

Cement: Dull 1QFY25 dispatches owing to Monsoon and fiscal measures

- Cement dispatches for Sep-2024 were reported at 3.9mn tons depicting a 5% YoY decrease. Local dispatches posted 18% YoY drop, whereas a 72% YoY improvement was recorded in exports during the month.
- Total dispatches for 1QFY25 clocked in at 10.3mn tons, down 13% YoY. Local cement volumes fell 20% YoY due to weak demand. Export growth clocked in at 22% YoY but could not offset the decline, a trend that has persisted in recent months.
- Measures announced in the Federal Budget FY25 pertaining to the sector (higher FED, progressive tax rates for property transactions) and royalty imposed by Punjab govt. on cement are likely to keep growth in cement demand muted in the near term. We maintain a positive outlook on the sector for the long term, supported by margin gains from cost efficiencies and monetary easing cycle saving interest costs.

Cement dispatches show a YoY decline in Sep-2024

Cement dispatches for Sep-2024 were reported at 3.9mn tons depicting a 5% YoY decrease. Local dispatches posted 18% YoY drop whereas a 72% YoY rise was recorded in exports during the month. The total dispatches tally for 1QFY25 came in at 10.3mn tons, down 13% YoY. Local cement volumes were the main culprit which remained weak during 1QFY25, with a 20% YoY decrease owing to dull demand during the period. Export growth clocked in at 22% YoY but could not offset the drop in local dispatches, a trend that has persisted in recent months.

Cement Dispatches

('000 tons)	Jul-24	Aug-24	Sep-24	YoYΔ	MoMΔ	1QFY24	1QFY25	YoYΔ
Total Dispatches	3,033	3,352	3,908	-5%	17%	11,891	10,292	-13%
Local Dispatches	2,486	2,738	2,926	-18%	7%	10,139	8,149	-20%
North Local	2,113	2,312	2,451	-15%	6%	8,330	6,875	-17%
South Local	373	426	476	-28%	12%	1,809	1,274	-30%
Export Dispatches	547	614	982	72%	60%	1,751	2,143	22%
North Export	99	205	203	43%	-1%	428	507	18%
South Export	448	409	778	82%	90%	1,323	1,636	24%

Source: APCMA, JS Research

Flat YoY growth for local sales during FY25 seems difficult

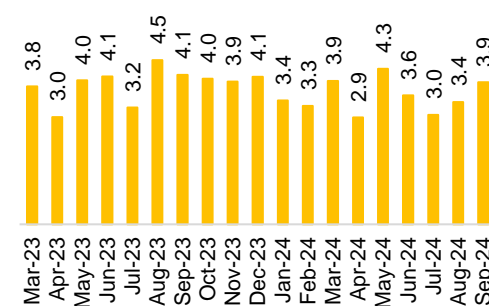
We believe that achieving flat YoY sales in domestic market for FY25 would require an average monthly growth of 7% YoY from this point forward. Given the current slowdown in demand and the need for sustained growth, even achieving flat YoY sales for FY25 seems challenging. Local sales in July and August were heavily affected by intense monsoon rains. Although conditions improved relatively in September, overall local cement dispatches for 1QFY25 remained subdued. Moreover, measures introduced in the FY25 Budget, including higher FED, progressive tax rates on property transactions, an increase in royalty charge for Punjab-based cement players starting Jul-2024, and reduction in PSDP budget could further hinder construction activity which may lead to subdued domestic cement demand.

Muhammad Waqas Ghani, CFA

waqas.ghani@js.com

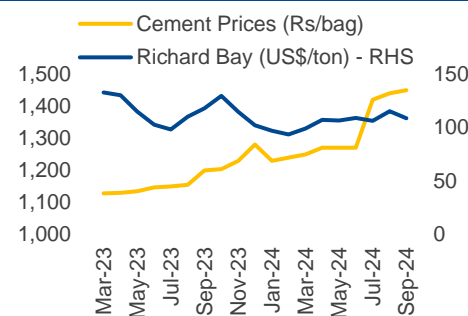
+9221 111-574-111 Ext: 3096

Monthly cement dispatches (mn tons)



Source: APCMA, JS Research

International coal prices vs Cement Prices



Source: Bloomberg, PBS, JS Research

Company wise dispatches

(tons)		Sep-24	Sep-23	YoYΔ	Aug-24	MoMΔ	1QFY25	1QFY24	YoYΔ
Attock Cement	Local	95,601	129,428	-26%	93,697	2%	266,430	338,209	-21%
	Export	182,891	92,818	97%	37,124	393%	290,683	186,218	56%
Bestway Cement	Local	520,984	651,771	-20%	487,583	7%	1,432,202	1,747,795	-18%
	Export	15,007	10,784	39%	9,109	65%	31,159	27,447	14%
Cherat Cement	Local	159,845	197,332	-19%	153,699	4%	442,168	571,933	-23%
	Export	54,542	47,597	15%	64,219	-15%	146,014	127,421	15%
D.G Khan Cement	Local	272,860	361,631	-25%	254,740	7%	745,517	952,725	-22%
	Export	246,569	94,959	160%	117,601	110%	438,608	221,089	98%
Dewan Cement	Local	99,371	150,759	-34%	86,308	15%	265,315	382,843	-31%
	Export	0	0	NM	0	NM	0	0	NM
Fauji Cement	Local	417,711	421,441	-1%	389,147	7%	1,164,385	1,156,506	1%
	Export	71,291	72,384	-2%	63,963	11%	163,220	185,295	-12%
Fecto Cement	Local	37,108	50,911	-27%	40,210	-8%	114,782	133,762	-14%
	Export	4,165	560	644%	2,555	63%	8,050	1,855	334%
Gharibwal Cement	Local	99,189	113,251	-12%	82,407	20%	257,469	297,743	-14%
	Export	0	0	NM	0	NM	0	0	NM
Kohat Cement	Local	210,805	281,354	-25%	193,706	9%	583,012	742,163	-21%
	Export	3,035	5,632	-46%	6,758	-55%	11,713	15,768	-26%
Lucky Cement	Local	488,196	688,779	-29%	448,785	9%	1,383,520	1,774,918	-22%
	Export	276,165	191,711	44%	269,734	2%	814,294	442,607	84%
Maple Leaf Cement	Local	268,359	345,762	-22%	269,807	-1%	778,764	967,596	-20%
	Export	25,904	17,512	48%	27,500	-6%	69,952	46,967	49%
Pioneer Cement	Local	159,423	230,914	-31%	158,000	1%	463,187	600,540	-23%
	Export	0	0	NM	0	NM	0	0	NM
Power Cement	Local	96,654	142,308	-32%	79,695	21%	252,657	355,400	-29%
	Export	102,077	196,798	-48%	15,293	567%	169,072	496,570	-66%

Source: APCMA, JS Research

Demand issues remain; navigating challenges is key

Despite weak cement demand during FY24, the sector achieved its highest average gross margins for the year since FY17, driven by better retention and cost efficiency gains. We maintain a positive outlook on the sector for the long term, owing to margin support from cost efficiencies, monetary easing cycle, saving interest costs, and attractive valuations.

While potential changes for captive power plants and regular power and gas tariff hikes present challenges, the cement sector remains resilient in its long-term profitability outlook. The sector must navigate the aforementioned intricacies to sustain progress amid mounting operational costs and a challenging market environment. We highlight that companies with lower interest coverage ratios are expected to benefit from the ongoing monetary easing cycle.

JS Cement Universe

	PE (x)		DY		Market Cap (Rsmn)
	FY25F	FY26F	FY25F	FY26F	
LUCK*	3.20	3.13	2%	2%	247,462
DGKC	5.62	3.72	2%	3%	34,226
MLCF	4.53	4.15	0%	0%	37,995
CHCC	5.61	4.87	3%	3%	35,956
PIOC	6.76	5.34	4%	4%	46,073
ACPL	7.65	5.27	4%	6%	13,028
KOHC	6.13	5.19	0%	0%	60,014
FCCL	5.65	4.47	5%	6%	71,329

Source: JS Research. *Consolidated

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