

Sector Call

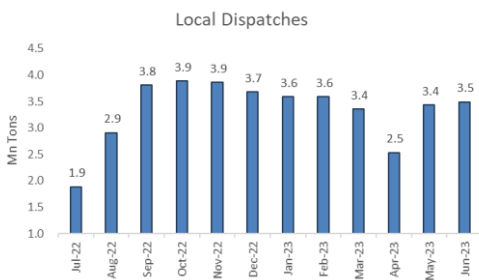
## Overweight

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## Cement Dispatches are expected to decline by 15.7% YoY in FY23

On the back of an Eid break along with a general slowdown in economic activity, we expect cement sales for the month of June 2023 to decline by 22.8%YoY and increase by 2.7%MoM. This will take full year dispatches to 44.59mn tons in FY23 against 52.9mn tons in FY22, a decline of 15.7% YoY.

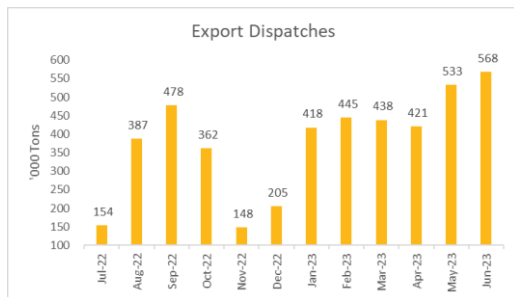


('mn tons)	June 23E	May 23A	MoM	June 22A	YoY	FY23E	FY22A	YoY
North Local	2.87	2.77	3.5%	4.12	-30.5%	32.80	39.44	-16.8%
North Export	0.10	0.11	-5.0%	0.10	7.5%	1.07	0.91	18.0%
North Total	2.97	2.88	3.2%	4.22	-29.6%	33.87	40.35	-16.1%
South Local	0.63	0.66	-4.1%	0.86	-26.2%	7.23	8.20	-11.8%
South Export	0.46	0.42	10.4%	0.19	147.5%	3.48	4.35	-19.8%
South Total	1.10	1.08	1.5%	1.04	5.0%	10.72	12.55	-14.6%
Grand Total	4.07	3.96	2.7%	5.27	-22.8%	44.59	52.90	-15.7%

Declining coal prices along with a gradual increase in cement prices is expected to increase margins going forward and we remain overweight on the sector due to its solid cash generation and cheap valuations. Cement companies are trading significantly below replacement value and we expect valuations to revert to the mean once economic uncertainty reduces. Cement sector returns in the past have majorly been led by sector pricing discipline rather than cement dispatches.

Our channel checks suggest that the Afghan Government has issued a notification to reduce export taxes on coal by USD 20/ton and we believe that this will have a significant impact on cement company margins going forward.

We expect cement dispatch growth to remain muted in FY24 on the back of an economic slowdown. We believe that cement export from the south zone could show significant growth in FY24 as lower coal prices will make companies competitive again.



## Company wise expected Cement Dispatches

Company	June 23E	June22A	YoY	May 23A	MoM	FY23E	FY22A	YoY
<b>LUCK</b>	<b>701,147</b>	<b>873,396</b>	<b>-19.7%</b>	<b>684,920</b>	<b>2.4%</b>	<b>7,328,427</b>	<b>9,066,190</b>	<b>-19.2%</b>
Local	631,274	782,878	-19.4%	571,787	10.4%	6,168,684	7,261,500	-15.0%
Exports	69,873	90,518	-22.8%	113,133	-38.2%	1,159,743	1,804,690	-35.7%
<b>DGKC</b>	<b>489,285</b>	<b>550,348</b>	<b>-11.1%</b>	<b>527,546</b>	<b>-7.3%</b>	<b>5,025,687</b>	<b>6,487,540</b>	<b>-22.5%</b>
Local	324,353	516,555	-37.2%	326,344	-0.6%	4,119,032	5,074,744	-18.8%
Exports	164,932	33,793	388.1%	201,202	-18.0%	906,655	1,412,796	-35.8%
<b>MLCF</b>	<b>339,762</b>	<b>480,163</b>	<b>-29.2%</b>	<b>344,826</b>	<b>-1.5%</b>	<b>4,113,740</b>	<b>4,577,177</b>	<b>-10.1%</b>
Local	325,419	470,674	-30.9%	334,034	-2.6%	3,992,588	4,476,126	-10.8%
Exports	14,343	9,489	51.2%	10,792	32.9%	121,152	101,051	19.9%
<b>BWCL</b>	<b>611,940</b>	<b>811,000</b>	<b>-24.5%</b>	<b>558,389</b>	<b>9.6%</b>	<b>6,525,308</b>	<b>7,786,044</b>	<b>-16.2%</b>
Local	604,535	805,173	-24.9%	548,267	10.3%	6,446,880	7,666,799	-15.9%
Exports	7,406	5,827	27.1%	10,122	-26.8%	78,429	119,245	-34.2%
<b>PIOC</b>	<b>235,471</b>	<b>374,343</b>	<b>-37.1%</b>	<b>213,785</b>	<b>10.1%</b>	<b>2,705,333</b>	<b>3,382,731</b>	<b>-20.0%</b>
Local	235,471	374,343	-37.1%	213,785	10.1%	2,705,333	3,382,731	-20.0%
Exports								
<b>CHCC</b>	<b>228,422</b>	<b>369,957</b>	<b>-38.3%</b>	<b>249,626</b>	<b>-8.5%</b>	<b>2,874,766</b>	<b>3,553,630</b>	<b>-19.1%</b>
Local	196,721	334,581	-41.2%	209,583	-6.1%	2,541,706	3,261,299	-22.1%
Exports	31,701	35,376	-10.4%	40,043	-20.8%	333,060	292,331	13.9%
<b>ACPL</b>	<b>219,538</b>	<b>180,570</b>	<b>21.6%</b>	<b>193,934</b>	<b>13.2%</b>	<b>2,000,383</b>	<b>2,262,062</b>	<b>-11.6%</b>
Local	117,765	166,708	-29.4%	126,134	-6.6%	1,357,816	1,587,672	-14.5%
Exports	101,773	13,862	634.2%	67,800	50.1%	642,567	674,390	-4.7%
<b>KOHC</b>	<b>258,125</b>	<b>374,782</b>	<b>-31.1%</b>	<b>260,336</b>	<b>-0.8%</b>	<b>2,996,627</b>	<b>3,551,102</b>	<b>-15.6%</b>
Local	250,295	374,523	-33.2%	253,852	-1.4%	2,964,708	3,542,974	-16.3%
Exports	7,830	259	2923.2%	6,484	20.8%	31,919	8,128	292.7%

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