

Pakistan Equity | Cement | Sector Research

May 31, 2022

REP-057

May Cements dispatches to fall by 26% YoY & 17% MoM Slowdown in construction activities affecting sales



Best Local Brokerage
House 2015-16, FY2020

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2011-14, 2016-21



Best Brokerage
House 2018,19-20



Best Research
House 2019-20



Best Brokerage
House 2019-21

Mehroz Khan

mehroz@topline.com.pk

Tel: +9221-35303330 Ext:133

Topline Securities, Pakistan

Dispatches to decline by 26% YoY amid elevated construction cost

Cement Sales: May 2022E

mn tons	May-22E	May-21A	YoY	MoM
Local	2.73	3.20	-15%	-19%
North	2.29	2.71	-16%	-18%
South	0.44	0.49	-9%	-22%
Export	0.19	0.75	-74%	22%
Total	2.92	3.95	-26%	-17%

Source: APCMA, Topline Research

Cement Sales: 11MFY22E

mn tons	11MFY22E	11MFY21A	YoY
Local	42.24	43.45	-3%
North	35.03	36.72	-5%
South	7.21	6.73	7%
Exports	4.99	8.77	-43%
Total	47.23	52.22	-10%

Source: APCMA, Topline Research

- Pakistan cement sales are expected to contract by 17% MoM to 2.92mn tons with local dispatches likely to be down by 19% MoM mainly due to Eid holidays and economic slowdown.
- On YoY basis, cement sales in May-2022 are anticipated to decline by around 26% YoY. Local dispatches are likely to be down by 15% YoY primarily due to (i) slowdown in construction activity and (ii) elevated construction cost, we believe.
- Exports during May-2022 are likely to witness a decline of around 74% YoY, while they are likely to scale up by around 22% MoM. The attrition in exports are on the back of disruption in global supply chain resulting in higher sea freight charges.
- In 11MFY22E, cement sales are expected to fall by around 10% YoY with local sales also posing a downward trend of 3% YoY. Lower offtakes in local cement dispatches is on the back of 1) lower spending in Public Sector Development Program (PSDP) as disbursement currently stands at Rs466bn against the authorized Rs603bn for FY22, 2) rising construction cost, and 3) inflationary impact restricting the demand growth owing to super commodity cycle.
- Industry utilization during May-2022 is estimated to clock in at 51% with 11MFY22 average utilization of around 67%.
- Industry dispatches are likely to show single digit growth on MoM basis in June-2022 with normalized working days and the spending in PSDP to inch up during the end of FY22. Thus in FY22, cement sales are likely to clock in at 50.4mn tons, down by 13% YoY vs. last year growth of 19%.
- With rising interest rates, expected slowdown in economic growth and contained PSDP, we expect cement dispatches to remain under pressure in FY23.

Company wise snapshot

Company Wise	May-22E	May-21A	YoY	MoM	11MFY22E	YoY
LUCK	501,453	670,912	-25%	-18%	8,165,300	-10%
Local	411,351	478,679	-14%	-18%	6,406,171	-6%
Exports	90,102	192,233	-53%	-14%	1,759,129	-22%
DGKC	306,357	488,319	-37%	-25%	5,951,083	-11%
Local	272,890	319,641	-15%	-32%	4,559,515	-5%
Exports	33,467	168,678	-80%	498%	1,391,568	-27%
MLCF	297,093	330,493	-10%	-14%	4,067,952	-8%
Local	292,881	304,574	-4%	-14%	3,977,482	-3%
Exports	4,212	25,919	-84%	0%	90,470	-70%
BWCL	399,699	559,004	-28%	-32%	6,912,417	-12%
Local	394,721	527,189	-25%	-32%	6,799,656	-8%
Exports	4,978	31,815	-84%	-32%	112,761	-74%
PIOC	191,656	235,623	-19%	-19%	2,988,243	-2%
Local	191,656	235,438	-19%	-19%	2,988,243	-2%
Exports	-	185	-100%	-	-	-100%
CHCC	241,727	285,716	-15%	6%	3,156,884	-11%
Local	214,441	233,584	-8%	2%	2,901,443	-7%
Exports	27,287	52,132	-48%	62%	255,442	-42%
ACPL	89,367	272,350	-67%	-16%	2,062,005	-33%
Local	87,024	108,522	-20%	-18%	1,401,907	6%
Exports	2,343	163,828	-99%	208%	660,098	-62%
KOHC	218,744	247,084	-11%	9%	3,146,479	-7%
Local	217,545	237,896	-9%	10%	3,138,484	-3%
Exports	1,199.14	9,188	-87%	(0.45)	7,995	-95%
FCCL	178,252	241,034	-26%	-25%	2,919,476	-6%
Local	171,556	209,538	-18%	-26%	2,819,805	-1%
Exports	6,695	31,496	-79%	-3%	99,670	-61%

Source: Topline Research

Analyst Certification and Disclosures

The research analyst(s), denoted by an “AC” on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months.

Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, we currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company.

Rating System

Topline Securities employs three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

Ratings are updated daily to account for the latest developments in the economy/sector/company, changes in stock prices and changes in analyst’s assumptions or a combination of any of these factors.

Valuation Methodology

To arrive at our 12-months Target Price, Topline Securities uses different valuation methods which include: 1). Present value methodology, 2). Multiplier methodology, and 3). Asset-based methodology.

Research Dissemination Policy

Topline Securities endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time.

Disclaimer

This report has been prepared by Topline Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Topline Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Topline Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Topline Research Department and do not necessarily reflect those of Topline or its directors. Topline as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report.

All rights reserved by Topline Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Topline Securities. Action could be taken for unauthorized reproduction, distribution or publication.