



## Pakistan cement sales -7% YoY in Aug 2018

Local sales -11% YoY, Export sales +26% 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

Nabeel Khursheed<sup>AC</sup>  
nabeel@topline.com.pk  
Tel: +9221-35303330  
Topline Securities, Pakistan

# First YoY decline in cement sales in over a year

Cement Sales: Aug 2018				
	Aug-18E	Aug-17A	YoY	MoM
(in 000 tons)				
<b>Local</b>				
North	2,350	2,731	-14%	-1%
South	625	625	0%	-5%
(N+S)	2,975	3,356	-11%	-2%
<b>Export</b>				
North	241	299	-19%	31%
South	275	111	149%	-18%
(N+S)	516	410	26%	-1%
<b>Total</b>	<b>3,491</b>	<b>3,766</b>	<b>-7%</b>	<b>-2%</b>

Source: APCMA, Topline Research

Cement Sales: FY19			
	2MFY19E	2MFY18A	YoY
(in 000 tons)			
<b>Local</b>			
North	4,725	5,154	-8%
South	1,285	1,108	16%
(N+S)	6,010	6,262	-4%
<b>Exports</b>			
North	424	631	-33%
South	611	254	140%
(N+S)	1,036	885	17%
<b>Total</b>	<b>7,046</b>	<b>7,148</b>	<b>-1%</b>

Source: APCMA, Topline Research

- Pakistan cement industry is likely to register its first YoY drop in monthly sales during Aug 2018 in almost a year, as per our channel checks. Decline will likely come from distressed local sales. However, overall cement sales on monthly basis will likely remain the same at around 3.5mn tons.
- Due to extended number of Eid holidays, we expect local cement consumption to post over 10% YoY decline while consumption on monthly basis is anticipated to remain same at around 3mn tons.
- With additional capacities in South region (~2.3mn tons per annum) and currency devaluation, sea exports are expected to grow by 2.5x YoY. However, dispatches to Afghanistan are likely to contract by 28% YoY while sales to Indian market expected to post marginal growth.

# Sector Outlook

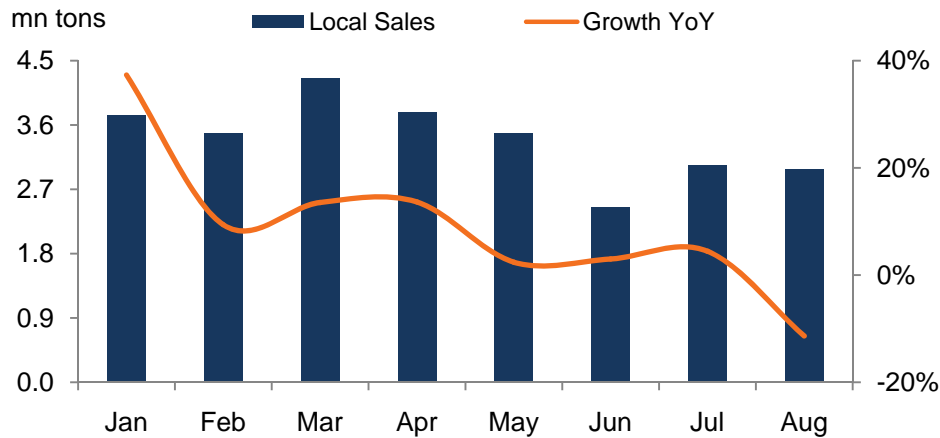
- External account situation of the country continue to post challenge to the new Government as Current Account Deficit (CAD) in Jul 2018 clocked-in at a whopping US\$2.2bn, higher than street consensus.
- We believe that the required measures to curtail the external account i.e further currency devaluation and monetary tightening among others are expected to curtail overall aggregate demand (we expect GDP growth to be 4.7% in FY19 compared to 5.8% in FY18), which will affect local cement consumption in FY19.
- While cement prices have remained stable so far, local cement consumption going forward will dictate pricing.
- Our top picks in the sector are Lucky Cement (LUCK) and Maple Leaf Cement (MLCF).

## Cement Industry: Volumetric Sales numbers

(mn tons)	FY15A	FY16A	FY17A	FY18A	FY19E
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



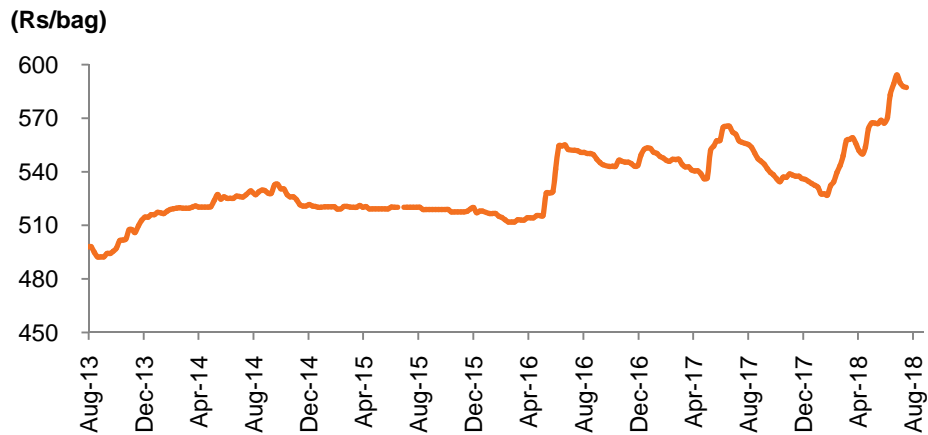
Source: APCMA, Topline Research

### 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

# Analyst Certification and Disclosures

The research analyst(s), denoted by an “AC” on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months.

Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, we currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company.

## Rating System

Topline Securities employs three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

Ratings are updated daily to account for the latest developments in the economy/sector/company, changes in stock prices and changes in analyst’s assumptions or a combination of any of these factors.

## Valuation Methodology

To arrive at our 12-months Target Price, Topline Securities uses different valuation methods which include: 1). Present value methodology, 2). Multiplier methodology, and 3). Asset-based methodology.

## Research Dissemination Policy

Topline Securities endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time.

# Disclaimer

This report has been prepared by Topline Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Topline Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Topline Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Topline Research Department and do not necessarily reflect those of Topline or its directors. Topline as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report.

**All rights reserved by Topline Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Topline Securities. Action could be taken for unauthorized reproduction, distribution or publication.**