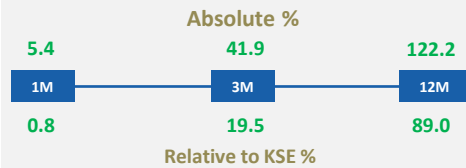
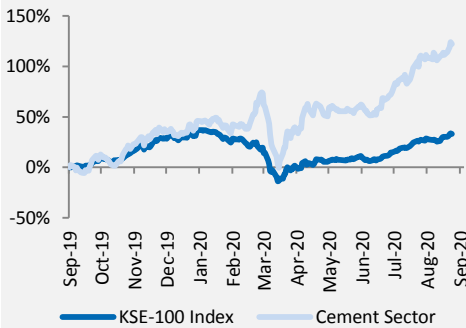


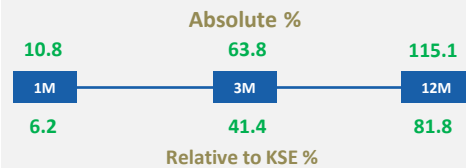
Sector Performance



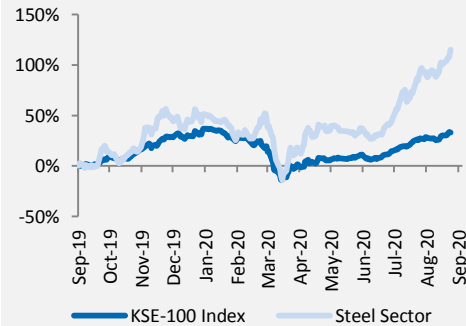
Cement Sector vs. KSE-100 Index



Sector Performance



Steel Sector vs. KSE-100 Index



- The PM announced a historic PKR1.1trn development package to transform Karachi in the next 3yrs to tackle the city's civic issues.
- Assuming 5%-10% of the package constitutes cement procurement, additional cement demand comes at 1.5-3.0mn MT per year which is 13% of the South market and 0.2-0.4mn MT per year of steel.
- Within the BIPLS universe, our calculation suggests that 5% increase in local volumes would increase the bottom-line by 5.5%, 3.5%, 3.0% and 14% for ACPL, LUCK, DGKC and ASTL, respectively.
- Timely commencement of this development project would spur cement and steel demand, boding well for the sector's profitability. To highlight, ASTL and ACPL would be the top beneficiaries amongst steel and cement companies.

A historic development package worth PKR1.1trn announced: A torrential monsoon downpour revealed the inadequacies in Karachi's infrastructure. Consequently, the PM announced a historic PKR1.1trn development package to transform the city in the next 3yrs. The Karachi package includes PKR92bn water supply projects, PKR267bn for solid waste management, storm water drains clearance and resettlement projects, PKR141bn for sewage treatment plan, PKR41bn road projects and PKR572bn mass transit, rail and road transport projects. The roadmap for this package is shown below:

- Green Line Bus Rapid Transport System would complete in June 2021
- K-IV water supply project would be complete by the end of 2022
- Karachi Circular Railway would complete by the end of 2023

Cement and steel to gain: The package is expected to benefit cement players based in South region since it would bring the local market's demand to life. To recall, local South market posted a double digit decline of 29%YoY in the outgoing year. Listed companies such as ACPL, LUCK (Karachi plant), DGKC (Hub plant), THCCCL, DCL (Dhabeji) and POWER are expected to benefit from this development. Furthermore, steel companies notably INIL and CSAP that build pipes and ASTL (re-bars) would also gain from this move. To highlight, construction of road network would increase the demand for asphalt, thereby benefitting APL.

Assuming 5%-10% of the package constitutes cement procurement, additional cement demand comes at 1.5-3.0mn MT per year which is 13% of the South market and 0.2-0.4mn MT per year of re-bar. We expect the margins of Southern cement companies to expand significantly upon timely commencement of this project since the companies were not able to fetch attractive price for the export of cement and clinker.

Within the BIPLS universe, our calculation suggests that 5% increase in local volumes would increase the bottom-line by 5.5%, 3.5%, 3.0% and 14% for ACPL, LUCK, DGKC and ASTL, respectively.

Investment perspective: Timely commencement of this development project would spur cement and steel demand, boding well for the sector's profitability. To highlight, ASTL and ACPL would be the top beneficiaries amongst steel and cement companies.

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The rating system	Rating Definition
Buy	Total stock return \geq 15%
Hold	0% \leq Total stock return < 15%
Sell	Total stock return < 0%

* Total stock return = capital gains + dividend yield

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