

# CEMENT SECTOR – AN OVERVIEW

Sector Snapshot	
Sponsoring Groups	16
Entities	17
Plants	22
Brands	18
Capacity (mln tpa)	46
Rating Penetration (Entities)	5

September 2016

# CEMENT INDUSTRY | STRUCTURE

Sr.#	Sponsors	Company	Cement (tons)	Market Share (Cement)	Status	Plant Location	Regions
1	Bestway Group   Sir Anwar Pervaiz	Bestway Cement Limited *	7,962,750	17.5%	Listed	Chakwal, Hattar	North
2	Yunus Brothers Group   Tabbas	Lucky Cement Limited	7,386,000	16.2%	Listed	Pezu and Karachi	North/South
3	Nishat Group   Mian Mansha	D.G.Khan Cement Limited	4,221,000	9.3%	Listed	DG Khan and Chakwal	North
4	Fauji Foundation Group	Fauji Cement Company Limited	3,433,500	7.5%	Listed	Fateh Jang	North
5	Kohinoor Maple Leaf Group	Maple Leaf Cement Factory Limited	3,370,500	7.4%	Listed	Daudkhel	North
6	Yousuf Deewan Companies	Dewan Cement Limited	2,898,000	6.4%	Listed	Hattar	North/South
7	Aizaz Sheikh and Family	Kohat Cement Company Limited	2,677,500	5.9%	Listed	Kohat	North
8	Gharibwal Group   Tousif Peracha	Gharibwal Cement Limited	2,110,500	4.6%	Listed	Jehlum	North
9	Mega Conglomerate   Habibullah Khan	Pioneer Cement Limited	2,030,250	4.5%	Listed	Khushab	North
10	Ghulam Faruque Group	Cherat Cement Company Limited	1,102,500	2.4%	Listed	Nowshera	North
11	Fauji Foundation Group	Askari Cement Limited	2,677,500	5.9%	Un-Listed	Nizampur	North
12	Pharaon Group	Attock Cement Pakistan Limited	1,795,500	3.9%	Listed	Hub, Lasbela	South
13	Flying Group of Industries	Flying Cement Limited	1,197,000	2.6%	Listed	Lilla	North
14	Arif Habib Group	Power Cement Limited	945,000	2.1%	Listed	Nooriabad, Dadu	South
15	Fecto Group of Industries   Ghulam M. Fecto	Fecto Cement Limited	819,000	1.8%	Listed	Sangjani	North
16	Three Star Group   Syed Akbar Group and Others	Dandot Cement Limited	504,000	1.1%	Listed	Jehlum	North
17	Arif Habib Group & Others	Thatta Cement Limited	488,250	1.1%	Listed	Thatta	South
<b>Total</b>			<b>45,618,750</b>	<b>100%</b>			

\*Includes PAKCEM

- Rated players: 5
- Rated Capacity: 36%

Geographical Capacity Division	
North	81%
South	19%

# Cement Industry | Cement Expansions

mln tpa

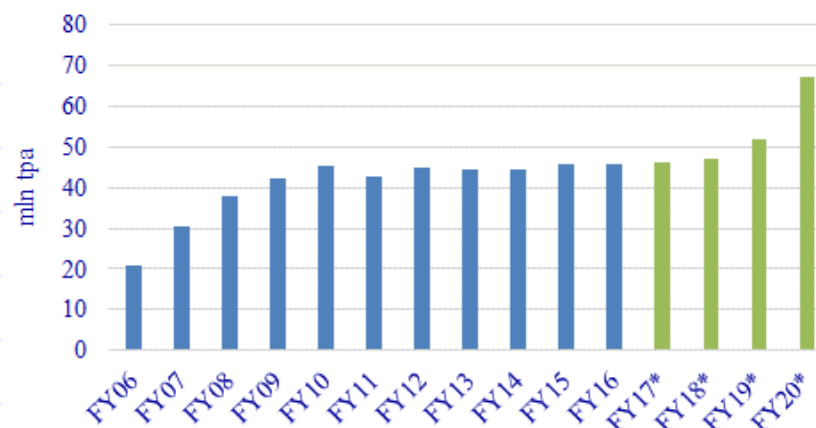
Sr. #	Companies	Announced Expansion	North	South	FY17	FY18	FY19	FY20
1	Cherat Cement Company Limited	1.3	1.3	-	0.7	1.3		
2	Lucky Cement Limited	3.6	2.3	1.3			1.3	3.6
3	D.G.Khan Cement Limited	5.0	2.2	2.8			1.1	5.0
4	Gharibwal Cement Limited	2.5	2.5	-			1.3	
5	Kohat Cement Company Limited	2.3	2.3	-				2.3
6	Pioneer Cement Limited	2.2	2.2	-				2.2
7	Maple Leaf Cement Factory Limited	2.2	2.2	-				2.2
8	Power Cement Limited	1.6	-	1.6				1.6
9	Attock Cement Pakistan Limited	1.1	-	1.1			1.1	
<b>Total Upcoming Expansion</b>		<b>21.7</b>	<b>15.0</b>	<b>6.7</b>				
		<b>100%</b>	<b>69%</b>	<b>31%</b>				
<b>Total Existing Capacity</b>		<b>45.6</b>	<b>36.9</b>	<b>8.7</b>				
<b>New Capacity as %age of Existing</b>		<b>48%</b>	<b>41%</b>	<b>78%</b>				

Partial operations of new line

Full year operations of new line

- 9 players have announced capacity expansion
- The largest expansion is announced by DG Khan Cement including greenfield project

Cement Industry | Production Capacity



\*Expected

# Cement Industry | Production and Consumption Trend

Sr.#	Company	Cement (Existing) (mln tpa)	Market Share   Existing	Post Expansion Capacities (mln tpa)	Market Share Post Expansion
1	Bestway Cement Limited	7.96	17%	7.96	12%
2	Lucky Cement Limited	7.39	16%	10.94	16%
3	D.G.Khan Cement Limited	4.22	9%	9.22	14%
4	Fauji Cement Company Limited	3.43	8%	3.43	5%
5	Maple Leaf Cement Factory Limited	3.37	7%	5.57	8%
6	Dewan Cement Limited	2.90	6%	2.90	4%
7	Askari Cement Limited	2.68	6%	2.68	4%
8	Kohat Cement Company Limited	2.68	6%	4.98	7%
9	Gharibwal Cement Limited	2.11	5%	4.61	7%
10	Pioneer Cement Limited	2.03	4%	4.23	6%
11	Cherat Cement Company Limited	1.10	2%	2.40	4%
12	Attock Cement Pakistan Limited	1.80	4%	2.90	4%
13	Flying Cement Limited	1.20	3%	1.20	2%
14	Power Cement Limited	0.95	2%	2.52	4%
15	Fecto Cement Limited	0.82	2%	0.82	1%
16	Dandot Cement Limited	0.50	1%	0.50	1%
17	Thatta Cement Limited	0.49	1%	0.49	1%
<b>Total</b>		<b>45.62</b>	<b>100%</b>	<b>67.34</b>	<b>100%</b>

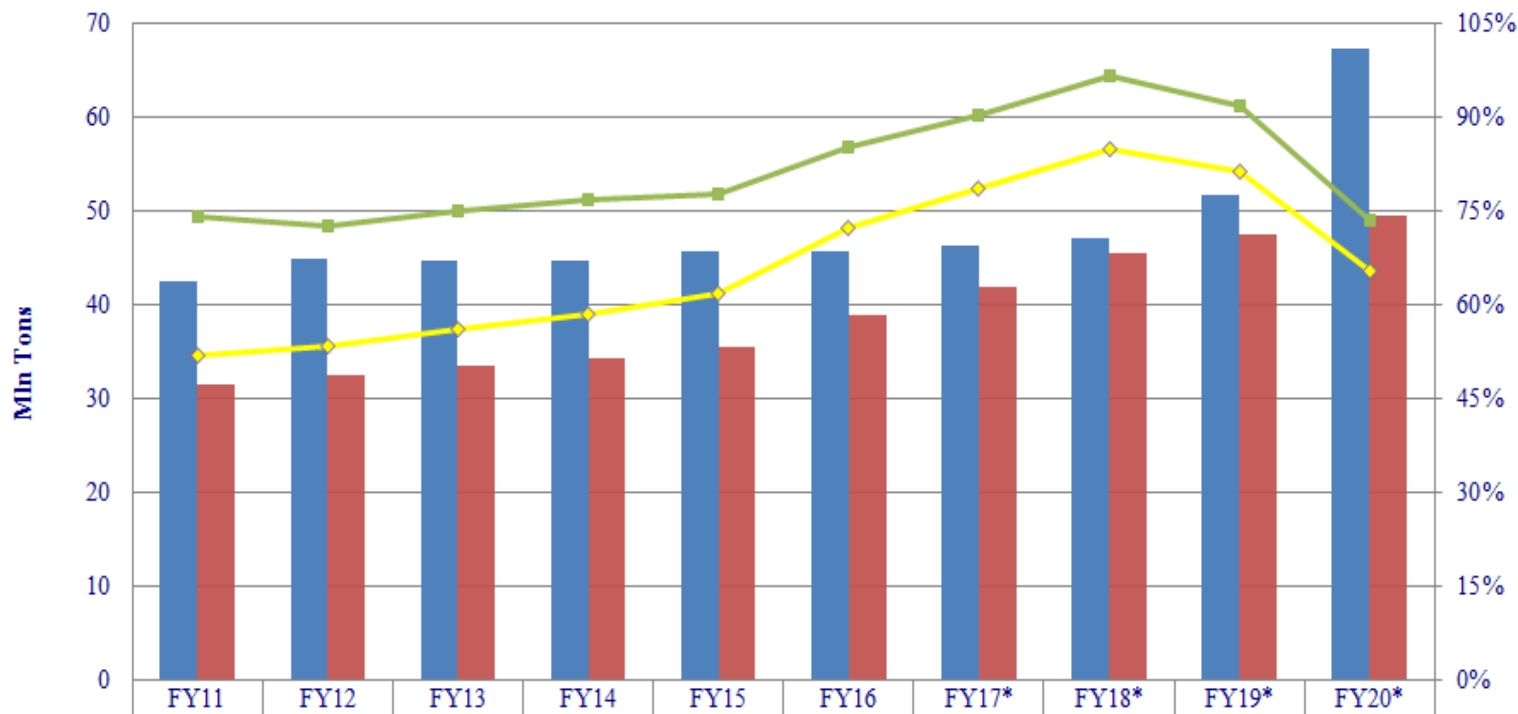
- Industry to add ~48% of existing capacity by FY20

- Change in market leader post expansion | *This may push Bestway Cement for expansion*

Geographical Capacity   Post Expansion		
North	51.9	77%
South	15.4	23%

# Cement Industry | Production and Consumption Trend

Cement | Capacity Utilization | Trend



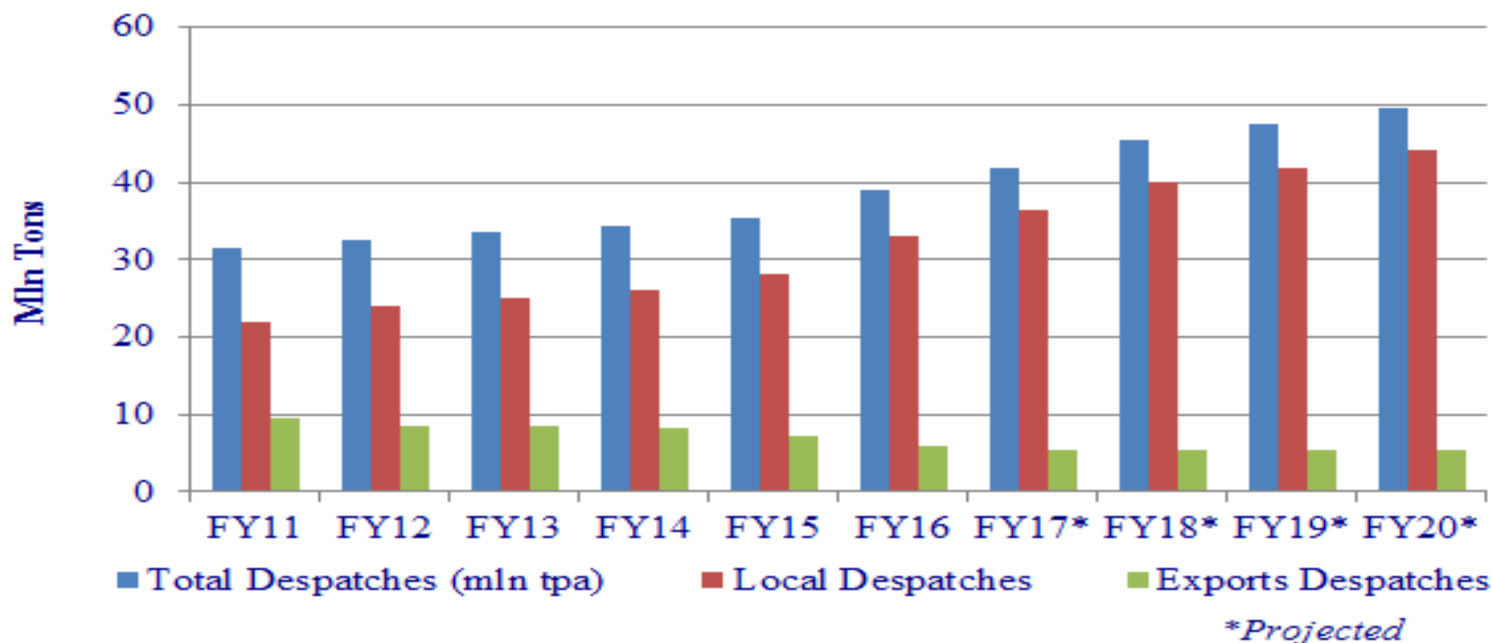
\*Projected

Production Capacity (mln tpa)	42.5	44.8	44.6	44.6	45.6	45.6	46.3	47.0	51.7	67.3
Total Despatches (mln tpa)	31.4	32.5	33.4	34.3	35.4	38.9	41.8	45.4	47.4	49.5
Capacity Utilization   Total (RHS)	74%	73%	75%	77%	78%	85%	90%	97%	92%	74%
Capacity Utilization   Local (RHS)	52%	53%	56%	59%	62%	72%	78%	85%	81%	65%

YoY Growth in Local Despatches   Assumption			
FY17	FY18	FY19	FY20
10%	10%	5%	5%

# Cement Industry | Local – Export Mix

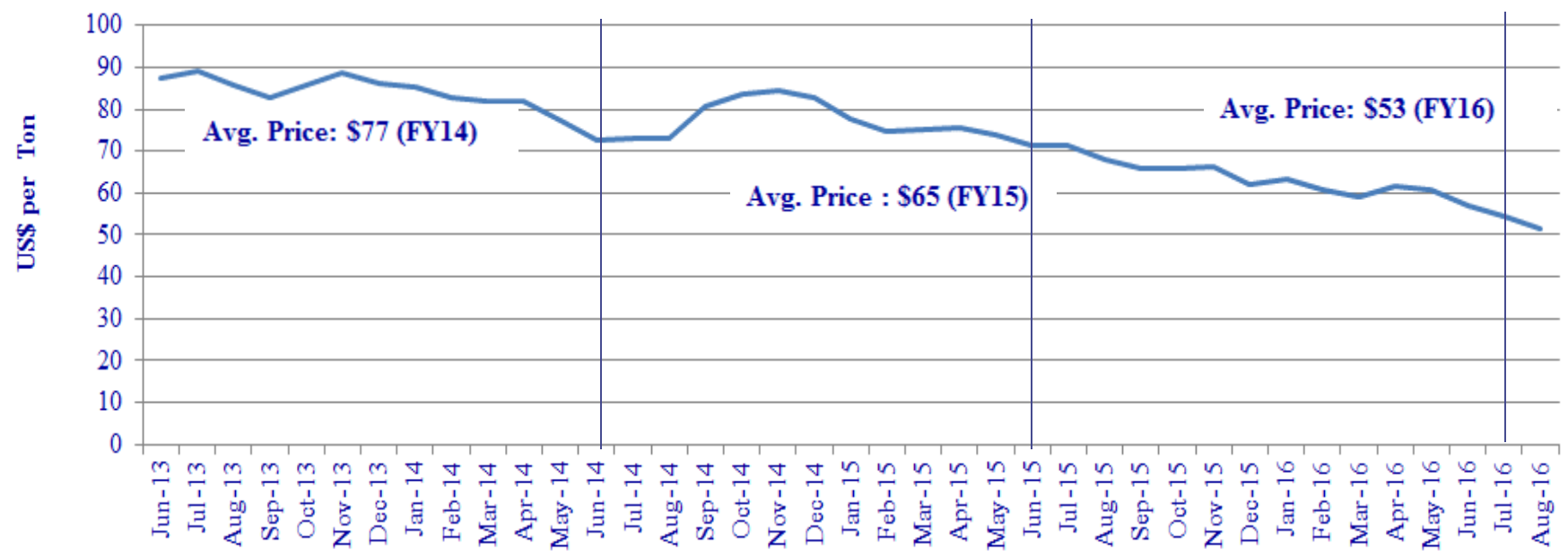
## Cement Despatches | Local - Export Mix



	FY11	FY12	FY13	FY14	FY15	FY16
Exports (mln tons)	9.4	8.6	8.4	8.1	7.2	5.9
YoY Change	-11%	-9%	-2%	-3%	-11%	-19%
<b>Exports Mix</b>						
Afghanistan	50%	45%	53%	55%	40%	42%
India	6%	8%	6%	7%	10%	17%
Others	44%	47%	42%	38%	50%	42%

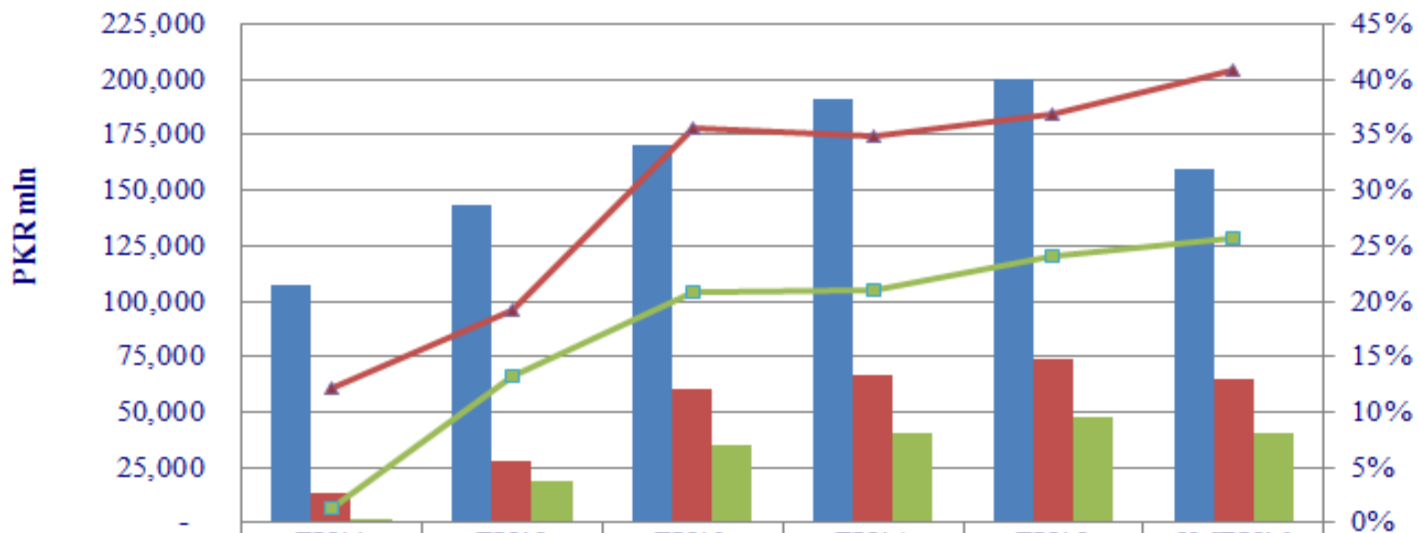
# Cement Industry | Coal Price Trend

## Coal - South African | Monthly Price Trend



# Cement Industry | Performance

## Sector | Profitability and Efficiency

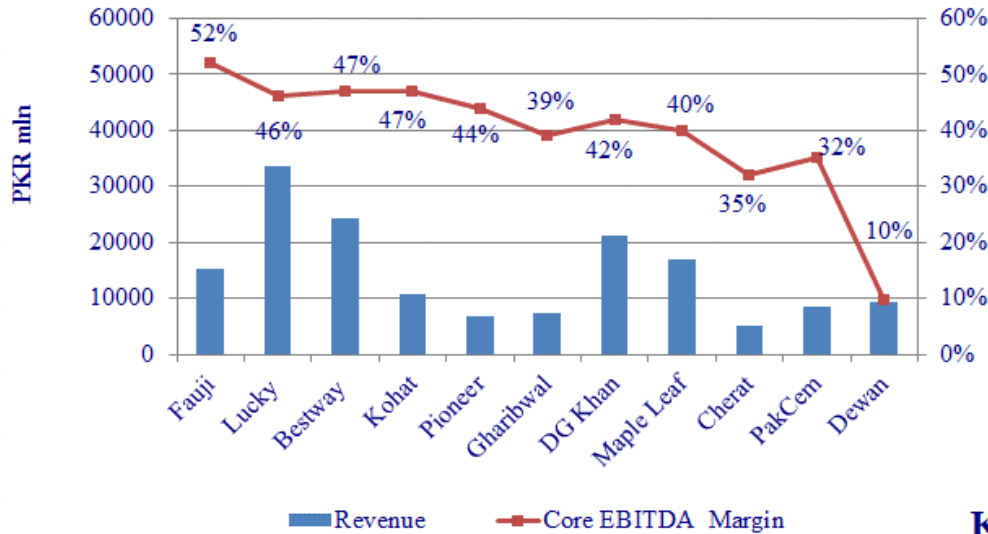


	FY11	FY12	FY13	FY14	FY15	9MFY16
Revenues	107,104	143,043	170,135	191,086	199,804	159,410
EBITDA	13,039	27,463	60,636	66,499	73,704	65,053
Net Income	1,350	19,023	35,377	40,219	48,181	40,887
EBITDA Margin	12%	19%	36%	35%	37%	41%
Net Margin	1%	13%	21%	21%	24%	26%



# Cement Industry | Efficiency

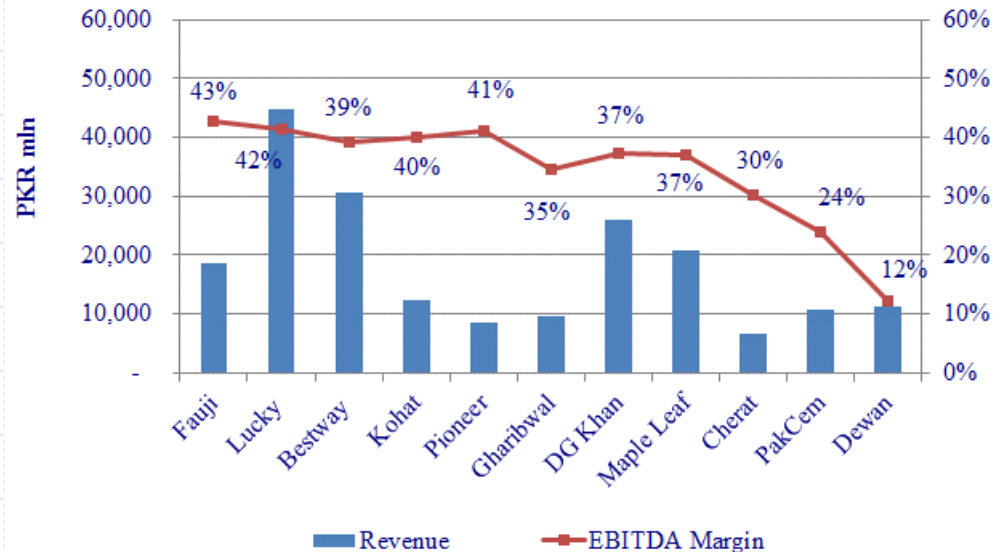
## Key Players | Efficiency Comparison | 9MFY16



Significant improvement in industry players EBITDA margin on the back of:

- (i) higher capacity utilization due to local demand
- (ii) reduction in energy costs (decline in coal prices)

## Key Players | Efficiency Comparison | FY15



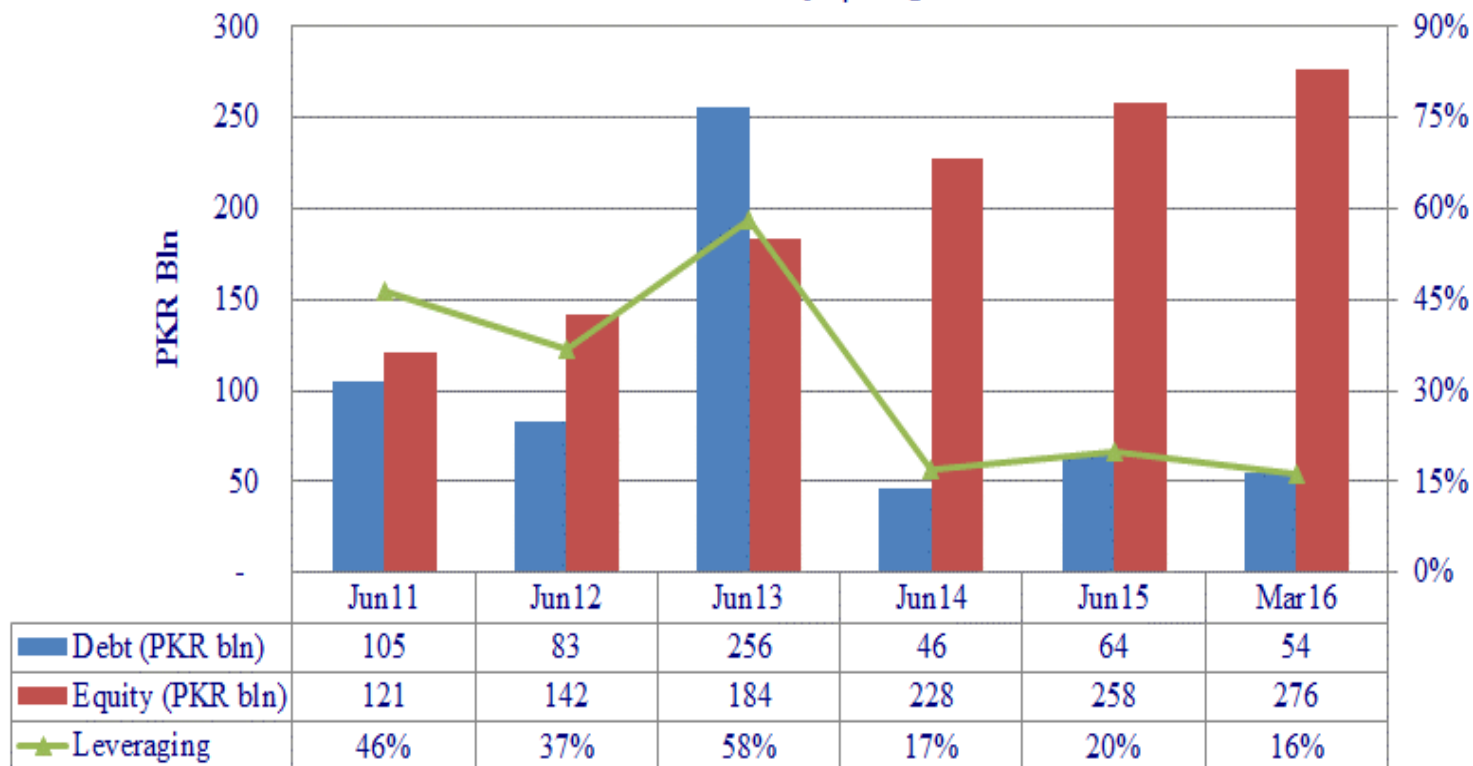
# Cement Industry | Financial Structure

<i>PKR in bln</i>						
<b>Cement Sector   Loans &amp; Infection Trend</b>						
	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
<b>Total Loans</b>	3,777	3,994	4,178	4,662	5,061	5,703
<b>Cement Loans</b>	81	63	54	43	58	62
<b>Cement Loans Share in Total Loans</b>	2.2%	1.6%	1.3%	0.9%	1.1%	1.1%
<b>Total NPLs</b>	579	635	617	595	630	635
<b>Cement NPLs</b>	19	18	16	9	9	7
<b>Cement NPLs Share in Total NPLs</b>	3.2%	2.8%	2.6%	1.6%	1.4%	1.1%
<b>Cement Sector Infection Ratio</b>	23.0%	28.4%	29.6%	21.4%	14.9%	11.2%

- Significant improvement in the sectors' financial risk profile
- Declining infection ratio

# Cement Industry | Financial Structure

## Cement Industry | Capital Structure



- **Declining trend in leveraging post Jun13**
- **Announced expansion will have an expected cost of US\$ ~2,000mln | 50% of cost is likely to be financed through borrowings; hence, sector's leveraging will increase, though will remain moderate in the medium term**

# Cement Industry | Duty Structure

- Regulatory Duty on Cement Imports: 20%
- Sales Tax on Cement Retail Price: 17%
- Federal Exercise Duty on Cement Retail Price: 5%

# Cement Industry | Outlook

- **Expected rising local demand** | *Continuation of CPEC Projects and Government's infrastructure spending | till election year FY18*
- **Stability in major input cost** | *Coal prices have shown declining trend in past and likely to stay range bound*
- **Industry Players behavior post expansion** | *price war*

**Medium-term Outlook: Positive**

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