



The Pakistan Credit Rating Agency Limited

PRESS RELEASE

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PACRA COMMENTS | CORONAVIRUS | CEMENT

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 170 countries and territories, virtually all major economies and markets have been adversely impacted. The full impact of such an outbreak on Pakistan's economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as Government's response. However, it is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR
INFRASTRUCTURE	CEMENT
SIZE	<ul style="list-style-type: none"> - Pakistan's cement sector has installed operational capacity of 69.6mln tons per annum (tpa) as at Feb-20 - Cement production is clubbed under Large Scale Manufacturing (PKR 2.6trln) which contributes 7.3% to country's GDP - Sector turnover stood at ~ PKR 128bln for 1HFY20
NUMBER OF PLAYERS	<ul style="list-style-type: none"> - 17 players operating in the country: <ul style="list-style-type: none"> o 11 exclusively in the North region o 3 operating in the South region o 3 have manufacturing facilities in both regions - Top five players constitute 57% of country's cement capacity
PACRA PENETRATION	<ul style="list-style-type: none"> - PACRA rates 9 cement players - PACRA rated clients have combined installed capacity of 38mln tpa (55% share in sector capacity)
IMPACT	<ul style="list-style-type: none"> - Cement sector achieved recent phase of expansion adding 18mln tpa. Local dispatches recorded slight uptick but deployment of newly added capacity remains challenging - Augmentation in supply side enhanced pressure on margins. Local capacity utilization recorded dip to 65% in 1HFY20 (FY19: 68%). Sector sought comfort in exports where notable volumes of cement and clinker were being exported from South Region - Although leveraging is fairly low when compared with earlier phase of expansion in 2008, finance cost is still significant - Post management of Covid-19 crisis, local demand may take time to pick up pace. Similarly, conditions in the export market are still ambiguous as prolonged shutdowns are being observed in many countries - Curtailed key policy rate will provide breather; separate economic package for construction sector to be announced by the Government soon - Sector has long term finance of PKR 155bln; deferral in repayments should provide cushion amid prevailing cash flow halt

DISCLAIMER

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