



Pakistan Cement Sales up 22% YoY

Record dispatches of 3.8mn tons in a month of January

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Local sales post impressive growth of over 20%

Cement Sales: Jan 2018				
	Jan-18E	Jan-17A	YoY	MoM
(in 000 tons)				
Local				
North	2,718	2,130	28%	-4%
South	711	591	20%	21%
(N+S)	3,429	2,722	26%	1%
Export				
North	245	252	-3%	6%
South	97	124	-22%	0%
(N+S)	342	376	-9%	4%
Total	3,771	3,098	22%	1%

Source: APCMA, Topline Research

Cement Sales: 7MFY18			
	7MFY18E	7MFY17A	YoY
(in 000 tons)			
Local			
North	18,989	16,060	18%
South	4,059	3,556	14%
(N+S)	23,048	19,616	17%
Exports			
North	2,002	2,075	-4%
South	742	1,212	-39%
(N+S)	2,744	3,287	-17%
Total	25,792	22,904	13%

Source: APCMA, Topline Research

- Pakistan cement industry is expected to post an impressive 22% YoY growth in sales during Jan 2018, mainly supported by stellar local demand, as per our channel checks. On monthly basis, sales are likely to remain flat.
- Local dispatches are expected to post robust growth of 26% on yearly basis, beating avg. monthly growth of 19% in last 6 months. We attribute this to higher demand coming from ongoing development projects and housing schemes. North sales (80% of total local demand) will likely grow by 28% YoY to around 2.7mn tons, in-line with last 6-month average demand. However, demand from South is expected to settle at 711k tons (+20% YoY), better than last 6-month average of 558k tons.
- Decline in exports in Jan 2018 might show some restraint (-7% in Jan 2018 vs. avg. -17% in preceding 6 months) due to additional export from LUCK's new capacity of 1.3mn tons/annum in South region (clinker production commenced on Dec 12, 2017) and currency devaluation.

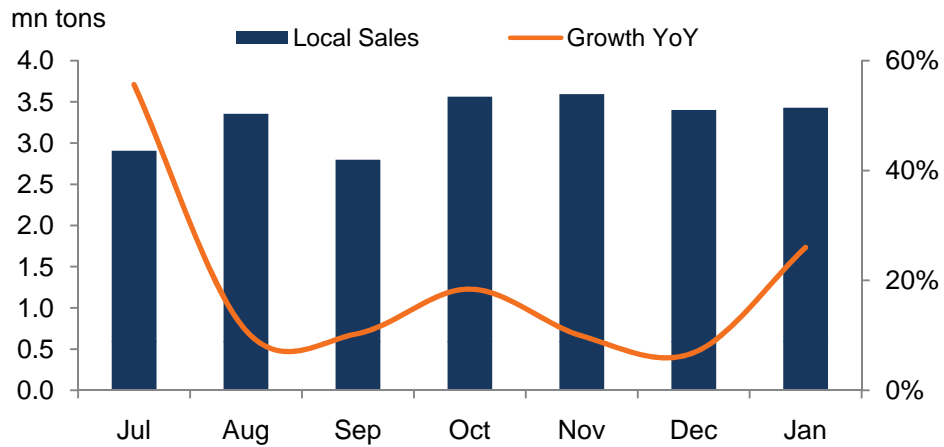
Sector Outlook

- During 7MFY18, 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 7MFY18.
- **Update on Katas Raj Temple:** Punjab Government's environmental survey report has indentified four zones 'A,B,C,D' with zone 'B' being highlighted as the negative territory in which no cement producer will be allowed to expand. As per channel checks, Bestway Cement (BWCL) 1&2, DG Khan Cement (DGKC) Chakwal line and Dandot cement (DNCC) fall in zone 'B' and are close to critical 'Katas Raj Temple'. These companies will also have to build a water pipeline (most likely from 'Jhelum River', located 20-25km South from their existing site) to ensure uninterrupted water supply to their existing plants and avoid environmental concerns.
- 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%
Industry Utilization	75%	78%	85%	87%	91%

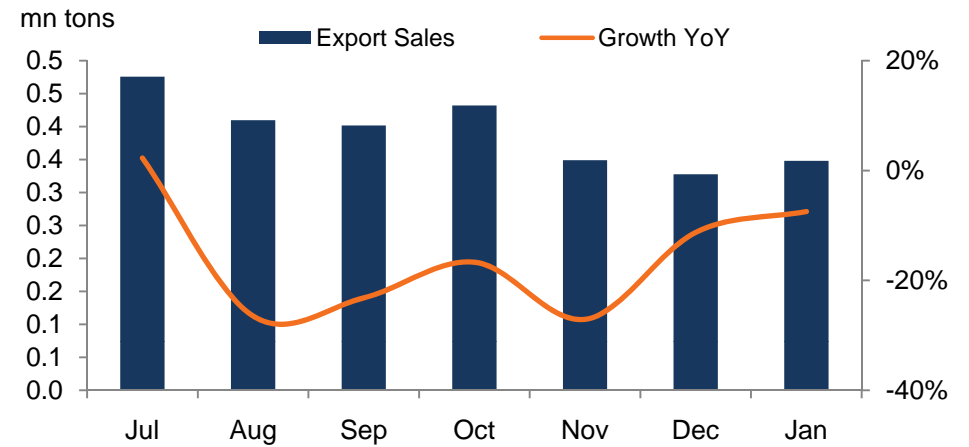
Source: APCMA, Topline Research

Cement: 7MFY18 Local Dispatches



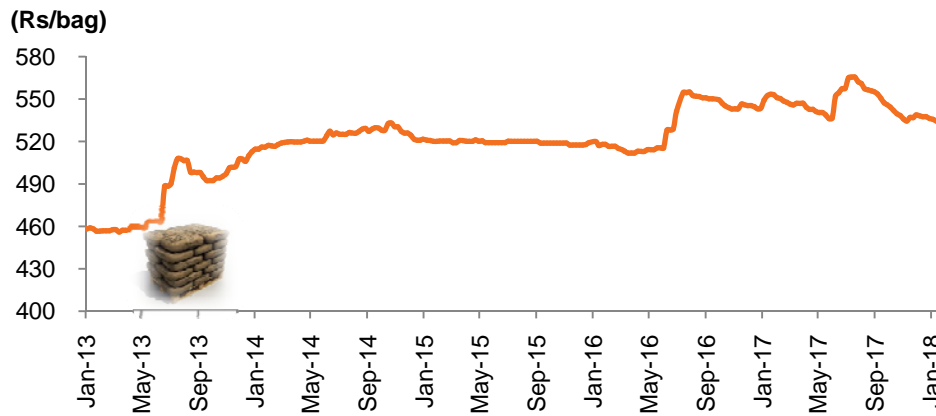
Source: APCMA, Topline Research

Cement: 7MFY18 Export Dispatches



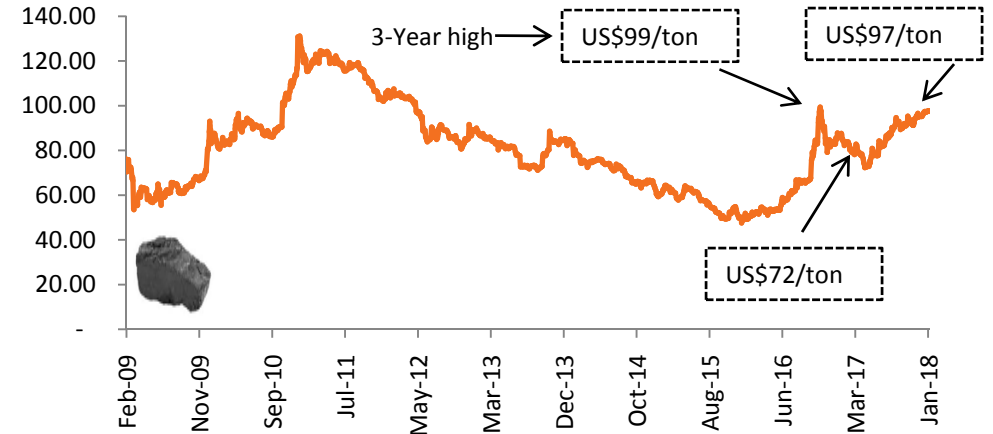
Source: APCMA, Topline Research

Cement: Average Cement Price



Source: PBS

Cement: Coal Prices (Richards Bay Index)



Source: Bloomberg

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