

Pioneer Cement... 1HFY17

Pioneer Cement announced its 1HFY17 results. The result shows big gains in profits.

- PIOC announced 2QFY17 EPS of PKR 3.52 taking the 1HFY17 EPS to PKR 6.61, showing increase of 52% YoY against PKR 4.35 in 1HFY16.
- The sales of the company have shown growth of 19% touching PKR 5,192mn against PKR 4,378mn in 1HFY16. This was a result of increase in the dispatch following construction activities in the Punjab province.
- PIOC announced an interim dividend of PKR 2.15/sh.
- Clinker supply to Fauji Cement (FCCL) also contributed to the surge in earnings. FCCL is facing own production loss shortfall and hence PIOC is being one good supplier.

PKR mn	1HFY17	1HFY16	YoY
Sales	5,192	4378	19%
COGS	(3,078)	(2,644)	16%
GP	2,114	1,734	22%
GP Margin	41%	40%	
Dis. Exp	(30)	(28)	7%
Adm. Exp	(37)	(36)	3%
OP	2,047	1,670	23%
OP Margin	39%	38%	
Fin. Cost	(3)	(13)	-80%
Other Exp.	(143)	(123)	16%
Other Inc.	106	119	-11%
PBT	2,007	1,653	21%
PBT Margin	39%	38%	
Tax	(506)	(665)	-24%
PAT	1,501	988	52%
Net Margin	29%	23%	
EPS (PKR)	6.61	4.35	52%
DPS (PKR)	2.15	2.50	-14%

Source: SCS Research

Margins galore: PIOC gross profit margin increased to 41% from 40% in 1HFY16. Although the gross profit margin curtailed to 39% in 2QFY17 due to increase in coal lignite prices. The net profit margins improved significantly to 29% (1HFY16 23%). This was a result of decrease in finance cost and effective tax rate.

FY17 outlook: We expect PIOC to post EPS of Rs14.37/sh as per our model. This entails FY17 PE of 10.2x; hence, PIOC is attractive versus peers.

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Ticker	PIOC
Bloomberg	PIOC PA
Price	147
52 weeks high	151.25
52 weeks low	79
P/E (FY16)	12.96
EV/sh	150.11

Source: SCS Research

What's Next?

Installation of 0.9mn mta grinding mill by start of FY18

2.5mn mta expansion to come live in FY20.

Installation of 12MW WHR and 24MW CPP plant.

Source: SCS Research

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