BUSINESS AND FINANCIAL PERFOMRMENCE ANALYSIS OF "FAUJI CEMENT COMPANY LIMITED" IN COMPARISION WITH ITS TWO MAJOR COMPETITORS IN THE CEMENT INDUSTRY OF PAKISTAN OVER THE LAST FOUR YEARS

By

Syed Basil Balkhi

(Registration No: 00000400849)

NUST Business School

Department of Executive Masters in Business Administration

National University of Sciences & Technology (NUST)

Islamabad, Pakistan

(2024)

BUSINESS AND FINANCIAL PERFOMRMENCE ANALYSIS OF "FAUJI CEMENT COMPANY LIMITED" IN COMPARISION WITH ITS TWO MAJOR COMPETITORS IN THE CEMENT INDUSTRY OF PAKISTAN OVER THE LAST FOUR YEARS

By

Syed Basil Balkhi

(Registration No: 00000400849)

A thesis submitted to the National University of Sciences and Technology, Islamabad,

in partial fulfillment of the requirements for the degree of

Executive Masters in Business Administration

Supervisor: Mrs Fizza Khan.

Nust Business School

National University of Sciences & Technology (NUST)

Islamabad, Pakistan

(2024)

BUSINESS PROJECT ACCEPTANCE CERTIFICATE

It is Certified that final copy of EMBA Business Project written by Syed Basil Balki Registration No. 400849 of EMBA 2K22 has been vetted by undersigned, found complete in all aspects as per NUST Statutes/Regulations/MS Policy, is free of errors, and mistakes and is accepted as fulfillment for award of EMBA degree. It is further certified that necessary amendments as pointed out by GEC members of the scholar have also been incorporated in the said business project.

Signature of Supervisor with stamp: Ms. Fizza Khan

Ms. Fizza Khan
Program Head BS A&F
NUST Business School (NBS)
Sector H-12, Islamabad

Date: ________________

Programme Head Signature with stamp: Dr. Muhammad Fawad Khan

DR. M FAWAD KHAN
Assistant Professor
Program-Head (EMBA)
NUST Business School, H-12, Islamabad.

Date: ________________

Signature of HoD with stamp: Mr. Saad Al Marwat

SAAD KHAN ALMARWAT
HoD, Finance & Investments
NUST Business School (NBS)
Sector H- 12, Islamabad
Tel: 051-90853150

Date: ________________

Countersign by

Signature (Dean/Principal): ________________

Principal & Dean
Dr. Naukhez Sarwar
NUST Business School

Date: ________________

AUTHOR’S DECLARATION

I Syed Basil Balkhi hereby state that my EMBA Business Project titled “Business and Financial perfomrmence analysis of “Fauji CEment Company Limited” in comparision with its two major competitors in the Cement Industry of Pakistan OVER THE LAST FOUR YEARS” is my own work and has not been submitted previously by me for taking any degree from National University of Sciences and Technology, Islamabad or anywhere else in the country/ world.

At any time if my statement is found to be incorrect even after I graduate, the university has the right to withdraw my EMBA degree.

Name of Student: Syed Basil Balkhi

Date: 25.04.2024

List Of tables:

List of Figures:

TABLE OF CONTENTS

1 RESEARCH APPROACH AND OBJECTIVES

1.1 REASONS FOR TOPIC OF CHOICE

The primary reason for my decision to conduct a Research and Analysis Project on the following topic “Business performance analysis of Fauji Cement Company Limited with its two main competitors operating in the Cement Industry of Pakistan over a four year period” is that I have been working in the Financial Services sector for the last few years and it has been my area of expertise, and am well equipped to analyze the Financial Performance for the company with its competitors over the last four years where the Industry has gone through a number of highs and lows.

1.2 REASONS FOR COMPANY OF CHOICE

For a variety of reasons, I have chosen to examine Fauji Cement Company Limited (FCCL), as it is a prominent player in Pakistan's sizable and fiercely competitive cement market. In both domestic and international sales, they hold a sizable market share. and is listed on Pakistan's stock exchange. The company being listed and part of a conglomerate (Fauji Cement) has numerous sources for information available.

(Pakistan Stock Exchange, 2024) (Fauji Cement Company Limited , 2024)

(Fauji Cement Comapny Annual Report, 2023) (Fauji Cement Company Limited , 2024)

1.3 BACKGROUND OF THE COMPANY

Founded in Pakistan on November 23, 1992, Fauji Cement corporation Limited (also known as "FCCL" or "the Company") is a public limited corporation. The Company officially opened for business on May 22, 1993.It is listed on The Pakistan Stock Exchange. The company's primary business is the production and distribution of various varieties of cement.

The company's clientele is split into two primary groups: dealers and mega projects. The company primarily serves dealers in the northern and central parts of Pakistan with its extensive dealer network. The aforementioned dealers network handles the majority of local dispatches. Direct dispatches to projects are made around the nation. Because of where the plants are located, Afghanistan is the company's main export market. Afghanistan receives 9% of all dispatches throughout the year.

The main goal of FCCL's establishment was to manufacture and market Ordinary Portland Cement (OPC). Following the Askari Cement Limited merger, the business now has four fully operational factories with a combined annual capacity of 10.5 million tons. They are situated in Jhan Bahtar, Taxila, Nizampur, and DG Khan. FCCL is the third-largest cement manufacturer in Pakistan overall and one of the top two producers in the country's northern area.

FCCL last two development projects developments are detailed below:

1. DG Khan Project -New Plant

The Plant has successfully been commissioned during December 2023 bringing the total production capacity of the company to over 10 MT per annum.

2. Nizampur New Line Project at Existing Plant

The other expansion project relates to putting up a 3rd line at the Nizampur plant having a capacity of 2.05 Mln tons per annum has been successfully commissioned in October 2022.

(Fauji Cement Company Limited , 2024), (Fauji Cement Comapny Annual Report, 2023)

RESEARCH OBJECTIVES

The investigation of the commercial and financial performance of Fauji Cement Company Limited (FCCL), its competitor and industry leader Lucky Cement Company Ltd (LCCL), and Bestway Cement Company Limited (BCCL) is my main research goal for this Research and analysis project. Several models will be used to analyze the nonfinancial aspects. They can be summed up as follows:

1. Comparing FCCL's profitability and liquidity to that of its rivals, BCCL and LCCL.
2. A comparison of FCCL's solvency condition with those of LCL and BCCL, its rivals.
3. To examine the internal and external factors influencing the company, a SWOT analysis will be performed.
4. To use the Porter Five Forces Model to assess the competitiveness of the cement industry.

1.3.1 RESEARCH QUESTIONS

1. In terms of profitability and liquidity, how has FCCL fared during the past four years (Pre-Covid, During Covid, and Post Covid Impacts Included) in comparison to its two main competitors, LCCL and BCCL?
2. A review of FCCL's debt structure in contrast to that of its rivals , LCCL, BCCL?
3. Which external opportunities and threats, as well as the internal strengths and weaknesses of FCCL, will have an impact on the company's success going forward?
4. What are the elements driving competitiveness in Pakistan's cement sector, and how will they impact FCCL's performance going forward?

1.4 RESEARCH APPROACH

All research was carried out in accordance with the supervisor's guidelines, and they were consulted during every significant procedure and on all data used during the study phase.
Both primary and secondary sources of information were used in the investigation. All of the following resources were kept for future reference: the CFO meeting, newspapers, online articles, independent company analysis reports, and company financial reports for both businesses.
Porter Five Forces and SWOT analysis were used to examine business performance, and ratio analysis was used to assess financial performance.

2 INFORMATION GATHERING, ACCOUNTING AND BUSSINESS TECHNIQUES

2.1 PRIMARY & SECONDARY SOURCES

PRIMARY SOURCES

Primary sources are written or physical artifacts that are produced during the period of being analyzed. The sources provide an inside look at a certain event and were present during the experience or time period. Film footage, autobiographies, interviews, and other primary sources are examples.

Due to the multitude of social and political issues in my nation have made it very challenging to communicate with of the FCCL's higher-ups, however I was able to secure a short meeting with The Manger Finance that will not be identified due to his request . The overall cement industry was discussed in detail along with the performance of FCCL and its future prospects. However the manger was obviously not very forthcoming about the company's internal working's and plans and the conversation was very generalized.

SECONDARY SOURCES

Primary sources are interpreted and analyzed by secondary sources. These sources are a step or more away from the incident. Primary source images, quotations, and graphs can be found in secondary sources. As I previously indicated, attempting to get in touch with the company's higher management did not yield the positive outcomes I was looking for. Naturally, secondary sources of information provided assistance for my investigation. These comprised publications, periodicals, websites, and the FCCL and LCL annual reports that were downloaded from the corporate websites and the pages of the Pakistan Stock Exchange. Newspaper articles from Pakitsan Express Tribune, Pak Observer, research reports from Profit by Pakistan Today, PACRA, VIS etc were also utilized in this process.

2.2 LIMITATIONS IN INFORMATION GATHERING

One of the biggest obstacles to my study was having to rely so much on secondary sources of information because I was unable to communicate with FCCL management. The company's audited financial statements were the most reliable corporate documents I could find, but confidentiality concerns prevented me from accessing the audit working papers. Although there are many places to obtain information, credentials are a big issue because the data may not be real. As a result, there are very few trustworthy information sources (the Audited Financial Statements being one of them) for information gathering. An additional significant obstacle was the lack of Internal Management reports, which forced me to use the other data at my disposal in order to compare the Audited Financial Statements.

2.3 ETHICS

All ACCA Members are obliged to abide by a set of general principles known as the ACCA code of ethics, which is issued by NUST, ACCA, and IFAC. These principles primarily serve as answers to any ethical dilemmas or conflicts that may emerge. However, there were no such ethical concerns because the majority of my analysis was based on my examination of secondary sources of information.

Since internet searches might occasionally yield inaccurate, biased, or deceptive information, the most urgent issue was the veracity of the material found. To guarantee that my study does not result in an erroneous assessment of the company, I took great effort to ensure the information I was given was real and free of false and unnecessary information.

2.4 BUSINESS MODELS

2.4.1 SWOT ANALYSIS

A common technique for determining an organization's opportunities, threats, weaknesses, and strengths is the SWOT analysis.

All internal (strengths and weaknesses) and external (opportunities and threats) issues must be documented for the method.

Resources and capacities are related to strengths and weaknesses, for example.

What does the company excel at?

In what area is the organization lacking?

Where are the scarce resources located?

In what location are the best resources?

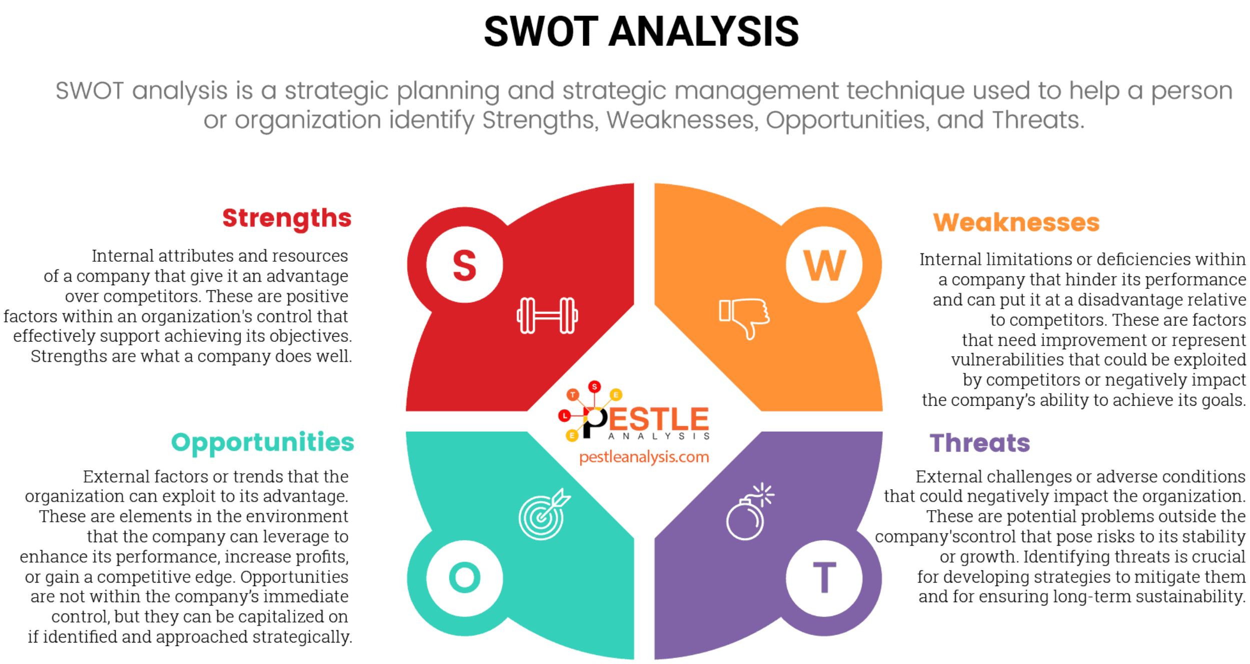
Threats and Opportunities are related to outside variables, such as...

What impact will the organization have from the economic changes?

Is it possible for the organization to use new technologies?

Can a strong client set the terms?

(Kaplan P3 Bussiness Analysis, 2024)



(SWOT analysis, 2024)

SWOT ANALYSIS LIMITATIONS

They are frequently succinct and direct, which helps them explain complex situations. However, because they don't provide a analysis/explanation of all the issues/findings, they can also usually be very simplistic .

A great example is outsourcing, it may provide a cost advantage, however it will also likely have an adverse effect on the organization's culture and performance.

The management of an organization must accurately identify and prioritize the internal and external factors that may impact it. This is a difficult process that ultimately depends on the managers' skill, and SWOT analysis does not provide clear instructions for this. (VanZandt, 2023)

2.4.2 PORTER FIVE FORCES MODEL

PORTER five forces model is a tool used to examine the structure of their industry.
Porter examined Industries' organizational structure. He was particularly interested in evaluating the industry's effectiveness, that is, how simple it would be to turn a profit that was above average. He deduced that the following five forces or causes affect how appealing an industry is:

1. Threat of new entrants
2. Bargaining Power of Customers
3. Bargaining Power of suppliers
4. Threat of substitutes
5. Competitive Rivalry

By Comparing the above factors the nature of competition in the industry can be analyzed.

(Kaplan P3 Bussiness Analysis, 2024) (Porter Five Forces, 2024)

(Porters Five Forces , 2016)

LIMITATIONS OF PORTER FIVE FORCES MODEL

The five forces model works best when applied to an industry as a whole; smaller-scale market analysis utilizing this model does not yield the greatest outcomes for decision-making. Additionally, it doesn't yield the ideal outcomes for businesses who concentrate on a particular industry.

The data that a five forces model offers is industry-specific; if a corporation operates in many industries, it will need to analyze each line of business independently. A business does not have to be in just one industry to succeed; as it expands, all successful businesses will follow the diversification of their businesses, it will diversify into other lucrative sectors. The disadvantage of five forces analysis is that it is largely static, focusing primarily on present-day issues rather than being future-centric. (Porter Five Forces, 2023)

2.5 FINANCIAL ANALYSIS

2.5.1 RATIO ANALYSIS

A quantitative examination of the line items in a company's financial statements is called a ratio analysis. Items from the cash flow statement, income statement, balance sheet, and so forth. Ratios employ a combination of data to evaluate operational and financial performance (profitability, liquidity, solvency, and efficiency). An increase or reduction in these metrics is used to determine if the performance is getting better or getting worse. To assess how the business has done in relation to other significant players in the sector in which it works, the ratios are typically compared with those of competitors in the industry.
(Corporate Finance Institute , 2024)

RATIOS

The Ratios that will be utilized for the Analysis are as follows:

Profitability Ratios:

1. **Gross Profit Margin**

The gross profit ratio of a company is measure of the profit a company has made from it core operations before other costs have been taken into account it is the core ratio for companies to measure its costs, efficiency of operations and overall cost of production.
(Gross Profit / Net Revenue) X 100
The price of labor, raw materials, and other direct costs are included in the cost of goods sold.
(Wall Street Mojo , 2024)

2. **EBITDA Margin**

A measure of an organization's operational profit expressed as a percentage of revenue is called the EBITDA margin. Earnings Before Interest, Taxes, Depreciation, and Amortization is what's referred to as EBITDA in business terms.

IT is calculated with the ratio (EBITDA / Sales revenue) equals EBITDA margin.

The cash operational profit margin of a company, excluding expenses, taxes, and structure, is referred to as the EBITDA margin. By removing the impact of non-cash expenses, it enables analysts and investors to determine the amount of money made for each pound of revenue received. After that, they can compare their margin to those of other companies in the same industry by using it as a benchmark.

(Wall Street Mojo , 2024)

3. Net Profit Margin

In accounting ratios analysis, the net profit ratio, which considers both operating and non-operating revenue and expenses (Includes costs such as Selling and Distribution, Transport, Salaries other than labor etc., displays the whole profitability accessible to the owners. More returns for the owners are indicated by a higher ratio. For financiers and investors, it is a crucial ratio.

It is calculated with the ratio (Net Profits After Tax / Net Revenue) X 100 is the net profit ratio.

(Wall Street Mojo , 2024)

Liquidity Ratios:

1. Current Ratio

The current ratio evaluates the company's current liabilities in relation to its current assets. This ratio shows how well the business can pay off its short-term debt.

It is calculated with the ratio Current Assets/Current Liabilities amounts to the current ratio.

(Wall Street Mojo , 2024)

2. Quick Ratio

With the exception of taking into account only liquid assets that can be quickly sold, the quick ratio and current ratio are the same. Another name for it is an acid test ratio.

It is calculated with the ratio Quick Assets / Current Liabilities is the Quick Ratio.

Prepaid expenses and inventory are not considered quick assets.

(Wall Street Mojo , 2024)

Solvency Ratio:

1. **Debt to Equity Ratio**

It displays the link between the entire amount of debt and the total equity of the business. Measuring the company's leverage is helpful. Given that it depends more on debt to fund its operations, a high ratio implies the company is vulnerable, while a low ratio shows it is financially stable. Another name for it is the gearing ratio. The maximum ratio that should be used is 2:1.

It is calculated with Total Debts / Total Equity is the debt-to-equity ratio.

(Wall Street Mojo , 2024)

2. **Interest Coverage Ratio**

Company's capacity to fulfill its interest payment obligation is gauged by the interest coverage ratio. A greater ratio suggests that the business makes enough money to pay for its interest costs.

It is calculated with EDITDA/Financial Costs amounts to Interest Coverage Ratio.

(Wall Street Mojo , 2024)

3. **Debt Service Coverage Ratio**

A credit indicator known as the Debt Service Coverage Ratio (DSCR or DSC) is used to determine how readily a company's operating cash flow can pay its annual interest and principal obligations. When a corporate borrower has declining term debt in its capital structure, the Debt Service Coverage Ratio is thought to be a particularly helpful statistic because it also includes principal obligations in the denominator (meaning monthly or annual principal repayments).

It is calculated with the ratio EBITDA/(Finance Cost + CMLTD)

(Wall Street Mojo , 2024)

Limitations of Ratio Analysis:

A strong method for gaining insightful information about a company's liquidity, efficiency, profitability, and solvency is ratio analysis. Like any analytical instrument, though, it has a few drawbacks:

- Figures for a company need to be analyzed with another companies' info from the same industry for a more comprehensive result.
- No two companies can ever be exactly the same, making caparisons vary drastically.
- Two companies may follow different strategies this will make their results vary greatly, expansion, R&D focused etc.
- Analysis can only be made on published results.
- Historical data is used not always accurate for future assessments.
- Non Financial measures are not taken into account.

(BYJUS, 2024)

3 ANALYSIS, RESULTS, CONCLUSION

3.1 SWAT ANALYSIS:

Strengths:

1. Reputable and trustworthy brand in Pakistan's cement sector that is focused on quality. (Fauji Cement Comapny Annual Report, 2023)

2. Because of its specialized products, which command a premium price and guarantee optimal capacity use, it is preferred in both public and private projects. (Fauji Cement Comapny Annual Report, 2023)

3. Increased Production Capacity across several sites, providing it greater freedom to run cutting-edge, energy-efficient European/Chinese hybrid technology production lines. (Fauji Cement Comapny Annual Report, 2023)

4. Power facilities that generate renewable energy and multiple fuels under captivity (such as solar, waste heat recovery, and multifuel generators). (Fauji Cement Comapny Annual Report, 2023)

5. An environmentally conscious corporate entity, as seen by its investments in environmentally beneficial projects including the production of green energy, the use of emission control technology, and the collection and use of surface water and rainwater. (Fauji Cement Comapny Annual Report, 2023)

6. A staff that is highly skilled, driven, and committed, with a very low staff turnover rate.

Weakness:

1. Functioning in a national industry that is heavily taxed (both directly and indirectly), which directly affects demand. (Rana, 2023)

2. The majority of the country's plant locations are in the north, which makes it uncompetitive for sea exports. (All Pakistan Cement Maufactures Association, 2024)

Opportunities:

1. Pakistan has significant potential opportunities in the local cement industry because of its growing population, rapid urbanization, and low per capita cement consumption. ongoing government investment in hydroelectric projects, including the construction of large dams, and infrastructure development. (Profit By Pakitsan Today , 2024)

2. Cost reduction via process improvement and innovation (Fauji Cement Comapny Annual Report, 2023)

Threats:

1. Demand is impacted by the ongoing pass-through of rising input costs to customers along with persistently high cement prices. (Pak oberserver , 2023)

2. Growing input costs as a result of rising power, coal, and other fuel prices as well as the PKR's depreciation. (Profit By Pakitsan Today , 2024)

3. High overall rate of inflation combined with historically high prices for building supplies is having an effect on the construction industry. (Bloomberg, 2024)

4. Everything at once High financing costs are a direct result of high interest rates. (Bloomberg, 2024)

3.2 PORTER FIVE FORCES MODEL

Threat of substitute Products – Low

There are currently no reasonably priced cement substitutes available in Pakistan. It is realistic to believe that cement will remain the most extensively utilized component for construction operations in Pakistan for some time to come, since no viable alternatives are anticipated in the near future. (Specify Conrete , 2019)

Threat Of new Entrants - Low

The threat of new entrants in Pakistan's Cement Industry is relatively low due to a number of reasons:

1. 1. Funding such a large-scale project would demand an enormous amount of resources, and time would also need to be taken into account because it will take a long time to set up a manufacturing factory at least a year or two for its construction and more time for it to fully operational to generate the required ISO certifications and quality for it to be competitive. (Cement , 2023)

2. The Cement Industry of Pakistan is dominated by the Following Companies

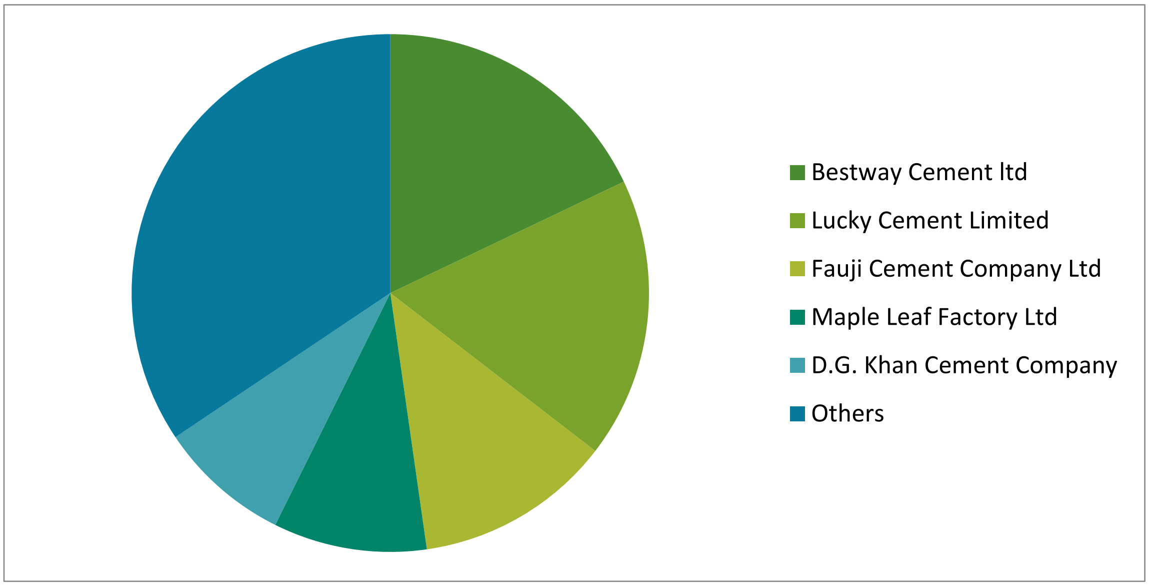


Fig 1 Market Share Distribution, Cement Industry

Given that the combined market shares of these five corporations in the cement industry are 65.60%, it will undoubtedly be challenging for a business to grow organically and gain a sizable market share, particularly given the fact that the local market is not anticipated to expand significantly in the foreseeable future. It is also very challenging for a new operator in such a competitive market to set up a greenfield project due to high financing rates and the depreciation of the Pakistan Rupee. (Express Tribune , 2023)

(Pakistan Credit Rating Agency, 2023) (VIS Credit Rating Company Limited , 2023) (Pak oberserver , 2023)

Bargaining Power of Customers - Low

The Pakistani economy is currently going through a challenging period as a result of persistently high interest rates and high inflation, which are reducing consumer purchasing power. Since the housing industry is one of the major users of cement overall, there is presumably less demand, which will cause prices to drop in line with this demand. However, the prices have continued to rise. (Express Tribune, 2023) (Express Tribune, 2020)
The Pakistani Competition Commission began looking into the cartel's existence in 2002 as a result of these incidents. Previously, all cement manufacturers were fined 6.3 billion after it was discovered that there was a cartel operating in Pakistan's cement sector. Despite the fine imposed by the Competition Commission of Pakistan, cement prices have not decreased despite a spike in cement sales prices brought on by a reduction in sales tax and federal exercise duties; instead, these benefits were retained for the benefit of the company's profits rather than being passed on to end users.. (Bussiness Recorder, 2020) (Pakistan Credit Rating Agency, 2023)

Bargaining Power of Suppliers – Low

Because most of the resources used to produce cement are natural resources like limestone, clay, sand, and gypsum, suppliers in the cement business have little bargaining leverage. (How cement is made, 2023)
Coals being the larger contributor to the cement industry, prices of coal are dependent on the supply and demand on the global scale. Pakistan however has access to cheap alternatives from Afghanistan, effective inventory management form companies have resulted in lower than expected production costs and ultimately maintain profitability. Cement manufactures are likely

to pass on impact of high prices to end consumers. (Express Tribune , 2023) (Express Tribune , 2023)

Competitive Rivalry - High

Due to the sharp rise in cement demand each year, Pakistan's cement industry is extremely competitive, with all of the current competitors continuously vying for the largest market share. Following companies are the leaders of the industry

1. Lucky Cement Limited
2. D.G Khan Cement Company Limited
3. Best Way Cement Company Limited
4. Fauji Cement Company Limited
5. Maple Leaf Cement Factory Limited (Express Tribune , 2023)

Market Share is illustrated in figure 8 above

The completive nature of the industry however relates most to reducing costs as prices of all manufactures remain relatively close to each other, due to cartelization of the sector. Manufactures are focused on increasing manufacturing capacity, their bargaining power in the industry and ultimately gaining more market share. Players with significant sponsor strength Fauji/Bestway e,t.c have more access to resources to increase their manufacturing capacities and absorb high cost of borrowing associated with long-term loans from banks, these factors have enabled them to capture significant market share in the industry. Production capacities along with market share are described in the table below:

Production Capacity FY23 (000 MT)					
Sr.#	Company	Plants	North	South	Total
1	Bestway Cement ltd	6	15,300		15,300
2	Lucky Cement Limited	2	9,645	5,309	14,954
3	Fauji Cement Company Ltd	4	8,450	2,050	10,500
4	Maple Leaf Factory Ltd	2	8,190		8,190
3	D.G. Khan Cement Company	3	4,220	2,835	7,055
5	Pioneer Cement Ltd	1	5,454		5,454
6	Kohat Cement Company Ltd	2	5,017		5,017
7	Cherat Cement Company Ltd	1	4,536		4,536
9	Power Cement Ltd	1		3,371	3,371
10	Dewan Cement	2	1,134	1,953	3,087
11	Attock Cement Pakistan ltd	1		3,027	3,027
12	Gharibwal Cement Ltd	1	2,010		2,010
13	Fecto Cement Ltd	1	945		945
14	Flying Cement Company Ltd	1	720		720
15	Thatta Cement Company Ltd	1		693	693
16	Dandot Cement* Company Ltd	1	504		504
Total					85,363

Table 1 : Cement Companies production capacities with region segregation

(Express Tribune , 2023) (All Pakistan Cement Maufactures Association, 2024) (Pakistan Credit Rating Rating Agency , 2021) (VIS Credit Rating Company Limited , 2023)

3.3 RATIO ANALYSIS

3.3.1 Profitability Ratio:

	2020			2021			2022			2023		
	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL
Gross Profit Margin %	22.72	11.04	13.59	36.17	34.32	31.39	32.76	36.18	31.28	24.47	35.46	30.00
EBITDA Margin %	11.90	7.77	9.81	27.07	32.45	28.63	25.51	32.87	28.06	18.79	33.40	23.99
Net Profit Margin %	7.99	0.13	(0.34)	22.35	20.36	14.30	24.25	14.15	13.11	10.78	13.55	10.93

Table 2: Profitability ratios

3.3.2 Liquidity Ratios:

	2020			2021			2022			2023		
	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL
Current Ratio	0.98	0.92	1.38	1.34	1.41	2.02	1.48	0.72	1.06	1.29	0.80	0.81
Quick Ratio	0.88	0.80	1.15	1.24	1.17	1.83	1.24	0.60	0.92	1.16	0.64	0.56

Table 3: Liquidity ratios

3.3.3 Solvency Ratios

	2020			2021			2022			2023		
	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL	LCCL	BCCL	FCCL
Debt to Equity	0.08	0.41	0.13	0.09	0.24	0.11	0.14	0.63	0.45	0.15	1.23	0.62
Debt Service Coverage	16.44	1.19	3.00	20.29	8.18	14.90	23.46	3.96	3.64	13.36	2.21	2.07
Interest Coverage	28.25	1.34	7.23	51.18	17.24	63.40	52.44	16.07	12.67	20.21	4.29	4.48

Table 4: Liquidity ratios

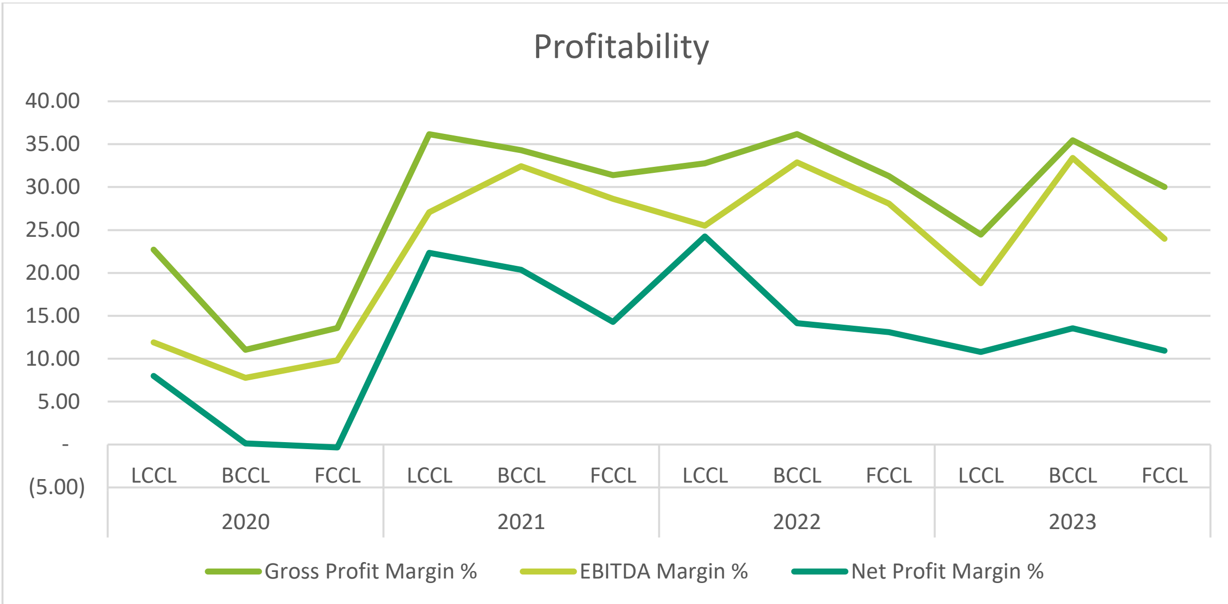


Fig 2.Profitability ratios Comparative Analysis

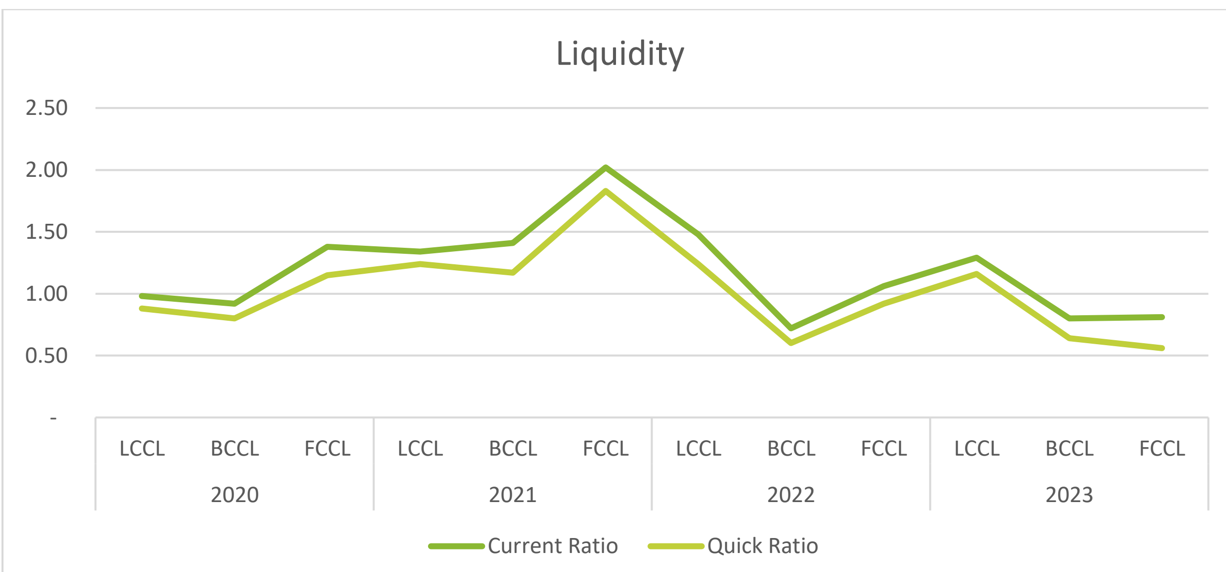


Fig 3. Liquidity ratios Comparative Analysis

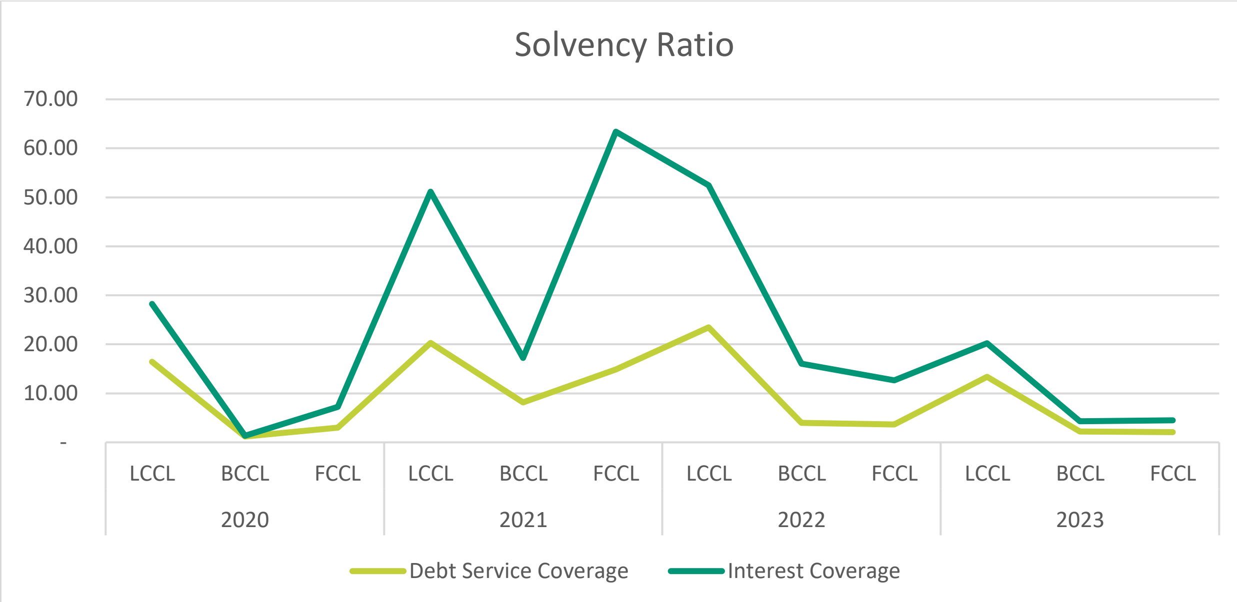


Fig 4 Solvency ratios Comparative Analysis

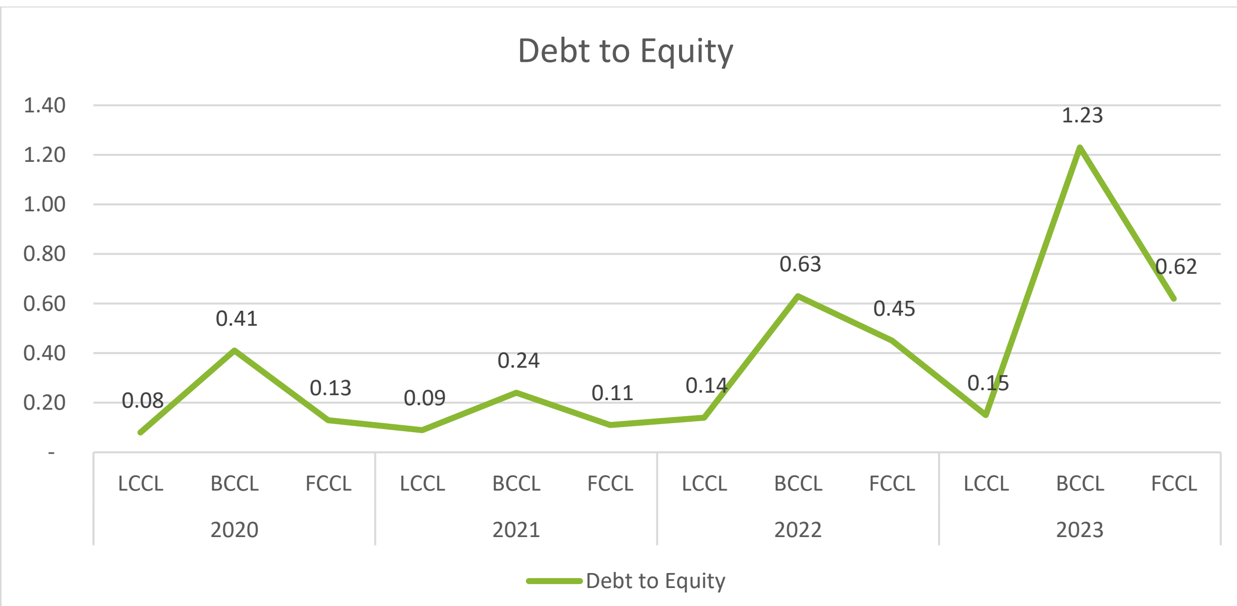


Fig 5 Debt to Equity ratios Comparative Analysis

Detailed Financial Analysis for all three companies:

1. Bestway Cement Company Limited

Fiscal Year 2021: Bestway Cement experienced impressive growth in FY2021, with a 34% increase in total turnover to Rs. 85.2 billion. The company attributes this growth to higher sales volumes, better pricing, and a decrease in Federal Excise Duty (FED). The net turnover of the company increased from Rs. 37.1 billion to Rs. 56.9 billion, a 53% growth. The significant increase in gross profit from Rs. 1.1 billion to Rs. 16.6 billion highlights the company's efficient operations and adept cost control. Strong financial management is demonstrated by the large drop in financial costs brought about by lower interest rates and fewer borrowings. Earnings per share rose from Rs. 0.08 to Rs. 19.42, and profit before tax reversed from a previous loss to Rs. 15.5 billion. (Pakistan Credit Rating Rating Agency , 2021)

Fiscal Year 2022: Bestway Cement's gross turnover climbed by 21% to Rs. 103 billion in FY2022, continuing on its current development trend. Higher selling prices, which were required to offset increased input costs, were the primary factor for the 27% increase in net turnover to Rs. 72.4 billion. The total profit increased to Rs. 23 billion. On the other hand, higher capital requirements and financing for new projects resulted in higher financial charges. Notwithstanding these difficulties, the business reported a profit before taxes of Rs. 19.3 billion; nevertheless, a new Super tax caused a modest decline in after-tax income. (Bestway Cement Comopany Limited , 2022)

Fiscal Year 2023: Despite market obstacles, Bestway Cement increased their gross turnover by 17% to Rs. 120 billion in FY2023. The company's strategic pricing changes in response to persistent rises in input costs resulted in a 21% increase in net turnover, reaching Rs. 87.7 billion. However, because of increased borrowing and interest rates, the financial costs increased dramatically. Despite market challenges, the profit before tax increased to Rs. 22.6 billion, indicating consistent growth. (Bestway Cement, 2023) (Pakistan Credit Rating Rating Agency , 2021), (VIS Credit Rating Company Limited , 2023) (Express Tribune , 2023) (Express Tribune , 2023) (Express Tribune , 2023)

2. Lucky Cement Company Limited

Fiscal Year 2021: In FY2021, Lucky Cement's gross sales revenue increased by 41.8%. Domestic sales reached PKR 74.50 billion, up 49.1%. By cutting its cost of sales per ton by 5.9%, the company was able to increase gross profit margins from 14.5% to 30.1%. Strong cost-control and sales management strategies are evident in this success. (Profit By Pakistan Today , 2021) (Pakistan Credit Rating Rating Agency , 2021)

Fiscal Year 2022: Lucky Cement's revenue climbed by 22.9% in FY2022 despite a decline in sales volumes, primarily as a result of higher prices brought on by rising global input costs. With a pre-tax profit of PKR 21.4 billion, the company was still profitable, demonstrating its strength in the face of economic challenges. (Lucky Cement Company Limited , 2023)

Fiscal Year 2023: Despite several obstacles in FY2023, Lucky Cement managed to grow its sales revenue by 15.9%. Strategic price modifications offset increased input costs, allowing the company to retain a 27.2% gross profit margin even in the face of lower sales volumes. The company's emphasis on operational effectiveness and cost control continues to produce positive outcomes. (Lucky Cement Limited, 2024) (Pakistan Credit Rating Rating Agency , 2021), (VIS Credit Rating Company Limited , 2023) (Express Tribune , 2023) (Express Tribune , 2023) (Express Tribune , 2023)

3. Fauji Cement Company Limited

Fiscal Year 2021: In FY2021-22, Fauji Cement's net revenues climbed significantly to PKR 54 billion, mostly as a result of higher construction activity and better pricing tactics. These variables led to a considerable increase in gross profit, demonstrating the efficacy of the company's operational and marketing initiatives. (Fauji Cement Comapny Annual Report, 2023) (Pakistan Credit Rating Rating Agency , 2021)

Fiscal Year 2022: The merger of Askari Cement and Fauji Cement in FY2022 had a substantial effect on the company's operational and financial environment. The company's manufacturing capacity and sales revenue were nearly doubled as a result of this combination. By using the synergies between the two businesses, the merged organization improved its financial performance and expanded its market position. Through this calculated move, Fauji Cement was able to increase its market share and strengthen its position as a leader in the cement sector. (The news International , 2021)

Fiscal Year 2023: Sales income increased by 25% over the course of the year, with both home and international markets making major contributions. In addition to the gains from the merger, strategic marketing and cost-cutting initiatives produced a record profit after tax of Rs. 7.4 billion, up 5% from FY22. Through the merger, Fauji Cement was able to take advantage of economies of scale, which decreased costs per unit and increased total profitability. (Fauji Cement Comapny Annual Report, 2023), (VIS Credit Rating Company Limited , 2023) (Express Tribune , 2023) (Express Tribune , 2023) (Express Tribune , 2023) (Cement.com, 2023)

3.4 CONCLUSIONS

Bestway, Lucky, and Fauji Cement (including its merger with Askari Cement) have all shown good financial results and strategic expansion over the observed fiscal years, greatly assisted by the strong support of well-known business associations.
With the backing of the Fauji Group, Fauji Cement gains from the conglomerate's wide-ranging involvement in a number of industries, which gives it access to strategic resources and financial stability that improve its operational capabilities and competitive position. As a member of Bestway International, Bestway Cement takes advantage of its extensive network and resources to penetrate foreign markets and foster innovation. As part of the Yunus Brothers Group, Lucky Cement benefits from a broad network and solid financial base that support its strategic goals and operational effectiveness.

Because of its large production capacity and proactive marketing strategies, Lucky Cement is the industry leader among these companies. Bestway and Fauji Cement are ranked second and third, respectively, in terms of market share. The strength and strategic positioning of their parent groups are reflected in these rankings in addition to the competencies of the individual companies.
Cartel behaviors have a significant impact on the cement sector in Pakistan, as businesses frequently band together to determine output levels and prices. Because of the way this industry is set up, the large firms are able to pass on cost increases to end users and focus their competition more on manufacturing capacity than pricing. Maintaining and increasing production capabilities is crucial in order to drive profitability and market share given these circumstances. Solidifying a company's position in the highly competitive cement sector requires it to be able to adjust to changing economic conditions, control expenses, and seize market possibilities. Their results demonstrate a strong sense of operational discipline and strategic foresight—qualities that are essential for negotiating the industry's cyclical nature and the unpredictability of the economic landscape.
These businesses have not only survived different economic challenges, but they have also put themselves in a favorable position to take advantage of possibilities down the road. Their connections to influential business associations provide them access to larger markets, improve

their operational efficiency, and provide financial support. Their capacity to innovate in product offerings and further improve operational efficiencies will be crucial factors in determining their success in the market going forward.
In conclusion, Bestway, Lucky, and Fauji Cement firms' financial trajectories and strategic initiatives over the last three fiscal years demonstrate their adaptability, resilience, and growth commitment even in difficult economic circumstances. Strong business consortia such as Bestway International, Yunus Brothers Group, and Fauji Group support individual companies, strengthening their competitive advantage and financial stability. The dominant market position of Lucky Cement and the well-placed Bestway and Fauji illustrate the competitive dynamics of an industry dominated by cartel influence and production capacity competition. They can maintain their current growth trajectory with less financial risk and more strategic prospects thanks to this positioning. Lucky cement's reliance over funding its projects with equity rather than debt has improved its profitability in the short run, this placed it an advantage particularly during the COVID times.

Major raw materials are extracted by Fauji Cement from its own quarries. One can either produce their own electricity or obtain it from the national grid. Outside suppliers are enlisted to provide the remaining supplies, materials, and services. The business has established a number of sources for the provision of essential parts, supplies, and services. Its positive supplier relationships, honoring contractual obligations, prompt payments, and prestigious industry standing made sure that suppliers' power was effectively managed.

In order to leverage its reputation for producing high-quality goods on a yearly basis and broaden its customer base, Fauji Cement has recently expanded into a brownfield at its Nizampur facility by installing a brand-new, cutting-edge manufacturing line. By the end of 2023, D.G. will have completed another greenfield expansion and be completely operational. The company has consistently maintained its position in both local and Afghan markets. Fauji Cement is widely used and well-liked in various industries because of its superior goods and services. Additionally, FCCL's extensive network of dealerships and committed staff of experts. Reputable support from a sponsor and consistently rising financial results over time put the company in a strong position to build on its strengths in the upcoming years.

4 BIBLIOGRAPHY

All Pakistan Cement Maufactures Association, 2024. *All Pakistan Cement Maufactures Association - Home.* [Online]
Available at: https://www.apcma.com/index.html
[Accessed 22 March 2024].

Bestway Cement Comopany Limited , 2022. *Annual Report ,* s.l.: Bestway Cement Comopany Limited .

Bestway Cement, 2023. *Financial Statements.* [Online]
Available at: https://www.bestwaygroup.co.uk/investor-relations
[Accessed 26 January 2024].

Bloomberg, 2024. *Pakistan Holds Rate at Record With IMF Talks Underway.* [Online]
Available at: https://www.bloomberg.com/news/articles/2024-03-18/pakistan-keeps-key-rate-at-record-high-with-imf-talks-underway
[Accessed 18 March 2024].

Bussiness Recorder, 2020. *Is the cement 'cartel' back?.* [Online]
Available at: https://www.brecorder.com/news/592386
[Accessed 23 Decemeber 2023].

BYJUS, 2024. *Advantages and Disadvantages of Ratio Analysis.* [Online]
Available at: https://byjus.com/commerce/advantages-and-disadvantages-of-ratio-analysis/
[Accessed 22 March 2024].

Cement , 2023. *Pakistan's cement industry faces significant challenges.* [Online]
Available at: https://www.cemnet.com/News/story/175006/pakistan-s-cement-industry-faces-significant-challenges.html
[Accessed 10 January 2023].

Cement.com, 2023. *Pakistan's cement industry performance in FY22-23.* [Online]
Available at: https://www.cemnet.com/News/story/175183/pakistan-s-cement-industry-performance-in-fy22-23.html
[Accessed Mar 2024 February 2024].

Corporate Finance Institute , 2024. *Ratio Analysis.* [Online]
Available at: https://corporatefinanceinstitute.com/resources/accounting/ratio-analysis/
[Accessed 11 March 2024].

D.G Khan Cement , 2024. *D.G Khan Cement Financials 2023.* [Online]
Available at: https://www.dgcement.com/financial.html
[Accessed 26 January 2024].

Express Tribune , 2023. *Afghan coal exports to Pakistan ‘doubled’.* [Online]
Available at: https://tribune.com.pk/story/2405234/afghan-coal-exports-to-pakistan-doubled
[Accessed 26 January 2024].

Express Tribune , 2023. *Cement industry poised for robust exports.* [Online]
Available at: https://tribune.com.pk/story/2428430/cement-industry-poised-for-robust-exports
[Accessed 26 January 2024].

Express Tribune , 2023. *Cement sector's profit grows in double digits.* [Online]
Available at: https://tribune.com.pk/story/2405353/cement-sectors-profit-grows-in-double-digits
[Accessed 26 January 2024].

Express Tribune, 2020. *https://tribune.com.pk/story/2276106/competition-commission-of-pakistan-busts-cement-sector-cartel.* [Online]
Available at: https://tribune.com.pk/story/2276106/competition-commission-of-pakistan-busts-cement-sector-cartel
[Accessed 26 January 2023].

Express Tribune, 2023. *Cement demand contracts 16.5% in April.* [Online]
Available at: https://tribune.com.pk/story/2415020/cement-demand-contracts-165-in-april
[Accessed 23 January 2024].

Fauji Cement Comapny Annual Report, 2023. *Fauji Cement Comapny Annual Report 2023,* s.l.: s.n.

Fauji Cement Company Limited , 2024. *Fauji Cement Company About Us.* [Online]
Available at: https://fccl.com.pk/en/contact-us/
[Accessed 25 January 2024].

Fauji Cement Limited, 2023. *Fiancial Statements.* [Online]
Available at: https://fccl.com.pk/en/annual-reports/
[Accessed 22 December 2023].

Furman Univercity , 2021. *Furman Univercity Primary and Secondary Sources.* [Online]
Available at: https://libguides.furman.edu/special-collections/for-students/primary-secondary-sources#:~:text=Primary%20sources%20can%20be%20described,sources%20and%20often%20interpret%20them.
[Accessed 1 Feb 2024].

How cement is made, 2023. *How cement is made.* [Online]
Available at: https://www.cement.org/cement-concrete/how-cement-is-made
[Accessed 12 Decmeber 2023].

Kaplan P3 Bussiness Analysis, 2024. *P3 Bussiness Analysis.* 3rd ed. Berkshire: Kaplan Publications UK.

Kaplan P3 Bussiness Analysis, 2024. *P3 Bussiness Analysis.* 2014 ed. Berkshire: Kaplan Publications UK.

Lucky Cement Company Limited , 2023. *Lucky Cement Company Limited ,* s.l.: s.n.

Lucky Cement Limited, 2024. *Lucky Cement Limited Financial Statements.* [Online]
Available at: http://lucky-cement.com/investor-relation/financial-reports/
[Accessed 26 January 2023].

Maple Leaf Cement, 2024. *Fianacial Reports.* [Online]
Available at: https://www.kmlg.com/mlcfl/financials/
[Accessed 22 Decmeber 2023].

Pak oberserver , 2023. *Cement prices increased in Pakistan; Check latest rates here.* [Online]
Available at: https://pakobserver.net/cement-prices-increased-in-pakistan-check-latest-rates-here/
[Accessed 10 March 2024].

Pakistan Credit Rating Agency, 2023. *Cement Sector Study ,* s.l.: Pakistan Credit Rating Agency.

Pakistan Credit Rating Rating Agency , 2021. *Cement ,* s.l.: Pakistan Cement Sector Overview.

Pakistan Stock Exchange, 2024. *D.G Khan Cement Company Limited.* [Online]
Available at: https://dps.psx.com.pk/company/FCCL
[Accessed 25 January 2024].

Porter Five Forces, 2023. *Pitfalles of the porter five forces Model.* [Online]
Available at: https://www.mindtools.com/acm2q10/pitfalls-of-porters-five-forces

Porter Five Forces, 2024. *Pitfalls of Porter Five Forces Model.* [Online]
Available at: https://www.mindtools.com/acm2q10/pitfalls-of-porters-five-forces
[Accessed 2 March 2024].

Porters Five Forces , 2016. *Porter Five Forces Explained.* [Online]
Available at: https://www.business-to-you.com/porters-five-forces/
[Accessed 20 MAr 2024].

Profit By Pakistan Today , 2021. *Lucky Cement's lucky 2021.* [Online]
Available at: https://profit.pakistantoday.com.pk/2021/08/15/lucky-cements-lucky-2021/
[Accessed 25 04 2024].

Profit By Pakitsan Today , 2024. *Impact on cement sector as coal prices reach pre-pandemic lows.* [Online]
Available at: https://profit.pakistantoday.com.pk/2024/01/25/impact-on-cement-sector-as-coal-prices-reach-pre-pandemic-lows/
[Accessed 31 January 2024].

Profit By Pakitsan Today , 2024. *The cement sector's Goldilocks conundrum.* [Online]
Available at: https://profit.pakistantoday.com.pk/2024/01/21/the-cement-sectors-goldilocks-conundrum/
[Accessed 2 March 2024].

Rana, S., 2023. *Big businesses oppose super tax.* [Online]
Available at: https://tribune.com.pk/story/2418263/big-businesses-oppose-super-tax
[Accessed 10 March 2024].

Specify Conrete , 2019. *EcoFriendly alternatives to Traditional Concrete.* [Online]
Available at: https://www.specifyconcrete.org/blog/eco-friendly-alternatives-to-traditional-concrete
[Accessed 2 March 2024].

SWOT analysis, 2024. *Examples of SWOT analysis.* [Online]
Available at: http://pestleanalysis.com/swot-analysis-examples/

The news International , 2021. *FCCL announces merger with Askari Cement Limited.* [Online]
Available at: https://www.thenews.com.pk/print/909796-fccl-announces-merger-with-askari-cement-limited
[Accessed 22 February 2024].

VanZandt, P., 2023. *What is SWOT Analysis? Definition, Examples, Templates, Benefits and Limitations.* [Online]
Available at: https://ideascale.com/blog/swot-analysis-benefits/#:~:text=competitive%20market%20position.-,Limitations%20of%20a%20SWOT%20Analysis,weaknesses%2C%20opportunities%2C%20or%20threats.
[Accessed 10 March 2024].

VIS Credit Rating Company Limited , 2023. *Pakistan Cement Sector Report ,* s.l.: VIS Credit Rating Company Limited .

Wall Street Mojo , 2024. *What are accounting Ratios.* [Online]
Available at: https://www.wallstreetmojo.com/accounting-ratios/
[Accessed 22 March 2024].