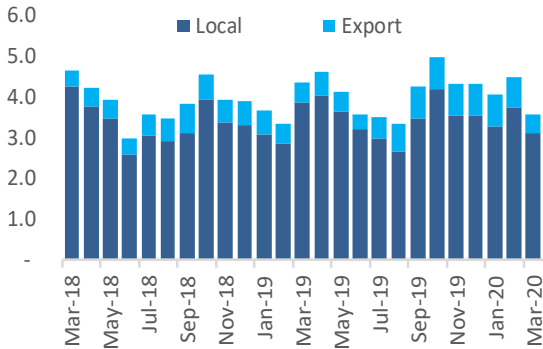


# Day Break

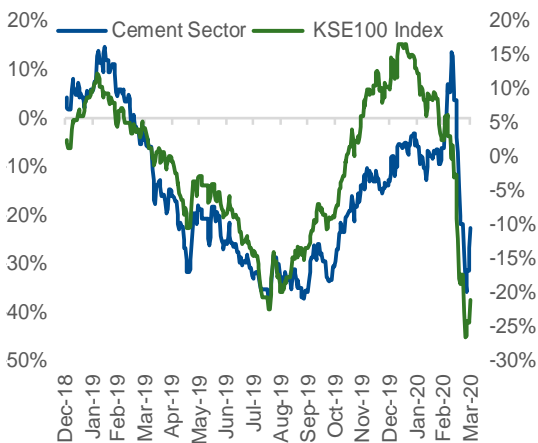
Friday, 03 April 2020

## Sector Update

**Exhibit:** Overall dispatches slide materially in Mar-2020



**Exhibit:** Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

### Analyst

**Muhammad Saad, ACCA**

muhammad.saad@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 816

## Cements

### Lockdowns & Restrictions amid COVID-19 threat drag dispatches down by 17%YoY

- ✓ As per the provisional numbers, cement dispatches for the month of Mar-20 have declined by a substantial 17% YoY to 3.58mn tons as against 4.34mn tons recorded in the similar period of the preceding year.
- ✓ On a cumulative basis, this brings 9MFY20 total dispatches count to 36.90mn tons as against 34.58mn tons reported in the same period last year, marking a growth of 7% YoY.
- ✓ South dispatches have fallen by a mammoth 43% YoY, largely due to complete lock down imposed in Sindh from the final week of the Month and further injury from influx of low cost dispatches from North.
- ✓ Conversely, local dispatches from North only fell by 13% YoY, which is ascribed to delayed restrictions imposed by provincial governments of Punjab and Khyber-Pakhtunkhwa in comparison to Sindh.
- ✓ Based on the emerging threats of COVID-19 in Pakistan and on the entire globe at large, we expect the overall cement demand to remain rather subdued in the coming months. As of late, the federal government has imposed restrictions in the entire country till 14-April-2020 making clear that the ongoing month will be quite poor with respect to dispatches.

### Mar-20 dispatches down by 17%YoY amid lockdowns and restrictions imposed in the wake of COVID-19

As per the provisional numbers, cement dispatches for the month of Mar-20 have declined by a substantial 17% YoY to 3.58mn tons as against 4.34mn tons recorded in the similar period of the preceding year. On a sequential basis, total offtakes dropped by a notable 20% MoM. The decline in volumes is primarily driven by self-restricted construction activities and lockdown situation imposed in certain parts of the country due to the spread of COVID-19 pandemic. On a cumulative basis, this brings 9MFY20 total dispatches count to 36.90mn tons as against 34.58mn tons reported in the same period last year, marking a growth of 7% YoY.

Exhibit: Cement Dispatches							
('000) tons	Mar-20	Mar-19	Y/Y	M/M	9MFY20	9MFY19	Y/Y
North	2,672	3,071	-13.0%	-16%	25,935	23,199	11.8%
South	448	787	-43.0%	-20%	4,559	6,249	-27.0%
<b>Local</b>	<b>3,121</b>	<b>3,858</b>	<b>-19%</b>	<b>-16%</b>	<b>30,494</b>	<b>29,448</b>	<b>4%</b>
North	113	113	0%	-44%	1,850	1,951	-5%
South	351	369	-5%	-37%	4,553	3,180	43%
<b>Export</b>	<b>464</b>	<b>482</b>	<b>-4%</b>	<b>-38%</b>	<b>6,403</b>	<b>5,132</b>	<b>25%</b>
<b>TOTAL</b>	<b>3,584</b>	<b>4,340</b>	<b>-17%</b>	<b>-20%</b>	<b>36,898</b>	<b>34,580</b>	<b>7%</b>

Source: APCMA, IGI Research

### South dispatches fell massively by 43% YoY amid total lockdown in Sindh

Region wise, South dispatches have fallen by a mammoth 43% YoY, largely due to complete lock down imposed in Sindh from the final week of the Month. It is pertinent to note that the Sindh government had been the initiator of lockdown policy in the entire country. Further injury to South dispatches continued to incur from influx of low cost dispatches from North which as per market sources have currently eaten away almost 25% of domestic market share of South players. The closure of plants has also resulted in decline of South export dispatches which have dropped by 5% YoY.

### North dispatches trim by 13% YoY amid delayed restrictions as compared to South

Conversely, local dispatches from North only fell by 13% YoY, which is ascribed to delayed restrictions imposed by provincial governments of Punjab and Khyber-Pakhtunkhwa in comparison to Sindh.

Exhibit: Company Wise Dispatches							
('000) tons	Mar-20	M/M	Mar-19	Y/Y	9MFY20	9MFY19	Y/Y
<b>LUCK</b>	<b>667</b>	<b>-11%</b>	<b>666</b>	<b>0%</b>	<b>5,739</b>	<b>5,954</b>	<b>-4%</b>
Local	487	-7%	517	-6%	4,065	4,423	-8%
Exports	180	-21%	149	21%	1,674	1,531	9%
<b>DGKC</b>	<b>469</b>	<b>-18%</b>	<b>595</b>	<b>-21%</b>	<b>5,501</b>	<b>4,591</b>	<b>20%</b>
Local	377	-25%	517	-27%	4,159	3,819	9%
Exports	92	31%	78	17%	1,342	772	74%
<b>FCCL</b>	<b>225</b>	<b>-20%</b>	<b>336</b>	<b>-33%</b>	<b>2,376</b>	<b>2,250</b>	<b>6%</b>
Local	211	-14%	319	-34%	2,115	2,080	2%
Exports	14	-61%	17	-19%	260	170	53%
<b>CHCC</b>	<b>270</b>	<b>-9%</b>	<b>266</b>	<b>1%</b>	<b>2,604</b>	<b>1,692</b>	<b>54%</b>
Local	246	-5%	251	-2%	2,145	1,465	46%
Exports	24	-39%	15	60%	460	227	103%
<b>KOHC</b>	<b>205</b>	<b>-7%</b>	<b>234</b>	<b>-12%</b>	<b>1,734</b>	<b>1,795</b>	<b>-3%</b>
Local	195	-4%	227	-14%	1,641	1,710	-4%
Exports	10	-42%	7	38%	92	85	8%
<b>ACPL</b>	<b>174</b>	<b>-42%</b>	<b>280</b>	<b>-38%</b>	<b>2,426</b>	<b>2,517</b>	<b>-4%</b>
Local	90	-23%	174	-48%	1,006	1,473	-32%
Exports	84	-54%	106	-21%	1,420	1,044	36%
<b>MLCF</b>	<b>359</b>	<b>-17%</b>	<b>312</b>	<b>15%</b>	<b>4,074</b>	<b>2,398</b>	<b>70%</b>
Local	349	-16%	307	14%	3,904	2,154	81%
Exports	10	-40%	6	79%	170	243	-30%
<b>BWCL</b>	<b>553</b>	<b>-24%</b>	<b>704</b>	<b>-22%</b>	<b>5,507</b>	<b>5,921</b>	<b>-7%</b>
Local	536	-24%	683	-22%	5,214	5,329	-2%
Exports	17	-35%	21	-20%	293	591	-50%
<b>PIOC</b>	<b>139</b>	<b>15%</b>	<b>133</b>	<b>4%</b>	<b>1,133</b>	<b>1,065</b>	<b>6%</b>
Local	138	15%	128	7%	1,121	1,008	11%
Exports	1	12%	5	-78%	12	57	-79%

Source: APCMA, Market Source, IGI Research

**Excess capacities protect MLCF, PIOC, CHCC and LUCK from major brunt**

Company wise MLCF, PIOC, CHCC and LUCK remained the only players in our coverage companies to have posted positive growth of 15/4/1/0% respectively in the hard hit month of Mar-20 largely owing to their additional capacities available in the period as against the similar period of the preceding year. LUCK continued to retain its top exporter spot, having improved its export dispatches by almost +21% YoY whereas ACPL lost its export dispatches by 21% YoY as compared to the comparative month of the previous year.

**Outlook**

Based on the emerging threats of COVID-19 in Pakistan and on the entire globe at large, we expect the overall cement demand to remain rather subdued in the coming months. As of late, the federal government has imposed restrictions in the entire country till 14-April-2020 making clear that the ongoing month will be quite poor with respect to dispatches. This will be followed with the Islamic month of Ramadan and Eid festive Holidays, which naturally pull off construction activities thus depicting subdued performance in the next quarter. Beyond that it is critical how Pakistan and the rest of the world combat this virus, since any adverse outcomes could materially hamper aggregate demand let alone cement.

## Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to subject company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

**Rating system:** IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is less than -10%, from its last closing price(s)

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited  
**Research Analyst(s)**  
 Research Identity Number: BRP009  
 © Copyright 2018 IGI Finex Securities Limited


**Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
<http://www.jamapunji.pk>

## Contact Details

### 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
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

### 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
Zaid Farook	Branch Manager – Karachi, PSX	Tel: (+92 21) 32462651-52	zaid.farook@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mahtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@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

### 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  
Website: www.igisecurities.com.pk

### 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

### Faisalabad Office

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

### Multan Office

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

### 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

### Rahim Yar Khan Office

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

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2019 IGI Finex Securities Limited


**Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
<http://www.jamapunji.pk>