that cement imports will fall under the Carbon Border Adjustment Mechanism (CBAM) starting in January 2026. Pakistani exporters, though not major suppliers to Europe, see potential indirect impacts as regional competitors (Turkey, Egypt) shift trade flows. Industry bodies have urged the government to devise a "Green Cement Incentive Framework" to support blended cement and carbon reduction technologies.
Impact: Raises regulatory risk and financing challenges; compliance readiness remains limited.

Capacity Expansion Delays (September 2025)
Projects announced earlier by Maple Leaf Cement and Fauji Cement—adding 6 million tons of combined capacity—have faced delays due to financing constraints and high equipment import costs under the current exchange rate regime.
Impact: Slows capacity growth, but also helps prevent overcapacity in a weak demand cycle, indirectly supporting pricing discipline.

Rupee Stability Aiding Export Margins (Late August 2025)
The PKR stabilized around Rs 278–280/USD during August 2025, following IMF review clearance and improved remittance inflows. This provided temporary relief to exporters, cushioning freight and coal cost increases.
Impact: Marginally positive for exporters, though domestic inflationary pressures continue to weigh on construction demand.

Collectively, these events reflect the high-risk but opportunity-rich profile of Pakistan's cement sector, consistent with the risk matrix (high energy sensitivity, cyclical demand, moderate regulatory risk).

List of Sources

Global & Regional Sources

- World Cement Association (WCA) – Global production, decarbonization initiatives
- International Energy Agency (IEA) – Cement industry energy and emissions profile
- Global Cement Magazine / CemNet (Cement International Media) – Market trends, regional updates, company expansions.
- International Finance Corporation (IFC) – Reports on sustainable cement technologies and financing for green cement.
- United States Geological Survey (USGS) – Mineral Commodity Summaries – Cement production and reserves data.
- GlobalData / Statista / Allied Market Research – Cement market size, CAGR, and global forecasts.
- European Commission (EU CBAM Documents) – Carbon Border Adjustment Mechanism policy, cement sector inclusion.

Pakistan-Specific Sources

- All Pakistan Cement Manufacturers Association (APCMA) – Industry statistics (capacity, production, dispatches, exports).
- Pakistan Bureau of Statistics (PBS) – Cement production, export-import data.
- State Bank of Pakistan (SBP) – Economic surveys, trade balance, sector commentary.
- Pakistan Economic Survey (Ministry of Finance, GoP) – Industry contribution to GDP, employment, energy costs.
- Planning Commission of Pakistan / PSDP – Infrastructure project pipeline (dams, highways, housing).
- Pakistan Stock Exchange (PSX) company reports – Annual reports of Lucky Cement, DG Khan Cement, Maple Leaf, Bestway, Fauji, Attock Cement.
- Pakistan Business Council (PBC) & Business Recorder / Dawn (financial press) – Sector news and commentary.

Energy & Raw Material Sources

- Coal price benchmarks (South Africa RB Index, Indonesia coal indices) – Energy sensitivity reference.
- National Electric Power Regulatory Authority (NEPRA) – Industrial tariff notifications.
- Ministry of Energy (Petroleum & Power Divisions, GoP) – Fuel imports, energy cost breakdown.