

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	<u>(213,156)</u>	<u>(190,330)</u>	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

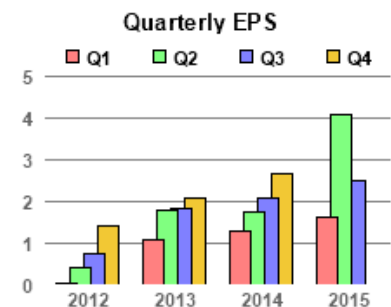
Avg Vol (12 M)	2,042,379.03
52 Week Low	51.01
52 Week High	96
Market Cap	19.08 B
Beta	1.42
Face Value	10
Total No. Shares	227.15 M

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;

Analyst:

Ubaid Hashmi

Mobile: 0332-4654874

Tel: +92-213-2461429-30

www.scstrade.com

Supervised by: Faisal Shaji (Research Head)