

## Earning Review

### PIOC: 1QFY22 EPS clocked in at Rs2.12

#### Event

- Pioneer Cement Limited (PIOC PA) profitability clocked in at Rs480mn (EPS of Rs2.12) in 1QFY22 as compared to loss of Rs40mn (LPS Rs0.17) in 1QFY21.

#### Impact

- We attribute increase in PIOC profitability to (1) better cement retention prices, (2) increased dispatches in domestic market and (3) lower distribution cost.
- PIOC revenue increased by 55% YoY in 1QFY22 due to ~45% YoY increase in cement retention prices and 6% YoY increase in dispatches in 1QFY22.
- Furthermore, PIOC gross margins increased by 15.9/0.5ppt YoY/QoQ to 23.6% in 1QFY22 due to aforementioned factors and lower fixed cost contribution per unit.
- Furthermore, PIOC finance cost increased by 35% YoY in 1QFY22 due to booking of interest expense which was previously capitalized as borrowing cost and higher debt levels.
- Among other major heads admin/distribution cost increased/decreased by 24/20% YoY in 1QFY22. Decline in distribution cost is attributable to absence of exports, in our view.
- To highlight, PIOC booked tax charge of Rs259mn in 1QFY22 as compared to tax credit of Rs26mn in 1QFY21.

#### Outlook

- We have “Outperform” stance on the scrip with June-22 target price of Rs121.5. Furthermore, near term profitability of the company is expected to remain under pressure given sector’s inability to completely pass on the impact of rise in fuel/power and other overhead costs.
- However PIOC would benefit from (1) increased reliance on internal power generation to meet its power requirement, (2) favorable Gov’t policies (3) continuous increase in consumer housing finance (up 47% YoY to Rs118.5bn in Sep’21) and (4) increased demand from public sector due to early disbursement of PSDP.

#### Analyst

Usman Arif  
+92 21 3561 2290-94

usman.arif@fs.com.pk  
Ext 339

Fig 01: PIOC 1QFY22 Key Financial Highlights (Rs mn)

|                          | 1QFY22       | 1QFY21      | YoY         | QoQ         |
|--------------------------|--------------|-------------|-------------|-------------|
| Sales - net              | 6,197        | 3,992       | 55%         | 0%          |
| COGS                     | 4,735        | 3,686       | 28%         | 0%          |
| <b>Gross profit</b>      | <b>1,463</b> | <b>307</b>  | <b>377%</b> | <b>2%</b>   |
| Distribution Expenses    | 28           | 35          | -20%        | 65%         |
| Admin Expenses           | 36           | 29          | 24%         | 5%          |
| Other operating expenses | 89           | -           | na          | 61%         |
| Other operating income   | 10           | 121         | -92%        | -84%        |
| EBIT                     | 1,319        | 363         | 263%        | -5%         |
| Financial Charges        | 580          | 429         | 35%         | 18%         |
| <b>PBT</b>               | <b>739</b>   | <b>(66)</b> | <b>na</b>   | <b>-17%</b> |
| Taxation                 | 259          | (26)        | na          | 21%         |
| <b>PAT</b>               | <b>480</b>   | <b>(40)</b> | <b>na</b>   | <b>-29%</b> |
| EPS@227.15mn sh          | 2.12         | (0.17)      |             |             |
| GP margins               | 23.6%        | 7.7%        |             |             |
| EBIT margins             | 21.3%        | 9.1%        |             |             |
| NP margins               | 7.8%         | -1.0%       |             |             |

Source: PSX, Company Accounts, Foundation Research, October 2021

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### Recommendations definitions

|                                   |               |
|-----------------------------------|---------------|
| If                                |               |
| Expected return >+10%             | Outperform.   |
| Expected return from -10% to +10% | Neutral.      |
| Expected return <-10%             | Underperform. |