

PIONEER CEMENT LIMITED
October 26, 2016
BUY
Price Target : PKR 127.08/share
CURRENT MARKET DATA

Current Price (LDCP)	102.5
Market Cap (PKR mn)	23,282.75
52 wk Hi	122.36
52 wk low	77.03
Outstanding shares (mn)	227.15
Free Float (%)	55

Sources: PSX
RELATIVE TO KSE—100

Source: PSX
EPS clocked at PKR 3.09/sh in 1QFY17A, above industry expectations...

- Pioneer Cement Ltd. (PIOC) announced its 1QFY17 financial result Today, where the company posted earnings of PKR 702mn (EPS: PKR 3.09) as compared to the corresponding figure of PKR 432mn (EPS: 1.90) of 1QFY16A, depicting a robust growth of 63%YoY.
- The topline of the company swelled 25%YoY primarily due to an upsurge in the local offtake by ~8%YoY.
- Whereas on sequential basis, the turnover of the firm declined 1%QoQ, which translates into a drop in GP by 12%QoQ.
- The Cost of sales clocked at PKR 1,431mn, which pushed the GP up by 48%YoY settling at PKR 1,073mn.
- In line with our expectations, Gross margins of PIOC surged to ~42% from 36% of 1QFY16A owing to subdued power cost.
- As the company fully paid off its Diminishing Musharika loan of PKR 900mn from MEBL, finance cost remained subdued declining by noteworthy 86%YoY in 1QFY17A.
- The posted accretion in the bottomline is mainly attributable to 1) Higher sales volume, 2) Improving gross margins, 3) Meager finance cost & 4) Lower than expected applied Tax Rate of 34%.

Recommendation: We maintain our stance of “BUY” Recommendation on PIOC with our June’17 PT of PKR 127.08/sh, an upside of 24% from the last closing price of PKR 102.5/sh.

FINANCIAL HIGHLIGHTS 1QFY17E

PKR 'mn'	1QFY17A	1QFY16A	YoY	1QFY17A	4QFY16A	QoQ
Net Sales	2,504	2,003	25%	2,504	2,534	-1%
Cost of sales	1,431	1,278	12%	1,431	1,316	9%
GP	1,073	725	48%	1,073	1,218	-12%
Op. Profit	997	710	40%	997	1,190	-16%
Fin Cost	1	8	-86%	1	2	-28%
PBT	996	702	42%	996	1,189	-16%
Tax	294	270	9%	294	415	-29%
PAT	702	432	63%	702	774	-9%
EPS	3.09	1.90	63%	3.09	3.41	-9%

Source: Nael Research, Company accounts

Taha Rehman
 taha@naelcapital.com
 (+92-21) 32461812-13 (Ext.) 150