



Pakistan Cement Sales up 2% YoY in May 2018

11MFY18 Sales up 13% YoY

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Best Local Brokerage House
 Brokers Poll 2011-14, 2016-17



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Slowdown in local sales due to Ramadan

Cement Sales: May 2018				
	May-18E	May-17A	YoY	MoM
	(in 000 tons)			
Local				
North	2,701	2,811	-4%	-13%
South	663	588	13%	0%
(N+S)	3,365	3,399	-1%	-11%
Export				
North	215	211	2%	-12%
South	209	98	113%	-6%
(N+S)	424	309	37%	-9%
Total	3,789	3,708	2%	-11%

Source: APCMA, Topline Research

Cement Sales: 11MFY18			
	11MFY18E	11MFY17A	YoY
	(in 000 tons)		
Local			
North	31,516	27,244	16%
South	6,717	6,025	11%
(N+S)	38,233	33,270	15%
Exports			
North	2,834	2,753	3%
South	1,490	1,566	-5%
(N+S)	4,324	4,319	0%
Total	42,557	37,589	13%

Source: APCMA, Topline Research

- Pakistan cement industry dispatches are expected to grow by ~2% YoY during the outgoing month, as per our channel checks, which will be the lowest YoY growth recorded in FY18 to date, mainly due to slowdown in local demand. On monthly basis, volumes are expected to fall by 11%. Despite this, industry utilization is expected to remain over 90%.
- Local sales are likely to remain almost flat YoY after witnessing average growth of 19% YoY in last 10 months, while on monthly basis, dispatches will be down by around 11%. We attribute this to the month of Ramadan during which construction activities usually slowdown.
- We expect export dispatches to remain over 400k tons during May 2018 to post stellar growth of more than 30% (vs. average growth of 62% YoY during Feb-Apr 2018) compared to 16% YoY decline during Jul 2017-Jan 2018. Higher exports from LUCK and ACPL's new cement line in South region (which came online in Dec 2017/Jan 2018) continue to support this growth as sea exports are expected to settle over 200k tons, up by more than 100% YoY. Currency devaluation also supported growth in export sales, we believe.

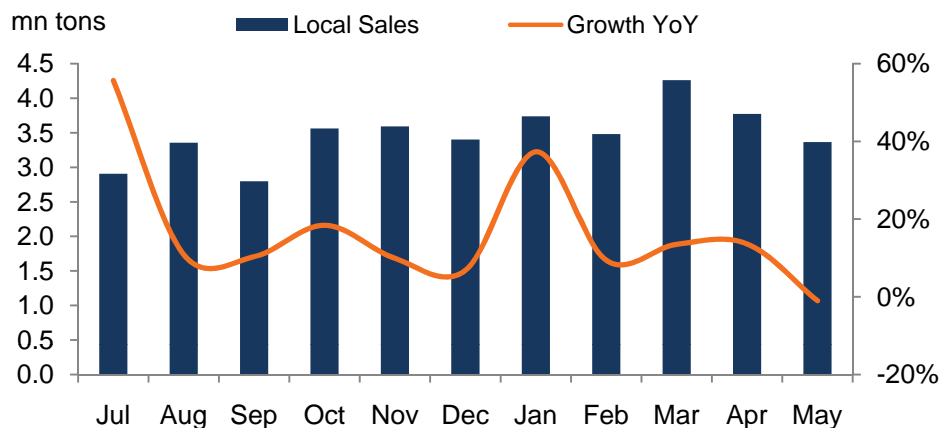
Sector Outlook

- Cement dispatches during 11MFY18 are expected to grow by 13% thanks to a robust 15% increase in local sales which remains better than our start of the year expectations. This should take capacity utilization of the industry to ~94% during the said period.
- However, local cement demand will remain weak in the following month on the back of Ramadan and Eid Holidays. Due to this, we anticipate cement consumption to remain below 4mn tons in Jun 2018.
- Despite the recent increase in cement prices to pass on increase in FED and higher input costs (average price of grey cement in Pakistan as of 24 May 2018 was Rs559/bag vs. average of Rs527/bag during Jan-Feb 2018 according to data revealed by Pakistan Bureau of Statistics), concerns remain over price sustainability. Last year as well, manufacturers were able to initially pass on the FED impact, however, prices were later reverted in North region on the back of upcoming capacities.
- 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%	1.6%
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: 11MFY18 Local Dispatches



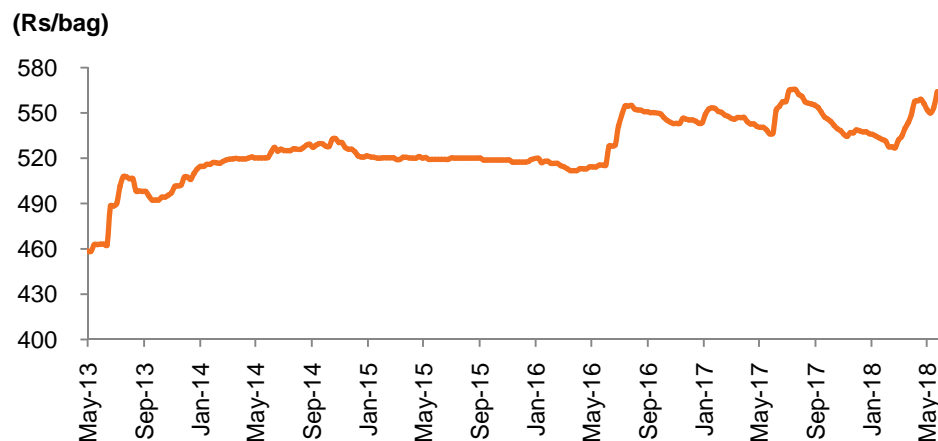
Source: APCMA, Topline Research

Cement: 11MFY18 Export Dispatches



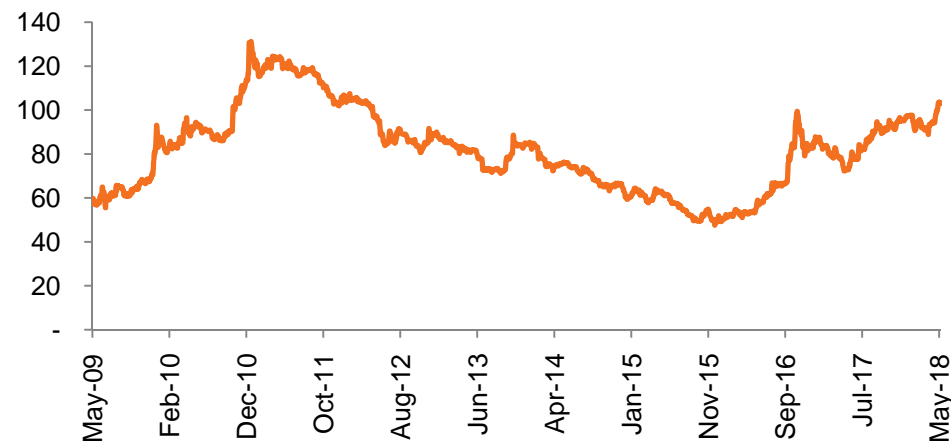
Source: APCMA, Topline Research

Cement: Average Cement Price



Source: Pakistan Bureau of Statistics

Cement: Coal Prices (Richards Bay Index)



Source: Bloomberg

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