



## Pioneer Cement: PIOC craving to run with peers.... Buy maintained

Pioneer cement stunned with another patch of sales growth by 26% in 1HFY13 over the corresponding period last year and 122% on q-o-q basis amid stable domestic prices, improved sales in high retention areas and increase in sales volume by 9.1%.

Low gearing in PIOC has forced us to pitch it to Shariah compliant investors. PIOC spells 3.5x – 4.0x and hence bracketed with Cherat Cement (CHCC). Election year costs incurred by government also brings good omen for PIOC wherein we continue to maintain BUY stance from our earlier report published on Dec 13, 2012.

### Dispatches figures Leaped over 1HFY12-13

Overall, volumetric sales during the 1HFY13 showed an increase of 9.1% to reach 600,031 tons compared to 549,987 tons dispatched during the corresponding period last year. The domestic dispatches were 487,293 tons in 1HFY13 in contrast to 461,862 tons in 1HFY12, whereas exports were 112,738 tons in 1HFY13 compared to 88,125 tons (including 1,430 tons clinker) in corresponding period last year hence reporting 27% growth in exports.

PIOC Rs.('000)	1QFY12	1HFY12	9MFY12	FY12	1QFY13	1HFY13
Net Sales	1,348,006	2,851,770	4,573,278	6,487,127	1,618,754	3,592,421
Sales Growth	-	112%	60%	42%	-	122%
Cost of Sales	1,106,326	2,226,927	3,563,674	4,900,167	1,210,374	2,493,309
Gross Profit	241,680	624,843	1,009,604	1,586,960	408,380	1,099,112
GP Margin	18%	22%	22%	24%	25%	31%
Other Income	1,190	2,087	7,665	20,259	3,853	15,673
Operating Profit	217,139	552,464	871,579	1,408,390	360,185	973,645
Interest Cover (x)	2	3	3	4	6	10
Finance Cost	94,167	181,780	270,556	328,024	55,804	95,913
Profit Before Tax	38,742	252,742	537,862	924,340	264,817	928,913
Taxation	24,803	145,786	255,591	322,823	22,502	281,364
Profit After Tax	13,939	106,956	282,271	601,517	242,315	647,529
EPS	0.06	0.47	1.24	2.65	1.07	2.85
<b>Balance Sheet</b>						
Paid Up Capital	2,271,488	2,271,488	2,271,488	2,271,488	2,271,488	2,271,488
Total Equity	4,539,341	4,632,359	4,807,673	4,918,005	3,391,674	5,565,535
Current Liabilities	4,468,369	4,675,517	4,593,881	4,493,378	4,326,854	4,412,658
Long Term Liabilities	824,727	800,320	810,979	699,138	690,099	884,221
Inc./Dec in Long Term Debt		-3%	1%	-14%	-1%	28%
Total Liabilities	5,293,096	5,475,837	5,404,860	5,192,516	5,016,953	5,296,879
Current Assets	1,245,902	1,622,127	1,779,181	1,941,046	2,048,968	2,811,477
Fixed & Long Term Assets	8,537,343	8,448,240	8,395,652	8,169,475	8,128,306	8,050,937
Total Assets	9,783,245	10,070,367	10,174,833	10,110,521	10,177,274	10,862,414
Investments	-	-	-	-	-	62,595
Total Capital Employed	5,364,068	5,432,679	5,618,652	5,617,143	4,081,773	6,449,756

Source: SCS Research Portal

Increase in selling prices also contributed in increased margins by 31% from 1QFY13 to 1HFY13. This is the massive growth in margin in contrast to 1QFY12 where PIOC earned 18% margin. Cost of sales figured surged by 12% due to increase in cement production and higher cost on account of fuel, power tariff and general inflation.

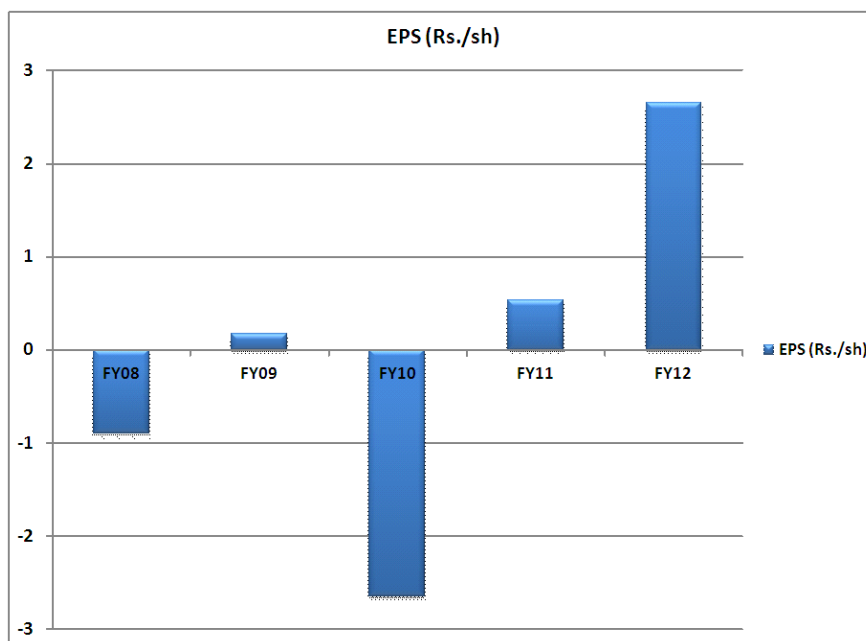
Moreover, PIOC seems to accumulate freehold assets in order to reduce its reliance on leasehold assets, this also resulted in reduction of financial charges by 47%. PIOC also borrowed Rs.83.9mn over 1HFY12-13.

However, this is not the point of being worried as Interest cover soured from 6x to 10x which shows improved liquidity position.

### Valuation: Attractive option for Shariah compliant investors...

PIOC is yielding P.E of 3.5x in contrast to industry average P.E of 10x therefore we maintain our BUY stance.

PIOC is also attractive for Islamic funds given the company's stance of reducing its debt from capital structure since its only 14% geared.



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