

Day Break

Tuesday, 04 August 2020

Sector Update

Exhibit: Company wise dispatches

000' tons	Jul-20	Jun-20	MoM%	YoY%
KOHC	325	251	29%	2.1x
ACPL	271	227	19%	7%
DGKC	747	633	18%	64%
LUCK	879	777	13%	37%
CHCC	323	307	5%	32%
FCCL	302	288	5%	24%
PIOC	267	260	3%	2.9x
MLCF	413	402	3%	-2%

Exhibit: Overall dispatches have risen both in comparison to previous month and similar period of last year

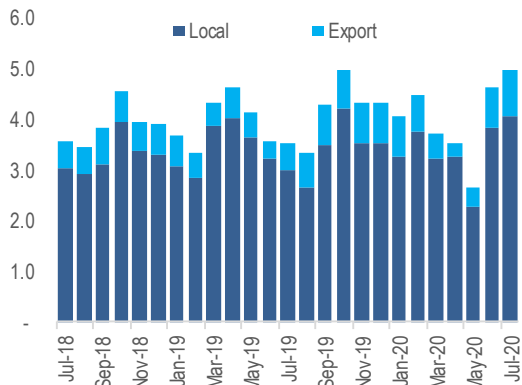
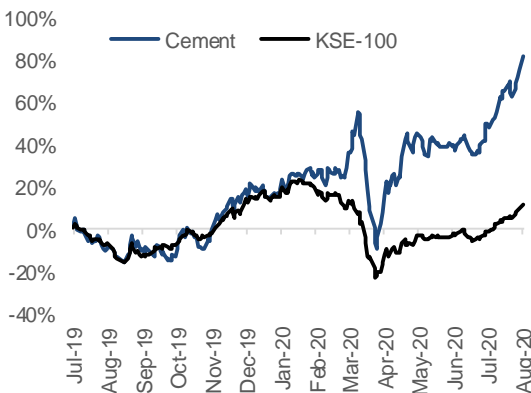


Exhibit: Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Cements

Dispatches rise by +7%MoM/+41%YoY as pro-construction macros pick up demand during Jul-20

- ✓ As per the provisional numbers, cement dispatches for the month of Jul-20 have improved by a notable +7%MoM and +41% YoY to 4.97mn tons. Local cement dispatches grew by +6%MoM, whereas export offtakes improved by +15%MoM.
- ✓ Local North dispatches have improved by +4%MoM and a whopping +43% YoY. The robust performance is driven largely from rise in construction activities, following construction supportive tax measures introduced by the federal government in the Finance Act 2020 and benign interest rate environment.
- ✓ Local South dispatches have jumped up by a substantial +18%MoM and +6% YoY as smooth full month operations in the province of Sindh kept supply strong.
- ✓ Export wise, DGKC during Jul-20 has outpaced everyone with a phenomenal +47%MoM/+3.9xYoY rise in export dispatches. By doing this, it has overthrown LUCK as the largest exporter, a title kept by it for years.
- ✓ Moving forward, we expect dispatches to continue their rising run moving forward based on pro-construction macro theme and improved demand outlook.

FY21 begins with a positive note; dispatches surge by +7%MoM/41% YoY as lockdowns are done with

As per provisional numbers, cement dispatches for the month of Jul-20 have improved by a notable +7%MoM to 4.97mn tons as against 4.62mn tons recorded in the sequential month. Alternatively, on an annual comparison, total offtakes registered a substantial growth of +41% YoY. The increase in volumes is primarily driven by recovery to pre-Covid volumes in the province of Sindh as smooth operations were carried out during the month and rise in overall demand amid beneficial construction macros.

Exhibit: Monthly Provisional Cement Dispatches

('000) tons	Jul-20	Jun-20	M/M	Jul-19	Y/Y
North	3,526	3,384	4%	2,474	43%
South	534	451	18%	506	6%
Local	4,060	3,835	6%	2,980	36%
North	130	43	202%	223	-42%
South	779	745	5%	309	152%
Export	909	788	15%	533	71%
TOTAL - DISPATCHES	4,969	4,623	7%	3,512	41%

Source: APCMA, IGI Research

Exhibit: Company wise dispatches					
('000) tons	Jul-20	Jun-20	M/M	Jul-19	Y/Y
LUCK	879	777	13%	642	37%
Local	631	567	11%	444	42%
Exports	248	210	19%	197	26%
DGKC	747	633	18%	455	64%
Local	460	437	5%	380	21%
Exports	287	196	47%	74	286%
FCCL	302	288	5%	243	24%
Local	291	285	2%	225	29%
Exports	11	3	299%	18	-42%
CHCC	323	307	5%	245	32%
Local	311	298	4%	183	70%
Exports	12	8	39%	62	-81%
KOHC	325	251	29%	162	101%
Local	307	250	23%	145	113%
Exports	18	1	1862%	17	4%
ACPL	271	227	19%	254	7%
Local	110	95	16%	111	0%
Exports	160	132	21%	143	12%
MLCF	413	402	3%	422	-2%
Local	392	399	-2%	401	-2%
Exports	21	2	750%	21	-4%
BWCL	761	709	7%	556	37%
Local	732	699	5%	520	41%
Exports	30	10	195%	36	-19%
PIOC	267	260	3%	92	190%
Local	265	260	2%	90	194%
Exports	2	0	2533%	2	24%

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 +4% MoM and a whopping +43% YoY. The robust performance is driven largely from rise in construction activities, following construction supportive tax measures introduced by the federal government in the Finance Act 2020, and benign interest rate environment. Simultaneously, complete reopening of Afghan border made way for recovery of export levels to Afghanistan, however they still lag pre-Covid levels, likely due to lower demand from the export destination.

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

Meanwhile, local South dispatches have jumped up by a substantial +18% MoM and +6% YoY as smooth full month operations in the province of Sindh kept supply strong. To recall, Sindh government had imposed strict lockdowns amid emergence of Covid-19 cases in the province since Mar-20, which after gradual

easing remained effective up until Jun-20. Resumption of full manufacturing operations and opening up of global economies also led to rise in exports via sea which improved by +5%MoM and +2.5xYoY. To highlight, the current sea export levels are the highest ever achieved by the country to date.

KOHC leads the way as smooth supply from newly inaugurated plant begins

Company wise, KOHC stands the tallest with respect to % growth marking a rise of +29%MoM/+120%YoY, courtesy sales driven from smooth operations of its recently inaugurated expansion plant. This was followed by ACPL and DGKC up +19%MoM and +18% MoM respectively led by substantial surge in exports via sea. Export wise, DGKC during Jul-20 has outpaced everyone with a phenomenal +47%MoM/+3.9xYoY rise in export dispatches. By doing this, it has overthrown LUCK as the largest exporter, a title kept by it for years. It is pertinent to note however, that the rise in exports majorly comprise of less valuable clinker rather than cement.

Outlook

We expect dispatches to continue their rising run moving forward based on pro-construction macro theme and improved demand outlook. The pickup in construction demand is likely to drive from a) positive tax measures introduced under PM's construction package, b) substantial decline in benchmark interest rates (down 625bps); and c) mandatory targets given by SBP to increase housing and construction financing to at least 5% of private sector credit (~PKR 330bn).

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