

(Metric Tons)	Sep-18	Aug-18	MoM	Sep-17	YoY	1QFY19	1QFY18	YoY
Local	3,091,000	2,895,324	6.8%	2,798,242	10.5%	9,021,361	9,061,072	-0.4%
North	2,450,000	2,326,362	5.3%	2,367,478	3.5%	7,150,945	7,521,797	-4.9%
South	641,000	568,962	12.7%	430,764	48.8%	1,870,416	1,539,275	21.5%
Export	715,000	556,511	28.5%	401,621	78.0%	1,791,190	1,287,071	39.2%
North	294,000	264,093	11.3%	308,280	-4.6%	747,255	952,653	-21.6%
South	421,000	292,418	44.0%	93,341	351.0%	1,043,935	334,418	212.2%
Total	3,806,000	3,451,835	10.3%	3,199,863	18.9%	10,812,551	10,348,143	4.49%

Source: APCMA, AS Research

- After witnessing the sluggish demand in dispatches during last two months, the recent data released by APCMA shows the hefty growth of 18.9% YoY in the month of September 2018 and 4.49% YoY in 1QFY19.
- According to APCMA, the industry dispatched 3.091mn tons of cement in local market during the month of September 2018 as compared to 2.798mn tons during the same period last year, showing the growth of 10.5% YoY.
- The healthy growth of 18.9% YoY can be justified by the following reasons:
 - The recent growth seems to be seasonal in nature as the winter is about to arrive and construction activities usually get decelerated in winter season. Therefore, the construction activities are probably higher now a days in order to utilize the availability of favorable season for a short period of time ahead.
 - Base month i.e. September 2017, includes Eid holidays. Therefore, the dispatches normalized during the month of September 2018.
- Further breaking down the local market into north and south regions, 2.450mn tons and 0.641mn tons of cement was dispatched in north and south regions during the month of September 2018 against 2.367mn tons and 0.430mn tons during the same period last year, showing the growth of 3.5% YoY and 48.8% YoY respectively.
- Furthermore, exports from north region have declined by 4.6% in September 2018 with the dispatches of 0.294mn tons as compared to 0.308mn tons during the same period last year. However, the exports from south region have posted an immense growth of 351% YoY with the dispatches of 0.421mn tons in September 2018 as compared to 0.093mn tons during SPLY, which is quite encouraging for the cement industry.
- The industry is hopeful for a similar kind of healthy growth going forward as the government has announced the inauguration of 5mn small houses project within this week and the construction of Diامر Bhasa Dam and other hydropower projects are also in pipeline. However, the industry is still vulnerable to the risks of rising interest rates, PSDP cut due to fresh IMF loan, devaluation of rupee and low pricing power due to ongoing expansion in capacities.

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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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