



Pioneer Cement ~ Review 9MFY15 ~ Good potential

Pioneer Cement (PIOC) is one of the best cement companies in Pakistan in terms of volumetric sales & plant efficiency. PIOC operates with the production capacity of 1.93 mn tonnes per year. PIOC announced its financial results for the 9MFY15 where they posted an EPS of Rs 8.19/sh, which shows a rapid increase of 60% compared to the same period last year.

- + Sales increased by 5% in 9MFY15;
- + Gross margin in 9MFY15 increased by 4.5% to 35.8% ;
- + PAT increased significantly by 72% which ultimately yielded EPS of 8.19/sh;
- + Finance cost declined significantly due to repayments of the debts to Asian development bank (ABD);

Pioneer Cement

Summary P&L	9MFY15	9MFY14	%Change
Sales	6,030,295	5,756,575	5%
Cost Of Sales	(3,874,014)	(3,956,091)	-2%
Gross Profit	2,156,281	1,800,484	20%
Distribution Cost	(39,745)	(37,643)	6%
Admin Cost	(52,993)	(45,012)	18%
Other expense	(199,834)	(99,767)	100%
	(292,572)	(182,422)	60%
Other Income	767,138	139,565	450%
Profit from Operations	2,630,847	1,757,627	50%
Finance Cost	(46,230)	(199,583)	-77%
Exchange gain/(loss) -ne	37,480	63,280	-41%
PBT	2,622,097	1,701,324	54%
Taxation	(761,432)	(537,579)	42%
PAT	1,860,665	1,163,745	60%
EPS After Tax	8.19	5.12	60%

Source: Financial results

Triggers: ~ Idle capacity

- + The capacity utilization stood at 49.2% with the production of 0.73mn tons registering a turn down of 7% compared to the same period last year; utilization was low because plant maintenance
- + Gigantic capacity still to be utilized for the upcoming quarters;
- + The sales volume stood at 0.84mn tons which is an increase of 1.4% compared to the same period last year;
- + Soaring demand in local market took it up to 8.4% where the export of the cement gone down by 9.6% from last year; the decrease in exports is not a bad sign.

Valuations persuasive....We maintain our **POSITIVE** stance on PIOC. PIOC yields FY15 PE & EVEBITDA of 7.2x & 5.9x respectively. PIOC is now recognized for passing on cash dividends (expected cash yield: 6%). PIOC also delineates **EV per shares of Rs87.3/sh**.

PIOC Statistics

Avg Vol (12 M)	1,984,684.21
52 Week Low	43.5
52 Week High	93.74
Market Cap	18.24B
Beta	1.52
Face Value	10
Total No. Shares	227.15 M

Source: Standard Capital Research

Coal Consumption

Coal	Cement
200 Kgs	1 tonne
131,687,200	658,436

Source: Standard Capital research

Future Outlook

- + PSDP projects are still in pipeline and are expected to increase the demand of the cement bags locally;
- + Construction of Dasu dam and Bhasha dam are the call of the time;
- + Real estate projects and housing schemes will also help in increasing demand locally;
- + Export to India is expected to augment in coming days;
- + **Heightened** demand in UAE, especially in Dubai given Expo 2020 development projects;
- + We keep our **POSITIVE** stance;

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