

Day Break

Wednesday, 04 March 2020

Sector Update

Exhibit: Overall dispatches have improved compared to last year.

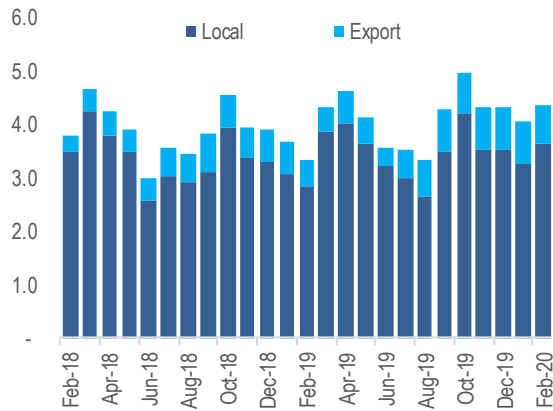
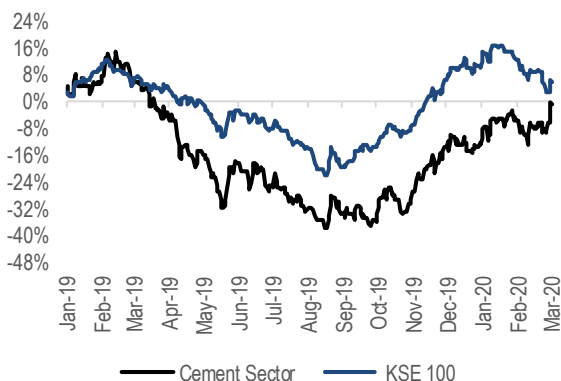


Exhibit: Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Cement

Dispatches up by +30%YoY numbers; North shines as development projects anchor growth

- ✓ As per the provisional numbers, cement dispatches for the month of Feb-20 have improved by a substantial +30% YoY to 4.37mn tons as against the similar period of the preceding year
- ✓ On a cumulative basis, this brings 8MFY20 total dispatches count to 33.20mn tons as against 30.24mn tons recorded in the same period last year, marking a growth of 10% YoY
- ✓ Region wise, North has posted a robust +43% YoY growth in Feb-20 local dispatches depicting signs of improved government led development outlay whereas local dispatches from South have witnessed a trim of 8% YoY
- ✓ Company wise, MLCF leads the chart with highest growth witnessed during Feb-20 with a mammoth +103% rise in dispatches, followed with CHCC by +60% YoY

Feb-20 dispatches up by +30%YoY amid improved economic activity

As per the provisional numbers, cement dispatches for the month of Feb-20 have improved by a substantial +30% YoY to 4.37mn tons as against the similar period of the preceding year, whereas posted a decent recovery of 7% MoM on a sequential basis. On a cumulative basis, this brings 8MFY20 total dispatches count to 33.20mn tons as against 30.24mn tons recorded in the same period last year, marking a growth of 10% YoY.

Exhibit: Cement Dispatches

('000) tons	Feb-20	Feb-19	Y/Y	M/M	8MFY20	8MFY19	Y/Y
North	3.11	2.18	43%	16%	23.20	20.13	15%
South	0.54	0.67	-20%	-8%	4.09	5.46	-25%
Local	3.65	2.84	28%	12%	27.28	25.59	7%
North	0.20	0.16	20%	10%	1.73	1.84	-6%
South	0.52	0.34	52%	-17%	4.17	2.81	48%
Export	0.72	0.51	42%	-11%	5.91	4.65	27%
TOTAL	4.37	3.35	30%	7%	33.19	30.24	10%

Source: APCMA, IGI Research

North dispatches bounce back amid higher development activity.

Region wise, North has posted a robust +43% YoY growth in Feb-20 local dispatches depicting signs of improving economic activity largely on the back of higher government backed projects being run therein as evident from higher PSDP releases, whereas growth in exports witnessed a steady growth of 20% (absolute numbers pretty minimal) driven by greater penetration in the Afghan market mainly from CHCC and BWCL. The substantial growth figure of +43% YoY is also subject to base effect anomalies as well partially due to Feb-19 North dispatches were the lowest in recent times

South local trims down, though exports keep overall position steady.

However, local dispatches from South have witnessed a trim of 8% YoY mainly on account of slowdown in construction activity therein while exports

from South have jumped up by a colossal +52YoY, largely in a bid to maintain high utilization levels.

Additional capacities keep MLCF and CHCC growth high

Company wise, MLCF leads the chart with highest growth witnessed during Feb-20 with a mammoth +103% rise in dispatches, followed with CHCC by +60%YoY, courtesy availability of excess capacities in the current month as against the comparative month. Export wise, LUCK retained its top spot followed with ACPL based on their proximity to sea port and international brand recognition.

Exhibit: Company wise Cement Dispatches								
('000) tons	Feb-20	Jan-20	M/M	Feb-19	Y/Y	8MFY20	8MFY19	Y/Y
LUCK	750	645	16%	609	23%	5,053	5,288	-4%
Local	523	461	14%	435	20%	3,538	3,906	-9%
Exports	227	185	23%	174	31%	1,515	1,382	10%
DGKC	571	574	0%	489	17%	5,065	3,996	27%
Local	500	428	17%	410	22%	3,777	3,302	14%
Exports	70	145	-52%	78	-10%	1,288	694	86%
FCCL	281	230	22%	189	49%	2,151	1,914	12%
Local	246	198	24%	183	34%	1,891	1,761	7%
Exports	35	32	11%	6	495%	260	153	70%
CHCC	298	253	18%	187	60%	2,334	1,426	64%
Local	258	211	22%	169	52%	1,899	1,214	56%
Exports	40	42	-4%	17	136%	435	212	106%
KOHC	221	163	36%	153	45%	1,525	1,561	-2%
Local	205	159	28%	143	43%	1,442	1,483	-3%
Exports	17	3	410%	10	71%	83	78	6%
ACPL	300	287	4%	267	12%	2,248	2,237	0%
Local	118	126	-7%	143	-18%	912	1,300	-30%
Exports	182	161	13%	123	48%	1,336	937	42%
MLCF	432	438	-1%	213	103%	3,736	2,086	79%
Local	415	423	-2%	178	134%	3,573	1,848	93%
Exports	16	15	12%	35	-54%	162	238	-32%
BWCL	729	577	26%	541	35%	4,954	5,217	-5%
Local	704	548	28%	505	39%	4,678	4,646	1%
Exports	26	29	-11%	36	-28%	276	570	-52%
PIOC	121	107	13%	97	24%	993	931	7%
Local	120	106	13%	90	33%	982	880	12%
Exports	1	1	44%	7	-87%	11	52	-79%

Source: APCMA, Market Source, IGI Research

Outlook capacities keep MLCF and CHCC growth high

Looking ahead, we expect the overall demand to remain steady as compared to the previous period. However, concerns over cement sales prices exist which is subject to intense competition in an already high input cost environment thus keeping margins in check.

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