

Flash Note

Thursday, 27 February 2020

Cements

Pioneer Cement Limited (PIOC)

Lower retentions take a dig but healthy non-operating income and useful tax reversal save the day; 2QFY20 EPS clocks in at PKR 0.32, down 73%YoY

- ✓ Pioneer Cement Limited (PIOC) announced its financial results for 2QFY20 with a net profit of PKR 112mn (EPS: PKR 0.32), down by 73%YoY, as compared to PKR 269mn (EPS: PKR 1.18) reported in the same period last year. This restricts 1HFY20 net loss to PKR 112mn (LPS: PKR 0.49) as against net profit of PKR 527mn (EPS: PKR 2.32) reported in the comparative period.
- ✓ Net sales of the Company during 2QFY20 dropped by 19%YoY as against the comparative period largely due to substantial decline in cement retention prices amid intense competition in the local market.
- ✓ While cost structure of the Company remained steady as against the comparative period, the decline in retention prices brought to dust the gross profit margins of the Company which landed to 0.5% as against 23% recorded in 2QFY19.
- ✓ Non-operating income of the Company witnessed a substantial increase of +29xYoY, largely on the back of outperformance of KSE-100 index during the quarter under review wherein sizeable investments under equity mutual funds were in place of the Company in addition to possible material gains on disposal of plant scrap.
- ✓ Finance cost of the Company declined by 18%YoY, possibly due to lesser utilization of bank financing for short term borrowings as against the comparative quarter.
- ✓ Useful tax reversal of PKR 112mn converted negative PBT to a positive PAT of PKR 74mn, taking EPS to PKR 0.32. We await interim report of the Company to accurately report the actual source of the tax reversal.

Exhibit: PIOC Result Highlights						
Period end (JUN) - PKRmn	2QFY20	2QFY19	YoY	1HFY20	1HFY19	YoY
Net Sales	2,277	2,825	-19%	4,148	5,057	-18%
Gross Profit	11	654	-98%	45	1,178	-96%
Sell. / Dist. & Admin	145	73	97%	219	143	53%
Non-Operating Income	185	9	29x	196	18	9.7x
EBIT	51	490	-90%	(13)	906	-0.0x
Financial Charges	89	108	-18%	182	169	8%
Pre-tax Profits	(38)	382	-0.1%	(195)	737	-0.3x
Taxation	(112)	113	-1.0x	(84)	210	-0.4x
Post-tax Profits	74	269	-73%	(112)	527	-0.2x
EPS	0.32	1.18		(0.49)	2.32	
DPS	-	-		-	-	
Key Ratios						
Gross Margin (%)	0.5	23.1		1.1	23.3	
Net Margin (%)	3.2	9.5		(2.7)	10.4	
Effective Tax Rate (%)	292.8	29.5		42.8	28.5	

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