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## Noteworthy slash in cement price probable after budget.

Ministry of Finance mentioned that a 20-25% cut in excise duty is under consideration in cement. If this becomes visible, retail prices could be diminished by PKR9.00-11.25 per bag with no effect on retention prices. The cement manufacturers are hunting for cutback in excise duty by 55 %, implying a diminution in retail prices to the refrain of Rs22 per bag. However, given that the government is presently cash-strapped. It is expected cement prices to decline by about 15% YoY in FY10E given higher production capacity as well as a decline in input costs. These factors could combine to provide impulsion to local cement off take in FY10.

## Cement's overture

National Economic Council has agreed a PSDP apportion of PRs621bn for the next year FY10. The approved amount is 15% higher than previously allocated quantity of PRs541bn. It may be summon up that, the government during the outgoing fiscal year ripped the federal component of PSDP to PRs219bn from PRs371bn due to supply checks cumulating the total figure to PRs389bn for FY09. Singular consideration would be given to construction of water reservoirs in the Budget FY10. In this regard, the allocation for dol-drums construction of Bhasha dam, which was scheduled to be initiated in FY09, is also anticipated in the impending budget. This augurs well for the cement sector in the medium to long dart, as the actual cement necessity from the dams construction will start after a insulate of 2-3 years. Government surged FED on cement by PRs150/ton in FY09 budget. APCMA has emphasized a number of suggestions in its proposal for the upcoming budget. This comprises reduction in Federal excise duty to PRs450/ton from existing levels of PRs900/ton. Government plans to provide tax relief to the cement industry and indicated a doable FED cut in upcoming budget. Furthermore, association has also proposed to provide financial backing on cement export in the form of PRs200/ton export rebate. This claim of association has already been ignored by the Economic Co-ordination Committee.

## Potential grounds

The assembly of squat cost housing units under PM's housing scheme and reconstruction of upper region in the back plunge of ongoing military maneuver is likely to generate additional cement demand in near future. The overall stance on the sector is the back of submissive demand escalation outlook. However, on overall foundation, the upcoming Budget FY10 is expected to articulate positively for the home cement sector. The northern region cement plants will be the key beneficiaries of the mega water projects as well as the reconstruction activities. Forthcoming scenario over the sector stay positive if the situation manipulates between Govt authorities and Manufacturers.

## Budgetary impact

Cement sector : Neutral to positive