

Cement Industry Dispatches

(000 Tons)	Aug-18	Jul-18	MoM	Aug-17	YoY	2MFY19	2MFY18	YoY
Local	2,895	3,035	-4.6%	3,356	-13.7%	5,930	6,263	-5.3%
North	2,326	2,375	-2.0%	2,731	-14.8%	4,701	5,154	-8.8%
South	569	660	-13.8%	625	-9.0%	1,229	1,109	10.9%
Export	557	520	7.2%	410	35.9%	1,077	885	21.6%
Total	3,452	3,555	-2.9%	3,766	-8.3%	7,007	7,148	-1.98%

Source: APCMA, AS Research

- After witnessing the hefty growth of 13.84% YoY in FY18, the recent data released by APCMA shows the decline of 8.3% YoY in the month of August 2018 and 1.98% in 2MFY19.
- According to APCMA, the industry dispatched 2.895mn tons of cement in local market during the month of August 2018 as compared to 3.356mn tons during the same period last year, showing the decline of 13.7% YoY.
- The abrupt decline of 13.7% YoY in local demand can be justified by the following reasons:
 - Our base year FY18 was actually the election year in which the sales were inflated due to higher government spending in public projects such as orange line, overheads, under passes and other CPEC projects which has now been bunged or slowed down by the newly formed government.
 - August 2018 was the month of Eid-ul-Azha and it is evident from the previous years that construction activities usually get slowed down due to less working days in the month of Eid.
- Further breaking down the local market into north and south regions, 2.326mn tons and 0.569mn tons of cement was dispatched in north and south regions during the month of August 2018 against 2.73mn tons and 0.625mn tons during the same period last year, showing the decline of 14.8% YoY and 9% YoY respectively.
- On the other hand, exports have surged by 35.9% in August 2018 with the dispatches of 0.557mn Tons as compared to 0.409mn tons during the same period last year, which is quite encouraging for the cement industry.
- The industry is still hopeful for a quick recovery in the sector as the new government has promised to build 5mn small houses in its tenure and the task force has also been formed by the prime minister to form a feasibility plan for this project. Furthermore, the construction of Diامر Bhasa Dam and other hydropower projects are in pipeline which will definitely generate a significant demand for cement once they get started.

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- **Valuation Methodology**

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method (P/E, P/B etc.)
- Discounted Cash flow Method
- Sum of the parts {SOTP}
- Equity and Asset based valuation

- **Rating**

- BUY Total return more than 20% from last closing of market price
- HOLD Total return is in between 10% and 20% from last closing of market price
- REDUCE Total return is less than 10% from last closing market price



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