

Flash Note

Monday, 28 October 2019

Cements

Pioneer Cement Limited (PIOC)

Lower retention prices amid intense competition generate 1QFY20 loss of PKR (0.82)/share

- Pioneer Cement Limited (PIOC) announced its financial results for 1QFY20 with a net loss of PKR 185mn (LPS: PKR 0.82), down by 2.7xYoY, as compared to net profit of PKR 258mn (EPS: PKR 1.14) reported in the same period last year.
- The decline in earnings during 1QFY20 is primarily attributable to substantially lower retention prices on domestic cement sales as compared to the previous year driven by intense competition amongst the regional players.
- Net sales of the Company during 1QFY20 dropped by 16% YoY as against the comparative period. Though, overall dispatches of the Company are expected to have been risen by ~+9% YoY, the Company failed to translate similar trend to net sales due to substantial fall in retention prices possibly due to higher discounts offered to distributors and failure to pass over enhanced FED (+25% YoY) to customers amid intense competition in the North region.
- While cost structure remained almost similar (avg. cost/bag 1QFY20: PKR 257, 1QFY19: PKR 261), the substantial decline in retention prices led to a meagre gross profit of PKR 34mn as against a notable gross profit of PKR 524mn in the comparative period.
- Finance costs of the Company increased by 52% YoY, largely due to rise in benchmark interest rates during 1QFY20 as against the comparative period.
- Despite a loss before taxation, the Company has recognized a tax charge possibly due to prior year taxes.

Exhibit: Pioneer Cement Limited (PIOC) Financial highlights

Period end (Dec) - PKRbn	1q'20	2019	4q'19	3q'19	2q'19	1q'19	2018	4q'18	3q'18	2q'18	1q'18	2017
Net Sales	1,871	9,734	2,245	2,432	2,825	2,232	10,121	2,617	2,609	2,474	2,421	10,631
Cost of sales	1,837	7,599	1,869	1,851	2,171	1,707	7,311	1,868	2,025	1,814	1,604	6,203
Gross Profit	34	2,135	376	580	654	524	2,811	749	585	660	817	4,428
Sales Growth %	-16%	-4%	-14%	-7%	14%	-8%	-5%	3%	-10%	-8%	-3%	13%
Gross Margin %	2%	22%	17%	24%	23%	23%	28%	29%	22%	27%	34%	42%
Admin, Selling & Distribution	74	325	109	73	73	70	264	82	70	62	51	179
Other Op. Income	12	73	29	26	9	9	59	153	6	6	(106)	157
EBIT	(64)	1,594	168	519	490	416	2,308	575	598	519	616	4,104
EBIT Margin %	-3%	16%	8%	21%	17%	19%	23%	22%	23%	21%	25%	39%
Financial Charges	93	271	(17)	118	108	61	95	16	29	30	20	35
Profit Before Taxation	(157)	1,323	185	401	382	355	2,213	559	569	489	596	4,070
Taxation	28	533	220	103	113	97	569	63	158	169	179	1,152
Effective Tax Rate	-18%	40%	119%	26%	30%	27%	26%	11%	28%	35%	30%	28%
Profit After Tax	(185)	790	(35)	298	269	258	1,644	495	411	320	417	2,918
Net Margin (%)	-10%	8%	-2%	12%	10%	12%	16%	19%	16%	13%	17%	27%
PAT Growth YoY	-2.7x	-52%	-107%	-28%	-16%	-38%	-44%	-4%	-54%	-60%	-41%	16%

EPS	(0.82)	3.48	(0.15)	1.31	1.18	1.14	7.24	2.18	1.81	1.41	1.84	12.84
DPS	-	-	-	-	-	-	4.07	4.07	-	-	-	5.50

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