

# Flash Note

Tuesday, 09 April 2019



## Cements

### Prices in North drop by PKR 50/bag. Further decline of PKR 25/bag expected in the coming weeks

- As per our channel checks, average retail prices in North region have been reduced by PKR 50/bag in the past 20 days alone to PKR 550/bag.
- The decline in prices is ascribed to efforts made by cement manufacturers to uplift their utilization levels from below 80k tons/day previously (Jan and Feb-19 respectively) to existing levels of above 100k tons/day (as reflected in Mar-19 North numbers).
- As of now daily dispatches for Apr-19 average to ~120k tons/day, reflecting a +15%YoY increase in comparison to similar month of the preceding year.
- Our channel check predict further reduction of PKR 25-30/bag in the next few weeks running towards end of Apr-19, taking closing cement MRP/bag to PKR 520-525/bag by then.
- Our channel check maintain that marketing arrangement among the manufacturers remains intact.
- We estimate an annualized average drop of 700bps in net profit margins of the sector, with CHCC, MLCF and PIOC facing the largest brunt due to their leveraged balance sheets.

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