

# Day Break

Tuesday, 21 February 2017

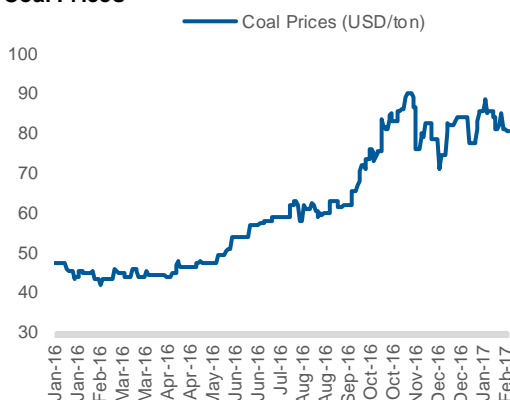
## Sector Update

Cement Sector	TP	Upside	P/E	D.Yld
PIOC	173.4	21%	11	5%
KOHC	362.2	34%	9	3%

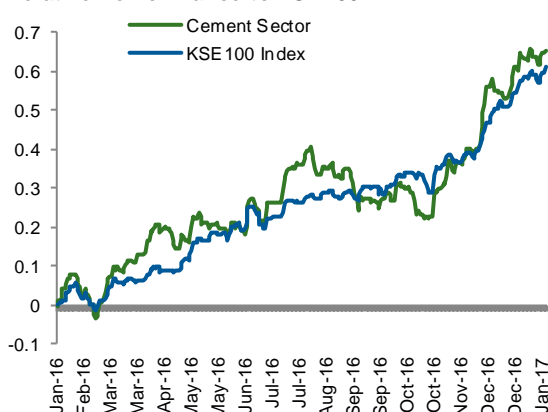
Earnings	2QFY17	YoY	1HFY17	YoY
PIOC	2.88	17%	5.97	37%
KOHC	7.67	3%	14.09	4%

Dividend	2QFY17	YoY	1HFY17	YoY
PIOC	2.50	2.50	2.50	2.50
KOHC	-	-100%	4.00	-20%

### Coal Prices



### Relative Performance to KSE 100



Source: Bloomberg, KSE 100 & IGI Research

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## Cements

### PIOC & KOHC Result Preview for 2QFY17

- Pioneer Cement Ltd (PIOC) is scheduled to announce its 2QFY17 financial result on 22<sup>nd</sup> Feb-17, where we expect company to post PAT of PKR 653mn (EPS PKR 2.88), up by +17%YoY as compared to PKR 556mn (EPS PKR 2.45) registered in corresponding period last year. We expect company to announce an interim cash dividend of PKR 2.50/share.
- The Board of Directors' of Kohat Cement Company Ltd (KOHC) is scheduled to announce its financial result for 2QFY17 on 22<sup>nd</sup> Feb-17, where we expect company to post PAT of PKR 1.18bn (EPS PKR 7.67) as compared to PKR 1.16bn (EPS PKR 7.48) observed in corresponding period last year, up by marginally +3%YoY.
- We maintain our 'BUY' call on PIOC and KOHC with Dec-17 TP of PKR 173/share (+21%) and PKR 362/share (+34%), respectively.

#### PIOC: 2QFY17 earnings expected at PKR 2.88/share

Pioneer Cement Ltd (PIOC) is scheduled to announce its 2QFY17 financial result on 22<sup>nd</sup> Feb-17, where we expect company to post PAT of PKR 653mn (EPS PKR 2.88), up by +17%YoY as compared to PKR 556mn (EPS PKR 2.45) registered in corresponding period last year. We expect company to announce an interim cash dividend of PKR 2.50/share along with the results.

The revenue of company is expected to rise by +7%YoY to PKR 2.54bn as compared to PKR 2.38bn, taking 1HFY17 revenue to PKR 5.05bn, up by +15%YoY. In our view, surge in topline is likely to be observed on the back of additional clinker sales. Moreover, commencement of 12MW WHR plant in mid Dec-16 will merely support margins in 2QFY17. On the other hand, we anticipate finance cost to remain downward sticky due to unleveraged books.

Exhibit:

#### PIOC Financial Highlights

	2QFY17E	2QFY16	YoY	1HFY17E	1HFY16	YoY
<i>Income Statement</i>						
Revenue	2,543	2,375	7%	5,048	4,378	15%
Gross Profit	991	1,010	-2%	2,064	1,735	19%
Sell & Admin	38	31	21%	74	64	14%
Fin cost	2	5	-54%	3	13	-73%
PBT	933	951	-2%	1,929	1,653	17%
Net profit	653	556	17%	1,356	988	37%
EPS	2.88	2.45		5.97	4.35	
<i>Key Ratios</i>						
Gross Margin	39%	43%		41%	40%	
Net Margin	26%	23%		27%	23%	
Effective Tax Rate	30%	41%		30%	40%	

Source: IGI Research, Company Financials

**KOHC: Earnings expected to record marginal growth of +3%YoY in 2QFY17**

The Board of Directors' of Kohat Cement Company Ltd (KOHC) is scheduled to announce its financial result for 2QFY17 on 22<sup>nd</sup> Feb-17. We expect company to post PAT of PKR 1.19bn (EPS PKR 7.67) as compared to PKR 1.16bn (EPS PKR 7.48) observed in corresponding period last year, up by marginally +3%YoY. Revenues are anticipated to surge by +5%YoY to PKR 4.01bn on the back of +29%YoY growth in total offtake. Margins are likely to improve owing to cost efficiencies from WHR plant and higher inclination towards domestic sales.

Exhibit:

**KOHC Financial Highlights**

	2QFY17E	2QFY16	YoY	1HFY17E	1HFY16	YoY
<i>Income Statement</i>						
Revenue	4,007	3,816	5%	7,201	7,058	2%
Gross Profit	1,807	1,644	10%	3,342	3,093	8%
Sell & Admin	77	71	9%	149	144	4%
Fin cost	23	9	150%	47	19	152%
PBT	1,692	1,606	5%	3,129	2,973	5%
Net profit	1,185	1,156	3%	2,176	2,101	4%
EPS	7.67	7.48		14.09	13.60	
<i>Key Ratios</i>						
Gross Margin	45%	43%		46%	44%	
Net Margin	30%	30%		30%	30%	
Effective Tax Rate	30%	28%		30%	29%	

Source: IGI Research, Company Financials

**Recommendation**

We maintain our **'BUY'** call on PIOC and KOHC with Dec-17 TP of PKR 173/share (+21%) and PKR 362/share (+34%), respectively.

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**Time Horizon:** Dec - 2017

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