
Slowdown signs - Pakistan cement sector earnings slip 9pct

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Dawn reported that Pakistan cement sector recorded 9% drop in profitability for the Q1 of the year ended September. Aggregate profit after tax of almost all units combined stood at PKR 1,030 million for Q1 of 2010 compared to PKR 1,131 million in the corresponding three months of the previous year.

Cement units located in the North were seen to have endured bigger loss of PKR 71 million compared to losses at PKR 39 million in the same time of 2008. Units in the South continued to contribute earnings but those were sharply reduced by 87% to PKR 28 million.

Mr Ayub Ansari sector analyst at Invest & Finance Securities said that “The cement sector faced a myriad of issues most notably the breakdown in pricing arrangement, leading to price reductions on the domestic front. The study of cement sector performance included 17 companies, representing 95% of the total sector market capitalization.

The zonal analysis excluded Lucky and Dewan from the sample since both had plants in both the zones. Analysts said that breakdown in pricing arrangement represented itself in reduced gross profit. Gross profit of the cement sector declined 19.5% to PKR 6,917 million for the quarter under review, from PKR 8,591 million in the similar period of 2009. Gross profit margin shrank by 5.24% to 24.18% from 29.42%.

Sector Top line was down by 2% to PKR 28.6 billion for the quarter under review from PKR 29.2 billion in the same time 200. Analyst blamed it on lower prices, especially in the local markets where retail prices averaged PKR 318 per bag representing 1.5% YoY decrease. Net export prices also slumped by 14% to 15% in US dollar terms. The fall was cushioned somewhat owing to the depreciation of the rupee by 12% during the period.

(Sourced from Dawn.com)

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