

Sector Call

Overweight

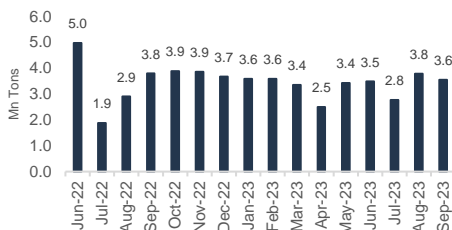
Chase Research
research@chasesecurities.com

+92-21-35293054-60

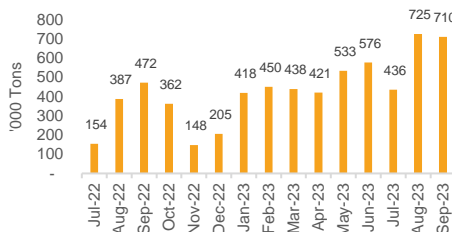
Cement Dispatches are expected to grow by 25% YoY in 1QFY24

Pakistan's total cement sales for September 2023 are expected to witness a slightly drop of -0.1% YoY, reaching an estimated 4.27 million tons. While, on a cumulative basis, total sales is anticipated to increase by 25% YoY in 1QFY24 to 12 million tons. The growth is driven by the expected recovery in local demand following by low base effect due to floods and a pickup in exports.

Local Dispatches



Export Sales



('mn tons)	Sep 23E	Aug 23A	MoM	Sep 22A	YoY	1QFY24	1QFY23	YoY
North Local	2.93	3.09	-5.2%	3.13	-6.5%	8.37	7.25	15.4%
North Export	0.16	0.16	-4.0%	0.13	24.6%	0.45	0.29	54.7%
North Total	3.09	3.25	-5.1%	3.26	-5.2%	8.81	7.54	16.9%
South Local	0.62	0.70	-11.3%	0.67	-6.3%	1.75	1.34	30.9%
South Export	0.56	0.56	-0.9%	0.35	60.7%	1.43	0.72	97.4%
South Total	1.18	1.27	-6.7%	1.01	16.6%	3.19	2.07	54.2%
Grand Total	4.27	4.52	-5.6%	4.27	-0.1%	12.00	9.61	24.9%

Lower coal prices than last year 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.

We indicate a promising outlook for the cement industry due to potential economic recovery and political stability. We believe that cement export from the south zone could show significant growth in FY24 as lower coal prices have made companies competitive again.

Company wise expected Cement Dispatches

Company	Sep'23E	Sep'22A	YoY	Aug'23A	MoM	1QFY24	1QFY23	YoY
LUCK	820,670	747,663	9.8%	871,750	-6%	2,294,310	1,600,682	43%
Local	638,625	582,129	9.7%	680,039	-6%	1,810,715	1,278,294	42%
Exports	182,044	165,534	10.0%	191,711	-5%	483,594	322,388	50%
DGKC	453,265	470,946	-3.8%	456,590	-1%	1,204,810	1,099,971	10%
Local	343,413	414,949	-17.2%	361,631	-5%	952,079	906,334	5%
Exports	109,853	55,997	96.2%	94,959	16%	252,732	193,637	31%
MLCF	357,067	359,873	-0.8%	363,274	-2%	1,011,118	861,000	17%
Local	344,218	346,470	-0.6%	345,762	0%	969,803	834,377	16%
Exports	12,849	13,403	-4.1%	17,512	-27%	41,315	26,623	55%
BWCL	629,782	613,242	2.7%	662,555	-5%	1,777,855	1,444,607	23%
Local	622,545	608,541	2.3%	651,771	-4%	1,751,900	1,389,404	26%
Exports	7,237	4,701	53.9%	10,784	-33%	25,955	55,203	-53%
PIOC	215,354	285,741	-24.6%	230,914	-7%	604,922	632,948	-4%
Local	215,354	285,741	-24.6%	230,914	-7%	604,922	632,948	-4%
Exports								
CHCC	227,117	291,047	-22.0%	244,929	-7%	687,967	705,826	-3%
Local	193,812	243,697	-20.5%	197,332	-2%	567,990	600,244	-5%
Exports	33,305	47,350	-29.7%	47,597	-30%	119,977	105,582	14%
ACPL	211,554	187,512	12.8%	221,246	-4%	541,577	345,000	57%
Local	113,387	125,945	-10.0%	128,428	-12%	327,040	265,005	23%
Exports	98,167	61,567	59.4%	92,818	6%	214,537	79,995	168%
KOHC	246,154	308,161	-20.1%	286,986	-14%	761,381	685,413	11%
Local	239,695	307,643	-22.1%	281,354	-15%	745,078	684,895	9%
Exports	6,459	518	1146.9%	5,632	15%	16,303	518	3047%
GWLC	101,194	124,339	-18.6%	113,251	-11%	297,070	283,752	5%
Local	101,194	124,339	-18.6%	113,251	-11%	297,070	283,752	5%
Exports	-							

Important Disclosures**Disclaimer:**

This report has been prepared by Chase Securities Pakistan (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation or any offer to buy. While reasonable care has been taken to ensure that the information contained in this report is not untrue or misleading at the time of its publication, Chase Securities makes no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Chase 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 Chase Securities as a firm may have business relationships, including investment banking relationships with the companies referred to in 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 and Chase Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents At the same time, it should be noted that investments in capital markets are also subject to market risks This report may not be reproduced, distributed or published by any recipient for any purpose.