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Pakistan Stock Exchange

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Today's Daily

■ Pakistan Cement: Aug'17 dispatches showing robust growth

According to provisional statistics overall dispatches during Aug'17 registered growth of +17.6%MoM/10.9%YoY to reach a monthly peak of 3.98mn tons in Aug'17 (previous at 3.96mn tons in Mar'17). Domestic dispatches (3.53mn tons sold in Aug'17) growing +21.3%YoY/+16.5%MoM, continued to drive offtake. Growth in domestic dispatches in Aug'17 were likely led by sharp increase in PSDP spending (Pkr79bn in Aug'17, up 2.3xYoY) and the dwindling of the seasonal slowdown (Ramadan & extended monsoon) seen in previous months. However, exports continued to slide by 5.5%MoM/19.3%YoY to reach just 0.450mn tons in Aug'17. On a cumulative basis, total dispatches growth reached 24.4%YoY in 2MFY18 vs. 11.0%YoY growth recorded in 2MFY17 led by demand growth of 31.4%YoY in 2MFY18 vs.13.8%YoY in 2MFY17. Post Eid-ul-adha and present spell of rainfall, we anticipate total dispatches growth to remain healthy going forward. We derive our thesis from: 1) strong PSDP and provincial spending in 2HCY17 running up to national polls and 2) impressive growth in private sector credit related to construction activity (+38.8%YoY in Jul'17). We feel current price levels offer attractive entry points especially when growth dynamics remain intact. Maintaining our preference for the sector, our top picks include LUCK (TP: Pkr1,180/sh, upside: 63%), MLCF (TP: Pkr169/sh, upside: 49%) and FCCL (TP: Pkr56/sh, upside: 37%).

KSE100 - Index

Current	43,792.19
Previous	44,120.58
Chg.	-0.74%

Mkt Cap. (Pkrbn/US\$bn)

Current	9,035 / 85.79
Previous	9,056 / 85.99
Chg.	-0.23%

Daily Turnover (mn)

Current	215.17
Previous	185.17
Chg.	16.2%

Value Traded (Pkrmn/US\$m)

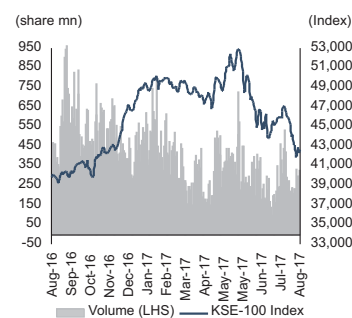
Current	12,604 / 119.67
Previous	9,898 / 93.98
Chg.	27.3%

AKD Daily

Thursday, Aug 31, 2017

News and Views

- The GoP has raised Pkr522.11bn through MTBs auction held yesterday (Wednesday). Bids amounting to Pkr432.55bn, Pkr87.6bn and Pkr1.89bn were accepted for 3M, 6M, 12M T-bills, where cut off yields for 3M, 6M, and 12M were 5.99%, 6.01% and 6.04% respectively.
- In a summary submitted to MoE, the OGRA has proposed increase in the price of HSD/MOGAS by Pkr2.24/Pkr0.7/liter for the Sep'17. The regulator also recommended an increase of Pkr15/Pkr12/liter in kerosene/ prices.
- The MoF has reportedly refused to fund the gas supply schemes worth of Pkr30bn in the constituencies of parliamentarians. Earlier in Apr'17, former PM Nawaz Sharif lifted moratorium on new gas connections for both private and commercial consumers.



Waqas Imdad Ali
 waqas.imdad@akdsecurities.net
 111-253-111 Ext: 637

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Domestic dispatches remain robust: According to provisional statistics, local cement demand set a new second monthly record of 3.58mn tons in Aug'17 (previous high of 3.75mn tons sold in Mar'17). Dispatches growth during Aug'17 continued its robust upward trend of +16.5%YoY/21.3%MoM compared with +20.9%YoY/+62.2%MoM in Jul'17. These were likely led by a sharp increase in PSDP spending to reach PkR79bn in Aug'17 (up 2.3xYoY) and shrinking impact of seasonal slowdown (Ramadan factor & extended monsoon) seen in previous months. On a cumulative basis, domestic dispatches growth reached 31.4%YoY in 2MFY18, higher than 13.8%YoY growth recorded in 2MFY17.

Export slump continues: Concerning for sizable cement exporters (2MFY18 export mix - CHCC: 24.9%, LUCK: 13.5%, DGKC: 13.1% and MLCF: 11.7%), exports continued to inch lower in Aug'17 (down 5.5%MoM/19.3%YoY to just 0.450mn tons) after witnessing some recovery seen in previous months. On an overall basis, exports during 2MFY18 fell by 9.5%YoY compared with 0.9%YoY decline in 2MFY17. Going forward, we expect exports to remain flattish due to rising fuel prices/other input costs and import/anti-dumping duties making it challenging to grow on the export front.

Investment Perspective: Backed by expansion led volumetric growth, continued focus of GoP on infrastructure, impressive growth in private sector credit related to construction activity (+38.8%YoY in Jul'17), expected decline in energy costs from anticipated correction in coal prices and addition of energy diversification projects, we believe the growth dynamics of the cement sector remains sound. With the cement sector's market

Export Mix for local manufacturers

	Aug-17	Aug-16	Jul-17	2MFY18	2MFY17
LUCK	11.6%	23.7%	15.6%	13.5%	24.0%
DGKC	11.6%	14.1%	14.9%	13.1%	16.7%
FCCL	11.2%	7.9%	9.9%	10.6%	8.8%
CHCC	23.1%	18.1%	27.2%	24.9%	21.9%
MLCF	10.0%	17.6%	13.4%	11.7%	21.5%
PIOC	3.2%	0.7%	5.9%	4.4%	0.4%
KOHC	5.8%	6.8%	6.5%	6.1%	7.9%
ACPL	21.8%	29.8%	29.9%	25.4%	32.7%
FECTC	8.1%	13.3%	10.1%	9.5%	16.6%
North	10.7%	12.4%	12.2%	11.4%	14.1%
South	13.9%	27.6%	22.2%	17.6%	29.0%
Total	11.3%	15.5%	14.1%	12.6%	17.3%

Source: APCMA & AKD Research



capitalization coming off in the recent price correction, we feel current price levels offer attractive entry points especially when growth dynamics remain healthy . Maintaining an Overweight stance on the sector, our top picks include LUCK (TP: PkR1,180/sh, upside: 63%), MLCF (TP: PkR169/sh, upside: 49%) and FCCL (TP: PkR56/sh, upside: 37%).

Industry Dispatches (K tons)

Local	Aug-17	Aug-16	YoY	Jul-17	MoM	2MFY18	2MFY17	YoY
LUCK	579	482	20.2%	499	16.0%	1,078	806	33.7%
DGKC	394	332	18.7%	323	21.8%	717	539	33.0%
FCCL	252	239	5.6%	212	18.8%	464	362	28.3%
CHCC	179	89	100.8%	143	24.7%	322	130	147.6%
MLCF	270	238	13.2%	236	14.5%	506	390	29.6%
PIOC	125	116	7.8%	111	12.4%	237	198	19.8%
KOHC	197	178	10.6%	160	23.2%	357	288	23.8%
ACPL	162	134	20.8%	124	30.5%	285	218	31.0%
FECTC	66	73	-9.4%	47	41.1%	113	106	6.7%
North	2,858	2,495	14.5%	2,423	17.9%	5,281	4,011	31.7%
South	669	532	25.7%	483	38.4%	1,152	884	30.4%
Total	3,527	3,028	16.5%	2,907	21.3%	6,434	4,895	31.4%
Exports	Aug-17	Aug-16	YoY	Jul-17	MoM	2MFY18	2MFY17	YoY
LUCK	76	149	-48.9%	93	-17.6%	169	255	-33.8%
DGKC	51	54	-5.4%	57	-8.9%	108	108	0.0%
FCCL	32	20	55.6%	23	36.0%	55	35	59.3%
CHCC	54	20	173.0%	53	0.2%	107	36	193.0%
MLCF	30	51	-41.0%	37	-18.0%	67	107	-37.3%
PIOC	4	1	396.8%	7	-41.4%	11	1	1190.8%
KOHC	12	13	-6.7%	11	8.9%	23	25	-5.7%
ACPL	45	57	-20.7%	53	-14.8%	97	106	-8.0%
FECTC	6	11	-48.3%	5	9.7%	12	21	-44.0%
North	341	355	-3.8%	338	1.0%	679	661	2.8%
South	108	203	-46.5%	138	-21.5%	246	362	-31.9%
Total	450	557	-19.3%	476	-5.5%	926	1,022	-9.5%
Total	Aug-17	Aug-16	YoY	Jul-17	MoM	2MFY18	2MFY17	YoY
LUCK	655	631	3.8%	592	10.8%	1,247	1,062	17.5%
DGKC	445	386	15.3%	380	17.2%	825	647	27.5%
FCCL	284	259	9.5%	235	20.5%	519	396	31.0%
CHCC	232	109	113.9%	197	18.1%	428	166	157.6%
MLCF	300	289	3.7%	272	10.1%	573	497	15.2%
PIOC	129	117	10.6%	118	9.2%	248	198	24.8%
KOHC	209	191	9.4%	171	22.3%	380	313	21.5%
ACPL	207	191	8.4%	177	16.9%	383	323	18.3%
FECTC	72	85	-14.6%	52	37.9%	125	127	-1.7%
North	3,199	2,850	12.3%	2,761	15.9%	5,961	4,672	27.6%
South	777	735	5.8%	621	25.1%	1,399	1,246	12.3%
Total	3,977	3,585	10.9%	3,383	17.6%	7,359	5,917	24.4%

Source: APCMA & AKD Research



AKD Securities Limited
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Thursday, Aug 31, 2017



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