

Day Break

Tuesday, 28 April 2020

COMPANY UPDATE

Pioneer Cement Limited

Cement

Recommendation	BUY
Target Price: Dec/20	79.2
Last Closing: 27-Apr-20	52.2
Upside / (Down side) %:	51.6
Valuation Methodology:	Discounted Cash Flow (DCF)

Time Horizon: 8M

Market Data

Bloomberg Tkr.	PIOC PA		
Shares (mn)	227.1		
Free Float Shares (mn)	124.9		
Free Float Shares (%)	55.0%		
Market Cap (PKRbn USDmn)	11.9	76.8	
Exchange	KSE 100		
Price Info.	90D	06M	12M
Abs. Return	63.1	161.0	100.1
Lo	22.8	20.0	17.4
Hi	54.9	54.9	54.9

Key Company Financials

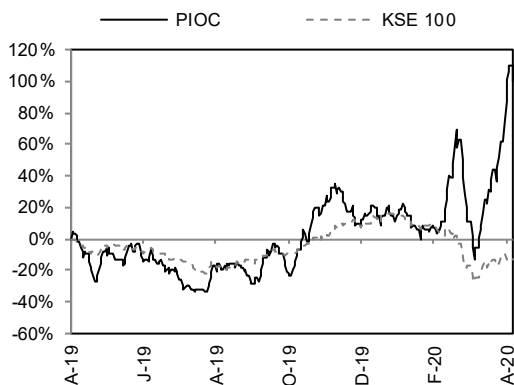
Period End: Jun

PKRbn	2020e	2021f	2022f	2023f
Total Revenue	7.4	12.1	16.3	19.1
Net Income	(2.0)	(1.4)	(0.9)	0.3
EPS (PKR)	(9.0)	(6.3)	(4.0)	1.2
DPS (PKR)	-	-	-	0.3
Total Assets	42.3	41.0	40.6	40.0
Total Equity	11.3	9.9	8.9	9.2

Key Financial Ratios

ROE (%)	12.7	5.9	(16.5)	(13.5)
P/E (x)	- 5.8	- 8.3	- 13.0	44.6
P/B (x)	0.9	0.9	1.1	1.2
DY (%)	-	-	-	0.5

Relative Price Performance



Source: Bloomberg, PSX & IGI Research

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Cements

PIOC: Low retentions and expansion costs to hit hard; 3QFY20E loss expected at PKR (4.68)/share

- ✓ PIOC's board meeting is scheduled on 29th Apr-20 to announce financial result for 3QFY20, wherein we expect the company to post a net loss of PKR (4.68)/share.
- ✓ Net sales of the Company during 3QFY20E are expected to shy away by 28%YoY, largely due to substantial drop in retention prices.
- ✓ The massive decline in retentions is not expected to cover production costs, and resultantly we expect PIOC to present a gross loss of PKR 528mn
- ✓ Further injury is to occur from +7.1xYoY rise in finance costs derived largely from expansion plant inaugurated in Jan-20.

PIOC: Expansion ancillary costs to tank 3QFY20E loss to PKR (4.68)/share
Pioneer Cement Limited's (PIOC) board meeting is scheduled on 29th Apr-20 to announce financial result for 3QFY20, wherein we expect the company to post a net loss of PKR 1.06bn (LPS: PKR 4.68), down by almost -3.6xYoY, compared to a net profit of PKR 298mn (EPS: PKR 1.31) in the same period last year. This will bring 9MFY20E loss to PKR 1.17bn (LPS: PKR 5.17), down by -1.4xYoY, as against profit of PKR 825mn (EPS: PKR 3.63) reported in the similar period of the preceding year.

Net sales of the Company during 3QFY20E are expected to shy away by a substantial 28%YoY, despite a +7%YoY rise in overall dispatches, ascribed to substantial drop in retention prices amid intense competition in the domestic market. This massive decline in retentions is not expected to cover production costs, which also have risen by +14%YoY, largely due to incremental depreciation stemming from newly inaugurated cement plant, and resultantly we expect PIOC to present a gross loss of PKR 528mn. Further injury is expected to occur from substantial +7.1xYoY rise in finance costs derived largely from expansion plant inaugurated in Jan-20.

Exhibit: PIOC Result Highlights

Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	1,747	2,432	-28%	5,895	7,489	-21%
Gross Profit	(528)	580	-0.9x	(483)	1,759	-0.3x
Sell. / Dist. & Admin	119	73	63%	338	217	56%
Non-Operating Income	15	26	-42%	211	44	4.8x
EBIT	(653)	519	-1.3x	(666)	1,425	-0.5x
Financial Charges	841	118	7.1x	1,023	288	3.6x
Pre-tax Profits	(1,494)	401	-3.7x	(1,689)	1,138	-1.5x
Taxation	(431)	103	4.2x	(515)	313	-1.7x
Post-tax Profits	(1,062)	298	-3.6x	(1,174)	825	-1.4x
EPS	(4.68)	1.31		(5.17)	3.63	
Key Ratios						
Gross Margin (%)	(30.2)	23.9		(8.2)	23.5	
Net Margin (%)	(60.8)	12.3		(19.9)	11.0	
Effective Tax Rate (%)	28.9	25.7		30.5	27.5	

Source: Company Accounts, IGI Research

No. of Shares : 227mn

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Dec – 2020

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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