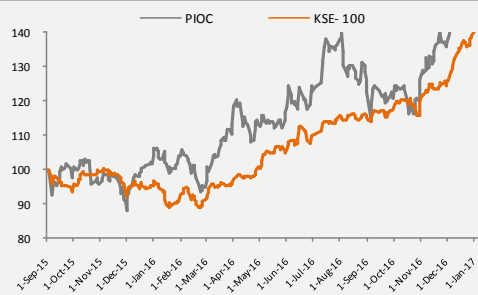


**PIONEER CEMENT LIMITED (PIOC)**
**February 21<sup>st</sup>, 2017**
**HOLD**
**Price Target : PKR 157/share**
**CURRENT MARKET DATA**

Current Price	145
Market Cap (PKR mn)	32,936.5
52 wk Hi	148.3
52 wk low	81.8
EV/EBITDA (x)	7.30
Outstanding shares (mn)	227.15
Free Float (%)	55

Sources: PSX

**RELATIVE TO KSE—100**


Source: PSX

**FINANCIAL HIGHLIGHTS 1HFY17E**

PKR 'mn'	1HFY17E	1HFY16A	YoY
Net Sales	5,048	4,378	15%
Cost of sales	2,991	2,644	13%
GP	2,057	1,735	19%
Op. Profit	1,970	1,666	18%
Fin Cost	2	13	-83%
PBT	1,968	1,653	19%
Taxation	585	665	-12%
PAT	1,383	988	40%
<b>EPS</b>	<b>6.09</b>	<b>4.35</b>	<b>40%</b>
<b>DPS</b>	<b>2.5</b>	<b>2.5</b>	-

Source: Nael Research, Company accounts

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**Earnings expected to settle at PKR 2.99/sh in 2QFY17E**

- Pioneer Cement Ltd. (PIOC) is scheduled to announce its 2QFY17E financial result on Wednesday: February 22<sup>nd</sup>, 2017 where we expect the company to post earnings of PKR 680mn (EPS: PKR 2.99) as compared to the corresponding figure of PKR 556mn (EPS: 2.45) of 2QFY16A, depicting a robust growth of 22%YoY. We also expect the company to declare dividend of PKR 2.50/sh
- The topline of the company is estimated to swell 7%YoY primarily due to an upsurge in the local offtake by ~9%YoY and clinker volumetric sales in bulk. Whereas on sequential basis, the turnover of the firm is expected to climb 2%QoQ.
- The Cost of sales is estimated to clock at PKR 1,560mn, an upsurge of 14%YoY which would pull the GP margins down by -3%YoY.
- On QoQ basis, gross margins of PIOC are projected to drop by 3ppts to clock at ~39% from 42% of 1QFY17A owing to relatively higher international coal prices in comparison to the previous quarter.
- The finance cost is expected to remain passive on account of clean loan book of the company after the recent full settlement of a long term diminishing musharika of ~PKR 900mn from MEBL.
- The bottomline is expected to accelerate mainly due to higher growth in dispatches, clinker volumetric sales & meager finance cost in comparison to the same period previous year, whereas drop sequentially by 3%QoQ on account of regressing margins.

**Recommendation:** We maintain our stance of **"HOLD"** Recommendation on PIOC giving our June'17 TP of PKR 157/sh, an upside of 9% from the last closing price of PKR 145/sh.

**Financial Highlights 2QFY17E**

PKR 'mn'	2QFY17E	2QFY16A	YoY	2QFY17E	1QFY17A	QoQ
Net Sales	2,544	2,375	7%	2,544	2,504	2%
Cost of sales	1,560	1,366	14%	1,560	1,431	9%
GP	984	1,010	-3%	984	1,073	-8%
Op. Profit	973	956	2%	973	997	-2%
Finance Cost	1	5	-79%	1	1	-10%
PBT	972	951	2%	972	996	-2%
Taxation	292	395	-26%	292	294	-1%
PAT	680	556	22%	680	702	-3%
<b>EPS</b>	<b>2.99</b>	<b>2.45</b>	<b>22%</b>	<b>2.99</b>	<b>3.09</b>	<b>-3%</b>
<b>DPS</b>	<b>2.5</b>	<b>2.5</b>	-	<b>2.5</b>	-	-

Source: Nael Research, Company accounts