CEMENT SECTOR –
AN OVERVIEW

November 2017

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	17.0%	Listed	Chakwal, Hattar	North
2	Yunus Brothers Group | Tabbas	Lucky Cement Limited	7,386,000	15.7%	Listed	Pezu and Karachi	North/South
3	Nishat Group | Mian Mansha	D.G.Khan Cement Limited	4,221,000	9.0%	Listed	DG Khan and Chakwal	North
4	Fauji Foundation Group	Fauji Cement Company Limited	3,433,500	7.3%	Listed	Fateh Jang	North
5		Askari Cement Limited	2,677,500	5.7%	Un-Listed	Nizampur	North
6	Kohinoor Maple Leaf Group	Maple Leaf Cement Factory Limited	3,370,500	7.2%	Listed	Daudkhel	North
7	Yousuf Deewan Companies	Dewan Cement Limited	2,898,000	6.2%	Listed	Hattar	North/South
8	Aizaz Sheikh and Family	Kohat Cement Company Limited	2,677,500	5.7%	Listed	Kohat	North
9	Ghulam Faruque Group	Cherat Cement Company Limited	2,425,500	5.2%	Listed	Nowshera	North
10	Gharibwal Group | Tousif Peracha	Gharibwal Cement Limited	2,110,500	4.5%	Listed	Jehlum	North
11	Mega Conglomerate | Habibullah Khan	Pioneer Cement Limited	2,030,250	4.3%	Listed	Khushab	North
12	Pharaon Group	Attock Cement Pakistan Limited	1,795,500	3.8%	Listed	Hub, Lasbela	South
13	Flying Group of Industries	Flying Cement Limited	1,197,000	2.5%	Listed	Lilla	North
14	Arif Habib Group	Power Cement Limited	945,000	2.0%	Listed	Nooriabad, Dadu	South
15		Thatta Cement Limited	488,250	1.0%	Listed	Thatta	South
16	Fecto Group of Industries | Ghulam M. Fecto	Fecto Cement Limited	819,000	1.7%	Listed	Sangjani	North
17	Three Star Group | Syed Akbar Group and Others	Dandot Cement Limited	504,000	1.1%	Listed	Jehlum	North
		Total	**46,941,750**	**100%**			

Geographical Capcacity Division	
North	82%
South	18%

Rated Players	8
PACRA	***5***
JCR	***3***
Rated Capacity	45%

CEMENT INDUSTRY | CEMENT EXPANSIONS

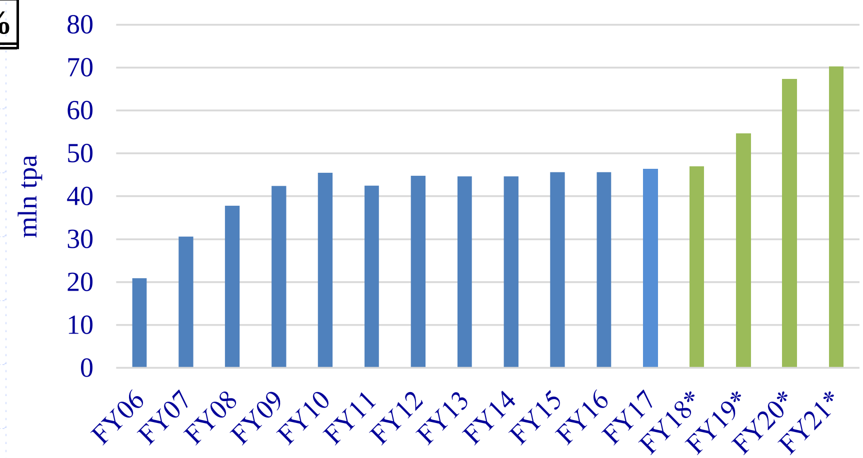
mln tpa

Sr. #	Companies	Announced Expansion	North	South	FY17	FY18	FY19	FY20	FY21
1	Bestway Cement Limited	1.8	1.8	-	8.0	8.0	9.8	9.8	9.8
2	Lucky Cement Limited	3.6	2.3	1.3	7.4	7.4	8.0	9.8	10.9
3	D.G.Khan Cement Limited	5.0	2.2	2.8	4.2	4.2	5.6	6.9	6.9
4	Maple Leaf Cement Factory Limited	2.2	2.2	-	3.4	3.4	4.5	6.7	6.7
5	Kohat Cement Company Limited	2.3	2.3	-	2.7	2.7	2.7	5.0	5.0
6	Gharibwal Cement Limited	1.0	1.0	-	2.1	2.1	2.6	3.1	3.1
7	Pioneer Cement Limited	2.2	2.2	-	2.0	2.0	3.2	4.4	4.4
8	Cherat Cement Company Limited	2.4	2.4	-	1.9	2.4	2.4	3.6	4.8
9	Attock Cement Pakistan Limited	1.1	-	1.1	1.8	1.8	2.9	2.9	2.9
10	Power Cement Limited	1.6	-	1.6	0.9	0.9	0.9	2.5	2.5
11	Flying Cement Limited	1.2	-	1.2	1.2	1.2	1.2	1.8	2.4
	Total Upcoming Expansion	**24.4**	**16.4**	**8.0**					
		100%	**67%**	**33%**					
	Total Existing Capacity	**46.9**	**38.5**	**8.4**					
	New Capacity as %age of Existing	**52%**	**43%**	**94%**					

Partial operations of new line
Full year operations of new line
Construction at halt

- 11 cement players have announced expansion
- Among these only DG Khan Cement is going for greenfield expansion
- Two plants constructions are at halt for now; subject to federal approval – environmental concerns

Cement Industry | Production Capacity



Cement Industry | Market Share - Post Expansion

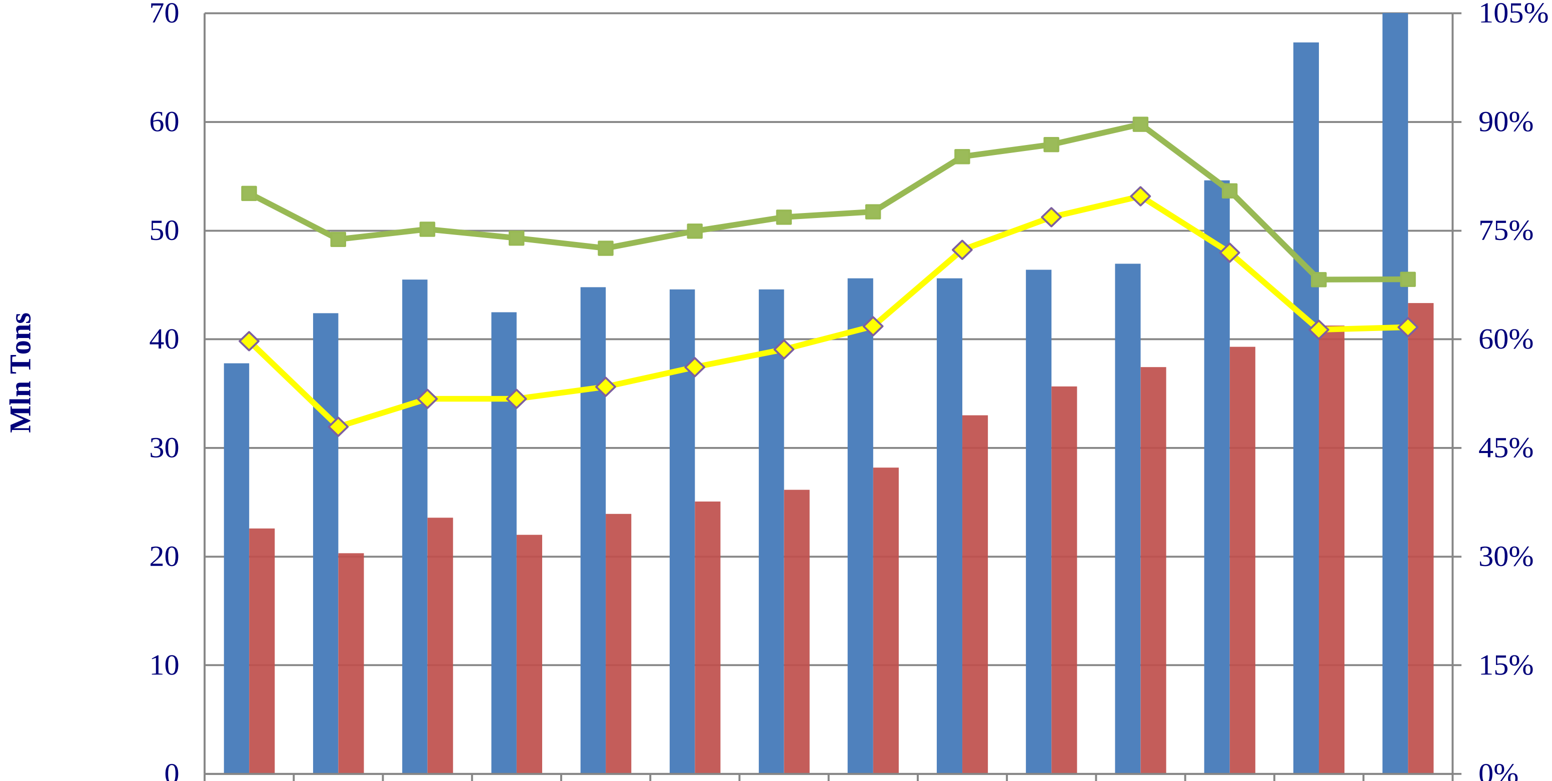
Sr.#	Company	Cement (Existing) (mln tpa)	Post Expansion Capacities (mln tpa)	Market Share | Existing (Cement)	Market Share Post Expansion
1	Bestway Cement Limited	8.0	9.8	17%	14%
2	Lucky Cement Limited	7.4	10.9	16%	15%
3	D.G.Khan Cement Limited	4.2	9.2	9%	13%
4	Fauji Cement Company Limited	3.4	3.4	7%	5%
5	Maple Leaf Cement Factory Limited	3.4	5.6	7%	8%
6	Dewan Cement Limited	2.9	2.9	6%	4%
7	Askari Cement Limited	2.7	2.7	6%	4%
8	Kohat Cement Company Limited	2.7	5.0	6%	7%
9	Cherat Cement Company Limited	2.4	4.8	5%	7%
10	Gharibwal Cement Limited	2.1	3.1	4%	4%
11	Pioneer Cement Limited	2.0	4.2	4%	6%
12	Attock Cement Pakistan Limited	1.8	2.9	4%	4%
13	Flying Cement Limited	1.2	2.4	3%	3%
14	Power Cement Limited	0.9	2.5	2%	4%
15	Fecto Cement Limited	0.8	0.8	2%	1%
16	Dandot Cement Limited	0.5	0.5	1%	1%
17	Thatta Cement Limited	0.5	0.5	1%	1%
	Total	**46.9**	**71.3**	**100%**	**100%**

- Neck to neck competition between market leaders
- Most expansions will materialize by FY20

Geographical Capacity | Post Expansion		
North	54.9	78%
South	15.2	22%

Cement Industry | Production and Consumption Trend

Cement | Capacity Utilization | Trend

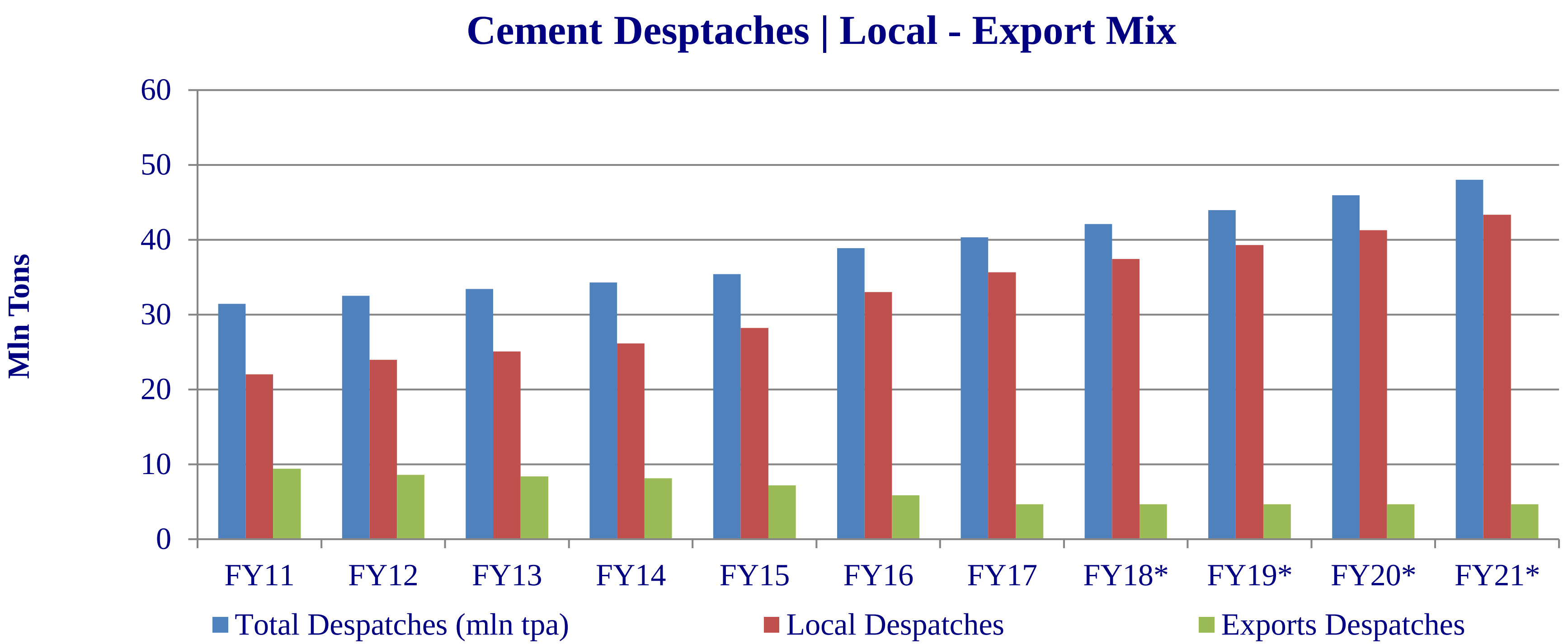


*Projected

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18*	FY19*	FY20*	FY21*
Production Capacity (mln tpa)	37.8	42.4	45.5	42.5	44.8	44.6	44.6	45.6	45.6	46.4	46.9	54.6	67.3	70.3
Total Despatches (mln tpa)	22.6	20.3	23.6	22.0	23.9	25.1	26.1	28.2	33.0	35.7	37.4	39.3	41.3	43.3
Capacity Utilization | Total (RHS)	80%	74%	75%	74%	73%	75%	77%	78%	85%	87%	90%	80%	68%	68%
Capacity Utilization | Local (RHS)	60%	48%	52%	52%	53%	56%	59%	62%	72%	77%	80%	72%	61%	62%

YoY Growth in Local Despatches | Actual & Assumed													
FY08	**FY09**	**FY10**	**FY11**	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
7%	-10%	16%	-7%	9%	5%	4%	8%	17%	8%	5%	5%	5%	5%

Cement Industry | Local – Export Mix

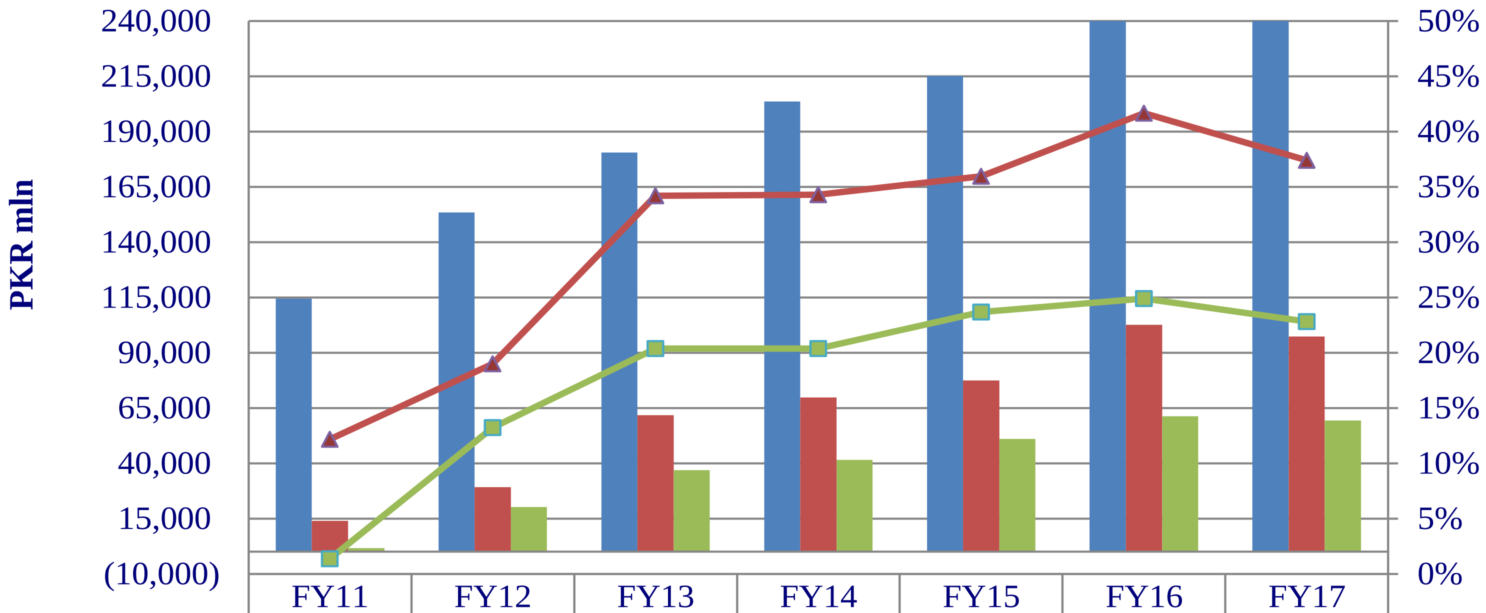


**Projected*

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	1QFY18	FY18*	FY19*
Local (mln tons)	22.0	23.9	25.1	26.1	28.2	33.0	35.7	9.1	37.4	39.3
Exports (mln tons)	9.4	8.6	8.4	8.1	7.2	5.9	4.7	1.3	4.0	4.5
YoY Change	-11%	-9%	-2%	-3%	-11%	-19%	-21%	-	-14%	13%
Exports Mix										
Afghanistan	50%	45%	53%	55%	40%	42%	37%	51%		
India	6%	8%	6%	7%	10%	17%	27%	21%		
Others	44%	47%	42%	38%	50%	42%	36%	27%		

Cement Industry | Performance

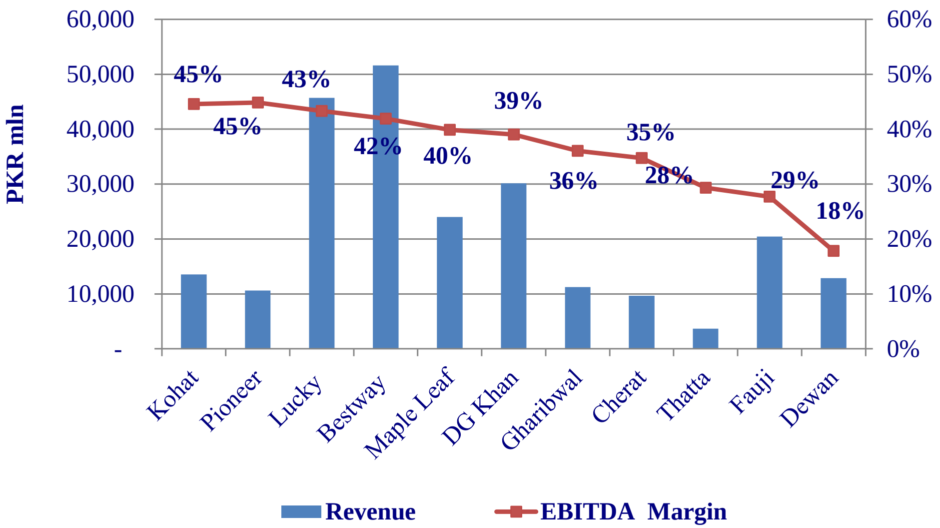
Sector | Profitability and Efficiency



	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Revenues	114,565	153,413	180,621	203,659	215,271	246,407	260,232
EBITDA	13,955	29,161	61,754	69,836	77,393	102,682	97,338
Net Income	1,561	20,303	36,832	41,476	50,980	61,342	59,364
EBITDA Margin	12%	19%	34%	34%	36%	42%	37%
Net Margin	1%	13%	20%	20%	24%	25%	23%

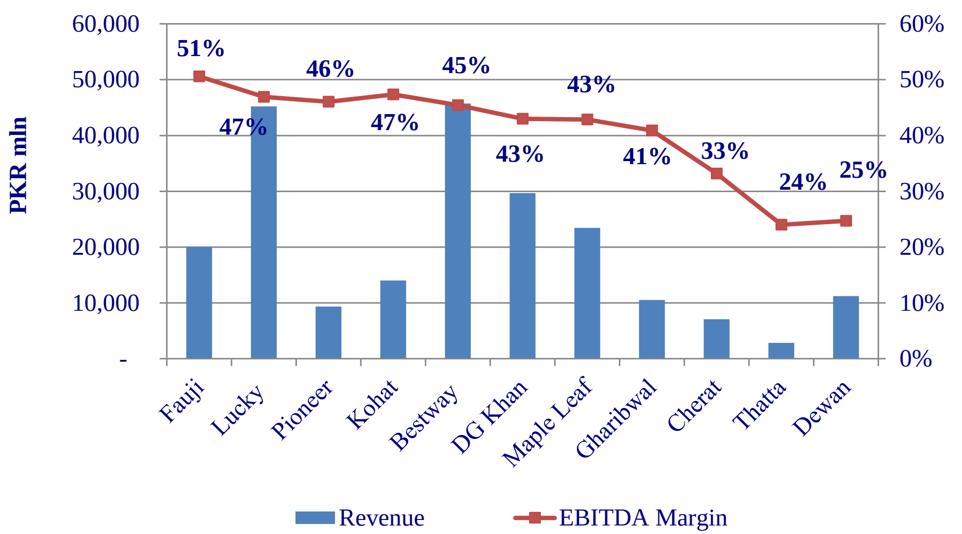
Cement Industry | Efficiency

Key Players | Efficiency Comparison | FY17

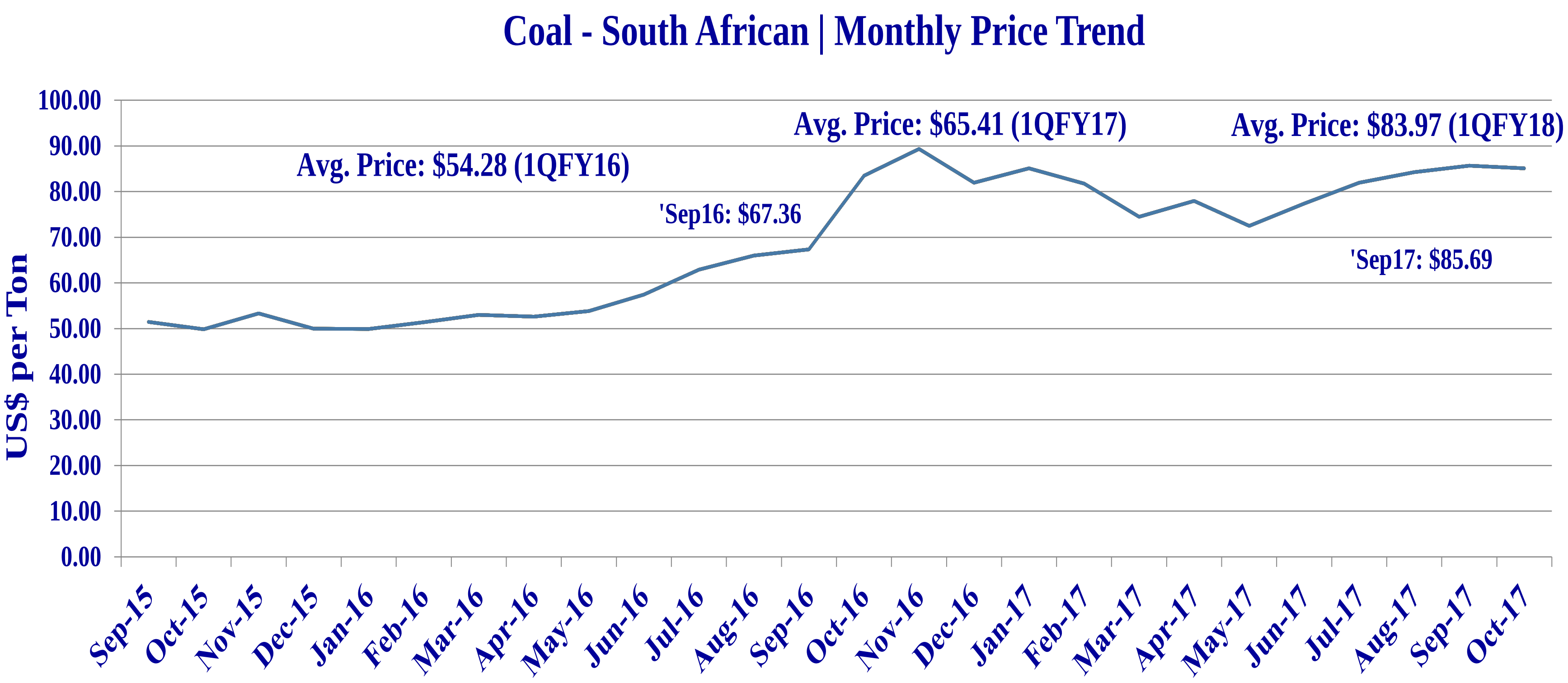


Decline in cement players EBITDA margins on account of not transferring spike in international coal prices (fuel component) to consumers

Key Players | Efficiency Comparison | FY16

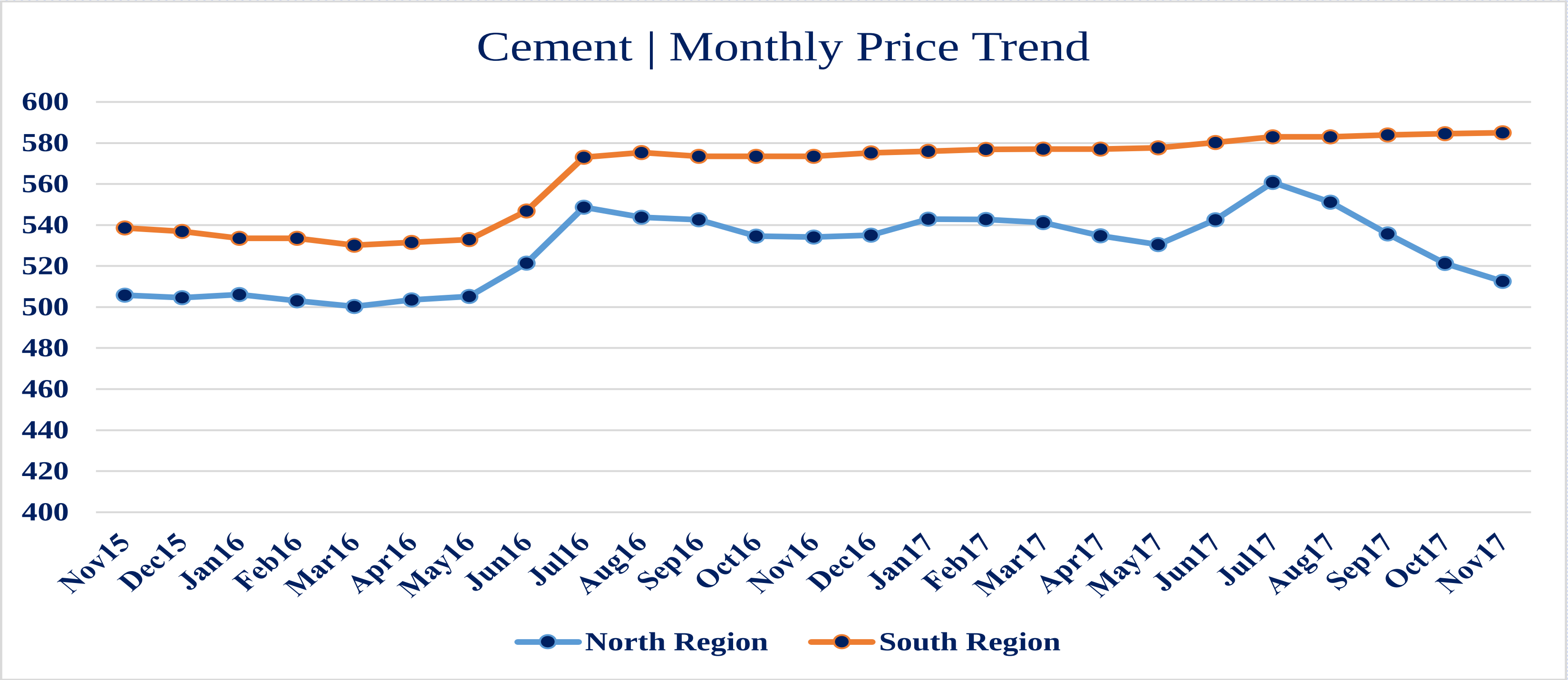


Cement Industry | Coal Price Trend



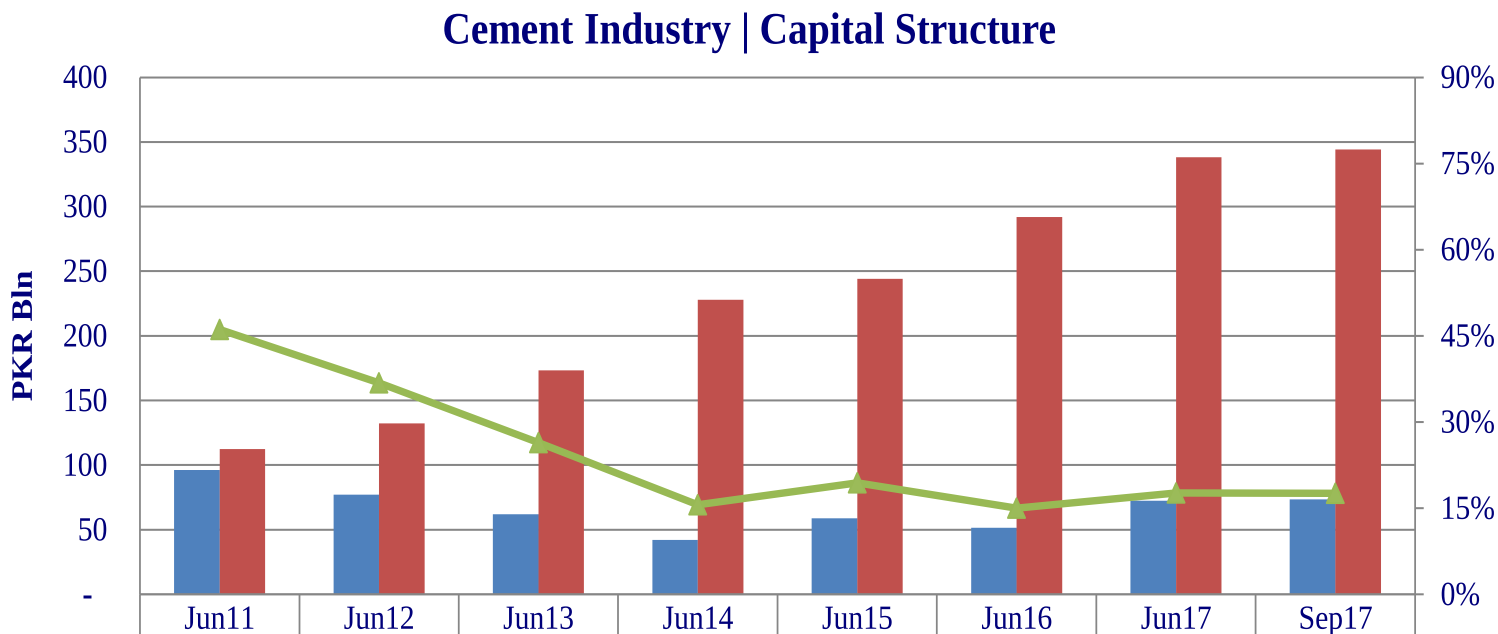
- Coal Price expected to stay below $95 per ton for FY18

Cement Industry | Cement Price Trend



- Cement Price – north region – witnessing declining trend on account of difference of opinions between players; high capacity utilizations
- Historically, expanded capacity challenge exists for industry

Cement Industry | Capital Structure



	Jun11	Jun12	Jun13	Jun14	Jun15	Jun16	Jun17	Sep17
Debt (PKR bln)	96	77	62	42	59	51	72	74
Equity (PKR bln)	113	132	173	228	244	292	338	344
Leveraging	46%	37%	26%	16%	19%	15%	18%	18%

- Post Jun-11, declining trend in leveraging; equity base augmented
- Announced expansions will have an expected cost of US$~2000mln | 45% of cost (US$~900mln) likely to be financed through borrowings; hence, sector's leveraging will increase, though will remain moderate

Cement Industry | Duty Structure

▪ Regulatory Duty on Cement Imports:	20%
▪ Sales tax on Cement Retail Price:	17%
▪ Federal Excise Duty on Cement Retail Price	PKR 1,250 per ton

Cement Industry | Outlook

- **Rise in local demand** | *Election Year FY19* | *Demand may adjust downwards*
- **Input Cost** | *Coal Prices likely to surge further*
- **Industry Players behavior post expansion** | *Price war*

Sector Outlook | Stable

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