



Highest Ever Monthly Sales of 4.5mn tons in March, up 14% YoY
9MFY18 Sales up 14% YoY

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Capacity utilization to reach at an impressive 111%

Cement Sales: Mar 2018				
	Mar-18E	Mar-17A	YoY	MoM
	(in 000 tons)			
Local				
North	3,462	3,058	13%	21%
South	723	695	4%	19%
(N+S)	4,185	3,753	12%	20%
Export				
North	209	136	54%	17%
South	144	76	89%	17%
(N+S)	353	212	67%	17%
Total	4,538	3,965	14%	20%

Source: APCMA, Topline Research

Cement Sales: 9MFY18			
	9MFY18E	9MFY17A	YoY
	(in 000 tons)		
Local			
North	25,621	21,699	18%
South	5,399	4,852	11%
(N+S)	31,020	26,551	17%
Exports			
North	2,367	2,367	0%
South	1,030	1,387	-26%
(N+S)	3,396	3,753	-10%
Total	34,416	30,304	14%

Source: APCMA, Topline Research

- We expect Pakistan cement industry to post highest ever sales of 4.5mn tons during a month, up by a robust 14% YoY in Mar 2018, as per channel checks. On monthly basis, dispatches are likely to see a stellar growth of around 20%, after posting average 4% MoM growth during 8MFY18. This will take capacity utilization of the industry to around 111% in Mar 2018.
- Local sales will likely post a healthy growth of around 12% YoY to a record 4.2mn tons and up 25% compared to monthly average cement consumption of 3.4mn tons seen in 8MFY18. One of the reasons for this demand is higher consumption from private sector stemming from various housing schemes. To note, private sector credit clocked-in at Rs5.1tn by Feb 2018, up 17% YoY.
- Double digit growth in exports will likely continue as dispatches are expected to post an exponential growth of over 60% YoY to settle at around 350k tons (up 17% MoM) thanks to additional export from new capacities in South region and devaluation of PKR against USD.

Sector Outlook

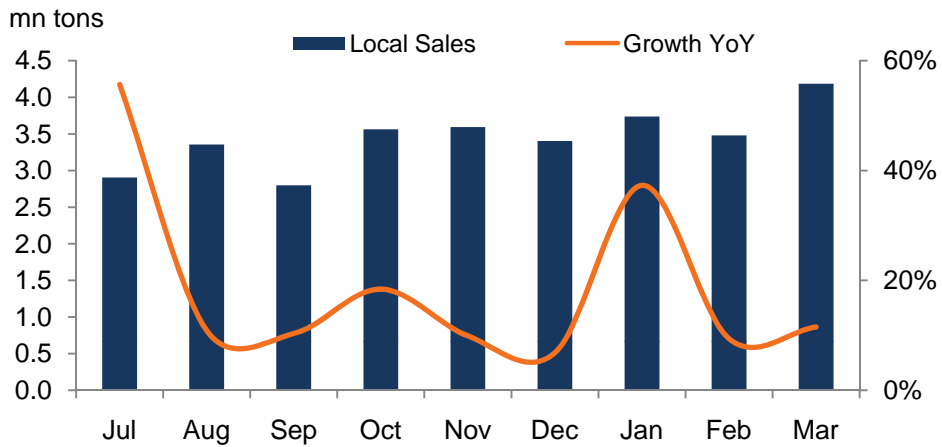
- During 9MFY18, cement sales are likely to grow by around 14% where local sales will be up by impressive 17%, slightly better than our estimates. This will take capacity utilization of the industry to ~96% in 9MFY18.
- The outgoing month also proved to be a fortunate period for North producers as cement prices increased by a cumulative Rs40/bag with another Rs10/bag increase expected from tomorrow, as per our dealers' check. This will take North prices to Rs520-530/bag, in line with our expectations. Please see our report titled 'Pakistan Cements: Sector Downgraded to Market Weight' dated Sep 18, 2017, where we highlighted 4.5% correction in North cement prices in FY18 to average at Rs525/bag. However, prices in South has thus far remained intact, contrary to our expectations.
- Our top picks in the sector are Lucky Cement (LUCK), DG Khan Cement (DGKC) and Maple Leaf Cement (MLCF).

Cement Industry: Volumetric Sales numbers

(mn tons)	FY14A	FY15A	FY16A	FY17A	FY18E
Local sales	26.1	28.3	33.0	35.7	41.4
Growth	4.3%	8.2%	16.6%	8.1%	16%
Export sales	8.1	7.2	5.9	4.7	4.3
Growth	-2.9%	-11.7%	-18.2%	-20.6%	-7.9%
Total sales	34.3	35.5	38.9	40.3	45.7
Growth	2.5%	3.5%	9.6%	3.7%	13.2%
Industry Utilization	75%	78%	85%	87%	93%

Source: APCMA, Topline Research

Cement: 9MFY18 Local Dispatches



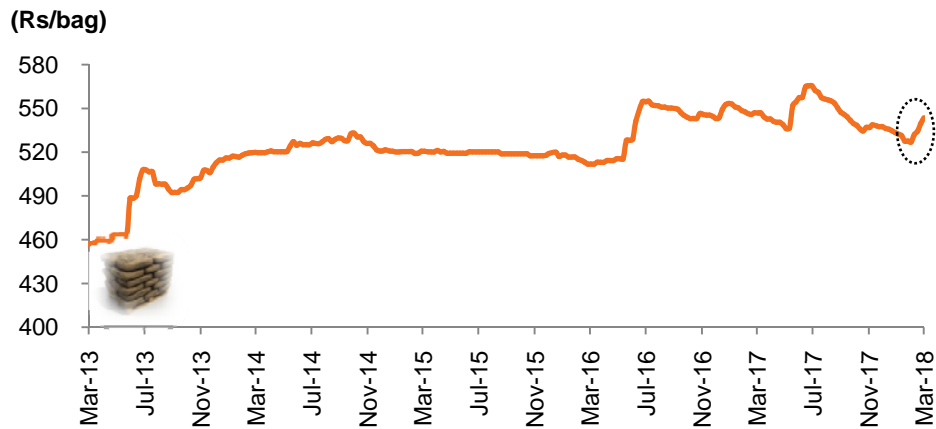
Source: APCMA, Topline Research

Cement: 9MFY18 Export Dispatches



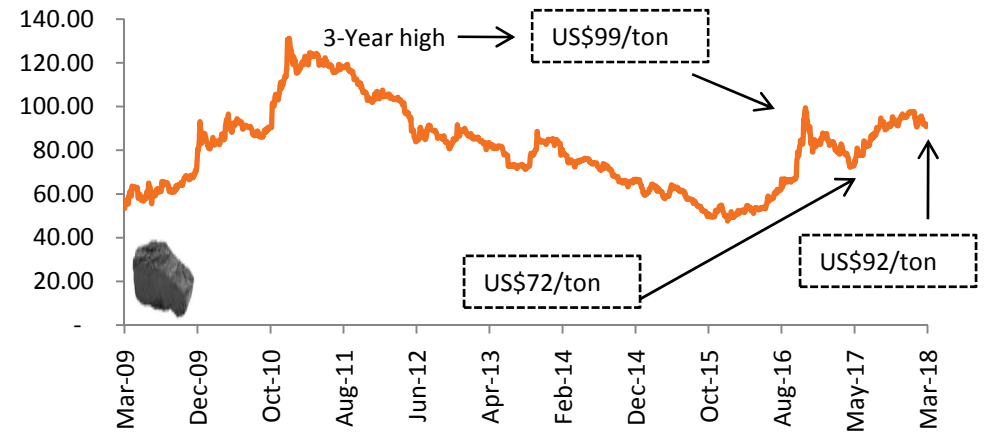
Source: APCMA, Topline Research

Cement: Average Cement Price



Source: PBS

Cement: Coal Prices (Richards Bay Index)



Source: Bloomberg

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