

Pakistan Equity | Cement | Sector Research

Feb 26, 2024

REP-057

Local cement dispatches to fall 7-11% MoM in Feb-2024

Lower working days and Elections affects local cement sales



Best Brokerage House
2016, 2017, FY20 (Winner)
FY22 (Runner Up)

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2016 to 2022



Best Brokerage House
2018, 2019 & 2020



Best Research House
2019, 2020 & 2023



Best Brokerage House
2021

Fahad Hussain Khan
fahad.hussain@topline.com.pk
Tel: +9221-35303330 Ext:133
Topline Securities, Pakistan

8MFY24 total cement sales up 1-4%

Pakistan Cement Sales: Feb 2024E

mn tons	Feb-24E	Feb-23A	YoY	MoM
Local	2.71	3.59	-24%	-9%
North	2.20	2.95	-26%	-8%
South	0.51	0.64	-20%	-12%
Export	0.38	0.44	-14%	-14%
Total	3.09	4.03	-23%	-9%

Source: APCMA, Topline Research

Pakistan Cement Sales: 8MFY24E

mn tons	8MFY24E	8MFY23A	YoY
Local	25.91	27.21	-5%
North	21.35	22.33	-4%
South	4.55	4.88	-7%
Exports	4.48	2.60	73%
Total	30.39	29.80	2%

Source: APCMA, Topline Research

- Pakistan local cement dispatches are likely to decline by 7-11% MoM and 22-26% YoY to clock in at around 2.7-2.8mn tons in Feb-2024.
- MoM decline in local cement dispatches is primarily due to fewer working days in Feb-2024 compared to Jan-2024. Moreover, due to general election, construction activities usually slow down for a few days before and after the election.
- Considering these figures, the average daily domestic sales for the sector is expected to clock in at 93.5k tons/day in Feb-24, compared to the five-year average Feb sales of 128.2k tons/day.
- YoY decline in local cement dispatches is attributed to (i) slowdown in construction activities due to higher cost of construction inputs, (ii) high base effect of last year as cement dispatches were up due to flood related construction activities, and (iii) the implementation of axle load, as companies were facing issues in transporting cement.
- Axle load refers to the total weight bearing of a wheeled vehicle on the road for all wheels attached to a given axle.
- Exports during Feb-24 are also anticipated to decline by 12-16% YoY and MoM, reaching 0.38mn tons. According to channel checks, this decline in exports is attributed to the drop in export prices, which has made exports economically unfeasible.
- This takes Pakistan's total cement sales to around 3.1mn tons, down 7-11% MoM and 21-25% YoY in Feb-2024.
- Total cement capacity utilization in Feb-24 is estimated to clock in at 47% vs 52% in Jan-24 and 65% in Feb-23.
- In 8MFY24, total cement sales are likely to increase by around 1-4% YoY, with local sales expected to decline by 4-6% YoY and exports to increase by 71-75% YoY.
- Average retail price in Feb-24 increased by Rs6 per bag to Rs1,195/bag in the South, while it went up by Rs9 per bag to Rs1,245 per bag in the North, as per Pakistan Bureau of Statistics (PBS).

Company wise snapshot

Company Wise	Feb-24E	Feb-23A	YoY	MoM	8MFY24E	YoY
LUCK	596,076	622,183	-4%	-10%	4,799,434	18%
Local	475,648	542,590	-12%	3%	4,065,339	7%
Exports	120,428	79,593	51%	-40%	734,095	79%
DGKC	257,793	542,019	-52%	-11%	3,306,904	-7%
Local	251,123	370,408	-32%	-13%	2,859,959	-14%
Exports	6,670	171,611	-96%	368%	446,945	38%
MLCF	241,242	390,887	-38%	-14%	2,793,302	-7%
Local	236,258	380,542	-38%	-14%	2,717,021	-8%
Exports	4,984	10,345	-52%	-4%	76,281	29%
BWCL	463,183	565,959	-18%	-17%	4,319,731	9%
Local	451,852	558,400	-19%	-17%	4,271,218	8%
Exports	11,331	7,559	50%	22%	48,513	92%
PIOC	161,859	231,912	-30%	-5%	1,879,693	-15%
Local	161,859	231,912	-30%	-5%	1,879,693	-15%
Exports	-	-	NM	NM	-	NM
CHCC	159,789	232,608	-31%	-16%	1,983,996	-13%
Local	137,780	215,593	-36%	-25%	1,782,249	-16%
Exports	22,008	17,015	29%	272%	201,747	15%
ACPL	278,256	182,155	53%	63%	1,250,926	33%
Local	99,134	120,984	-18%	-6%	919,243	-8%
Exports	179,121	61,171	193%	176%	331,683	147%
KOHC	179,220	263,871	-32%	0%	2,068,794	-13%
Local	179,220	261,008	-31%	1%	2,064,849	-14%
Exports	0	2,863	NM	-100%	3,945	661%
FCCL	384,900	459,596	-16%	8%	3,318,565	1%
Local	355,820	437,178	-19%	3%	3,039,788	-1%
Exports	29,080	22,418	30%	122%	278,777	22%

Source: APCMA, 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.¹⁰

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.