

Flash Note

Thursday, 25 February 2021

Cements

Pioneer Cement Limited (PIOC)

Expansion ancillary finance cost take a dig but higher retention and useful tax reversal save the day; 2QFY21 EPS clocks in at PKR 2.84

- Pioneer Cement Limited (PIOC) announced its financial result for 2QFY21 with earnings clocking in at PKR 646mn (EPS: PKR 2.84), up by 8.76x y/y compared to PKR 74mn (EPS: PKR 0.32) in 2QFY20 in the corresponding period last year. This brings cumulative earnings for 1HFY21 to PKR 607mn (EPS: PKR 2.67) as against net loss of PKR 112mn (LPS: PKR 0.49) reported in 1HFY20.
- Net Sales of the Company during 2QFY21 increased by 44%q/q and massive 2.5x y/y. The substantial rise is owed to increase in sales volumes (up by ~1.21xy/y and 30% q/q) while the remaining is attributable to improved retentions amid rising cement sales price, reduced FED and lower dealer discounts.
- Gross margins of the Company jumped up to 15% following improved retentions and a considerably restricted cost structure. To note, CHCC's COGS have dropped by a material 9% to PKR 251/bag as against PKR 277/bag reported in 2QFY20. While softened global coal prices contribute towards lowered costs, however, we await interim accounts for further analysis in this regard
- Finance charges of the company increase by 4.48x y/y, possibly due to higher utilization of bank financing for short term borrowing as against the comparative period. Moreover, increase in finance cost is more associated with the new production line. We await publication of interim report for further information and management's view in this regard.

Exhibit: PIOC 2QFY21 Result Highlights								
Period end (JUN) - PKRmn	2QFY21	2QFY20	YoY	1QFY21	QoQ	1HFY21	1HFY20	YoY
Net Sales	5,738	2,277	2.5x	3,992	44%	9,371	4,148	2.2x
Gross Profit	832	11	73.7x	307	2.7x	1,139	45	25.3x
Sell. / Dist. & Admin	64	145	-56%	64	-1%	128	219	-42%
Other Operating expense	26	0	125x	-	n/a	26	0	125x
Other Income	77	185	-58%	121	-36%	198	161	23%
EBIT	821	51	16x	363	2.26x	1,184	(13)	n/a
Financial Charges	409	89	4.58x	429	-5%	839	182	4.6x
Pre-tax Profits	411	(38)	n/a	(66)	n/a	345	(195)	n/a
Taxation	(235)	(112)	n/a	(26)	n/a	(261)	(84)	n/a
Post-tax Profits	646	73.7	8.76x	(39)	n/a	607	(112)	n/a
EPS	2.84	0.32		(0.17)		2.67	(0.49)	
Key Ratios								
Gross Margin (%)	15%	0%		8%		12%	1%	
Net Margin (%)	11%	3%		-1%		6%	-3%	
Source: IGI Research, Company Accounts, PSX						No. of Shares: 227mn		

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