



## Pakistan Cement Sales up 17% YoY in Apr 2018

**10MFY18 Sales up 14% YoY**

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# Capacity utilization to remain over 100%

## Cement Sales: Apr 2018

	Apr-18E	Apr-17A	YoY	MoM
	(in 000 tons)			
<b>Local</b>				
North	3,055	2,734	12%	-14%
South	658	586	12%	-8%
(N+S)	3,712	3,320	12%	-13%
<b>Export</b>				
North	252	176	43%	15%
South	224	81	177%	29%
(N+S)	476	256	86%	21%
<b>Total</b>	<b>4,188</b>	<b>3,576</b>	<b>17%</b>	<b>-10%</b>

Source: APCMA, Topline Research

## Cement Sales: 10MFY18

	10MFY18E	10MFY17A	YoY
	(in 000 tons)		
<b>Local</b>			
North	28,758	24,433	18%
South	6,050	5,438	11%
(N+S)	34,808	29,871	17%
<b>Exports</b>			
North	2,628	2,542	3%
South	1,283	1,468	-13%
(N+S)	3,911	4,010	-2%
<b>Total</b>	<b>38,719</b>	<b>33,880</b>	<b>14%</b>

Source: APCMA, Topline Research

- We expect Pakistan cement industry's dispatches to settle over 4mn tons, up 17% YoY during the month of Apr 2018, where exports are likely to show tremendous improvement, as per channel checks. On monthly basis though, volumes are expected to fall by 10%. To note, cement industry utilization reached a stellar 113% in Mar 2018. This time around, industry utilization is expected at 102%.
- Local sales will likely continue with its double digit growth, up 12% YoY during the outgoing month thanks to private sector construction activities and demand from CPEC related projects.
- Export dispatches during Apr 2018 are expected to settle over 450k tons, showing exceptional growth of over 80%, in-line with growth seen last month and better than our expectations. This was on the back of increased exports, mainly from LUCK's new Brownfield line in South that became operational in Dec 2017 and currency devaluation. We anticipate Afghanistan and Sea exports to post significant growth of near 200% YoY to around 133k tons and 224k tons, respectively.

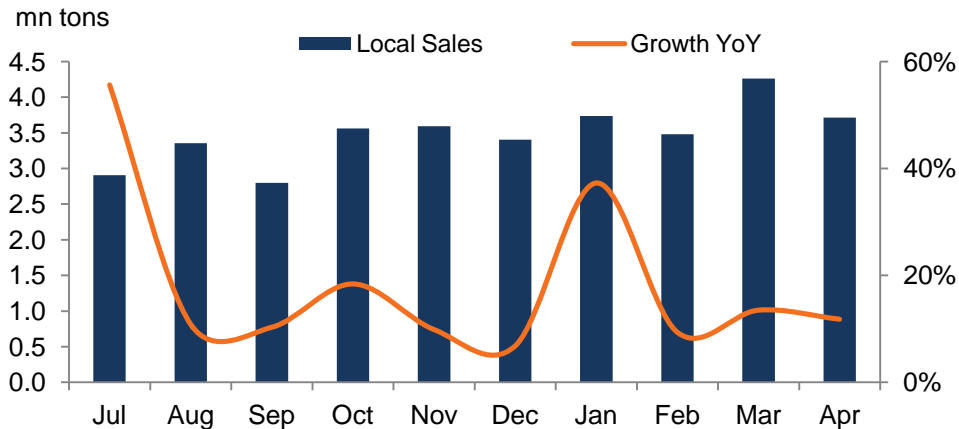
- Cement dispatches have been encouraging so far, growing by 14% YoY during 10MFY18, mainly led by 17% increase in local dispatches. With this, capacity utilization of the industry will likely reach ~94% in 10MFY18.
- Cement demand is expected to slowdown in remaining 2 months of FY18 due to Ramadan and Eid Holidays. Consequently, we anticipate cement consumption to settle below average 4mn tons during May-Jun 2018.
- Though local net retention prices have improved in the North region in last 4-6 weeks, concerns remain over manufacturers ability to fully pass on the recent increase in Federal Excise Duty (FED) on cement (announced in Budget FY19) and whether any increase in prices remain firm. Additionally, DGKC's upcoming expansion in the South region is expected to put pressure on South prices.
- Our top picks in the sector are Lucky Cement (LUCK) 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	41.5
Growth	4.3%	8.2%	16.6%	8.1%	17%
Export sales	8.1	7.2	5.9	4.7	4.7
Growth	-2.9%	-11.7%	-18.2%	-20.6%	1.7%
Total sales	34.3	35.5	38.9	40.3	46.3
Growth	2.5%	3.5%	9.6%	3.7%	14.8%
Industry Utilization	75%	78%	85%	87%	94%

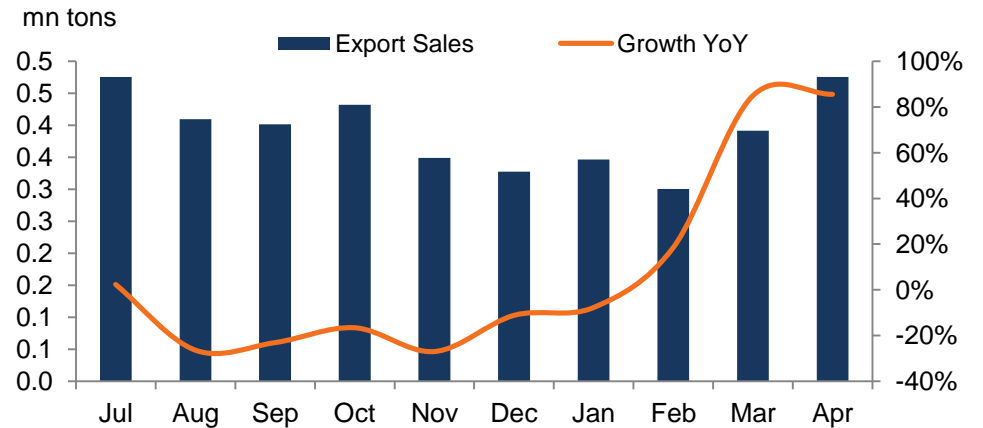
Source: APCMA, Topline Research

### Cement: 10MFY18 Local Dispatches



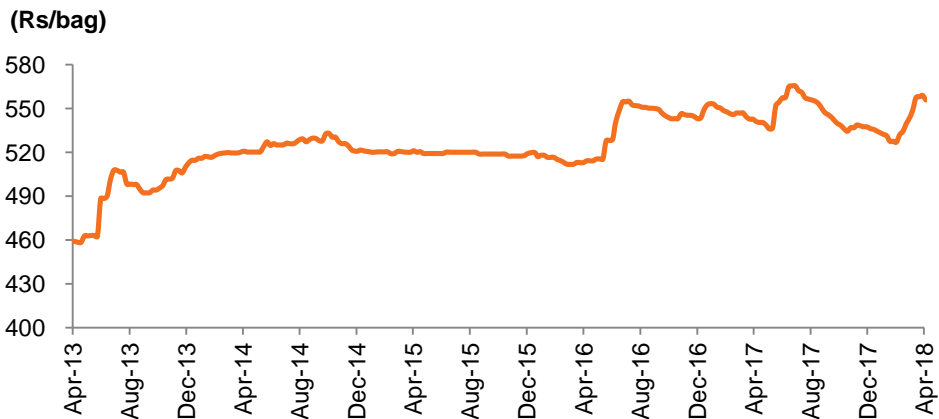
Source: APCMA, Topline Research

### Cement: 10MFY18 Export Dispatches



Source: APCMA, Topline Research

### Cement: Average Cement Price



Source: PBS

### Cement: Coal Prices (Richards Bay Index)



Source: Bloomberg

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