



Pakistan cement sales +9% YoY in Sep 2018
Local sales flat YoY, Export sales +70% YoY
1QFY YoY decline in local sales after nearly 7 years

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Nabeel Khursheed^{AC}
 nabeel@topline.com.pk
 Tel: +9221-35303330
Topline Securities, Pakistan

Monthly exports to cross 600k for the first time in 3.4 years



- Pakistan cement industry to post around 3.4-3.5mn tons of dispatches in Sep 2018, translating into YoY growth of around 9%, as per our channel checks. This will likely be supported by stellar performance of exports. However, on monthly basis, we expect dispatches to remain almost flat.
- We estimate high margin local dispatches to settle almost flat YoY at 2.7-2.9mn tons during the outgoing month on the back of slowdown in domestic consumption as well as effect of external factors like religious holidays (Muharram) and downpour in some parts in North. To note, both Eid-ul Azha and Muharram fell in Sep last year.
- Monthly exports, for the first time in 3.4 years, are likely to cross 600k tons YoY in a month mostly led by higher clinker sales through sea (sea exports are likely to register 3.7x YoY increase in Sep 2018), as per our channel checks. Closure of some clinker production lines in China due to stricter environmental regulation has led to increase in clinker demand in the region and therefore, exports at these levels are not sustainable, we believe.

Cement Sales: Sep 2018

000 tons	Sep-18E	Sep-17A	YoY	MoM
Local				
North	2,205	2,367	-7%	-5%
South	586	431	36%	3%
(N+S)	2,792	2,798	0%	-4%
Export				
North	319	304	5%	23%
South	365	98	273%	23%
(N+S)	684	402	70%	23%
Total	3,476	3,200	9%	1%

Source: APCMA, Topline Research

Cement Sales: FY19

000 tons	1QFY19E	1QFY18A	YoY
Local			
North	6,906	7,521	-8%
South	1,815	1,539	18%
(N+S)	8,722	9,060	-4%
Exports			
North	762	935	-19%
South	999	352	183%
(N+S)	1,760	1,287	37%
Total	10,482	10,347	1%

Source: APCMA, Topline Research

Sector Outlook

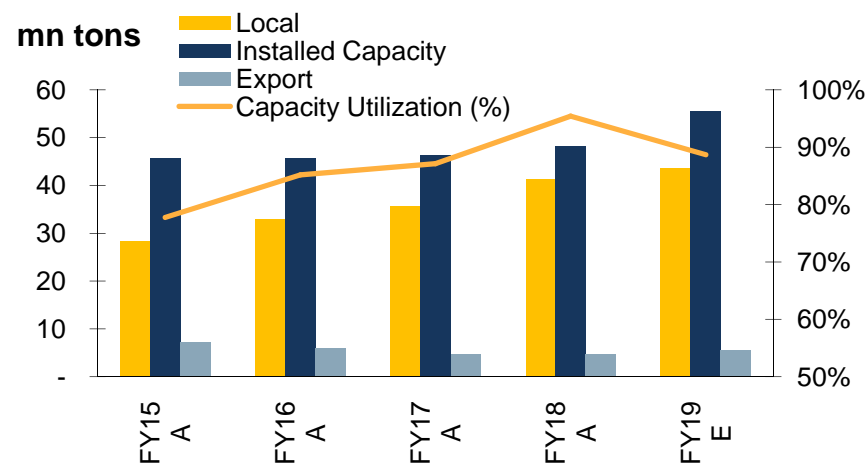
- Cement dispatches in 1QFY19 are expected to see a marginal growth YoY vs. 15% YoY growth seen in 1QFY18 mainly because of lower domestic off-take as we anticipate local dispatches to fall 4% YoY, a decline in 1QFY nearly after 7 years.
- While increase in North cement prices by Rs40-80/bag are doing rounds, we highlight here that the increase was more of a squeeze in discounts by the producers as prices were previously raised to Rs570-590/bag by the end of Jul 2018 which later resorted to Rs520-550/bag due to slow down in demand. This has now been increased to Rs570-580/bag.
- As per Pakistan Bureau of Statistics (PBS), retail cement prices in North were at average Rs595/bag at the end of Jul 2018 which fell to average Rs556/bag as of Sep 2018 with Rs530/bag recorded in Rawalpindi.
- We remain cautious on the sector outlook with select picks like LUCK and DGKC while underscores the significance of local cement consumption that will drive margins going forward as increase in low margin exports may not substitute fall in local demand.

Cement Industry: Volumetric Sales numbers

(mn tons)	FY15A	FY16A	FY17A	FY18A	FY19E
Local	28.3	33.0	35.7	41.1	43.6
Growth	8.2%	16.6%	8.1%	15%	6.0%
Export	7.2	5.9	4.7	4.7	5.5
Growth	-11.7%	-18.2%	-20.6%	1.8%	16.0%
Total	35.5	38.9	40.3	45.9	49.1
Growth	3.5%	9.6%	3.7%	13.8%	7.0%
Utilization	78%	85%	87%	95%	89%

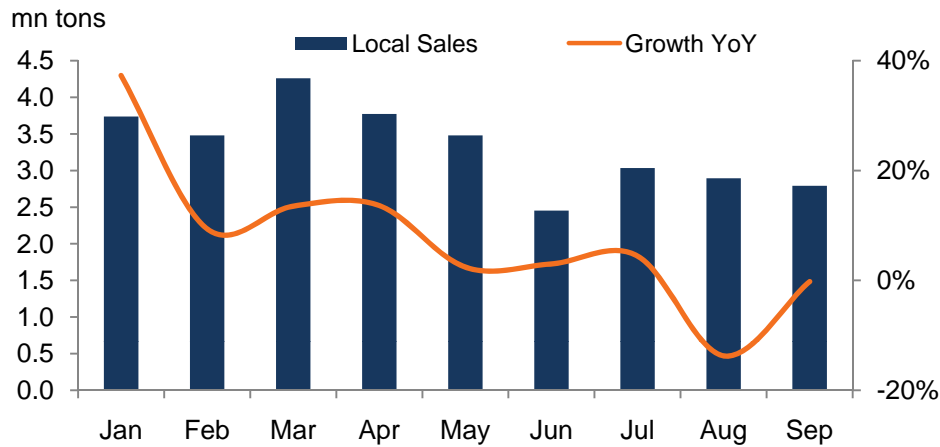
Source: APCMA, Topline Research

Cement: Local Dispatches in 2018YTD



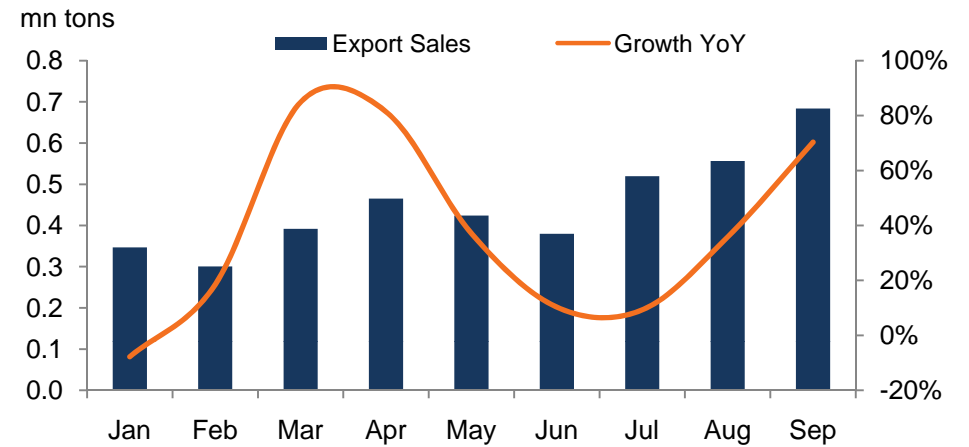
Source: APCMA, Topline Research

Cement: Local Dispatches in 2018YTD



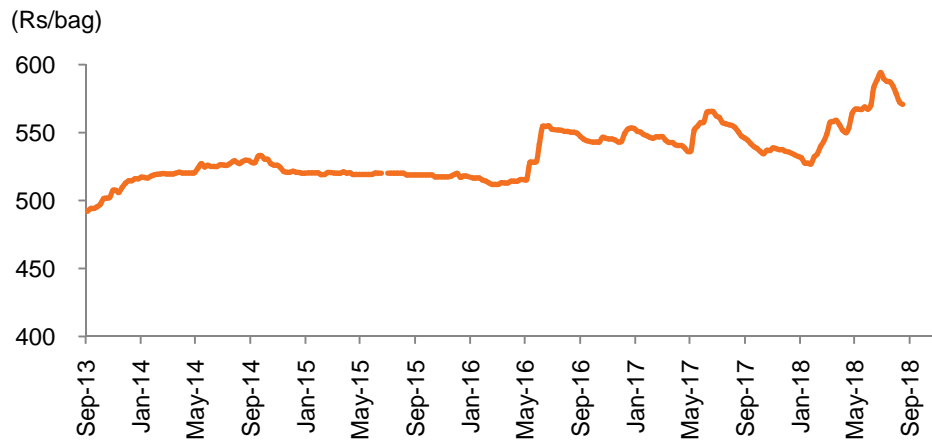
Source: APCMA, Topline Research

Cement: Export Dispatches in 2018YTD



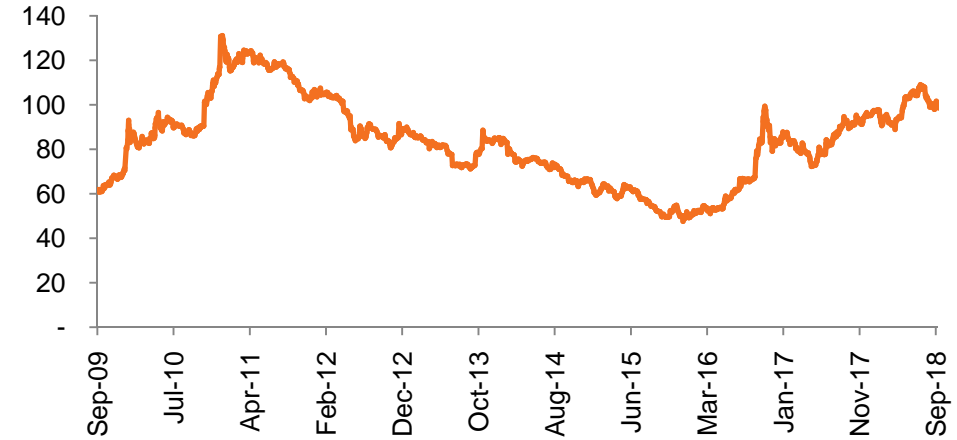
Source: APCMA, Topline Research

Cement: Average Cement Price



Source: Pakistan Bureau of Statistics

Cement: Coal Prices (Richards Bay Index)



Source: Bloomberg

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