

Cement Dispatches dropped by 20.8% YoY in Dec-22

Thursday, 5 January, 2023



North Price Per Bag (Rs.)

Dec-22	Nov-22	Change	% Change
1,034	1,035	▼ -1	▼ -0%

South Price Per Bag (Rs.)

Dec-22	Nov-22	Change	% Change
1,069	1,061	▲ 8	▲ 1%

Export Price Per Ton (USD)

Nov-22	Oct-22	Change	% Change
48	52	▼ -4	▼ -8%

Sluggish demand in dispatches is witnessed during the sixth month of FY23 as the recent data released by APCMA shows that cement dispatches were down by 3.2% MoM in Dec-22 while declining by 15.5% on a YoY basis owing to a fall in the construction activity due to a global hike in the prices of steel and other raw materials. The industry dispatched 3.676mn tons of cement in the local market during Dec-22 as compared to 4.057mn tons during the same period last year, showing a decline of 9.4% YoY. Further breaking down the local market, dispatches from the north region dropped by 6.5% to 2.96mn tons against 3.38mn tons while dispatches from the south region increased by 3.1% to 0.72mn tons against 0.69mn tons in the SPLY. Lastly, exports from the north region plunged by 47.6% meanwhile, exports from the south region improved by 242.9% YoY in Dec-22.

Going forward, we expect the industry to remain under pressure amid a strict macroeconomic situation including high borrowing costs coupled with currency devaluation. Moreover, lower demand in addition to an excess supply of dispatches might cause a price war between competitors. However, an increase in the pace of construction activity in wake of the restoration of damaged infrastructure in flood-affected areas as well as lower coal prices in the international market can support the sector.

Local (000' tons)	Dec/22	Nov/22	MoM	Dec/21	YoY	1HFY23	1HFY22	YoY
North	2,956	3,163	6.5% ▼	3,377	12.5% ▼	16,522	20,161	18.0% ▼
South	720	698	3.1% ▲	680	5.9% ▲	3,506	3,902	10.2% ▼
Total	3,676	3,861	4.8% ▼	4,057	9.4% ▼	20,028	24,063	16.8% ▼
Export (000' tons)								
North	54	104	47.6% ▼	28	95.2% ▲	578	544	6.3% ▲
South	151	44	242.9% ▲	510	70.5% ▼	1,150	2,847	59.6% ▼
Total	205	148	38.8% ▲	538	61.9% ▼	1,729	3,391	49.0% ▼
Grand Total (000' tons)	3,881	4,009	3.2% ▼	4,595	15.5% ▼	21,756	27,454	20.8% ▼

Source: APCMA

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DEFINITION OF TERMS

TP	Target Price	DDM	Dividend Discount Model	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	JPB	Justified Price to Book

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VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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