

## Cements

### Monthly Sales

## Mar-22 Cement sales record a 6%y decline to 5mn/tons

- For March 2022, the latest cement sales as released by All Pakistan Cement Manufacturers Association (APCMA); are down by -6.3%y to 5.04mn/tons.
- Cement sales locally reported an increase of 20%y to clock in at 4.7mn/tons. We believe this is mainly due to regaining of construction activities across the nation and outgoing weather conditions in corresponding month.
- Looking ahead on sales; we expect some slowdown due to 'Ramadan'. Whereas on pricing front, international coal prices continue to rise unabated, showing no 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 6%y decline to 5mn/tons

For March 2022, the latest cement sales as released by All Pakistan Cement Manufacturers Association (APCMA); are down by -6.3%y to 5.04mn/tons. However, on a monthly, basis sales are up by +16%y. This takes 9mFy22 total cement dispatches to 40.8mn/tons compared to 43.3mn/tons last year same period; depicting a decline of 6%y.

Exhibit: Monthly Cement Dispatches							
in mn. Tons		Mar/22	m/m	y/y	9mFy22	9mFy21	y/y
North	↑	3,850	20%	1%	29,935	30,631	-2%
South	↑	898	21%	19%	6,234	5,553	12%
<b>Local</b>	↑	<b>4,740</b>	<b>20%</b>	<b>4%</b>	<b>36,155</b>	<b>36,184</b>	<b>0%</b>
North	↑	81	97%	-71%	679	1,911	-64%
South	↓	215	-41%	-60%	3,964	5,237	-24%
<b>Export</b>	↓	<b>295</b>	<b>-27%</b>	<b>-64%</b>	<b>4,643</b>	<b>7,148</b>	<b>-35%</b>
North	↑	3,931	21%	-4%	30,614	32,542	-6%
South	↑	1,112	1%	-14%	10,198	10,790	-5%
<b>Grand Total</b>	↑	<b>5,035</b>	<b>16%</b>	<b>-6%</b>	<b>40,798</b>	<b>43,332</b>	<b>-6%</b>

### Local dispatches up by +20%y to 4.7mn/tons

Cement sales locally reported an increase of 20%y to clock in at 4.7mn/tons. We believe this is mainly due to regaining of construction activities across the nation and outgoing weather conditions in corresponding month. On a yearly basis however, sales are up by +4%y. On 9mFy22 total local sales now stand 36.1mn/tons which is roughly the same as last year same period. Region wise, sales from north during the period was stood at 3.8mn/tons up merely 1%y, whereas south based cement mills reported an impressive jump of 19%y arriving at 0.9mn/tons.

#### Analyst

Ajay Kumar

[Ajay.Kumar@igi.com.pk](mailto:Ajay.Kumar@igi.com.pk)

Tel: +92 21 111 234 234 Ext: 816

Abdullah Farhan

[Abdullah.Farhan@igi.com.pk](mailto:Abdullah.Farhan@igi.com.pk)

Tel: +92 21 111 234 234 Ext: 912

### Exports sales took a hit on rising freight and input costs

Export dispatches during the period reported a major drop of 64%y (or 27%m) to 0.3mn/tons compared to 0.82mn/tons last year. This brings 9mFy22 total exports to 4.6mn/tons compared to last year 7.1mn/tons (down by 35%y). Region wise, north exports suffered a 71%y drop (up by 97%m) to 0.08mn/tons, whereas south exports declined by 60%y (down 41%m) to 0.2mn/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.

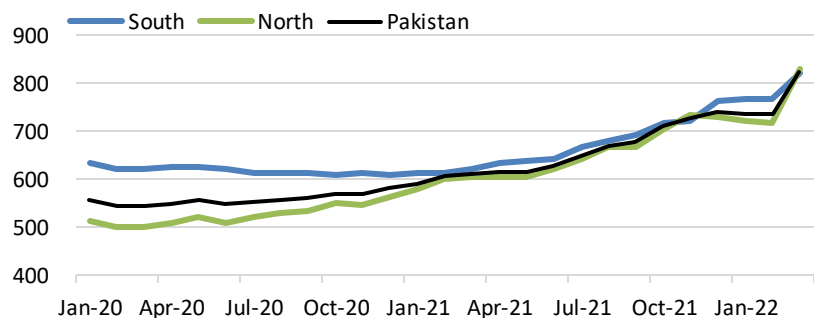
Exhibit: Monthly Cement Dispatches							
in mn. Tons		Mar/22	m/m	y/y	9mFy22	9mFy21	y/y
LUCK	↑	745	1%	-20%	6,880	7,638	-10%
DGKC	↓	650	-6%	4%	5,389	5,482	-2%
MLCF	↑	420	24%	-8%	3,406	3,668	-7%
CHCC	↑	330	18%	-15%	2,663	2,956	-10%
KOHC	↑	380	21%	7%	2,716	2,856	-5%
FCCL	↑	300	22%	2%	2,474	2,584	-4%
PIOC	↑	310	2x	-12%	2,420	2,512	-4%
ACPL	↑	175	25%	-44%	1,768	2,531	-30%

### Outlook

Looking ahead on sales; we expect some slowdown due to 'Ramadan'. Whereas on pricing front, international coal prices continue to rise unabated, showing no signs of slowdown. As of latest 3 months forward Richard bay coal contract currently trade close to US\$ 310/ton (up 4x from last year US\$ 85/ton). On comparative basis, domestic manufacturers have increased average cement prices by 35% on average with North selling a PKR 828/bag (up by 37%y) and south retailing at PKR 821/bag (up by +32%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.

### Exhibit: Historic Cement North and South Prices in Pakistan

Cement Retail prices have reached a historic high



Source: Bloomberg, PBS, Newsprint, IGI Research

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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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
Shaheel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shaheel.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
Huzaifa Yaseen	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	huzaifa.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](http://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

#### 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

#### 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

#### 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

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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