

Flash Note

Monday, June 16, 2025



Cement

The full bench of the Lahore High Court has dismissed appeals filed by Punjab-based cement manufacturers and upheld the Punjab government's decision to continue imposing a 6% royalty on the ex-factory price of cement, introduced last year.

Cement manufacturers in Punjab might appeal the decision in the Supreme Court now, but the decision about the appeal is not yet finalized.

Punjab based cement manufacturers were already provisioning for this royalty at 6%, however they had obtained a stay order against the raw material pricing formula by providing bank guarantees.

This decision would have a negative cash flow impact on the Punjab based cement manufacturers as the bank guarantees they had provided would now be encashed.

The recent KPK Finance Bill has proposed increasing the royalty rate for cement manufacturers in the province from PKR 250 per ton to PKR 350 per ton. This royalty will continue to be applied based on the consumption of raw materials like limestone, so the method of calculation remains the same. Given this, there were expectations that Punjab might also shift to a consumption-based royalty system. However, that change has not taken place.

We believe that this decision would be neutral for Punjab based manufacturers as they are already provisioning for this expense.

This recent development has maintained the disparity in royalty structures between the KPK and Punjab provinces, and it is also important to note that KPK based players also generate sales from Punjab and this disparity between royalty structures between the two provinces might provide an opportunity to KPK based players.

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