



AKD Securities Limited

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Pakistan Stock Exchange

Equity Research / Pakistan



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Today's Daily

■ Pakistan Cement: Record high dispatches in Mar'18

According to provisional statistics, dispatches during Mar'18 registered growth of 8.5%YoY/13.8%YoY to reach a monthly peak of 4.30mn tons (previously at 4.08mn tons in Jan'18). Enhanced dispatches were led by record high domestic dispatches (3.95mn tons in Mar'18 vs. previous 3.78mn tons in Oct'17) where domestic demand growth stood at +5.3%YoY/+13.6%MoM in Mar'18. Exports also remained positive in Mar'18 clocking in at 0.35mn tons (up 65.2%YoY/16.4%MoM). On a cumulative basis, total dispatches growth reached 13.5%YoY in 9MFY18 led by domestic demand growth of 16.8%YoY. With the elections drawing close, we anticipate total dispatches growth to remain strong for the remainder of the year. We derive our thesis from: 1) strong PSDP and provincial spending in 2HFY18 ahead of national polls (39% unutilized federal PSDP at the end of Mar'18) and 2) impressive growth in private sector credit related to construction activity (+24.9%YoY in Feb'18). While risk of pricing indiscipline prevails with each expansions (particularly for South players), we believe recent cement price recovery (+Pkr50/bag in North), offer attractive entry points especially when growth dynamics remain intact. While maintaining our preference for the sector (particularly North players), our top picks include well diversified, energy efficient companies like LUCK (TP: Pkr898/sh), MLCF (TP: Pkr108/sh), PIOC (TP: Pkr109/sh) and DGKC (TP: Pkr198/sh) in our Cement Universe.

KSE100 - Index

Current 46,013.34
Previous 45,741.43
Chg. 0.59%

Mkt Cap. (Pkrbn/US\$bn)

Current 9,438 / 81.72
Previous 9,421 / 81.57
Chg. 0.19%

Daily Turnover (mn)

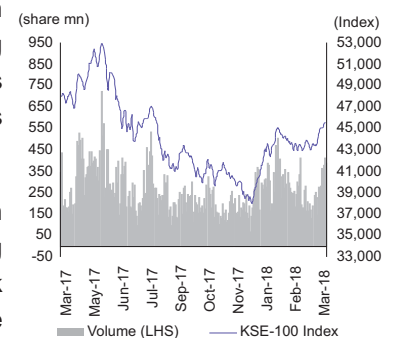
Current 282.64
Previous 262.52
Chg. 7.7%

Value Traded (Pkrmn/US\$m)

Current 12,895 / 111.66
Previous 12,182 / 105.48
Chg. 5.9%

News and Views

- Prime Minister's Adviser on Finance Miftah Ismail says reduction in income tax rates will perhaps be the only relief for public in the coming budget. Also, he said the ruling party won't be introducing mega projects and will leave big projects to the next government. He said the gov't is working to bring foreign wealth back to the country.
- The government on Tuesday decided to inject another Pkr40-50bn in the power sector to ensure seamless energy supplies during the upcoming summer. In another news, PSO is mulling to apply with the central bank to extend its credit limit for international oil payments as it is yet to be paid over Pkr337bn in bills owing to various public sector entities. The entity received Pkr24bn from the GoP but says its insufficient to finance 20,000tons/day of fuel import.
- The government will borrow Pkr4.25trn in April-June period of 2018 through auctions of treasury bills and long-term papers to cover budgetary gaps.



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Wednesday, Apr 04, 2018



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Domestic dispatches continues upward trend: According to provisional statistics, domestic dispatches numbers recorded another milestone reaching a monthly peak of 3.95mn (the highest ever) in Mar'18. Dispatches growth during the month continued its impressive upward trend, growing by 5.3%YoY/13.6%MoM. On a cumulative basis, domestic dispatches growth reached 16.8%YoY in 9MFY18, significantly higher than 10.9%YoY growth recorded in 9MFY17. In this regard, players in the northern region were able to grow more rapidly (+18.1%YoY in 9MFY18) as compared to the southern region (+10.9%YoY in 9MFY18). Companies outperforming the industry during 9MFY18 included CHCC (+86.5%YoY) and MLCF (+20.2%YoY) while LUCK (+16.7%YoY), ACPL (+16.5%YoY), DGKC (+13.7%YoY) and PIOC (+10.4%YoY) also posted impressive double digit growth in 9MFY18.

Exports showed some strength: Continuing with its last month performance, industry exports remained positive in Mar'18 as well to clock in at 0.35mn tons, an uptick of 65.2%YoY/16.4%MoM. However, on an overall basis, exports are still down 9.3%YoY in 9MFY18 compared with 14.8%YoY decline in 9MFY17. Going forward, we expect exports to remain under pressure due to worsening relation with the neighboring countries (Afghanistan & India). Besides, rising fuel prices/other input costs and import/anti-dumping duties also makes it more challenging for local manufactures to grow on the export front.

Capacity Utilization

	9MFY18	9MFY17	YoY
LUCK	81.8%	72.7%	9.1%
DGKC	116.5%	106.0%	10.5%
MLCF	107.9%	96.7%	11.2%
FCCL	96.9%	86.0%	10.9%
CHCC	102.9%	122.7%	-19.9%
PIOC	75.3%	66.2%	9.1%
KOHC	88.5%	81.7%	6.8%
ACPL	76.5%	69.3%	7.2%
FECTC	100.2%	97.7%	2.5%
North	97.5%	84.2%	13.3%
South	74.5%	71.1%	3.4%
Industry	92.2%	81.2%	11.0%
Reported co.	92.7%	80.6%	12.1%

Source: APCMA & AKD Research

Local Market Share

	9MFY18	9MFY17
LUCK	16.1%	16.1%
DGKC	10.7%	11.0%
FCCL	7.3%	7.9%
CHCC	5.2%	3.3%
MLCF	8.1%	7.9%
PIOC	3.5%	3.8%
KOHC	5.2%	5.5%
ACPL	4.4%	4.4%
FECTC	1.8%	1.9%
North	82.6%	81.7%
South	17.4%	18.3%

Source: APCMA & AKD Research

Export Mix

	9MFY18	9MFY17
LUCK	13.2%	16.3%
DGKC	10.2%	13.2%
FCCL	8.9%	5.1%
CHCC	13.9%	14.9%
MLCF	7.8%	14.4%
PIOC	4.1%	1.2%
KOHC	4.4%	6.2%
ACPL	21.1%	25.2%
FECTC	9.5%	17.0%
North	8.6%	10.4%
South	15.5%	20.2%
Total	9.9%	12.4%

Source: APCMA & AKD Research



Investment Perspective: Backed by expansion led volumetric growth, continued focus of GoP on infrastructure (PSDP spending of PkR607bn in 9MFY18, up 11.2%YoY) and impressive growth in private sector credit related to construction activity (+24.9%YoY in Feb'18), we believe the demand dynamics of the cement sector remain sound. Though risks in the form of pricing war (especially in South region) and higher coal prices (surged +26% since May'17) exist, we believe recent cement price recovery (+PkR50/bag in North), offer attractive entry points especially when growth dynamics remain intact. While maintaining our preference for the sector (particularly North players), our top picks include well diversified, energy efficient companies like LUCK (TP: PkR898/sh), MLCF (TP: PkR108/sh), PIOC (TP: PkR109/sh) and DGKC (TP: PkR198/sh) in our Cement Universe.

Industry Dispatches (K tons)

Local	Mar-18	Mar-17	YoY	Feb-18	MoM	9MFY18	9MFY17	YoY
LUCK	666	577	15.5%	542	23.0%	4,977	4,265	16.7%
DGKC	359	365	-1.6%	343	4.6%	3,312	2,913	13.7%
FCCL	305	257	18.5%	260	17.3%	2,274	2,102	8.2%
CHCC	208	146	42.9%	195	6.9%	1,611	864	86.5%
MLCF	329	264	24.7%	303	8.6%	2,516	2,093	20.2%
PIOC	143	138	3.8%	123	16.0%	1,099	996	10.4%
KOHC	225	192	16.8%	184	22.3%	1,616	1,465	10.4%
ACPL	171	157	8.7%	153	11.4%	1,356	1,164	16.5%
FECTC	71	60	17.7%	70	2.0%	557	498	11.8%
North	3,280	3,058	7.3%	2,871	14.2%	25,623	21,699	18.1%
South	673	695	-3.1%	609	10.6%	5,382	4,852	10.9%
Total	3,953	3,753	5.3%	3,480	13.6%	31,005	26,551	16.8%
Exports	Mar-18	Mar-17	YoY	Feb-18	MoM	9MFY18	9MFY17	YoY
LUCK	108	42	160.9%	97	12.0%	758	833	-9.0%
DGKC	19	41	-54.3%	28	-34.2%	376	443	-15.2%
FCCL	9	1	8.0	10	-7.4%	221	113	95.6%
CHCC	10	2	404.8%	9	2.4%	261	151	72.4%
MLCF	16	25	-35.2%	17	-4.8%	212	351	-39.5%
PIOC	5	2	2.2	8	0.68	47	12	282.3%
KOHC	6	0	2515.0%	7	-9.0%	75	97	-22.4%
ACPL	55	29	90.6%	37	49.5%	363	392	-7.5%
FECTC	4	4	4.8%	5	-9.6%	59	102	-42.6%
North	203	141	43.7%	181	12.4%	2,416	2,526	-4.4%
South	147	71	108.2%	120	22.4%	988	1,227	-19.5%
Total	350	212	65.2%	301	16.4%	3,404	3,753	-9.3%
Total	Mar-18	Mar-17	YoY	Feb-18	MoM	9MFY18	9MFY17	YoY
LUCK	775	618	25.3%	639	21.3%	5,734	5,098	12.5%
DGKC	378	406	-6.9%	372	1.7%	3,688	3,357	9.9%
FCCL	314	258	21.7%	270	16.3%	2,496	2,215	12.7%
CHCC	218	148	47.6%	204	6.7%	1,871	1,015	84.4%
MLCF	345	289	19.5%	320	7.9%	2,728	2,444	11.6%
PIOC	149	140	5.9%	131	13.1%	1,147	1,008	13.7%
KOHC	231	193	20.0%	191	21.1%	1,692	1,562	8.3%
ACPL	225	186	21.3%	190	18.7%	1,719	1,556	10.5%
FECTC	75	64	17.0%	74	1.3%	616	600	2.6%
North	3,483	3,199	8.9%	3,052	14.1%	28,040	24,225	15.7%
South	820	765	7.1%	729	12.5%	6,370	6,079	4.8%
Total	4,303	3,965	8.5%	3,781	13.8%	34,409	30,304	13.5%

Source: APCMA & AKD Research



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Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



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