

Pioneer Cement ~ Preview

Pioneer Cement (PIOC) is one of the best cement companies in Pakistan in terms of plant competence & resultant volumetric sales. PIOC is situated in district *Khushab*, *Punjab* and operates with the production capacity of 1.93mn tons per annum.

- PIOC is expected to post its FY15 financial results on Sept 17, 2015 where it
 may post an EPS of Rs 10.81/sh and pay final cash dividend of Rs 3/sh
 (cumulative Rs5.25/sh).
- Net sale is expected to increase by 6% to Rs 8.5b in FY15 compared to Rs 8.02b in FY14 chiefly due to good demand. During the outgoing period FY15, PIOC dispatches increased by 3.3% to 1.26m tons which also reflected the better capacity utilization vis-a-vis previous year.
- Lower input costs and better retention prices helped in improving margins. Oil and coal prices depict declining trend. We expect an increased gross profit margin i.e. 14% (gross margin 35% as against MLCF gross margin of 28%).
- Decreasing finance cost is due to long-term debt repayments to Asian Development Bank (ABD) which is a good sign.

Pioneer Cement

Summary P&L	FY15E	FY14	%Change
Sales	8,546,388	8,024,777	6%
Cost Of Sales	(5,604,319)	(5,435,809)	3%
Gross Profit	2,942,068	2,588,968	14%
Distribution Cost	(59,752)	(53,143)	12%
Admin Cost	(71,010)	(63,871)	11%
Other charges	(213,156)	(190,330)	12%
	(343,918)	(307,344)	12%
Other Income	803,961	271,580	196%
Profit from Operations	3,402,111	2,553,204	33%
Finance Cost	(61,230)	(155,177)	-61%
Exchange gain/(loss)	45,895	31,992	
PBT	3,386,776	2,430,019	39%
Taxation	(931,363)	(661,160)	41%
PAT	2,455,412	1,768,859	39%
EPS After Tax	10.81	7.79	39%

Source: Standard Capital Research

Valuations influential....

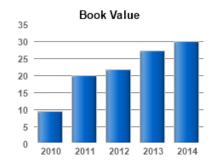
PIOC yields FY15 PE of 7.8x as against MLCF FY15 historical PE of 10.2x. PIOC is now recognized for passing on cash dividends (expected cash yield: 6.8%).

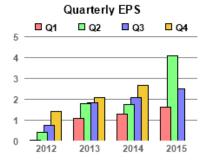
PIOC Statistics	Current Price: Rs84.5
Avg Vol (12 M)	2,042,379.03
52 Week Low	51.01
52 Week High	96
Market Cap	19.08 B
Beta	1.42
Face Value	10
Total No. Shares	227.15 M

Source: Standard Capital Research

PIOC Valuation	FY14	FY15E	FY16E
EPS (Rs)	7.79	10.81	13.68
DPS (Rs)	4.5	5.25	6
P/E (x)	10.8	7.8	6.2

Source: Standard Capital Research





Future outlook

 Installation of WHR plant will help in controlling costs in future;

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