



## Pakistan cement sales +4% YoY in Jul 2018

Local sales +2% YoY, Export sales +15% YoY

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# Exports growth to outpace local growth in Jul 2018

<b>Cement Sales: Jul 2018</b>				
	<b>Jul-18E</b>	<b>Jul-17A</b>	<b>YoY</b>	<b>MoM</b>
	(in 000 tons)			
<b>Local</b>				
North	2,320	2,423	-4%	14%
South	655	483	36%	57%
(N+S)	2,975	2,906	2%	21%
<b>Export</b>				
North	195	332	-41%	1%
South	352	144	145%	88%
(N+S)	547	476	15%	44%
<b>Total</b>	<b>3,522</b>	<b>3,382</b>	<b>4%</b>	<b>24%</b>

Source: APCMA, Topline Research

- Pakistan's cement industry is expected to start its FY19 year on a not-so-exciting note as we anticipate dispatches to settle at ~3.5mn tons in Jul 2018, up 4% YoY, as per channel checks. However, sales will likely improve by 24% MoM due to low base effect.
- Local consumption is likely to grow by around 2% YoY. However, on monthly basis, sales will be up 21% MoM, due to low base effect on the back of fewer working days (as a result of Eid holidays) in Jun last month.
- Half of the growth in total dispatches will likely be supported by 15% YoY growth in exports as additional installation of cement lines (~2.3mn tons per annum) in South region at the start of 2018 have bolstered cement dispatches through sea, we believe.

# Sector Outlook

- Pakistan witnessed its second consecutive democratic government transition on 25 Jul 2018 which has settled most of the political dusts for now. However, due to external account challenges that Pakistan is facing today, we have revised our macroeconomic assumptions.
- We expect GDP growth to be 4.7% in FY19 compared to 5.8% in FY18 as fiscal austerity measures and monetary tightening is expected to curtail overall aggregate demand, thereby impacting local cement consumption. Owing to these reasons, we expect local cement demand to grow by ~7% in FY19 vs. 15% growth seen in FY18.
- Effective from today, North cement producers have raised their prices by ~Rs10/bag. After this increase, cement prices in North region are hovering at Rs590/bag. However, price sustainability going forward will be driven by cement consumption outlook.
- Our top picks in the sector are Lucky Cement (LUCK), DG Khan Cement (DGKC) and Maple Leaf Cement (MLCF).

<b>Cement Industry: Volumetric Sales numbers</b>					
<b>(mn tons)</b>	<b>FY15A</b>	<b>FY16A</b>	<b>FY17A</b>	<b>FY18A</b>	<b>FY19E</b>
Local sales	28.3	33.0	35.7	41.1	44.0
Growth	8.2%	16.6%	8.1%	15%	7.0%
Export sales	7.2	5.9	4.7	4.7	5.0
Growth	-11.7%	-18.2%	-20.6%	1.8%	5.0%
Total sales	35.5	38.9	40.3	45.9	49.0
Growth	3.5%	9.6%	3.7%	13.8%	6.8%
<b>Industry Utilization</b>	<b>78%</b>	<b>85%</b>	<b>87%</b>	<b>95%</b>	<b>88%</b>

Source: APCMA, Topline Research

### Cement: Local Dispatches in 2018YTD



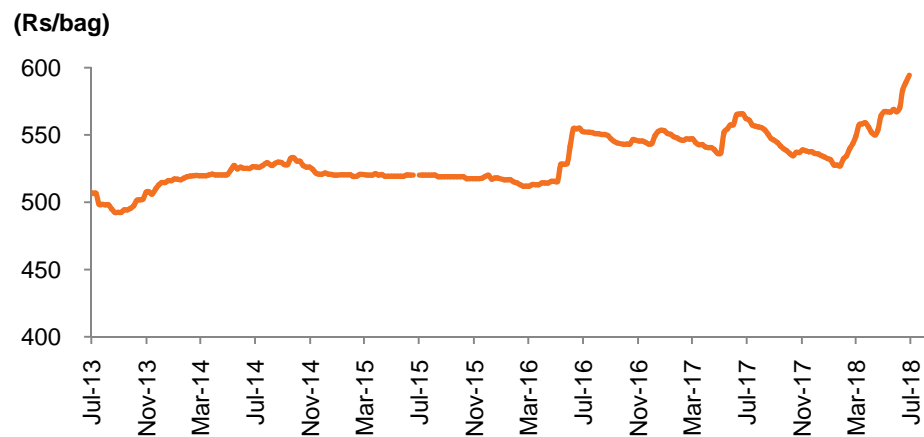
Source: APCMA, Topline Research

### Cement: Export Dispatches in 2018YTD



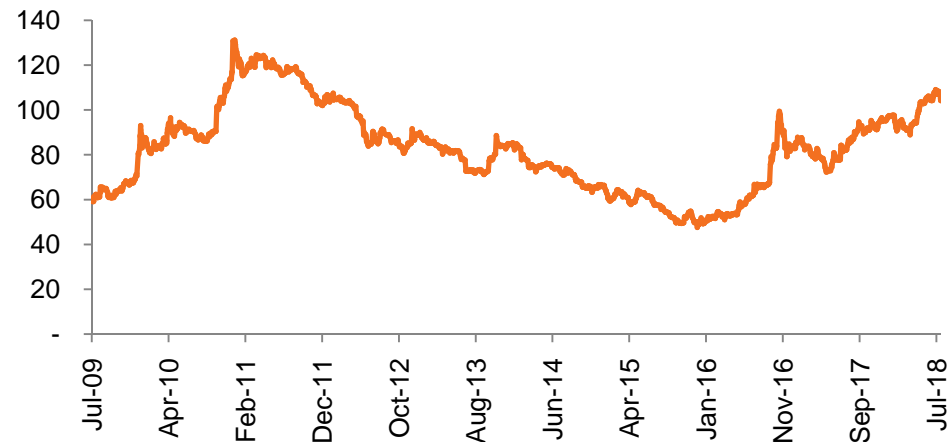
Source: APCMA, Topline Research

### Cement: Average Cement Price



Source: Pakistan Bureau of Statistics

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



Source: Bloomberg

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Neutral	Stock will perform in line with the average total return of stocks in universe
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