

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%m 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%m. This takes 9mFy22 total cement dispatches to 40.8mn/tons compared to 43.3mn/tons last year same period; depicting a decline of 6%.

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%
Local	4,740	20%	4%	36,155	36,184	0%
North	81	97%	-71%	679	1,911	-64%
South	215	-41%	-60%	3,964	5,237	-24%
Export	295	-27%	-64%	4,643	7,148	-35%
North	3,931	21%	-4%	30,614	32,542	-6%
South	1,112	1%	-14%	10,198	10,790	-5%
Grand Total	5,035	16%	-6%	40,798	43,332	-6%

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

Cement sales locally reported an increase of 20%m 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%. 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.

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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

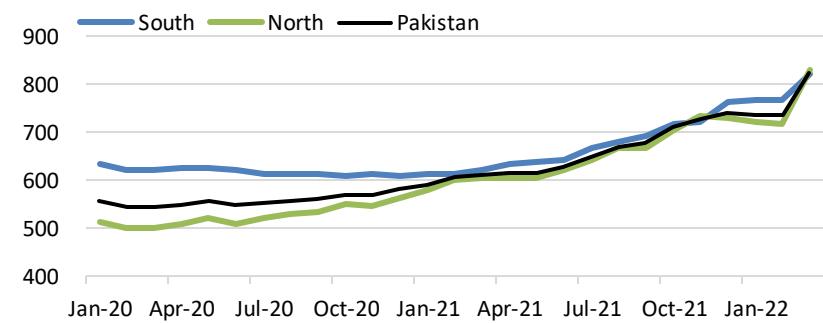
in mn. Tons	Mar/22	m/m	y/y	9mFy22	9mFy21	y/y
LUCK	↑ 745	1%	-20%	6,880	7,638	-10%
DGKC	↓ 650	-6%	4%	5,389	5,482	-2%
MLCF	↑ 420	24%	-8%	3,406	3,668	-7%
CHCC	↑ 330	18%	-15%	2,663	2,956	-10%
KOHC	↑ 380	21%	7%	2,716	2,856	-5%
FCCL	↑ 300	22%	2%	2,474	2,584	-4%
PIOC	↑ 310	2x	-12%	2,420	2,512	-4%
ACPL	↑ 175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