

## Cement sector ~ swinsong continues

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As per the provisional numbers, total cement dispatches during Jun'15 has increased by 7% MoM to 3.3mn tons. The local cement dispatches increased significantly by 10% MoM where the export maintained slow pace and registered a decline of 4% MoM.

On yearly basis, total dispatches increased by 1% where the local dispatches shows soaring domestic demand by 8%; whilst export shows depressed demand in neighboring countries especially Afghanistan.

**Local demand** is rising decently and is expected to go up radically in the new current fiscal year i.e. FY16. A hulk pond of fund has been set for the development programs from north to south viz. provincial & federal PSDP. Given political expediencies, we expect more cement usage in rural areas.

### Higher PSDP spending to jack up domestic cement demand

The federal *Public Sector Development Program (PSDP)* has been set higher i.e. 33% YoY basis at Rs700bn for FY16 vs. previous year's allocation of Rs525bn. Cement industry is currently at a sweet spot with the sector expected to be the prime recipient of gov'ts enlarged hub on infrastructure development vis-à-vis China Pakistan Economic Corridor (CPEC) and steady costs along with low inflation and lower coal and oil prices. Although the total budgeted PSDP funds have not been floated completely in the current year FY15, but we are positive for the upcoming year with the view of record infrastructure development projects (which were halted and new projects which will bring new dynamics in the better trade lines across the country) to be completed.

### Cement case is strong in FY16

The hard-line enlargement spending target with key focus on infrastructure projects given the development of China Pakistan Economic Corridor, if fully and efficiently utilized, will provide a major boost to domestic cement volumes in our view. The work on western route is already in full swing. A hulk pond of fund has been set for the development programs from north to south. Construction of dams especially in KP province, building up the infrastructure i.e. metro projects, logistic routes and CPEC (China Pakistan Economic Corridor), real estate and housing schemes are the buzzes for the gigantic growth in the local demand of cement

**Exports volumes** have been in depression for the last one year. Lower demand from Afghanistan and cheaper Iranian cement hurt the Pakistani cement exports and the impositioning of the anti-dumping duty in South Africa restricted the sales in FY15.

### Our universe

Our Standard Capital cement universe is a shiny star and has a brighter future. Our top pick in cements include **DGKC, PIOC** and **FCCL**. The momentous growths in dispatches are reflected in numbers.

**In terms of local sales growth, DGKC stands as the star performer for the month of Jun-15, registering a 25% MoM growth. This was followed by MLCF, posting a growth of 21% MoM, FCCL 19% MoM and PIOC 18% MoM.**

### Cement dispatches

000 tons	15-Jun	15-May	MoM	14-Jun	YoY	FY15	FY14	YoY
Local	2734	2496	10%	2537	8%	28226	26145	8%
Export	539	560	-4%	688	-22%	7185	8137	-12%
<b>Total</b>	<b>3273</b>	<b>3056</b>	<b>7%</b>	<b>3225</b>	<b>1%</b>	<b>35411</b>	<b>34282</b>	<b>3%</b>

Source: Standard Capital Research