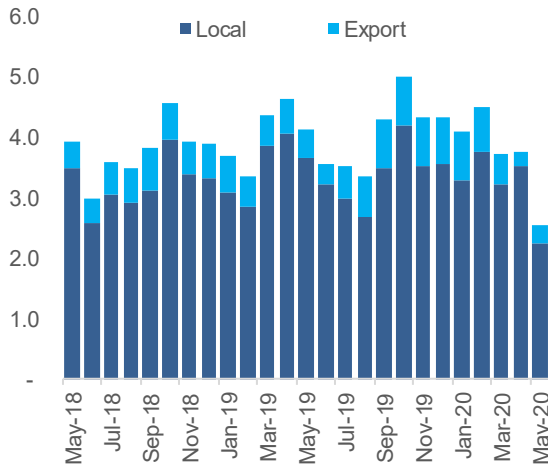


# Day Break

Tuesday, 02 June 2020

## Sector Update

**Exhibit:** Overall dispatches have fallen substantially compared to last year



**Exhibit:** Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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## Cement

### May-20 dispatches decline by 38%YoY; Covid-19 led restrictions and Ramadan effect hamper performance

- ✓ As per the provisional numbers, cement dispatches for the month of May-20 have dropped by 38%YoY to 2.54mn tons as against 4.12mn tons recorded in the similar month of the preceding year.
- ✓ Domestically, North dispatches have declined by 36%YoY, whereas those of South have declined by 55%YoY largely due to selected lockdowns in major areas and partially due to natural slowdown in construction activities witnessed during the month of Ramadan.
- ✓ On the export front, strict border movements via the Afghan border have almost completely wiped off North exports, down by 96%YoY, whereas relaxation of global lockdowns have led to recovery in export dispatches via sea on a YoY basis
- ✓ The government of Pakistan, in line with global trend, has eased out Covid related restrictions in the country, however with number of cases being reported rising rapidly, substantial risk exists and may lead to reversion of lockdowns if things get out of hands.

### May-20 dispatches down 38%YoY

As per the provisional numbers, total cement dispatches for the month of May-20 have dropped by a massive 38%YoY to 2.54mn tons as against 4.12mn tons recorded in the similar month of the preceding year, whereas on a sequential basis felt short by a heavy 32%YoY as well. On a cumulative basis, this ties down 11MFY20 total dispatches count of 43.33mn tons to 43.31mn tons of 11MFY19.

Exhibit: Monthly Provisional Cement Dispatches

('000) tons	May-20	Apr-20	Y/Y	11MFY20	11MFY19	Y/Y
North	1.96	3.05	-36%	31.15	29.60	5%
South	0.26	0.59	-55%	5.18	7.52	-31%
<b>Local</b>	<b>2.23</b>	<b>3.64</b>	<b>-39%</b>	<b>36.34</b>	<b>37.13</b>	<b>-2%</b>
North	0.01	0.16	-96%	1.85	2.32	-20%
South	0.31	0.32	-4%	5.14	3.87	33%
<b>Export</b>	<b>0.31</b>	<b>0.48</b>	<b>-35%</b>	<b>6.99</b>	<b>6.19</b>	<b>13%</b>
<b>TOTAL</b>	<b>2.54</b>	<b>4.12</b>	<b>-38%</b>	<b>43.33</b>	<b>43.31</b>	<b>0%</b>

Source: APCMA, IGI Research

### North dispatches decline amid selected lockdowns and Ramadan effect. Stringent Afghan border stance further wipe out exports.

Region wise, local North dispatches have declined by a substantial 36%YoY largely on the back of selected lockdowns in major areas of North region amid threats of Covid-19 spread and partially due to natural slowdown in construction activities during the holy month of Ramadan followed with Eid festive holidays. Simultaneously, strict border movements via the Afghan border amid threats of Covid-19 have almost completely wiped off export dispatches from the North region, down by 96%YoY.

### South local dispatches fell massively by 55%YoY, however global easing in lockdowns present export recovery

Similarly, local South dispatches have fallen by a mammoth 55%YoY, largely due to contraction in demand due to continuation of lock down in Sindh, hampering of construction activities due to severe compliance requirements and natural slowdown in construction activities during the holy month of Ramadan followed with Eid festive holidays. However, relaxation of global lockdowns have led to recovery in export dispatches via sea on a YoY basis which fell short by a mere 4%YoY, though marking an increase of +36%MoM on a sequential basis.

### Additional capacities protect PIOC from major brunt

Company wise, PIOC stands out as the only player in our coverage to display positive growth, that also of a major +26%YoY, courtesy availability of excess capacities in the current month as against the comparative month. Export wise, LUCK regained its top export position lost to ACPL in the previous month as global lockdowns eased during the month resulting in +62%MoM jump in LUCK's export dispatches.

Exhibit: Company wise cement dispatches								
('000) tons	May-20	Apr-20	M/M	May-19	Y/Y	11MFY20	11MFY19	Y/Y
<b>LUCK</b>	<b>422</b>	<b>553</b>	<b>-24%</b>	<b>595</b>	<b>-29%</b>	<b>6,778</b>	<b>7,220</b>	<b>-6%</b>
Local	324	493	-34%	495	-34%	4,929	5,449	-10%
Exports	98	60	62%	100	-2%	1,849	1,771	4%
<b>DGKC</b>	<b>379</b>	<b>470</b>	<b>-19%</b>	<b>592</b>	<b>-36%</b>	<b>6,601</b>	<b>5,789</b>	<b>14%</b>
Local	258	470	-45%	524	-51%	4,935	4,880	1%
Exports	121	-	N/A	68	77%	1,666	909	83%
<b>FCCL</b>	<b>170</b>	<b>251</b>	<b>-32%</b>	<b>240</b>	<b>-29%</b>	<b>2,801</b>	<b>2,856</b>	<b>-2%</b>
Local	169	251	-33%	222	-24%	2,530	2,648	-4%
Exports	1	-	N/A	18	-97%	271	208	30%
<b>CHCC</b>	<b>182</b>	<b>300</b>	<b>-39%</b>	<b>259</b>	<b>-30%</b>	<b>3,098</b>	<b>2,272</b>	<b>36%</b>
Local	182	300	-39%	217	-16%	2,633	1,959	34%
Exports	-	-	N/A	41	N/A	465	313	49%
<b>KOHC</b>	<b>107</b>	<b>226</b>	<b>-53%</b>	<b>163</b>	<b>-35%</b>	<b>2,091</b>	<b>2,186</b>	<b>-4%</b>
Local	107	226	-53%	152	-30%	1,996	2,078	-4%
Exports	-	0	-100%	12	-100%	95	108	-12%
<b>ACPL</b>	<b>126</b>	<b>152</b>	<b>-17%</b>	<b>271</b>	<b>-54%</b>	<b>2,722</b>	<b>3,068</b>	<b>-11%</b>
Local	56	77	-27%	122	-54%	1,151	1,753	-34%
Exports	70	75	-7%	149	-53%	1,571	1,315	19%
<b>MLCF</b>	<b>219</b>	<b>405</b>	<b>-46%</b>	<b>417</b>	<b>-47%</b>	<b>4,767</b>	<b>3,191</b>	<b>49%</b>
Local	218	405	-46%	407	-46%	4,591	2,893	59%
Exports	1	-	N/A	10	-88%	177	299	-41%
<b>BWCL</b>	<b>418</b>	<b>651</b>	<b>-36%</b>	<b>735</b>	<b>-43%</b>	<b>6,576</b>	<b>7,447</b>	<b>-12%</b>
Local	416	651	-36%	700	-41%	6,281	6,778	-7%
Exports	2	-	N/A	34	-94%	295	668	-56%
<b>PIOC</b>	<b>164</b>	<b>173</b>	<b>-5%</b>	<b>131</b>	<b>26%</b>	<b>1,483</b>	<b>1,328</b>	<b>12%</b>
Local	164	173	-5%	130	27%	1,470	1,268	16%
Exports	-	-	N/A	1	N/A	12	60	-80%

Source: APCMA, Market Source, IGI Research

### **Outlook**

Given governments all over the world have lifted lockdowns and softened restrictions to prop up economic activity despite the threat of Covid-19, the federal government of Pakistan has also followed the same. This will provide much breather to cement sales in the coming months. However, the daily Covid infected cases and number of deaths per million infected are rising drastically in Pakistan, especially post Eid festive holidays. This poses a substantial risk and could possibly lead to reversion of severe restrictions or unforeseen government measures if things get out of hand.

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