



## Pakistan Cement Sales up 9% YoY in Feb 2018

**8MFY18 Sales up 13% YoY**

**ASIAMONEY**

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

 CFA Society  
Pakistan

 Jama  
Punji

www.jamapunji.pk Best Local Brokerage House 2015-16

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# Slowdown in local demand growth likely

## Cement Sales: Feb 2018

	Feb-18E	Feb-17A	YoY	MoM
	(in 000 tons)			
<b>Local</b>				
North	2,825	2,580	9%	-6%
South	596	601	-1%	-17%
(N+S)	3,420	3,181	8%	-8%
<b>Export</b>				
North	190	156	22%	-15%
South	130	98	32%	5%
(N+S)	320	254	26%	-8%
<b>Total</b>	<b>3,740</b>	<b>3,435</b>	<b>9%</b>	<b>-8%</b>

Source: APCMA, Topline Research

## Cement Sales: 8MFY18

	8MFY18E	8MFY17A	YoY
	(in 000 tons)		
<b>Local</b>			
North	22,113	18,641	19%
South	4,663	4,157	12%
(N+S)	26,776	22,798	17%
<b>Exports</b>			
North	2,169	2,231	-3%
South	893	1,310	-32%
(N+S)	3,062	3,541	-14%
<b>Total</b>	<b>29,837</b>	<b>26,339</b>	<b>13%</b>

Source: APCMA, Topline Research

- We expect Pakistan cement industry dispatches for the month of Feb 2018 to settle at 3.7-3.8mn tons, up 7-9% YoY, as per channel checks. On monthly basis, dispatches are likely to see 8-10% decline after witnessing robust growth last month. To note, industry dispatches in Jan 2018 grew by 32% YoY to a record 4mn tons.
- Local sales are expected to grow by 6-8% YoY during the outgoing month. Though this growth will be lower than average growth rate of 21% seen in 7MFY18, cement consumption to remain in-line with monthly average demand of around 3.4mn tons, we believe.
- We could expect a bit of a trend reversal on export front as dispatches are likely to see a double digit growth for the first time since Sep 2016. We attribute this to normalization of demand to Afghanistan market (dispatches were affected last year due to increased security tension that led to closure of Pak-Afghan border), 2) additional export from LUCK's new capacity of 1.3mn tons/annum in South region (clinker production commenced on Dec 12, 2017) and 3) currency devaluation.

# Sector Outlook

- During 8MFY18, cement sales are likely to grow by around 13% where local sales will be up by impressive 17%, better than our estimates. This will take capacity utilization of the industry to ~92% in 8MFY18.
- We expect cement consumption to remain strong, driven by Govt.'s focus towards swift completion of infrastructure projects owing to 'Election Year'.
- However, concerns remain over cement prices which continue to show feeble signs as North retail prices have come down by average Rs9/bag to around Rs498, as per data available at Pakistan Bureau of Statistics (PBS).
- 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	40.6
Growth	4.3%	8.2%	16.6%	8.1%	13.8%
Export sales	8.1	7.2	5.9	4.7	3.9
Growth	-2.9%	-11.7%	-18.2%	-20.6%	-16.6%
Total sales	34.3	35.5	38.9	40.3	44.5
Growth	2.5%	3.5%	9.6%	3.7%	10.3%
<b>Industry Utilization</b>	<b>75%</b>	<b>78%</b>	<b>85%</b>	<b>87%</b>	<b>91%</b>

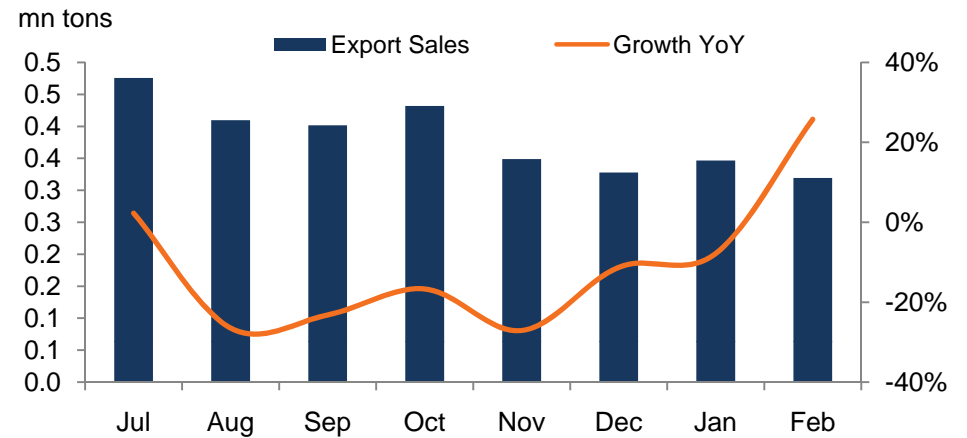
Source: APCMA, Topline Research

### Cement: 8MFY18 Local Dispatches



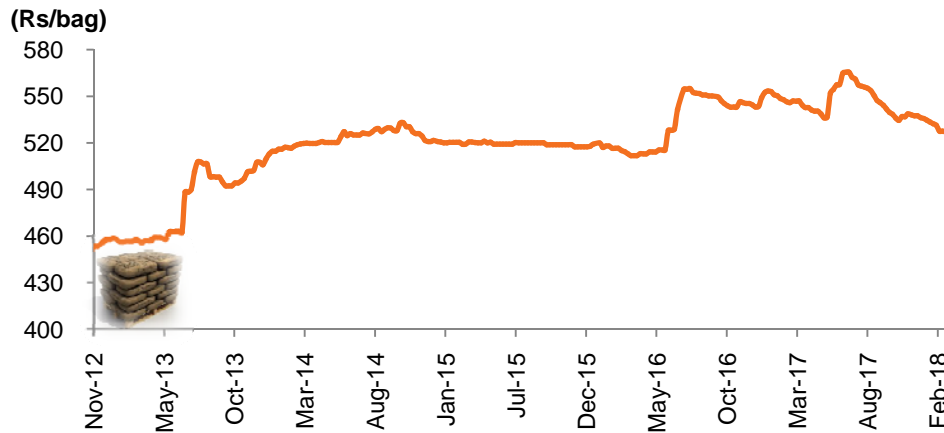
Source: APCMA, Topline Research

### Cement: 8MFY18 Export Dispatches



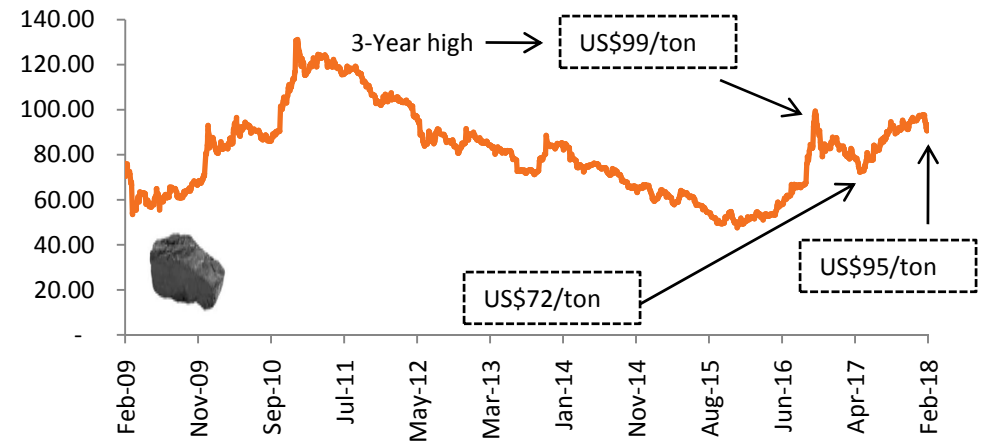
Source: APCMA, Topline Research

### Cement: Average Cement Price



Source: PBS

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



Source: Bloomberg

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