

Sector Update

Exhibit: Overall dispatches resume as lockdowns phase out

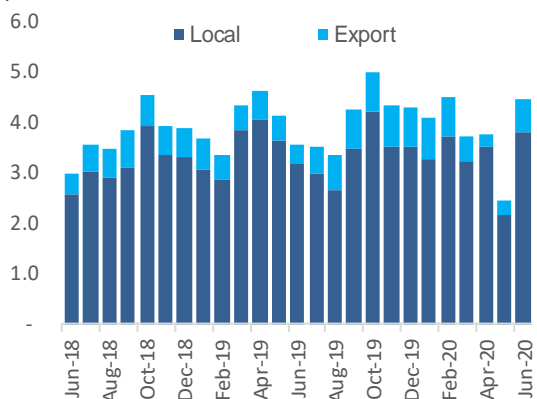
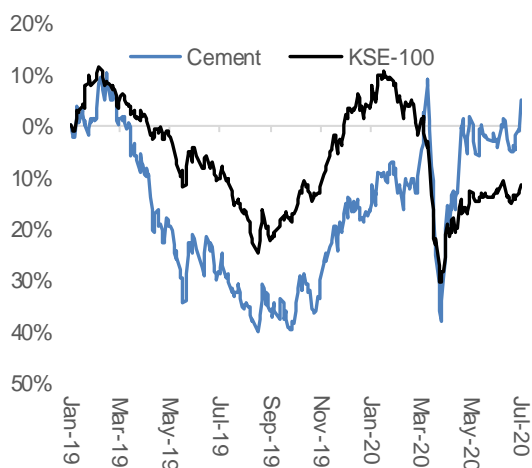


Exhibit: Relative performance to KSE-100



Source: Bloomberg, PSX 100 & IGI Research

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Cements

Resumed economic activity and pro-construction macros pick up Jun-20 dispatches by +26%YoY;

- ✓ As per the provisional numbers, cement dispatches for the month of Jun-20 have surged by a substantial +26% YoY to 4.47mn tons as against 3.56mn tons recorded in the similar period of the preceding year.
- ✓ This concludes FY20 total dispatches count to 47.72mn tons as against 46.87mn tons reported in FY19, marking a growth of 2% YoY.
- ✓ Local North dispatches have improved by a substantial +18% YoY. Though the number appears quite encouraging, we believe that June sales include a portion of sales belonging to May that were disrupted due to lockdown situation prevalent at that time.
- ✓ Relaxation of global lockdowns have led to substantial growth in export dispatches via sea which have risen by almost +2.8xYoY.
- ✓ The government of Pakistan, in line with global trend, has eased out Covid related restrictions in the country, however with number of cases being reported rising rapidly, substantial risk exists and may lead to reversion of lockdowns if things get out of hands.

FY20 concludes with 2% growth

Jun-20 dispatches surge by +26%YoY as economic activity picks up

As per provisional numbers, cement dispatches for the month of Jun-20 have surged by a substantial +26%YoY to 4.47mn tons as against 3.56mn tons recorded in the similar period of the preceding year. Alternatively, on a sequential basis, total offtakes registered a mammoth growth of 82%MoM. The increase in volumes is primarily driven by resumption in economic activity after the cessation of severe lockdown imposed till mid of May, positive impacts of pro-construction macros and greater export demand. On a cumulative basis, this brings FY20 total dispatches count to 47.72mn tons as against 46.87mn tons reported in FY19, marking a growth of 2% YoY.

Exhibit: Monthly Provisional Cement Dispatches						
('000) tons	Jun-20	Jun-19	Y/Y	FY20	FY19	Y/Y
North	3,360	2,752	22.1%	34,449	32,356	6.5%
South	441	455	-3.3%	5,622	7,977	-29.5%
Local	3,800	3,207	18%	40,071	40,333	-1%
North	34	121	-72%	1,885	2,437	-23%
South	639	226	183%	5,765	4,100	41%
Export	673	347	94%	7,651	6,536	17%
TOTAL	4,473	3,555	26%	47,722	46,869	2%

Source: APCMA, IGI Research

Exhibit: Company wise dispatches							
('000) tons	Jun-20	M/M	Jun-19	Y/Y	FY20	FY19	Y/Y
LUCK	777	90%	454	71%	7,541	7,674	-2%
Local	567	79%	405	40%	5,488	5,854	-6%
Exports	210	125%	49	328%	2,053	1,820	13%
DGKC	586	60%	522	12%	7,175	6,311	14%
Local	427	71%	454	-6%	5,354	5,334	0%
Exports	159	37%	68	133%	1,821	978	86%
FCCL	288	75%	182	59%	3,084	3,038	2%
Local	285	74%	169	69%	2,811	2,817	0%
Exports	3	345%	13	-80%	273	221	24%
CHCC	307	78%	221	39%	3,395	2,493	36%
Local	298	73%	176	69%	2,921	2,136	37%
Exports	8	N/A	45	-81%	474	358	32%
KOHC	251	146%	174	45%	2,338	2,359	-1%
Local	250	146%	163	54%	2,242	2,241	0%
Exports	1	N/A	11	-92%	96	119	-19%
ACPL	227	83%	137	65%	2,947	3,205	-8%
Local	95	71%	105	-9%	1,245	1,857	-33%
Exports	132	94%	33	305%	1,702	1,348	26%
MLCF	402	85%	482	-17%	5,167	3,673	41%
Local	399	85%	446	-10%	4,988	3,339	49%
Exports	2	128%	36	-93%	179	335	-47%
BWCL	709	74%	608	17%	7,275	8,054	-10%
Local	699	72%	591	18%	6,970	7,369	-5%
Exports	10	389%	16	-39%	305	685	-55%
PIOC	260	66%	118	120%	1,735	1,446	20%
Local	260	66%	117	122%	1,722	1,385	24%
Exports	0	N/A	1	-92%	12	61	-80%

Source: APCMA, Market Source, IGI Research

North dispatches increase as lockdown phases out and favourable macros jack up demand.

Region wise, local North dispatches have improved by a substantial +18% YoY. Though the number appears quite encouraging, we believe that June sales include a portion of sales belonging to May that were disrupted due to lockdown situation prevalent at that time. Further help has also been received from decreased interest rates that have picked up construction activities. However, the growth figure also includes the base anomaly of 2019 Eid Holidays that remained effective till the first ten days of June 2019. Simultaneously, strict border movements via the Afghan border amid threats of Covid-19 have trimmed off export dispatches from the North region, down by 72% YoY.

South local dispatches recoup after dismal performance; global easing in lockdowns presents substantial surge in exports

Similarly, local South dispatches have also resumed their sales performance falling by a mere 3% YoY after a dismal performance displayed in the last 3 months. This is largely driven by resumption of economic activity post relaxation of lockdown in Sindh. However, relaxation of global lockdowns has led to

substantial growth in export dispatches via sea which have risen by almost 2.8xYoY.

Additional capacities sail PIOC high as North players demonstrate robust performance

Company wise, PIOC stands the tallest with respect to growth % marking a rise of +120% YoY, courtesy availability of excess capacities in the current month as against the comparative month, followed by LUCK (+71% YoY) and ACPL (+65% YoY). Export wise, LUCK continued to retain its top exporter spot, having improved its export dispatches by almost +3.3xYoY whereas ACPL also improved its export dispatches by +3.1xYoY as compared to the comparative month of the previous year.

Outlook

Given governments all over the world have lifted lockdowns and softened restrictions to prop up economic activity despite the threat of Covid-19, the federal government of Pakistan has also followed the same. This will provide much breather to cement sales in the coming months. However, the daily Covid infected cases and number of deaths per million infected are rising drastically in Pakistan, especially post Eid festive holidays. This poses a substantial risk and could possibly lead to reversion of severe restrictions or unforeseen government measures if things get out of hand.

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