

Day Break

Wednesday, 06 May 2020

Sector Update

Exhibit: Overall dispatches fall yet again in Apr-20 compared to last year as sales suffer due to lockdowns

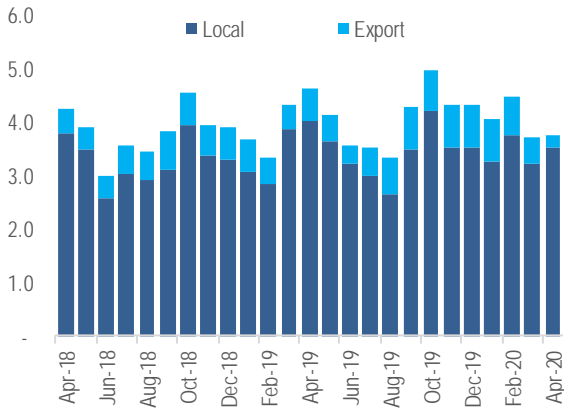
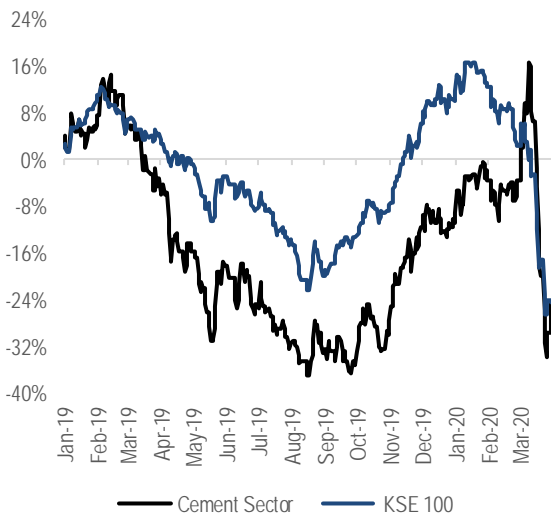


Exhibit: Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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Cement

Apr- 20 Dispatches decline by 19%YoY; Much damage restricted as North dealers take advantage of price hike

- ✓ As per the provisional numbers, cement dispatches for the month of Apr-20 have dropped by 19%YoY to 3.75mn tons as against 4.61mn tons recorded in the similar month of the preceding year
- ✓ On a cumulative basis, this brings 10MFY20 total dispatches count to 40.78mn tons as against 39.19mn tons recorded in the same period last year, marking a growth of 4%YoY
- ✓ Region wise, local North dispatches only fell by 5%YoY despite continuation of lockdown in major parts of the region. This is possibly on the back of advance orders booked by dealers in order to take advantage of substantial price increases made by local players therein during the month. To recall, cement manufacturers during the month increased prices of cement by PKR 55/bag on average.
- ✓ However, local South dispatches have fallen by a mammoth 50%YoY, largely due to continuation of lock down in Sindh for the entire month.

Apr-20 dispatches down 19%YoY, as lockdowns continue in Apr 20

As per the provisional numbers, total cement dispatches for the month of Apr-20 have dropped by 19%YoY to 3.75mn tons as against 4.61mn tons recorded in the similar month of the preceding year, whereas remained rather stable on a sequential basis. On a cumulative basis, this brings 10MFY20 total dispatches count to 40.78mn tons as against 39.19mn tons recorded in the same period last year, marking a growth of 4%YoY.

Exhibit: Monthly Provisional Cement Dispatches

('000) tons	Apr-20	Apr-19	Y/Y	10MFY20	10MFY19	Y/Y
North	3.18	3.35	-5.3%	29.19	26.55	9.9%
South	0.35	0.68	-49.5%	4.92	6.93	-29.0%
Local	3.52	4.04	-13%	34.11	33.49	2%
North	0.00	0.20	-99%	1.84	2.15	-14%
South	0.23	0.37	-39%	4.83	3.55	36%
Export	0.23	0.57	-61%	6.67	5.71	17%
TOTAL	3.75	4.61	-19%	40.78	39.19	4%

Source: APCMA, IGI Research

North dispatches bounce back on a sequential basis as possibly dealers hoard dispatches to take advantage of price increase.

Region wise, local North dispatches only fell by 5%YoY despite continuation of lockdown in major parts of the region for the entire month amid threats of Covid-19 spread. This is possibly on the back of advance orders booked by dealers in order to take advantage of substantial price increases made by local players therein during the month. To recall, cement manufacturers during the month increased prices of cement by PKR 55/bag on average. Consequently, local North dispatches have improved by 16%MoM on a sequential basis.

South dispatches fell massively by 43%YoY amid total lockdown in Sindh

However, local South dispatches have fallen by a mammoth 50%YoY, largely due to continuation of lock down in Sindh for the entire month. The closure of plants and global border restrictions have also resulted in 39%YoY decline in South export dispatches during the month.

Additional capacities protect PIOC and MLCF from major brunt

Company wise, PIOC leads the chart with the highest growth recorded during Apr-20 with a +31% rise in dispatches, followed by MLCF with +8%YoY, courtesy availability of excess capacities in the current month as against the comparative month. Export wise, ACPL catapulted LUCK as the top exporter as fallout in global trade resulted in 57%YoY drop in LUCK's export dispatches.

Exhibit: Company wise cement dispatches								
('000) tons	Apr-20	Mar-20	M/M	Apr-19	Y/Y	10MFY20	10MFY19	Y/Y
LUCK	553	805	-31%	672	-18%	6,430	6,626	-3%
Local	493	625	-21%	532	-7%	4,696	4,955	-5%
Exports	60	180	-66%	140	-57%	1,735	1,671	4%
DGKC	470	469	0%	606	-22%	5,971	5,197	15%
Local	470	377	25%	537	-12%	4,629	4,356	6%
Exports	-	92	-100%	68	-100%	1,342	841	60%
FCCL	251	225	12%	366	-31%	2,627	2,616	0%
Local	251	211	19%	346	-28%	2,366	2,426	-2%
Exports	-	14	-100%	20	-100%	260	190	37%
CHCC	300	270	11%	322	-7%	2,904	2,014	44%
Local	300	246	22%	277	8%	2,445	1,742	40%
Exports	-	24	-100%	45	-100%	460	272	69%
KOHC	226	205	10%	227	0%	1,960	2,022	-3%
Local	226	195	16%	216	5%	1,868	1,926	-3%
Exports	0	10	-100%	11	-100%	92	96	-4%
ACPL	152	174	-12%	280	-46%	2,578	2,797	-8%
Local	77	90	-14%	157	-51%	1,083	1,631	-34%
Exports	75	84	-10%	122	-39%	1,495	1,166	28%
MLCF	405	359	13%	377	8%	4,480	2,775	61%
Local	405	349	16%	331	22%	4,310	2,486	73%
Exports	-	10	-100%	45	-100%	170	289	-41%
BWCL	651	553	18%	791	-18%	6,158	6,712	-8%
Local	651	536	21%	748	-13%	5,865	6,078	-4%
Exports	-	17	-100%	43	-100%	293	634	-54%
PIOC	173	139	24%	132	31%	1,305	1,197	9%
Local	173	138	25%	130	33%	1,294	1,138	14%
Exports	-	1	-100%	2	-100%	12	59	-80%

Source: APCMA, Market Source, IGI Research

Outlook

Given governments all over the world are lifting lockdowns and softening restrictions to prop up economic activity despite the threat of Covid-19, the federal government of Pakistan has also indicated to ease lockdown

restrictions from May-20. This will provide much breather to cement sales in the coming months. However, given the arrival of Islamic month of Ramadan followed by Eid festive Holidays, construction work is expected to remain rather subpar during the current month of May and possibly have its effects on June as well. Beyond that it is critical how Pakistan and the rest of the world combat this virus, since any adverse outcomes could materially hamper aggregate demand let alone cement.

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