

Flash Note

Wednesday, 29 April 2020

Cements

Pioneer Cement Limited (PIOC)

Low retentions make losses inevitable; 3QFY20 LPS clocks in at PKR (1.81)/share. Expansion ancillary finance costs not included in results

- ✓ Pioneer Cement Limited (PIOC) announced its financial results for 3QFY20 with a net loss of PKR 412mn (LPS: PKR 1.81), down by 1.4xYoY, as compared to a net profit of PKR 298mn (EPS: PKR 1.31) reported in the same period last year. This accumulates 9MFY20 net loss to PKR 523mn (LPS: PKR 2.30) as against net profit of PKR 825mn (EPS: PKR 3.63) reported in the comparative period.
- ✓ Net sales of the Company during 3QFY20 dropped by a massive 25% YoY as against the comparative period, despite +7% YoY rise in overall dispatches, largely due to substantial decline in cement retention prices amid intense competition in the local market.
- ✓ The decline in retentions were not enough to cover the production costs, which were relatively better than the comparative period largely due to a notable drop in average coal prices during the period, thus presenting a gross loss of PKR 103mn for the Company.
- ✓ The Company reported a negative non-operating income largely on the back of sublime performance of KSE-100 index during the quarter under review wherein sizeable investments under equity mutual funds were in place of the Company.
- ✓ Finance cost of the Company declined by 30% YoY, possibly due to lesser utilization of bank financing for short term borrowings as against the comparative quarter. It is pertinent to note that while the Company had announced the commencement of production from its new production line in Jan-20, there appears no reflection of finance costs associated with it in the financial results. We await publication of interim report for further information and management's view in this regard.

Exhibit: PIOC Result Highlights						
Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	1,825	2,432	-25%	5,973	7,489	-20%
Gross Profit	(103)	580	-118%	(58)	1,759	-0.0x
Sell. / Dist. & Admin	98	73	33%	317	217	46%
Non-Operating Income	(114)	26	-4.4x	83	44	87%
EBIT	(401)	519	-0.8x	(414)	1,425	-0.3x
Financial Charges	83	118	-30%	265	288	-8%
Pre-tax Profits	(484)	401	-1.2x	(679)	1,138	-0.6x
Taxation	(73)	103	-0.7x	(156)	313	-0.5x
Post-tax Profits	(412)	298	-1.4x	(523)	825	-0.6x
EPS	(1.81)	1.31		(2.30)	3.63	
DPS	-	-		-	-	
Key Ratios						
Gross Margin (%)	(5.7)	23.9		(1.0)	23.5	
Net Margin (%)	(22.5)	12.3		(8.8)	11.0	
Effective Tax Rate (%)	15.0	25.7		23.0	27.5	

Source: Company Accounts, IGI Research

No. of Shares : 227mn

Analyst

Muhammad Saad

muhammad.saad@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 816

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Jama Punji
 سرمایہ کاری سمجھداری کے ساتھ
<http://www.jamapunji.pk>

Contact Details

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@igi.com.pk

IGI Finex Securities Limited

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Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780
Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Tel: (+92-21) 32429613-4, 32462651-2
Fax: (+92-21) 32429607

Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559	Islamabad Office Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861
Faisalabad Office Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815	Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651
Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183	

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Research Analyst(s)

Research Identity Number: BRP009

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