

Day Break

Wednesday, 26 August 2020

Sector Update

Exhibit: Company wise dispatches

000' tons	Aug-20	Jul-20	MoM	YoY
LUCK	687	879	-22%	57%
DGKC	517	747	-31%	-10%
MLCF	332	413	-20%	-19%
CHCC	251	323	-22%	6%
KOHC	251	325	-23%	52%
FCCL	223	302	-26%	12%
PIOC	204	267	-24%	64%
ACPL	174	271	-36%	-28%

Exhibit: Overall dispatches decline substantially MoM, albeit present decent growth on an annual comparison

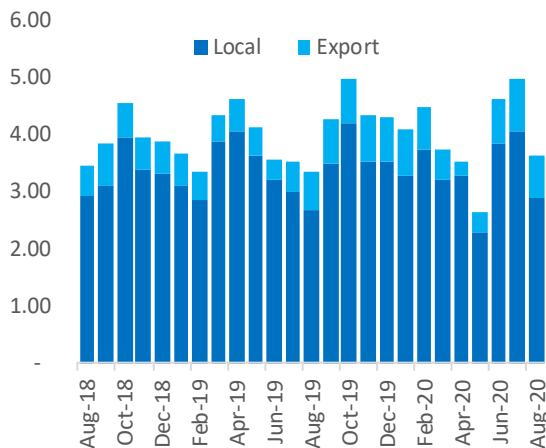
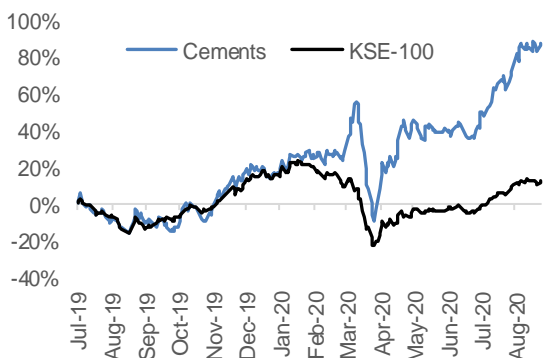


Exhibit: Sector performance relative to KSE-100



Source: Company Accounts, Bloomberg & IGI Research

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Cements

Aug-20 dispatches slow down 27%MoM amid high base effect; albeit present +9%YoY growth

- As per provisional numbers, total cement dispatches for the month of Aug-20 have declined by 27%MoM to 3.64mn tons. Local dispatches fell by 29%MoM where exports dropped by 15%MoM
- Local North dispatches have declined by +28%MoM whereas improved by a good 8% YoY. The month wise decline is subject to high base effect present in the month of Jul-20.
- Local South dispatches have dropped by a material 37%MoM whereas remained buoyant by 11% YoY. The month wise decline in volumes is subject to restricted sales owed to heavy rainfall in South region.
- Moving forward, we expect dispatches to continue their rising run moving forward based on pro-construction macro theme and improved demand outlook.

Aug-20 dispatches decline 27%MoM amid heavy rainfall and high base effect, however up +9%YoY

As per provisional numbers, total cement dispatches for the month of Aug-20 have declined by 27%MoM to 3.64mn tons as against 4.97mn tons recorded in the previous month. Alternatively, on an annual comparison, total offtakes registered a decent growth of +9%YoY. The decline in month wise volumes is subject to high base effect witnessed in the month of July-20 as well as restricted sales for the month due to heavy rainfall in major parts of the country.

Exhibit: Monthly Provisional Cement Dispatches

('000) tons	Aug-20	M/M	Y/Y	2MFY21	2MFY20	Y/Y
North	2,539	-28%	8.2%	6,065	4,820	25.8%
South	334	-37%	4.8%	868	824	5.3%
Local	2,873	-29%	8%	6,933	5,645	23%
North	210	62%	16%	340	405	-16%
South	560	-28%	11%	1,339	813	65%
Export	770	-15%	12%	1,679	1,219	38%
TOTAL - DISPATCHES	3,643	-27%	9%	8,612	6,863	25%

Source: APCMA, IGI Research

North dispatches decline 28%MoM amid high base effect; albeit favourable macros keep annual growth decent at 8%YoY

Region wise, local North dispatches have declined by +28%MoM whereas improved by a good 8% YoY. The month wise decline is subject to high base effect present in the month of Jul-20. To recall, Jul-20 sale of 3.53mn tons cement dispatches in the North region marked a record monthly sale for this particular

month 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, the complete reopening of Afghan border made way for resumption of export dispatches to pre covid levels, marking a growth of +62%MoM/+16% YoY.

South local dispatches fall month wise amid heavy rain fall; while exports via sea revert to normal pre-covid levels

Meanwhile, local South dispatches have dropped by a material 37%MoM month wise whereas remained buoyant by 11% YoY. The month wise decline in volumes is subject to restricted sales owed to heavy rainfall in South region hampering construction activities. Whereas the annual growth figure depicts stronger demand this time around as compared to last year plus also caters low base effect in Aug-19 wherein Eid Holidays stole away a decent number of working days. Similarly, export dispatches via sea also reverted to normal pre-covid levels marking a growth of 11%YoY, however fell by 28%MoM owing to similar one-off high base effect on a monthly comparison.

Exhibit: Company wise								
('000) tons	Aug-20	Jul-20	M/M	Aug-19	Y/Y	2MFY21	2MFY20	Y/Y
LUCK	687	879	-22%	437	57%	1,567	1,078	45%
Local	441	631	-30%	277	59%	1,072	721	49%
Exports	246	248	-1%	160	54%	494	357	38%
DGKC	517	747	-31%	573	-10%	1,264	1,028	23%
Local	322	460	-30%	373	-14%	782	754	4%
Exports	195	287	-32%	200	-2%	483	275	76%
FCCL	223	302	-26%	199	12%	525	442	19%
Local	205	291	-30%	178	15%	496	403	23%
Exports	18	11	72%	21	-15%	29	40	-28%
CHCC	251	323	-22%	237	6%	573	483	19%
Local	221	311	-29%	185	19%	532	368	44%
Exports	30	12	152%	52	-43%	42	114	-64%
KOHC	251	325	-23%	165	52%	576	327	76%
Local	232	307	-25%	155	50%	539	299	80%
Exports	20	18	11%	11	80%	37	28	33%
ACPL	174	271	-36%	242	-28%	444	496	-10%
Local	75	110	-32%	79	-6%	185	190	-2%
Exports	99	160	-38%	163	-39%	259	306	-15%
MLCF	332	413	-20%	409	-19%	745	831	-10%
Local	300	392	-24%	388	-23%	692	789	-12%
Exports	33	21	58%	21	55%	53	42	25%
BWCL	555	761	-27%	480	16%	1,317	1,037	27%
Local	516	732	-29%	452	14%	1,248	972	28%
Exports	39	30	33%	28	41%	69	64	7%
PIOC	204	267	-24%	125	64%	472	217	118%
Local	202	265	-24%	122	66%	467	212	120%
Exports	2	2	-8%	3	-21%	5	5	-2%

Source: APCMA, Market Source, IGI Research

PIOC leads the way growth wise

Company wise, PIOC stands the tallest with respect to % growth on an annual comparison basis marking a formidable rise of +64% YoY, courtesy sales driven from smooth operations of its recently inaugurated expansion plant. This was followed by LUCK and KOHC, up by +57% YoY and +52% YoY respectively also led by excess capacity factor. Export wise, LUCK regained its export dominance yet again followed up by DGKC and ACPL, the remaining dominant export players.

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).