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## FoDP to meet on July 15, 2010 – Diامر Bhasha dam to be discussed

- Friends of Democratic Pakistan (FoDP) likely to meet on July 15, 2010
- Discussion on the financing of the Diامر-Bhasha Dam is said to be a major point on the agenda.
- Positive news flow on the construction of the Diامر-Bhasha dam will bode positive for local cement players, as an additional demand of ~8mn tons over the course of the next 4-5 years is likely to be generated. To recall, the GoP has already allocated Rs15bn for the dam in the Budget FY11. The incremental demand should also provide impetus to domestic cement prices.
- Local cement sales have already reached ~24mn tons in FY10, up 24% from last year.
- Cement plants based in the province of Khyber-Pakhtunkhwa, namely Dewan Cement, Cherat Cement and Kohat Cement are likely beneficiaries if the funding of the dam comes through. Moreover, plants based in the Chakwal district (DG Khan Cement and Lafarge Cement), Lucky Cement's Pezu plant and Fauji Cement could benefit as well due to their relative proximity to the site.
- However, discussions with industry experts suggest if cement purchasing is made on the basis of price, large manufacturers like Lucky Cement and DG Khan Cement should gain more due to their economies of scale allowing them to charge lower prices.
- With record off-take in FY10 and recent escalation in local cement prices, we maintain our Buy call on both Lucky Cement (LUCK) and DG Khan Cement (DGKC), at current levels.

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