

Flash Note

Wednesday, 22 February 2017

Cement

PIOC: Additional clinker sales & lower effective tax boosted earnings by +44%YoY in 2QFY17

- Profitability for Pioneer Cement Ltd (PIOC) increased remarkably by +44%YoY to PKR 799mn (EPS PKR 3.52) in 2QFY17, taking profitability for 1HFY17 to PKR 1.50bn (EPS PKR 6.61), up by +52%YoY.
- The company also announced an interim cash dividend of PKR 2.15/share in 2QFY17.
- Revenue increased by +13%YoY to PKR 2.69bn in 2QFY17, taking 1HFY17 revenue to PKR 5.19bn mainly on the back of additional clinker sales.
- Gross margins declined by 380bps to 39% in 2QFY17 as compared 43% recorded in same period last year due to rebounding coal prices.
- Effective tax rate decreased to 21% in 2QFY17 as against 41% recorded in same period last year, supporting bottom line growth.

Recommendation

We maintain our 'BUY' call on the scrip with Dec-17 TP of PKR 172/share, offering upside of +19% from last closing. PIOC is currently trading at FY17E P/E of 12x.

Exhibit:

PIOC Financial Highlights

	2QFY17	2QFY16	YoY	1HFY17	1HFY16	YoY
<i>Income Statement</i>						
Revenue	2,688	2,375	13%	5,192	4,378	19%
Gross Profit	1,041	1,010	3%	2,114	1,735	22%
Sell & Admin	31	31	-2%	66	64	3%
Fin cost	1	5	-70%	3	13	-80%
PBT	1,012	951	6%	2,008	1,653	21%
Net profit	799	556	44%	1,502	988	52%
EPS	3.52	2.45		6.61	4.35	
<i>Key Ratios</i>						
Gross Margin	39%	43%		41%	40%	
Net Margin	30%	23%		29%	23%	
Effective Tax Rate	21%	41%		25%	40%	

Source: IGI Research, Company Financials

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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 - 2017

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

DCF (Discounted Cash Flow)

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