

## Pak Cement EV/ton vs India, Iran comparison

Pakistan cement sector at lowest EV/ton in regional comparison | Lowest PE ratio... | Passing on prices

When it comes to investment, the investors always chase towards discounted pricing and when it comes to discount, no other country is currently as discounted as Pakistan. It isn't hidden with anyone that Pakistani companies are yielding at their lowest PE and at highest dividend yield.

Similarly, if we talk about cement sector and its EV/ton, we found Pakistani cement companies are yielding at their lowest EV/ton on an average of \$30/ton when compared to other Asian cement plants i.e. India & Iran. Since, still we see adequate natural resources alongside lower labour cost in small areas, have actually enabled Pakistani cement brands to keep their cost of production still manageable.

We still see despatches are not coming down; given big population and its housing needs alongside in certain CPEC projects at KPK and GB, where various dams and inter cities infrastructure development continued.

Herein, we see it's the cost factor which may go in cement sector wherein they can easily pass prices to end user and at the same time enjoying lowering prices of local coal – since they operate as cartel. However, they will always cite increasing energy cost.

Hence we see these companies having a lower enterprise value per ton which is merely due to lower market capitalization (markets remained under discount given precarious macros of the country).

Going forward, market is taking it as an optimistic sign on cements since putting a new plant in the country is much higher than the values offered by existing 'cartel' players, and yes country has a roam for growing infrastructure sector, which will continue to drive demand for cement products.

### Iran cement companies

Iran is one of the largest cement producers in the world, with an annual capacity of over 300 million tons with 70 plants across the country. The capacity increased in last few years manifold is expected to touch 356 million tons per annum. The country's cement industry has been growing steadily, owing to increasing investment in construction projects, urbanization, and infrastructure development.

- ▲ Qeshm Cement Company, which is based in the Qeshm Island, Iran, has an enterprise value per ton of \$37.82 as of 2021.
- ▲ Neka Novin Cement Company, which is based in Mazandaran Province, Iran, has an enterprise value per ton of \$42.06 as of 2021.
- ▲ Fars and Khuzestan Cement Company has an enterprise value per ton of \$44.66 as of 2021

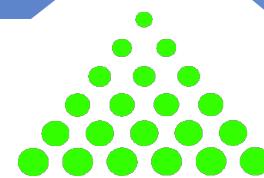
### INDIA cement companies

- ▲ Ambuja Cements Ltd. is widely considered one of the leaders in the Indian cement industry, with a presence in almost all states in the country, stood at around \$124/ton.
- ▲ Ramco Cements is a Chennai-based cement company with a market share of around 5% and a total cement production capacity of 20 million tonnes per annum, with enterprise value per ton stood at around \$125.60.
- ▲ JK Cement is a leading cement manufacturer in India with a market share of around 5% and a total cement production capacity of 15.5 million tonnes per annum, with enterprise value per ton stood at around \$200.
- ▲ UltraTech Cement Ltd., a subsidiary of Aditya Birla Group, is another major player in the Indian cement market. Like Ambuja Cement, UltraTech's enterprise value per ton is at around \$143.
- ▲ Dalmia Cement Ltd., one of the country's oldest cement companies, strives to maintain a low enterprise value per ton. The company's enterprise value per ton stood at around \$124.
- ▲ Shree Cement Ltd. is another standout cement company in India. The company's enterprise value per ton is around \$155.

**Investors actively follow EV/ton valuation metric to finds a discounted company and here we have concluded that Pakistani Cement companies are at most lowest EV/ton when compared with India and Iran – two regional giants on cements. Similarly the sector PE is yielding at 5.5x compared to Indian average Cement sector PE of 31.8x as per Google.**

Asian Cement Players	EV/ton \$
ACPL	22.63
Flying	22.79
KOHC	26.77
Cherat	29.62
MLCF	30.72
Birla	32.52
FCCL	33.14
DGKC	35.27
Qeshm Cement	38.00
Neka Novin	42.06
LUCK	44.98
Fars	45.00
Khuzestan	45.00
Bestway	52.18
POWER	59.25
India Cement	71.29
Ambuja	124.00
Dalmia	124.00
Ramco Cement	125.60
Ultra	143.00
Shree	155.00
JK Cement	200.82

Source: Pxx, Bloomberg, Scs Research



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- less than 10%  $(\text{Target Price, if any} / \text{Current Price} - 1)$  Hold.
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 Discounted Cash flows or Dividend Discount Model or Enterprise Value