

# PIONEER CEMENT LIMITED

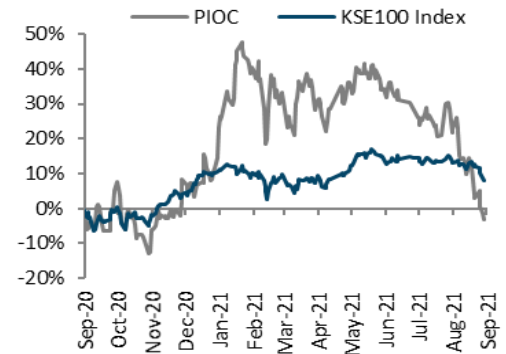
## 4QFY21: Result Review

Tuesday, September 28, 2021

Pioneer Cement Limited (PIOC) reported its FY21 result today, posting bottom-line of PKR 2.0Bn (EPS: PKR 8.69), compared to a loss of PKR 210Mn (LPS: PKR 0.92) in the SPLY. For 4QFY21, the company reported a PAT of PKR 681Mn (EPS: PKR 3.00),  $\uparrow 117/\downarrow 1\%$  YoY/QoQ. The improvement in annual performance was primarily based on higher cement bag prices ( $\uparrow 8\%$  YoY) and greater dispatches ( $\uparrow 95\%$  YoY) due to increased demand from the domestic market. The results were above our estimations. Key highlights of the result are summarized below:

- PIOC reported net sales of PKR 21.8Bn ( $\uparrow 247\%$  YoY) in FY21 due to higher retail prices in the north region ( $\uparrow 8\%$  YoY) and greater dispatches ( $\uparrow 95\%$  YoY). During 4QFY21, PIOC posted sales of PKR 6.2Bn ( $\uparrow 19.7x/\downarrow 1\%$  YoY/QoQ).
- The gross margins improved to 18.9% in FY21, compared to a gross loss in the SPLY due to higher retention prices ( $\uparrow 79\%$  YoY). The gross margins in 4QFY21 dipped to 23.1%, a decline of 1.6ppt QoQ due to higher coal prices.
- The distribution costs declined to PKR 119Mn ( $\downarrow 53\%$  YoY), while administration expenses shot up by 18% YoY to PKR 128Mn in FY21, respectively. On a quarterly basis, the distribution cost declined by 2/50% YoY/QoQ to PKR 17Mn in 4QFY21. On the other hand, the administration expenses clocked-in at PKR 34Mn in 4QFY21, an increase of  $\uparrow 25/1\%$  YoY/QoQ.
- The financial charges in FY21, rose to PKR 1.8Bn, up 363% YoY due to higher debt levels. On the other hand finance cost in 4QFY21, clocked-in at PKR 490Mn ( $\uparrow 284\%$  YoY).
- Other expenses showcased a large increase to PKR 153Mn in FY21. The other income soared to PKR 303Mn ( $\uparrow 194\%$  YoY).

PIOC vs. KSE-100 Index



%	3M	6M	12M
Absolute	-30	-28	-6
Relative to KSE	-24	-27	-13

Source: PSX, BMA Research

### Pioneer Cement Limited— (PSX: PIOC) Earnings Snapshot

(PKR Mn)	4QFY21	4QFY20	YoY	3QFY21	QoQ	FY21	FY20	YoY
Revenue	6,177	314	1867%	6,270	-1%	21,818	6,287	247%
Cost of sales	4,747	359	1223%	4,721	1%	17,700	6,390	177%
<b>Gross Profit</b>	<b>1,429</b>	<b>-45</b>	<b>N/A</b>	<b>1,550</b>	<b>-8%</b>	<b>4,118</b>	<b>-103</b>	<b>N/A</b>
<b>Gross Margin</b>	<b>23.1%</b>	<b>-14.3%</b>		<b>24.7%</b>		<b>18.9%</b>	<b>-1.6%</b>	
Distribution Costs	17	17	-2%	34	-50%	119	253	-53%
Admin Expenses	34	28	25%	34	1%	128	109	18%
<b>Operating Profit</b>	<b>1,378</b>	<b>-90</b>	<b>N/A</b>	<b>1,482</b>	<b>-7%</b>	<b>3,871</b>	<b>-464</b>	<b>N/A</b>
Other Expenses	55	-121	N/A	72	-23%	153	1	N/A
Other Income	63	20	211%	41	53%	303	103	194%
<b>EBIT</b>	<b>1,386</b>	<b>52</b>	<b>2581%</b>	<b>1,451</b>	<b>-4%</b>	<b>4,021</b>	<b>-363</b>	<b>N/A</b>
Finance Cost	490	128	284%	489	0%	1,818	393	363%
<b>PBT</b>	<b>896</b>	<b>-76</b>	<b>N/A</b>	<b>962</b>	<b>-7%</b>	<b>2,203</b>	<b>-755</b>	<b>N/A</b>
Taxation	214	-390	N/A	275	-22%	229	-546	N/A
<b>PAT</b>	<b>681</b>	<b>314</b>	<b>117%</b>	<b>687</b>	<b>-1%</b>	<b>1,974</b>	<b>-210</b>	<b>N/A</b>
<b>EPS</b>	<b>3.00</b>	<b>1.38</b>		<b>3.02</b>		<b>8.69</b>	<b>-0.92</b>	

Source: Company Accounts, BMA Research

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Buy	>15% expected total return
Hold	10%-15% expected total return
Underperform	<10% expected total return
*Total stock return = capital gain + dividend yield	

### Old rating system

Overweight	Total sector return > expected market return
Marketweight	Expected market return
Underweight	Total stock return < expected market return

## Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)