

Day Break

Friday, 29 June 2018

Sector Update

Exhibit: Coverage companies dispatches

000' tons	Jun-18	YoY%	FY18	YoY%
LUCK	498	0%	7,797	12%
DGKC	323	6%	4,817	7%
MLCF	229	5%	3,690	14%
FCCL	197	11%	3,370	16%
CHCC	132	-28%	2,421	57%
KOHC	113	27%	2,246	10%
ACPL	219	35%	2,463	19%
PIOC	119	6%	1,618	8%
Industry	2,808	3%	45,723	13%

Exhibit: Industry focusing towards local sales

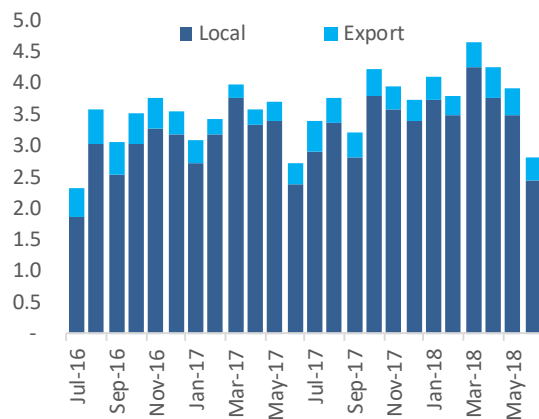
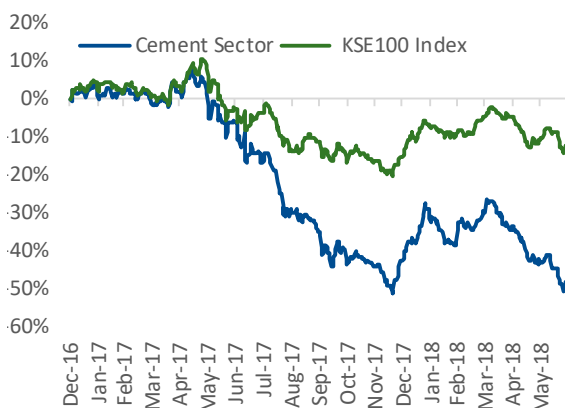


Exhibit: Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Cement

FY18 closes with dispatches growth of +13%YoY

- As per the provisional numbers, cement dispatches for the month of Jun-18 registered a stable growth of +3%YoY to clock in at 2.81mn tons as against 2.73mn tons in the similar month last year.
- Cement prices across the country have increased by +2%MoM in an effort to mitigate the impact of enhanced FED promulgated in Finance Act 2018-19.
- The recent rally in global oil prices has had a chain effect on global commodity prices. This coupled with enhanced demand triggered from India and restricted coal production from China have pushed prices of coal above the two digit mark for the last couple of months.
- With Eid holidays over, the construction industry is back on track and as such we expect resumption of dispatches figures in the month of Jul-18.

Provisional dispatches figures for Jun-18 post +3%YoY growth; decline by 28%MoM on account of benign construction following Ramadan and festive holidays

As per the provisional numbers, cement dispatches for the month of Jun-18 registered a stable growth of +3%YoY to clock in at 2.81mn tons as against 2.73mn tons in the similar month last year. Cumulatively, this brings FY18 dispatches to 45.72mn tons in contrast to 40.32mn tons in FY17, marking a rise of +13%YoY. However, on a sequential basis, a considerable fall of 28%MoM was witnessed, largely accredited to benign construction activities in the holy month of Ramadan and festive holidays following it.

Exhibit:

Cement Dispatches

(mn) tons	Jun-18	May-18	M/M	Jun-17	Y/Y	FY18	FY17	Y/Y
Local	2.44	3.48	-30%	2.38	2%	41.01	35.65	15%
Exports	0.37	0.44	-16%	0.34	7%	4.72	4.66	1%
Grand Total	2.81	3.92	-28%	2.73	3%	45.72	40.32	13%

Source: IGI Research, APCMA

Company wise: BWCL & LUCK led the volumetric chart

Market share, as determined by the capacity available to each player, continued to be led by Bestway Cement Limited (BWCL) with Lucky Cement Limited (LUCK) playing second fiddle. Conversely, with respect to growth in dispatches, Attock Cement Pakistan Limited (ACPL) spearheaded the volumetric chart with a significant +35%YoY growth attributed to greater exports achieved on account of enhanced capacity.

Cement prices rise to pass over enhanced FED validated through Finance Act 2018-19.

As per the weekly data published by Pakistan Bureau of Statistics (PBS), cement prices across the country rose by 2%MoM to clock in at an average national price of PKR 561/bag as opposed to PKR 547/bag in May-18. We view this rise in prices as an effort by industry players to pass over the impact of enhanced FED promulgated through Finance Act 2018-19. The industry players' unison with respect to prices given expansions coming online in both geographical spheres of the country marks a positive sign for the sector as a whole.

Notable highlights in Jun-18

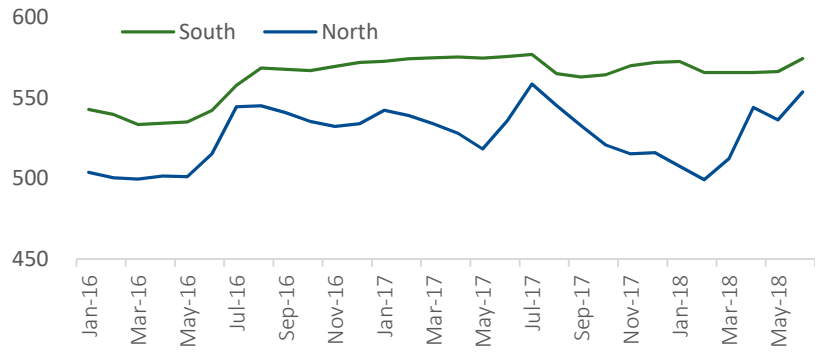
- BWCL successfully commissioned its 1.9mn tpa brownfield expansion plant.
- LUCK managed to achieve financial close for its 100% indirectly owned subsidiary, Lucky Electric Power Company Limited.
- PIOC successfully enhanced the capacity of its cement grinding mills to 345 tons per hour.

Upcoming developments to lookout for in Jul-18

- Kohat Cement Company Limited (KOHC) is expected to announce the commissioning of its new grinding mill. We expect the Company to enhance its market share once this is achieved.
- FCCL is expected to announce its intentions over expansions along with its annual financial result.

Exhibit:

North and South Price Statistics (PKR/bag)



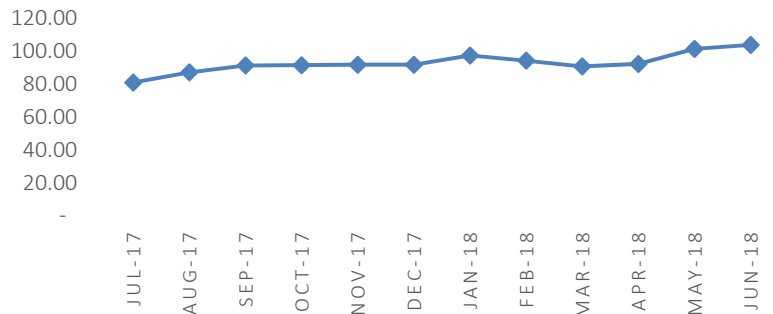
Source: PBS, IGI Research

Rising global crude oil prices and production restrictions in China push global coal prices upwards

The recent rally in global oil prices has had a chain effect on global commodity prices, with coal prices also rising along with it. This coupled with enhanced demand triggered from India and restricted coal production from China have pushed prices of coal above the two digit mark for the last couple of months. Accordingly, average international coal prices clocked in at USD 103.89 in Jun-18 as against USD 101.50 in the previous month, marking a rise of 2% MoM.

Exhibit:

Last 12 month International coal price movement (USD/ton)



Source: Bloomberg, IGI Research

End of Eid holidays to resume construction activities. Stable demand outlook projected for FY19

With Eid holidays over, the construction industry is back on track and as such we expect resumption of dispatches figures in the month of Jul-18. Looking ahead, we expect the overall demand to remain stable in FY19 ascribed to commencement of major CPEC projects therein and continuation of high levels of PSDP allocations to achieve GDP targets set by the government. Simultaneously, private demand is also expected to rise following attractive tax measures adopted for facilitation of Pakistan Mortgage Refinance Company which is expected to provide fixed and attractive mortgage rates for private house building across the country.

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Time Horizon: Dec – 2018

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