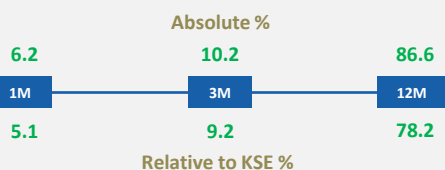


Sector Performance



- Total cement dispatches for Oct'20 increased by 15%YoY to 5.7mn MT as against 5.0mn MT in SPLY.
- On a cumulative basis, total dispatches increased by 18%YoY clocking in at 19.0mn MT for 4MFY21 as opposed to 16.1mn MT in SPLY attributed to robust volumetric growth in both local and export market.
- Company wise, PIOC outperformed the industry, registering a growth of 2.1xYoY due to commissioning of new line.
- As per the newsflow, federal government has released PKR290bn (44.5%) under PSDP fund against the allocated amount of PKR650bn.
- Due to the aforementioned reasons, cement sector has posted a return of 41% FYTD as opposed to benchmark's return of 14% FYTD. On an EV/ton basis, we recommend FCCL that trades at a 35% discount to the industry average of USD73/MT.

Total dispatches increased by 15%YoY in Oct'20: Total cement dispatches for Oct'20 increased by 15%YoY to 5.7mn MT as against 5.0mn MT in SPLY. This is attributed to pick up in construction activity from both public and private sector amid government's efforts to boost the sector. During the month, local dispatches witnessed a double digit uptick of 16%YoY to 4.9mn MT where exports also grow by 12%YoY. Additionally, on a sequential basis, cement volumes registered a 10% growth in the backdrop of robust local volumetric growth of 19%YoY.

	Cement dispatches for Oct'20 (mn MT)							
	Oct'20	Oct'19	YoY	Sep'20	MoM	4MFY21	4MFY20	YoY
Local North	4.17	3.60	16%	3.52	18%	13.55	11.43	19%
Local South	0.69	0.60	18%	0.57	21%	2.08	1.86	12%
Total Local	4.86	4.20	16%	4.09	19%	15.63	13.29	18%
Total Exports	0.88	0.79	12%	1.12	-21%	3.38	2.81	20%
Grand Total	5.74	4.99	15%	5.21	10%	19.01	16.10	18%

Source: APCMA, BIPLS Research

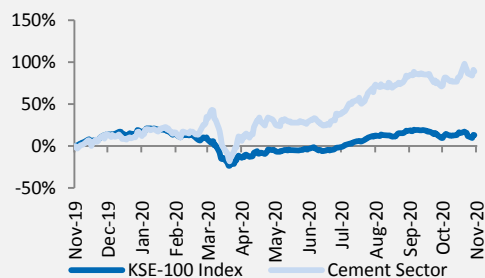
Total dispatches to jump by 18%YoY in 4MFY21: On a cumulative basis, total dispatches increased by 18%YoY clocking in at 19.0mn MT for 4MFY21 where both local and exports jumped by 18%YoY and 20%YoY, respectively. Resultantly, capacity utilization for the cement sector comes at 79% in 4MFY20.

PIOC to outperform the industry: Company wise, PIOC outperformed the industry, registering a growth of 2.1xYoY due to commissioning of new line. KOHC and LUCK are the runner ups during the month posting a growth of 44% and 36%, respectively, with MLCF and DGKC being the laggards during the period.

Local demand remains promising: As per the newsflow, federal government has released PKR290bn (44.5%) under PSDP fund against the allocated amount of PKR650bn. Furthermore, introduction of subsidized mortgage loans and materialization of construction package has started bearing fruit as evident from local growth in 4MFY21. We expect the local demand to remain strong in the remaining year as well.

Investment perspective: Due to the aforementioned reasons, cement sector has posted a return of 41% FYTD as opposed to benchmark's return of 14% FYTD. On an EV/ton basis, we recommend FCCL that trades at a 35% discount to the industry average of USD73/MT.

Cement Sector vs. KSE-100 Index



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The rating system

Rating Definition

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