

Sector Update

Exhibit: Monthly Cement Sales

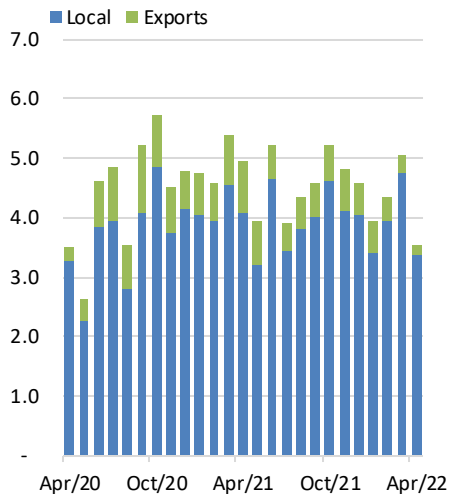
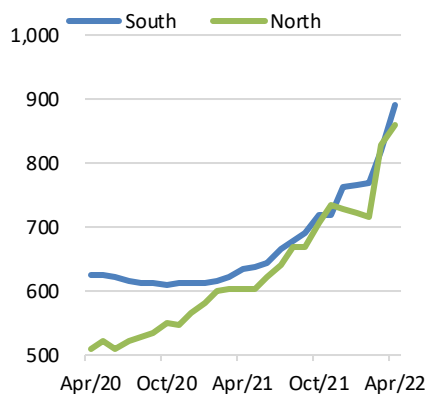


Exhibit: Monthly Cement Prices region wise



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Monthly Sales

Apr-22 Cement sales record a 29%y decline to 3.53mn/tons

- For April 2022, the latest cement sales as released by All Pakistan Cement Manufacturers Association (APCMA); are down by 29%y to 3.53 mn/tons.
- Cement sales locally reported a decrease of 17%y to clock in at 3.37 mn/tons. We believe this is mainly due to slowdown in construction activities owing to 'Ramadan'.
- Looking ahead on sales; we expect further slowdown due to weather predictions. Whereas on pricing front, international coal prices have shown some mercy, showing signs of slowdown. So far, mix usage of Afghan coal, pet coke has to an extent absorbed impact of high coal, we suggest domestic players have additional room to further increase cement retail price.

Monthly Cement sales record a 29%y decline to 3.53mn/tons

For April 2022, the latest provisional cement sales as released by All Pakistan Cement Manufacturers Association (APCMA); are down by 29%y to 3.53mn/tons. Similarly, on a monthly, basis sales reported a decrease of 30%y. This takes 10mFy22 total cement dispatches to 44.3mn/tons compared to 48.2mn/tons last year same period; depicting a decline of 8%y.

Exhibit: Monthly Cement Dispatches

In k.Tons	Apr/22	m/m	y/y	10mFy22	10mFy21	y/y
North	↓ 2,807	-27%	-17%	32,741	34,008	-4%
South	↓ 568	-37%	-17%	6,802	6,242	9%
Local	↓ 3,375	-29%	-17%	39,537	40,250	-2%
North	↓ 61	-24%	-76%	740	2,161	-66%
South	↓ 95	-56%	-85%	4,058	5,864	-31%
Export	↓ 156	-47%	-82%	4,798	8,025	-40%
North	↓ 2,868	-27%	-21%	33,481	36,170	-7%
South	↓ 663	-40%	-50%	10,860	12,105	-10%
Grand Total	↓ 3,530	-30%	-29%	44,336	48,275	-8%

Local dispatches down by 29%y to 3.4mn/tons

Cement sales locally reported a decrease of 29%y to clock in at 3.37mn/tons. We believe this is mainly due to slowdown in construction activities owing to 'Ramadan'. On a yearly basis sales are down by 17%y. On 10mFy22 total local sales now stand 39.5mn/tons which is roughly the same as last year same period. Region wise, sales from north during the period stood at 2.9mn/tons down by 21%y, whereas south based cement manufacturers suffered massive decline of 50%y arriving at 663k/tons.

Exports sales took a hit on rising freight and input costs

Export dispatches during the period reported a major drop of 82%y (or 47%m) to 0.16mn/tons compared to 0.88mn/tons last year. This brings 10mFy22 total exports to 4.7mn/tons compared to last year 8.02mn/tons (down by 40%y). Region wise, north exports suffered a 76%y drop (24%m) to 0.06mn/tons, whereas south exports declined by 85%y (down 56%m) to 0.095mn/tons. We believe this is likely owing to a) north border closure, b) rising freight and input costs (coal prices), and c) lower price differential international market.

Exhibit: Monthly Cement Dispatches							
in mn. Tons		Apr/22	m/m	y/y	10mFy22	10mFy21	y/y
LUCK	↓	590	-29%	-23%	7,555	8,409	-10%
DGKC	↓	391	-35%	-46%	5,732	6,200	-8%
MLCF	↓	343	-18%	-17%	3,749	4,081	-8%
CHCC	↓	226	-30%	-30%	2,880	3,279	-12%
KOHC	↓	201	-47%	-31%	2,917	3,145	-7%
FCCL	↓	238	-21%	-19%	2,712	2,878	-6%
PIOC	↓	236	-24%	-24%	2,756	2,823	-2%
ACPL	↓	100	-51%	-63%	1,947	2,801	-31%

Source: APMCA, Newsprint, *Provisional numbers

Outlook

Looking ahead; we may expect a slowdown in the month of May-22, due to expected rainfall. Whereas, on pricing front, international coal prices have shown some mercy, but still remain on the higher side. As of latest 3 months forward Richard bay coal contract currently trade close to US\$ 288/ton (Mar-22, peak prices reached US\$ 315/ton). On comparative basis, domestic manufacturers have increased average cement prices by 35% on average with North selling a PKR 887/bag (up by 40%y) and south retailing at PKR 862/bag (up by +42%y). So far, mix usage of Afghan coal, pet coke has to an extent absorbed impact of high coal, we suggest domestic players have additional room to further increase cement retail price. In the medium term higher rates, upcoming budget, and higher cement prices are most likely to dampen sales growth going forward.

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