

# Flash Note

Thursday, 27 September 2018

## Cements

### Pioneer Cement Limited (PIOC)

#### Discontinuation of Clinker sales and depressed margins push FY18 EPS down by 44%YoY to PKR 7.24

- Pioneer Cement Limited (PIOC) announced its financial results for FY18 with earnings clocking in at PKR 1.64bn (EPS: PKR 7.24), down by 44%YoY, as compared to PKR 2.92bn (EPS: PKR 12.84) in the same period last year. On a quarterly basis, 4QFY18 earnings stood at PKR 495mn (EPS: PKR 2.18), down by 4%YoY, as against PKR 518mn (EPS: PKR 2.28) in the corresponding quarter last year.
- The Company announced a dividend of PKR 4.07/share along with the result, with an earnings payout of 56%.
- Net sales of the Company during the year fell by 5%YoY to PKR 10.12bn largely due to a) discontinuation of clinker sales to Fauji Cement Company Limited (FCCL) following resumption of its production line II; and b) lower retention prices owing to the industry's failure to pass over enhanced FED, up by 25%YoY during the year due to intense competition thereof.
- Cost of sales of the Company increased by 18%YoY, despite possibly lower dispatches, largely due to significant rise in input costs during the year stemming from elevated Coal and FO prices globally and PKR devaluation against the greenback. Accordingly, gross profits of the Company for the year fell by 37%YoY to PKR 2.81bn, taking gross margins of the Company to 28% in contrast to 42% reported in the corresponding period last year.
- Effective tax rate of the Company stood at 26% as against 28% reported in the similar period of the preceding year.

#### Exhibit:

##### PIOC Result Highlights

Period end (JUN) - PKRmn	4QFY18	4QFY17	YoY	FY18	FY17	YoY
Net Sales	2,617	2,542	3%	10,121	10,631	-5%
Gross Profit	749	1,104	-32%	2,811	4,428	-37%
Sell. / Dist. & Admin	82	74	10%	264	179	48%
Non-Operating Income	153	(28)	n/m	59	157	-62%
EBIT	575	935	-38%	2,308	4,104	-44%
Financial Charges	16	29	-43%	95	35	2.74x
Pre-tax Profits	559	906	-38%	2,213	4,070	-46%
Taxation	63	388	-84%	569	1,152	-51%
Post-tax Profits	495	518	-4%	1,644	2,918	-44%
EPS	2.18	2.28		7.24	12.84	
DPS	4.07	3.35		4.07	5.50	

##### Key Ratios

Gross Margin (%)	28.6	43.4		27.8	41.7	
Net Margin (%)	18.9	20.4		16.2	27.4	
Effective Tax Rate (%)	11.3	42.8		25.7	28.3	

Source: Company Accounts, IGI Research

No. of Shares : 227mn

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**Time Horizon:** Dec – 2018

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(Discounted Cash Flow)

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