

# PAKISTAN EQUITY | COMPANY REPORT

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Fauji Cement Company Ltd.

18 April 2026

Prepared by:

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## Executive Summary

We initiate coverage on Fauji Cement Company Limited with a BUY recommendation and a Dec'26 target price of PKR 66.58/share, derived on a FCFE framework, which includes FCCL's acquisition of ACPL and incorporation of its profit. ACPL is expected to contribute PKR 0.72/0.87/share in FY27F/FY28F. Our valuation reflects FCCL's transformation from a regionally concentrated, single-zone cement manufacturer toward a geographically diversified, earnings-enhanced platform, underpinned by the strategically accretive ACPL stake acquisition, improving capacity utilization dynamics, and a clear deleveraging trajectory within Pakistan's consolidating cement sector. We forecast EPS of PKR 5.7/share in FY26E and PKR 7.5/share in FY27F. At the current market price of PKR 53.03/share, we believe FCCL is materially undervalued, offering a compelling 25.6% upside to our Dec'26 fair value estimate. Our investment thesis is supported by multiple earnings and valuation drivers:

**Addition of ACPL to Enhance Earnings:** FCCL has announced to purchase a 46.01% stake in ACPL, the profit from this Long-term Investment is expected to increase from PKR 0.72/share in FY27F to PKR 1.22/share in FY31F.

**Local Demand has uptick from FY26:** Local cement growth is expected at 10% in FY26 and FY27, owing to improved economic conditions and higher agriculture income. Onwards, we have assumed a 4.5% growth in local sales amidst expectation of economic and political stability in the country.

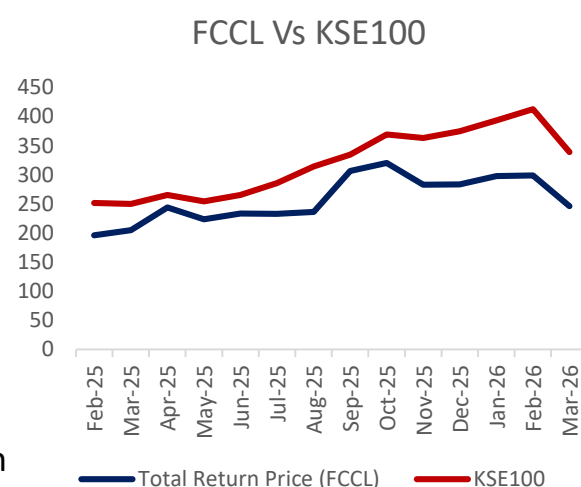
**Timely expansions Increased market share:** FCCL has become the 2<sup>nd</sup> largest cement player in the country. Its amalgamation with Askari cement and acquisition with ACPL along with additional capacities of 4.1 MT has enhanced company's cumulative capacity to 14.6 MT. The acquisition will raise FCCL's capacity-based market share from 13.1% to 17.3%.

| Symbol           | FCCL      |
|------------------|-----------|
| Recommendation   | BUY       |
| Current Price    | 53.03     |
| Target Price     | 66.58     |
| Potential Upside | 25.6%     |
| Market Cap in mn | 130,029.6 |
| Shares           | 2,452.0   |
| Free Float       | 35.0%     |

Source: Company Accounts, Growth Securities

| Key Ratios |       |       |       |       |       |
|------------|-------|-------|-------|-------|-------|
|            | FY24A | FY25A | FY26E | FY27F | FY28F |
| EPS        | 3.4   | 5.4   | 5.7   | 7.5   | 8.6   |
| EPS YoY    | 11%   | 62%   | 6%    | 31%   | 14%   |
| P/E        | 5.0x  | 6.5x  | 9.2x  | 7.1x  | 6.2x  |
| P/B        | 0.6x  | 1.0x  | 1.4x  | 1.2x  | 1.0x  |
| DY         | 6.0%  | 3.6%  | 2.7%  | 3.5%  | 4.0%  |
| GM         | 32.1% | 35.5% | 33.5% | 34.4% | 35.9% |
| EBITDA     | 32.1% | 35.8% | 33.3% | 33.9% | 35.4% |
| NPM        | 10.3% | 15.0% | 15.3% | 17.4% | 18.9% |
| ROE        | 11.9% | 16.9% | 15.7% | 18.1% | 18.1% |
| ROA        | 5.7%  | 8.6%  | 8.6%  | 10.4% | 11.0% |

Source: Company Accounts, Growth Securities



Source: PSX, Growth Securities

**Heightened focus on production efficiencies:** Fauji Cement is one of the most efficient cement players in the industry through the usage of green technologies. Presently, the company's solar generation capacity stands at 67MW and its WHR stands at 65MW. Solar and WHR fulfill ~50% of FCCL power requirements.

**Efficient fuel and power mix to enhance margins:** We expect FCCL gross margins to improve from 35% in FY25 to 36-37% over FY28-FY31. Similarly, EBITDA margins are expected to improve to 35-36% from FY28-FY31. The anticipated improvement in margins is on account of efficient fuel mix and power efficiencies.

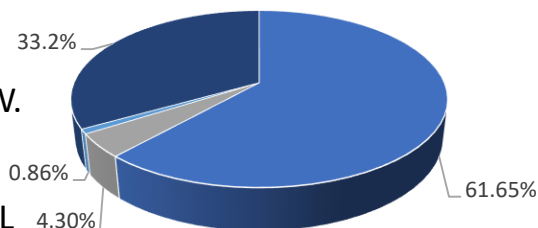
**Strong Pricing Power despite low utilization rates:** The local cement demand is expected to increase in the coming years, for this, the domestic cement prices will not come under pressure. We have assumed a price increase of 3-4% from FY27-FY31.

**Stable interest rates and profitability:** FCCL has sizable debt on its balance sheet because of multiple expansions. In 2QFY26, FCCL's total debt stock stood at PKR 33.5bn as compared to PKR 40.1bn in FY23. We expect total interest bearing debt to decline to PKR 27.4bn by the end of FY26. Moreover, the lower interest rates in FY26-27 compared to FY23-24 will also support the company's profitability potential.

**Valuation:** FCCL offers a potential upside of 25.6% to our Dec'26 target of PKR 66.58/share. The stock is currently trading at an FY26E PE of 9.2x and an FY27F PE of 7.1x, as compared to its 5-year average PE of 9.6x, representing a discount of 4.1% and 26.0% respectively.

**Key Risks:** (i) Geopolitical and macroeconomic instability affects demand, (ii) risk of higher pricing competition if utilization rates fall again, and (iii) higher than expected increase in coal prices.

## FCCL Pattern of Shareholding



- Fauji Foundation
- Fauji Ferlitizer Company Ltd
- Fauji Oil Terminal & Distributor company Ltd
- Free Float

Source: PSX, Growth Securities

## ACPL - A Strategic Acquisition

FCCL's acquisition of Attock Cement Pakistan Limited (ACPL) represents a strategically transformative transaction in the company's corporate history, fundamentally reshaping its market position and geographic footprint. On January 30, 2026, FCCL announced a comprehensive Share Acquisition Plan (SAP) executed jointly with Kot Addu Power Company Limited (KAPCO) to acquire an 84.06% controlling stake in ACPL from Pharaon Investments. Under this arrangement, both acquiring companies will hold equal 42.03% stakes, establishing joint control over ACPL's operations while positioning FCCL as a strategic majority stakeholder with significant operational influence.

**Transaction Mechanics and Valuation:** The acquisition unfolds in two distinct phases, demonstrating a methodical approach to stake building. Phase 1 encompasses the initial 84.06% acquisition through the SAP, while Phase 2 involves a mandatory public offer for an additional 7.96% stake (3.98% each for FCCL and KAPCO). On February 16, 2026, the companies disclosed the purchase price of PKR 330.41 per share.

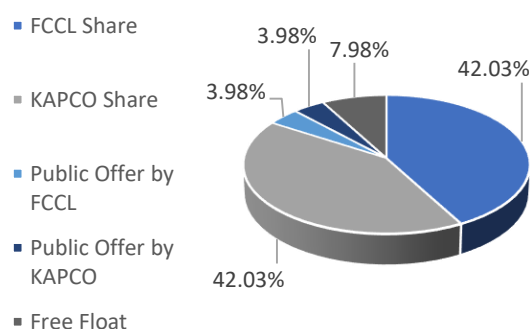
Based on ACPL's outstanding share count of approximately 137.43 million shares, FCCL and KAPCO will initially acquire 57.76 million shares each. Following completion of both acquisition phases, each company's shareholding will reach 63.23 million shares, representing a combined 46.0% strategic stake for FCCL. The transaction implies an enterprise value of PKR 53,445 million, translating to an EV/ton ratio of USD 44.4, which compares favorably to Cement Sector current average EV/ton of USD 47.94. The Company has not announced investment funding mechanism, though we expect a 50/50 debt/equity mixture.

### FCCL capacity share will move to ~17.30%

| Company              | Capacity mn tons | Capacity Share | EV/Ton (US\$) |
|----------------------|------------------|----------------|---------------|
| Lucky Cement         | 15.30            | 18.09%         | 57.58         |
| Bestway Cement       | 14.59            | 17.25%         | 66.17         |
| <b>Fauji Cement</b>  | <b>10.33</b>     | <b>12.22%</b>  | <b>47.75</b>  |
| Maple Leaf           | 8.03             | 9.50%          | 42.97         |
| D.G. Khan Cement     | 7.06             | 8.34%          | 24.53         |
| Pioneer Cement       | 5.02             | 5.93%          | 42.19         |
| Kohat Cement         | 5.02             | 5.93%          | 38.58         |
| Cherat Cement        | 4.54             | 5.36%          | 37.87         |
| <b>Attock Cement</b> | <b>4.30</b>      | <b>5.09%</b>   | <b>35.13</b>  |
| Power Cement         | 3.37             | 3.98%          | 42.77         |

Source: Company Accounts, APCMA, Growth Securities

### ACPL's Share proposition



Source: PSX, Growth Securities

## ACPL Business Profile

Attock Cement Pakistan Limited operates as a strategically positioned cement manufacturer in Pakistan's southern region, benefiting from proximity to key export markets and favorable logistics infrastructure. The company maintains a diversified revenue stream through domestic cement sales and clinker exports, with its southern location providing competitive advantages in accessing international markets, particularly in the Middle East and Africa regions.

## Operational Efficiency and Financial Performance

ACPL demonstrates strong operational efficiency metrics, particularly in fuel consumption optimization where new plant achieves remarkable efficiency levels of 100kg/ton of coal for kiln operations, significantly below industry benchmarks of 120-130kg/tons. The company maintains a balanced fuel mix incorporating both coal and alternative fuel sources, and power mix has been enhanced by the addition of wind mill with capacity of 4.8MW to reduce overall energy costs. ACPL's inventory management strategy maintains approximately 60 days of raw material and fuel inventory, ensuring operational continuity while optimizing working capital requirements. Based on our financial modeling assumptions, ACPL's projected Profit After Tax (PAT) is estimated at PKR 3,355mn for FY26E and 3,838 for FY27F. Key modeling assumptions include cement dispatches of 3.5mn tons, average selling price of PKR 1,444 per bag, and coal costs averaging PKR 37,518 per ton.

## ACPL's Incorporation in to FCCL's Balance Sheet

The equity-method classification means FCCL will recognize its 46.0% proportionate share of ACPL's net profit below the operating profit line as "Share of Associate's Profit/(Loss)" — without consolidating ACPL's revenues, costs, assets, or liabilities into FCCL's financial statements. The initial investment of PKR 20,892mn is expected to be carried as a Long-Term Investment on FCCL's balance sheet, adjusted annually for FCCL's share of ACPL's retained earnings and dividends received. The Acquisition has been effectively incorporated in our model with the infusion of PKR 10,000mn debt on the balance sheet from 1QFY27 to optimize capital structure while providing immediate liquidity for operational expansion.

| Parameter                  | Detail                       |
|----------------------------|------------------------------|
| Target Company             | ACPL                         |
| Stake Acquired by FCCL     | 46.0% of outstanding shares  |
| Shares Acquired            | 63.23 million shares         |
| Implied Price Per Share    | PKR 330.41                   |
| Total Initial Investment   | PKR 20,892 million           |
| Co-Acquirer                | (KAPCO) — 46.0% stake        |
| Combined Stake             | 92.0% of ACPL shares         |
| Transaction Mechanism      | SAP + Mandatory Public Offer |
| Seller                     | Pharaon Investment Group     |
| Accounting Treatment       | Equity-accounted Associate   |
| Earnings Contribution From | FY27                         |
| ACPL Plant Location        | Hub, Balochistan             |
| ACPL Installed Capacity    | 4.3 MTPA (clinker)           |

Source: PSX, Growth Securities

## Addition of ACPL to Enhance Earnings

### Financial Impact and Margin Enhancement: We expect

ACPL acquisition to be completed by 1QFY27, enabling FCCL to recognize 46.0% of ACPL's profit after tax as "share of profit from associates" for the full fiscal year. This strategic integration drives FCCL's PAT from PKR 13.3 billion in FY25 to PKR 18.4 billion in FY27, representing a substantial improvement in absolute profitability.

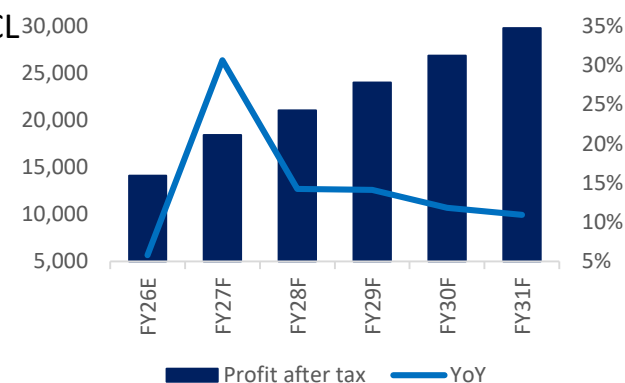
This elevated growth rate in FY27 represents the initial consolidation benefit, after which growth patterns moderate to more sustainable levels, with YoY growth expected to stabilize at approximately 10% by FY31.

**Per Share Increase in Earnings:** ACPL is expected to increase FCCL's earnings by PKR 0.72 per share in FY27, and the addition will reach PKR 1.22 per share in FY31.

**Dividend Income Stream:** ACPL has a payout ratio of 50%, FCCL acquiring 46.0% of ACPL's shares, will receive income in the form of dividends as well, this will increase cash and enhance liquidity of the company.

PKRmn

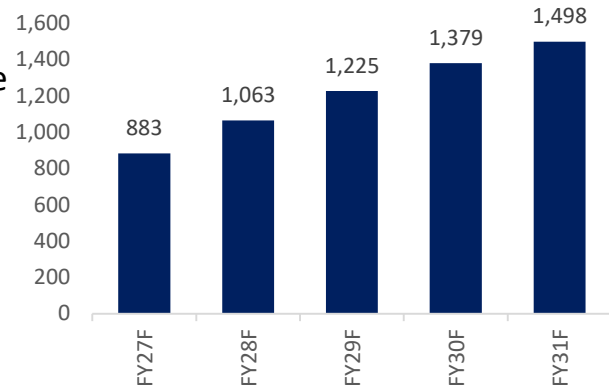
FCCL's PAT after ACPL's Adjustment



Source: Company Accounts, Growth Securities

PKRmn

FCCL's dividend share from ACPL



Source: Company Accounts, Growth Securities

## Strategic Transformation & Export Diversification

- **Geographic Diversification:** The acquisition of a strategic stake in ACPL enables FCCL to expand beyond its historically northern-centric footprint into southern markets, particularly Karachi. This reduces regional pricing pressures, diversifies demand exposure, and strengthens overall market positioning.
- **Capacity Expansion without Heavy Capex:** FCCL gains access to approximately 4.3 MTPA clinker capacity in an industry operating at moderate utilization levels, allowing scale enhancement without undertaking capital-intensive greenfield investments. Additionally, procurement efficiencies — especially in coal sourcing — may support margin stability and operating leverage.
- **Export Optionality & Competitive Strengthening:** ACPL's Hub facility provides FCCL with meaningful exposure to international sea-borne export markets for the first time, with logistical advantages via Port Qasim and Karachi Port. This improves earnings resilience against domestic demand volatility while supporting FCCL's transition toward becoming a top-tier cement producer in a gradually consolidating industry.

## Local Demand to Uptick from FY26

### Domestic demand to grow by 10% in FY26/27: We

anticipate FY26's domestic dispatches to rise by 10% YoY, driven by conducive macroeconomic environment.

Moreover, lower construction costs amidst lower interest rates will Boost construction activities during the period.

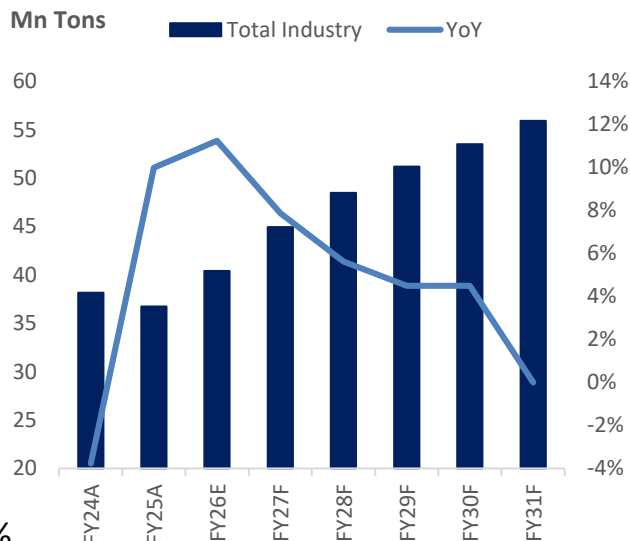
We believe that the expected easing of inflationary pressures, economic stability, an expansionary monetary policy, and improved farmers' income will stimulate construction activities. Therefore, we have assumed a 10% growth in local sales for FY26 and FY27.

**Capacity utilization rates to Improve by FY31:** In the last four years, the industry added 16.5mn MT, bringing the total capacity to 84.8mn MT by FY25. With gradual improvement in industry sales, capacity utilization is projected to recover from 55% in FY25 to 62% in FY26.

## Expansions to Increase Market Share

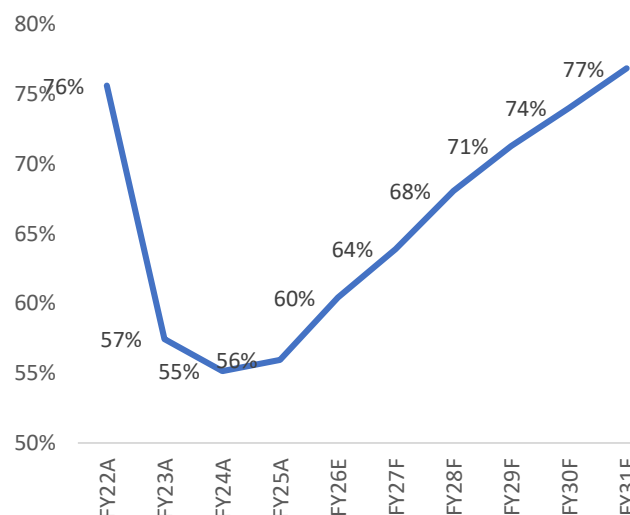
FCCL expanded its cumulative capacity by 5.7mn MT, with new lines installed at its Nizampur (3.7mnMT) and DG Khan (2.0mnMT) site. By 2025, the company's cumulative capacity increased to 10.5mn MT, making FCCL the 3<sup>rd</sup> largest cement player in the industry. As a result, FCCL's capacity based market share increased from 10.5% to 12.2% in Pakistan. After ACPL's joint control, the capacity will reach 14.6mn, and capacity share to 17.3%. In the North, its capacity-based market share stands at 14.7%, making it the 2nd largest player in the region.

**Export growth rate to normalize by FY26:** On the exports front, dispatches have increased by 29.6% YoY in FY25. This significant growth is attributed to the sharp devaluation of the rupee against the US dollar and favorable export margins resulting from reduced coal prices, making exports more viable. For our forecast period, we have assumed exports to stabilize at current levels.

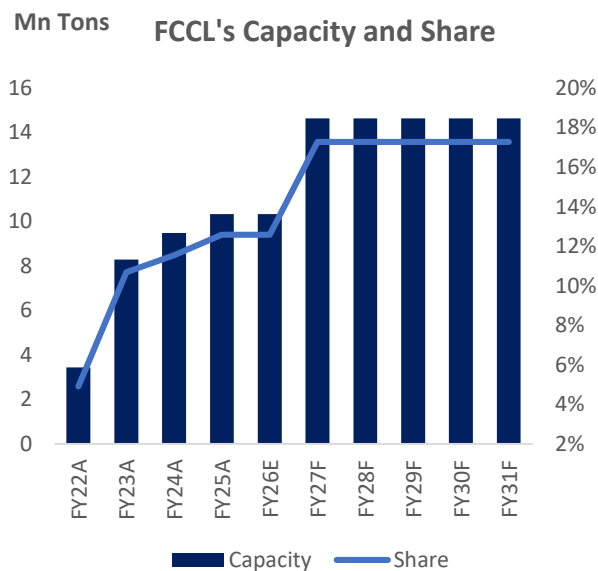


Source: APCMA, Growth Securities

### Industry Utilization Over the Years



Source: APCMA, Growth Securities



Source: APCMA, Growth Securities

## Production Efficiencies

### Newer Lines has Consistently Improve Margins: FCCL's

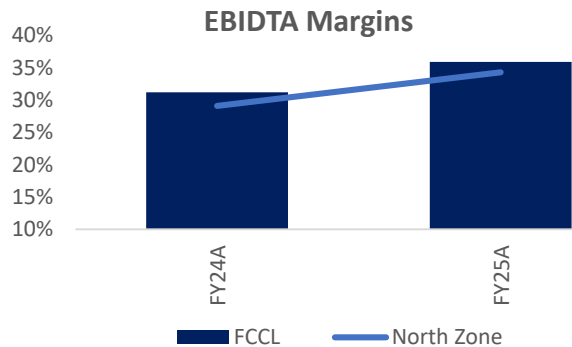
newer production lines benefit from the latest technology, raising FCCL's efficiency levels and enabling its margin growth to surpass its north zone peers. Peer analysis of listed cement companies revealed that FCCL's EBITDA margins improved to 35.9% in FY25 while the North Zone's increased to 34.3%.

### Improved Margins due to Efficient Energy Mix: FCCL has

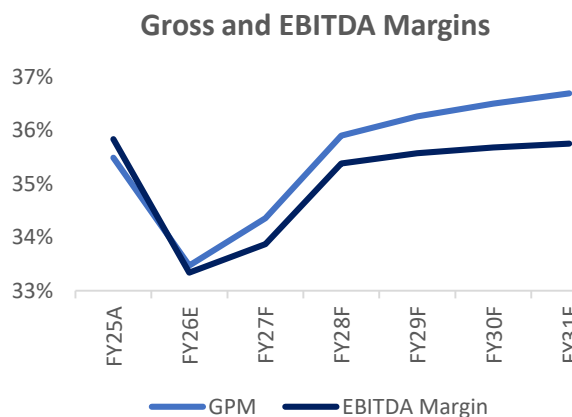
reduced its dependence on imported coal and uses 60-70% of local coal. Due to Afghan border closure, FCCL has to shift to Richard Bay coal, the higher coal prices and transportation cost will reduce gross/EBITDA margins for FY 26-27 to 33% from 36/35% in FY25. As the situation normalizes, gross/ EBITDA margins are expected to improve back to 37/36%. Further improvement in margins will likely be supported by declining coal prices, efficient fuel mix and the aforementioned efficient lines.

**-Higher share of local coal :** The two new lines enabled increase utilization of local coal, which has a higher sulfur content. Given that local coal is priced at a ~10% discount to its counterparts.

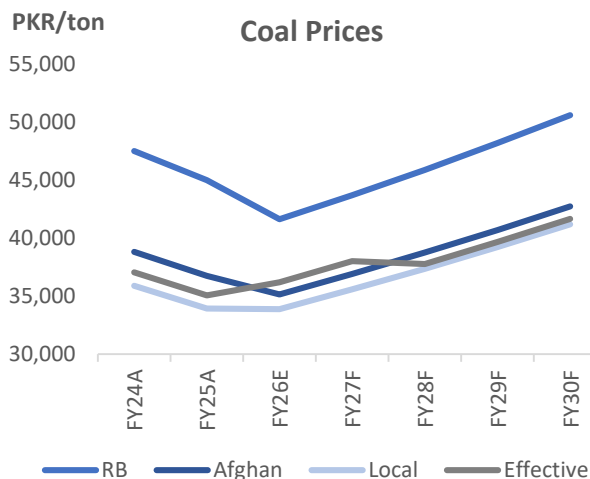
**-Green energy usage to further support margins:** FCCL benefits from a favorable power mix, including a 65 MW Waste Heat Recovery (WHR) plant and 67 MW solar plant capacities. In FY25, FCCL covered it ~50% power usage from renewable energy sources (WHR, Solar) and overall ~60% from in-house sources including Wartsilla. Thereby, reducing the reliance on Grid to ~40%.



Source: Company Accounts, Growth Securities

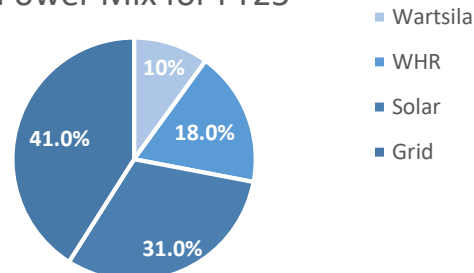


Source: Company Accounts, Growth Securities



Source: Bloomberg, Dealers, Growth Securities

### Power Mix for FY25

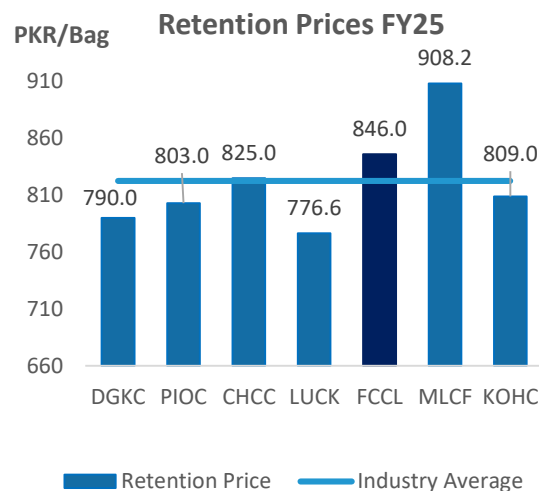


Source: Company Accounts, Growth Securities

## Pricing Power to Support Bottom Line

**FCCL's retention Price stands higher compared to peers:** FCCL

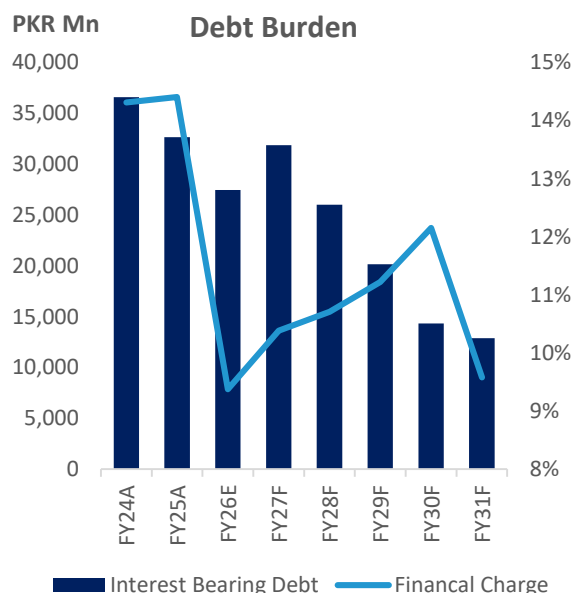
enjoys a higher retention price of PKR 846 per bag compared to the industry average of PKR 822 per bag because of consumer perception of a superior quality. High retention price allows FCCL to better position itself to absorb price shocks and remain cash flow positive. Given the high leverage levels of industry, we believe industry is focused on margin retention. We downplay any immediate threat to a potential price war because of low industry utilization rates in the previous years. Moreover, the sector's capacity utilization is likely to improve to 62% in FY26, as Feb'26 utilization reached 60% and Jan'26 utilization was 64%. Assuming 10% growth in sales, industry utilization is expected to reach 71% by FY29F.



Source: Company Accounts, Growth Securities

## Lower Finance Cost

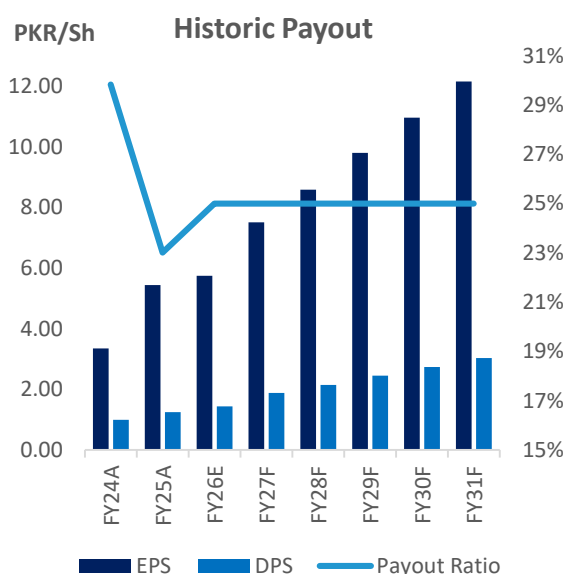
**Reduction in debt and finance cost:** FCCL's interest bearing debt as of Jun'25 is PKR 32.6Bn, is expected to decrease to PKR 25.9Bn in Jun'28 after ACPL's acquisition adjustment of Debt/Equity mix. The finance cost charged for the Jun'25 is PKR 3.8bn, is expected to decrease to PKR 2.6Bn due to low interest bearing debt and lower policy rates.



Source: Company Accounts, Growth Securities

**Strong EBITDA generation to support deleveraging:** The company generated EBITDA of PKR 8.2bn in 2QFY26. Supported by healthy cash flow from operations of PKR 5.36bn as of Jun'25, we expect total interest bearing debt to decline by 16.0% to PKR 27.4bn by FY26E.

**Dividend stream to continue as economy is stabilizing:** FCCL Historically had a higher payout ratio, discontinued dividend post-covid due to destabilized economy but has resumed them from FY24, we expect company to continue its dividend stream but the payout ratios will lower as company is in process of acquisition. The announced DPS for FY25 was PKR 1.25. In our forecasting timeframe, we have assumed payout ratio of 25%.



Source: Company Accounts, Growth Securities

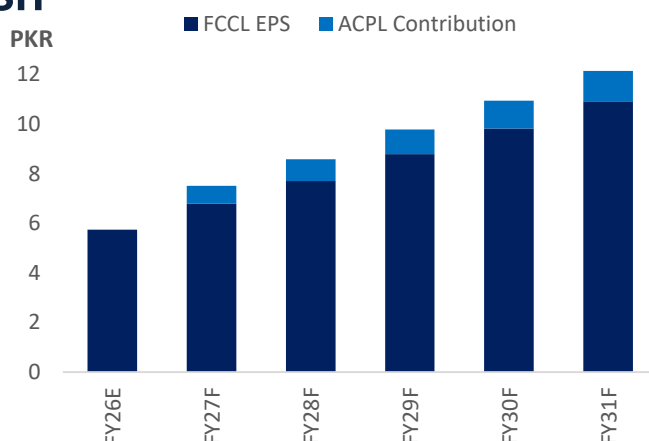
## Valuation-Buy, Target Price 66.58/sh

FCCL offers a potential upside of 25.6% to our Dec 2026 target price of PKR 66.58/share. The stock is currently trading at an FY26E PE of 9.2x and an FY27F PE of 7.1x, as compared to its 5-year average PE of 9.6x, representing a discount of 4.1% and 26.0% respectively. Moreover, FCCL offers a dividend yield of 2.8%, taking the total return to 27.6%.

### Valuation Assumptions:

Key valuation assumptions comprise the use of the 10-year PIB yield as the risk-free rate, the application of CAPM to estimate the discount rate, and the adoption of a five-year inflation forecast as a proxy for growth.

### ACPL Contribution in FCCL's EPS



Source: Company Accounts, Growth Securities

### Valuation Assumption

|                |       |
|----------------|-------|
| Risk Free Rate | 12.2% |
| Risk Premium   | 6.0%  |
| Beta           | 1.23  |
| Discount Rate  | 19.6% |
| Growth Rate    | 7.0%  |

Source: Growth Securities

### Cash Flow Based Valuation (FCFE)

| PKRmn                     | FY27F          | FY28F   | FY29F   | FY30F   | FY31F   |
|---------------------------|----------------|---------|---------|---------|---------|
| Net Income                | 18,418         | 21,044  | 24,014  | 26,857  | 29,793  |
| Add: Depreciation         | 4,824          | 4,997   | 5,179   | 5,371   | 5,571   |
| ▲ in Working Capital      | 4,069          | (759)   | (2,277) | (2,234) | (2,430) |
| Capital Expenditure       | (4,446)        | (4,669) | (4,902) | (5,147) | (5,405) |
| Add: Net Borrowing        | 4,427          | (5,870) | (5,843) | (5,814) | (1,445) |
| Free Cash Flow to Equity  | 27,292         | 14,744  | 16,170  | 19,032  | 26,084  |
| Discount Factor           | 0.5            | 1.5     | 2.5     | 3.5     | 4.5     |
| Discounted FCFE           | 24,958         | 11,276  | 10,342  | 10,180  | 11,668  |
| PV of Future Cash Flows   | 68,425         |         |         |         |         |
| PV of Terminal Value      | 93,583         |         |         |         |         |
| <b>Equity Value</b>       | <b>162,008</b> |         |         |         |         |
| Outstanding shares (mn)   | 2,452.80       |         |         |         |         |
| <b>Value/Share (PKR)</b>  | <b>66.05</b>   |         |         |         |         |
| Exit Multiple             | 10.00          |         |         |         |         |
| Target Price              | 75.09          |         |         |         |         |
| <b>Equity Value/Share</b> | <b>68.67</b>   |         |         |         |         |

**Blended Equity Value/Share 66.58**

Source: Company Accounts, Growth Securities

## Financial Highlights

| Income Statement          |               |               |               |               |               |
|---------------------------|---------------|---------------|---------------|---------------|---------------|
| PKRmn                     | FY24A         | FY25A         | FY26E         | FY27F         | FY28F         |
| Net sales                 | 80,026        | 88,956        | 91,874        | 105,975       | 111,195       |
| Cost of sales             | -54,346       | -57,385       | -61,121       | -69,567       | -71,275       |
| <b>Gross profit</b>       | <b>25,680</b> | <b>31,571</b> | <b>30,753</b> | <b>36,408</b> | <b>39,919</b> |
| Dist. Exp.                | -3,286        | -2,935        | -3,032        | -3,448        | -3,611        |
| Admin Exp.                | -1,516        | -1,689        | -1,747        | -1,887        | -1,964        |
| <b>Operating profit</b>   | <b>20,879</b> | <b>26,948</b> | <b>25,974</b> | <b>31,074</b> | <b>34,344</b> |
| Financial charges         | -5,237        | -4,703        | -2,573        | -3,309        | -2,784        |
| Other income              | 540           | 761           | 799           | 839           | 881           |
| Other charges             | -827          | -1,480        | -1,426        | -1,705        | -1,885        |
| Associates' profit/(loss) | 0             | 0             | 0             | 1,766         | 2,127         |
| <b>Profit before tax</b>  | <b>15,357</b> | <b>21,525</b> | <b>22,774</b> | <b>28,663</b> | <b>32,683</b> |
| Taxation                  | -7,132        | -8,199        | -8,675        | -10,246       | -11,639       |
| <b>Profit after tax</b>   | <b>8,225</b>  | <b>13,326</b> | <b>14,099</b> | <b>18,418</b> | <b>21,044</b> |
| <b>EPS (PKR)</b>          | <b>3.35</b>   | <b>5.43</b>   | <b>5.75</b>   | <b>7.51</b>   | <b>8.58</b>   |
| <b>DPS (PKR)</b>          | <b>1.00</b>   | <b>1.25</b>   | <b>1.44</b>   | <b>1.88</b>   | <b>2.14</b>   |

Source: Company Accounts, Growth Securities

| Balance Sheet                         |                |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| PKRmn                                 | FY24A          | FY25A          | FY26E          | FY27F          | FY28F          |
| Non-Current Assets                    | 121,852        | 120,373        | 120,917        | 142,314        | 143,049        |
| Current Assets                        | 25,784         | 40,473         | 46,632         | 44,205         | 53,530         |
| <b>Total Assets</b>                   | <b>147,636</b> | <b>160,846</b> | <b>167,549</b> | <b>186,519</b> | <b>196,579</b> |
| Equity                                | 73,399         | 84,272         | 94,846         | 108,659        | 124,442        |
| Non-Current Liabilities               | 47,372         | 45,935         | 41,914         | 44,708         | 38,573         |
| Current Liabilities                   | 26,865         | 30,637         | 30,789         | 33,152         | 33,564         |
| <b>Total Equity &amp; Liabilities</b> | <b>147,636</b> | <b>160,846</b> | <b>167,549</b> | <b>186,519</b> | <b>196,579</b> |

Source: Company Accounts, Growth Securities

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‘Buy’ – Total stock return > 15%

‘Hold’ – Total stock return > 0% and < 15%

‘Sell’ – Total stock return < 0%

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