



Highlights

52 week Hi	32.00
52 week Low	9.80
Close	31.82
Market Cap	7.2bn

Beta 1.41

Based on July 09, 2013 closing

<http://www.scstrade.com>

Pioneer Cements: Financial turnaround... | FY13 EPS Target Rs5.22/sh....

Pioneer cement has always been in our universe due to its improved earnings potential. The company has been taken over as a diversification plan by **Mega and Forbes Group of Companies**. PIOC plant is located at District Khushab, Sarghoda.

P&L Rs.('000)	FY09	FY10	FY11	FY12	FY13E	FY14E	FY15E
Gross turnover	6,680,759	5,329,223	6,941,622	8,045,552	8,957,468	9,675,772	9,767,053
Excise duty	861,491	789,420	769,157	494,261	395,409	375,638	356,856
Sales tax	772,178	636,834	858,383	998,854	1,074,896	1,161,093	1,172,046
Commission	46,855	30,135	41,194	65,310	89,575	96,758	97,671
	1,680,524	1,456,389	1,668,734	1,558,425	1,559,880	1,633,489	1,626,573
Net turnover	5,000,235	3,872,834	5,272,888	6,487,127	7,397,588	8,042,283	8,140,479
Cost of sales	3,667,343	3,953,814	4,531,162	4,900,167	4,691,061	4,896,794	4,899,007
Gross (loss) / profit	1,332,892	(80,980)	741,726	1,586,960	2,706,527	3,145,489	3,241,472
P&L Rs.('000)	27%	-2%	14%	24%	0%	0%	0%
Distribution cost	359,975	158,842	150,576	78,800	80,113	90,475	92,069
Administrative expenses	97,654	78,835	52,321	61,907	76,329	78,721	79,025
Other operating income	(28,047)	(20,285)	(20,197)	(20,259)	(93,896)	(21,000)	(21,000)
Other operating expenses	277,539	168,289	129,286	214,148	268,724	290,273	293,012
	6%	4%	2%	3%	4%	4%	4%
	707,121	385,681	311,986	334,596	331,270	438,469	443,106
Operating profit	625,771	(466,661)	429,740	1,252,364	2,375,258	2,707,020	2,798,367
Finance cost	451,465	392,658	357,916	328,024	627,023	677,304	683,694
(Loss) / profit before taxation	174,306	(859,319)	71,824	924,340	1,748,235	2,029,716	2,114,673
Gross turnover	(138,192)	268,394	(48,826)	322,823	611,882	710,401	740,136
(Loss) / profit after taxation	36,114	(590,925)	120,650	601,517	1,136,353	1,319,315	1,374,538
(Loss) / earning per share - Basic and diluted	0.16	-2.60	0.53	2.65	5.00	5.81	6.05

The conglomerate has several investments in the sectors like real estate development, cement manufacturing, electronics manufacturing, inland container depot, transportation, tele-communications, container (port & terminal) operator, power generation, transmission & distribution, food, dairy & beverages with other activities covering trading in commodities etc.

Profit margins remained awesome..

PIOC achieved profitability in terms of profit margins which increased from 2% in FY10 to 24% in FY12 due to hike in retention prices. We expect further increase in margins due to incredible demand expected this year. The company also intends to enhance its production capacity subject to feasible market conditions whereas PIOC dispatches its major portion to local markets and exports to Afghanistan.

Exuberant Operations..

The overall operations resulted in cost efficiency where distribution cost decreased by 40% over 4 years. Whereas, admin expenses stood at a level of 98mn which dropped at a level of 62mn resulting in 14% decline over 4 year period, although the expense under review increased by 18% on y-o-y basis due to the incremental office rent on shifting of Head Office to Lahore, amortization costs, annual increment of staff and general inflation.

Other expenses also dropped by 8% over 4 years period, although other expenses increased by 66% on y-o-y basis over FY11-12 but cost to sales ratio has dropped from 6% in FY09 to 3% in FY12.

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The distribution cost in FY12 stood at Rs.78.8 million as against Rs.150.576 million in last year, registering a decrease of 48% mainly on account of reduction in export via sea, which was found less attractive due to increased transportation cost from Plant to port.

Dispatches

Local volumetric Sales over FY11-12 dropped by 1% whereas exports have been declined by 30%. However, over FY09-FY12 volumetric sales shown upward trend grew by 2%. The average sales per ton also increased from Rs.6.11/ton to Rs.7.33/ton which clearly indicates the rationale of increased sales figure that PIOC gained this figure from price play since dispatches numbers are declining.

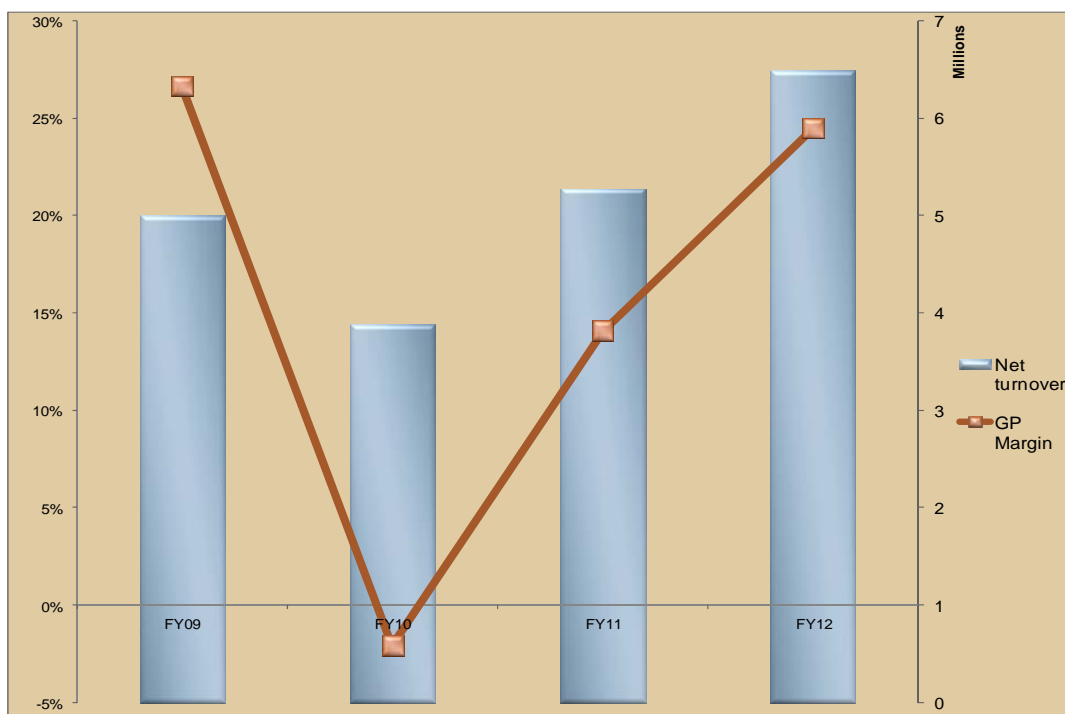
Indeed volumetric exports over FY09-12 represents upward trend with 22% average growth.

Sales - cement (Tons)	FY09	FY10	FY11	FY12
- Local	922,510	1,081,500	1,003,048	988,521
- Exports	104,235	191,624	272,925	190,984
	1,026,745	1,273,124	1,275,973	1,179,505

Gross Turnover Rs.('000)	FY09	FY10	FY11	FY12
Local	5,638,351	4,649,275	5,974,308	7,241,654
Exports	1,042,408	679,948	967,314	803,898
	6,680,759	5,329,223	6,941,622	8,045,552

Price per ton (Rs/ton)	FY09	FY10	FY11	FY12
Local	6.11	4.30	5.96	7.33
Exports	10.00	3.55	3.54	4.21

Source: Annual Reports and SCS Research



Valuation

We remain positive about PIOC due to the increased projected cement demand in the wake of government focus on PSDP and construction of new dams. **Our EPS target for FY13 is Rs.5.22/sh.**