

Cement

MLCF: FY26 Management Call Takeaways

- Maple Leaf Cement Limited (MLCF) held a corporate briefing session to discuss the FY26 financial results and provide key insights on the future outlook for the company.
- MLCF's power mix remains a competitive advantage. Waste heat recovery supplies 26% of electricity, the captive coal-fired power plant 62% and solar 7%, leaving only 5% sourced from the national grid. The blended power cost of PKR 18.85/unit limits exposure to grid tariff hikes and supports margin resilience.
- Consolidated PAT rose 3.3% YoY to PKR 11.9bn in FY26 (EPS: PKR 11.34), up from PKR 11.50bn (EPS: PKR 10.98) in FY25. Top-line momentum was strong, with net sales up 24.0% YoY to PKR 85.15bn and gross profit up 24.2% YoY to PKR 31.61bn. The modest bottom-line growth relative to revenue reflects weakness at the standalone level, where PAT fell 50.4% YoY to PKR 8.45bn, mainly on lower dividend income.

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Key Highlights from Corporate Briefing

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- Following the acquisition of an 88.21% stake in Pioneer Cement (PIOC), management is prioritizing operational efficiency and cost optimization. Around 50-60% of the identified variable-cost improvements have already been implemented. Further savings

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should come from a 31MW solar project and alternative fuel firing, with execution largely targeted by January 2027.

- Management projects domestic cement demand growth of about 7.5% in FY27, driven by housing schemes such as the Apna Ghar Programme and infrastructure spending. At this pace, industry capacity utilization could rise to 59% by FY28 from 51% in FY26, which would support pricing power and operating leverage.
- Local grey cement dispatches by MLCF in the North grew 10.1% YoY to 3.96mn tons in FY26 (FY25: 3.60mn tons). Overall industry dispatches in the North grew 10.9% YoY to 34.74mn tons. This points to a recovery in domestic demand after four consecutive years of contraction, with MLCF's growth slightly trailing the industry.
- Management has signaled that significant near-term capacity expansion is not a priority. Industry utilization sits at only ~51%, and the group's focus is on deleveraging following the Pioneer acquisition. This points to a disciplined, balance-sheet-first stance, with free cash flow likely directed toward debt reduction rather than growth capex.
- MLCF plans to install a 48MW battery energy storage system (BESS). Depending on how it performs, management will evaluate rolling out similar storage across existing operations. If extended, this would complement the company's solar and waste heat recovery mix, further reducing reliance on grid power and supporting power cost stability.
- Through its 99.99%-owned subsidiary Novacare Hospitals (Pvt.) Ltd, MLCF is entering healthcare with a flagship hospital in DHA Phase V, Islamabad. The estimated project cost is ~USD 100mn. The hospital will open with 250 beds and can expand to 450, which gives it a scalable runway. This is a meaningful diversification beyond the cyclical cement business, though it adds execution risk in an unfamiliar sector.
- The project targets a 50:50 debt-to-equity ratio, and a foreign equity partner intends to acquire a 20% stake. This would bring in external capital and validate the project, and it limits the burden

on MLCF's balance sheet at a time when management is prioritizing deleveraging post-Pioneer.

- Construction is underway, with completion expected in 1H 2027. Novacare has also set up a clinical affiliation with Imperial College Healthcare NHS Trust, London, covering clinical protocols, staffing, medical technology and service standards. This should help with quality benchmarking and brand positioning in the premium segment, and it lowers early operational risk.
- Management projects standalone net sales of PKR 79.66bn and PAT of PKR 7.10bn, equal to EPS of PKR 6.78. The forecast excludes Pioneer Cement, so consolidated numbers could come in higher once the acquisition is included. The PAT guidance implies a ~16% decline from FY26 standalone PAT of PKR 8.45bn. That suggests continued pressure at the standalone level, consistent with lower dividend income.

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