

Sector Update

Exhibit: Monthly Cement Sales

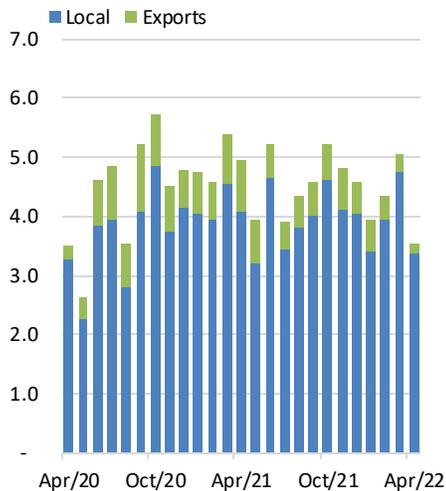
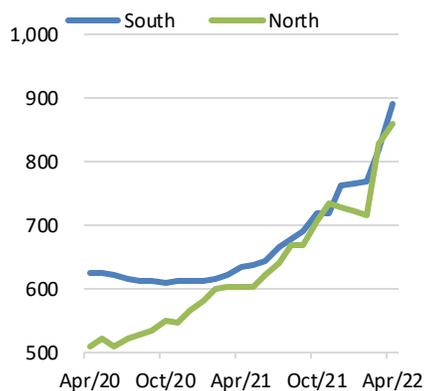


Exhibit: Monthly Cement Prices region wise



Analyst

Ajay Kumar

Ajay.Kumar@igi.com.pk

Tel: +92 21 111 234 234 Ext: 816

Abdullah Farhan

Abdullah.Farhan@igi.com.pk

Tel: +92 21 111 234 234 Ext: 912

Monthly Sales

Apr-22 Cement sales record a 29%y decline to 3.53mn/tons

- For April 2022, the latest cement sales as released by All Pakistan Cement Manufacturers Association (APCMA); are down by 29%y to 3.53 mn/tons.
- Cement sales locally reported a decrease of 17%y to clock in at 3.37mn/tons. We believe this is mainly due to slowdown in construction activities owing to 'Ramadan'.
- Looking ahead on sales; we expect further slowdown due to weather predictions. Whereas on pricing front, international coal prices have shown some mercy, showing signs of slowdown. So far, mix usage of Afghan coal, pet coke has to an extent absorbed impact of high coal, we suggest domestic players have additional room to further increase cement retail price.

Monthly Cement sales record a 29%y decline to 3.53mn/tons

For April 2022, the latest provisional cement sales as released by All Pakistan Cement Manufacturers Association (APCMA); are down by 29%y to 3.53mn/tons. Similarly, on a monthly, basis sales reported a decrease of 30%y. This takes 10mFy22 total cement dispatches to 44.3mn/tons compared to 48.2mn/tons last year same period; depicting a decline of 8%y.

Exhibit: Monthly Cement Dispatches

In k.Tons	Apr/22	m/m	y/y	10mFy22	10mFy21	y/y
North	↓ 2,807	-27%	-17%	32,741	34,008	-4%
South	↓ 568	-37%	-17%	6,802	6,242	9%
Local	↓ 3,375	-29%	-17%	39,537	40,250	-2%
North	↓ 61	-24%	-76%	740	2,161	-66%
South	↓ 95	-56%	-85%	4,058	5,864	-31%
Export	↓ 156	-47%	-82%	4,798	8,025	-40%
North	↓ 2,868	-27%	-21%	33,481	36,170	-7%
South	↓ 663	-40%	-50%	10,860	12,105	-10%
Grand Total	↓ 3,530	-30%	-29%	44,336	48,275	-8%

Local dispatches down by 29%y to 3.4mn/tons

Cement sales locally reported a decrease of 29%y to clock in at 3.37mn/tons. We believe this is mainly due to slowdown in construction activities owing to 'Ramadan'. On a yearly basis sales are down by 17%y. On 10mFy22 total local sales now stand 39.5mn/tons which is roughly the same as last year same period. Region wise, sales from north during the period stood at 2.9mn/tons down by 21%y, whereas south based cement manufacturers suffered massive decline of 50%y arriving at 663k/tons.

Exports sales took a hit on rising freight and input costs

Export dispatches during the period reported a major drop of 82%y (or 47%m) to 0.16mn/tons compared to 0.88mn/tons last year. This brings 10mFy22 total exports to 4.7mn/tons compared to last year 8.02mn/tons (down by 40%y). Region wise, north exports suffered a 76%y drop (24%m) to 0.06mn/tons, whereas south exports declined by 85%y (down 56%m) to 0.095mn/tons. We believe this is likely owing to a) north border closure, b) rising freight and input costs (coal prices), and c) lower price differential international market.

Exhibit: Monthly Cement Dispatches							
in mn. Tons		Apr/22	m/m	y/y	10mFy22	10mFy21	y/y
LUCK	↓	590	-29%	-23%	7,555	8,409	-10%
DGKC	↓	391	-35%	-46%	5,732	6,200	-8%
MLCF	↓	343	-18%	-17%	3,749	4,081	-8%
CHCC	↓	226	-30%	-30%	2,880	3,279	-12%
KOHC	↓	201	-47%	-31%	2,917	3,145	-7%
FCCL	↓	238	-21%	-19%	2,712	2,878	-6%
PIOC	↓	236	-24%	-24%	2,756	2,823	-2%
ACPL	↓	100	-51%	-63%	1,947	2,801	-31%

Source: APMCA, Newsprint, *Provisional numbers

Outlook

Looking ahead; we may expect a slowdown in the month of May-22, due to expected rainfall. Whereas, on pricing front, international coal prices have shown some mercy, but still remain on the higher side. As of latest 3 months forward Richard bay coal contract currently trade close to US\$ 288/ton (Mar-22, peak prices reached US\$ 315/ton). On comparative basis, domestic manufacturers have increased average cement prices by 35% on average with North selling a PKR 887/bag (up by 40%y) and south retailing at PKR 862/bag (up by +42%y). So far, mix usage of Afghan coal, pet coke has to an extent absorbed impact of high coal, we suggest domestic players have additional room to further increase cement retail price. In the medium term higher rates, upcoming budget, and higher cement prices are most likely to dampen sales growth going forward.

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Contact Details

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Zaid Farook	Branch Manager (Stock Exchange) Karachi	Tel: (+92-21) 32462651-52	zaid.farook@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk
Ajay Kumar	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	ajay.kumar@igi.com.pk
Huzaiifa Yaseen	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	huzaiifa.yaseen@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited
Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780

Lahore Office

Shop # G-009, Ground Floor,
Packages Mall
Tel: (+92-42) 38303560-69
Fax: (+92-42) 38303559

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
Building, 2- Liaquat Road
Tel: (+92-41) 2540843-45
Fax: (+92-41) 2540815

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road
Tel: (+92-68) 5871652-3
Fax: (+92-68) 5871651

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-61) 4512003, 4571183