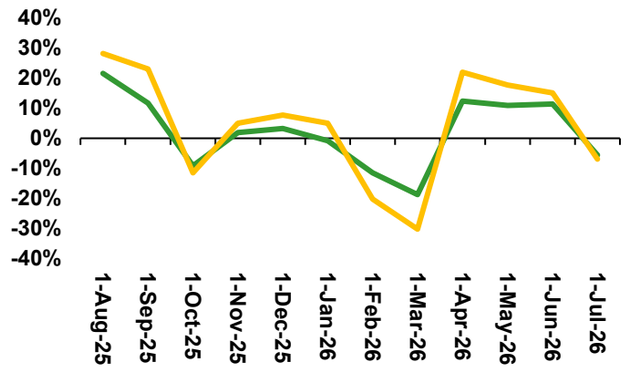
Darson Cement Universe – 4QFY26

Earnings to rise as pricing power offsets rising coal costs

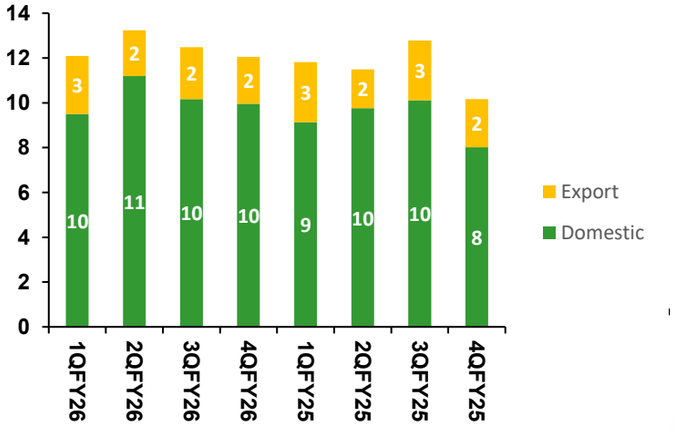
- **Earnings to rise in 4QFY26:** We expect our Darson cement universe (FCCL, KOHC, LUCK-unconsolidated, MLCF, CHCC) to post 4QFY26 earnings of PKR 20.3bn, up 7.9% YoY but down 11.3% QoQ. On a full year basis, we expect FY26E earnings to grow 7.3% YoY to PKR 88.4bn.
- Revenue is expected to grow 14.1% YoY (and 13.6% QoQ) to PKR 100.2bn, led by higher retention prices however, export demand continued to stay subdued through the quarter amid the Pak Afghan border closure.
- Gross margins are anticipated to hold broadly flat YoY at 36.3% (vs 36.2% in 4QFY25), as companies are likely to have passed on elevated coal prices and freight costs into retention prices, margins are also expected to improve sequentially over 3QFY26's 34.6%.
- Distribution costs to stay nearly flat YoY (+2.0%) despite the freight cost backdrop, while administration costs are expected to rise a sharp 10.5% YoY (+7.7% QoQ), reflecting continued inflationary pressure on the Opex line.
- Finance cost is expected to remain the key drag, as sector-wide debt levels including the added leverage from Maple Leaf's acquisition of Pioneer Cement continue to weigh on an otherwise stronger quarterly print. On a full year basis, however, we expect finance cost to decline 9.5% YoY, as the easing interest rate environment through FY26 provides relief despite the incremental acquisition related debt.
- Other income is expected to swing sharply, down 31.3% QoQ in 4Q despite an expected yearly rise pointing to a lumpy dividend/investment income base rather than a consistent sequential trend.
- On a full year view, we expect FY26E earnings to grow 7.3% YoY, as higher retention prices and disciplined cost pass through more than offset a weaker volume/export base.

Cement Sector vs KSE 100 (performance)



Source: PSX, Darson Research

Quarterly dispatches trend (Mn tons)



Source: APCMA, Darson Research

Company-wise Earnings and Payout Estimates

	EPS								DPS
per share (PKR)	4QFY26E	4QFY25	YoY	3QFY26	QoQ	FY26E	FY25	YoY	FY26E
LUCK (Unc)	6.4	3.9	64%	9.2	-30%	31.5	22.6	39%	5
MLCF	2.3	3.5	-34%	1.9	21%	9.7	11	-12%	-
CHCC	9.25	9.5	-3%	7.2	28%	37.7	44.7	-16%	3.8
KOHC	2.8	2.6	8%	2	40%	10.4	12.6	-17%	-
FCCL	1.7	1.6	6%	1.4	21%	6	5.4	11%	0.8

Source: PSX, Darson Research

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Rating System:

If Expected Return > 15% — Buy Call
If Expected Return is between 0% and 15% — Neutral/Hold Call
If Expected Return < 0% — Sell Call

Valuation Methodology: To arrive at our period-end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.).