

Earning Preview

PIOC: 2QFY22 EPS expected to clock in at Rs3.37, up 19% YoY

Event

- Pioneer Cement Limited (PIOC PA) is expected to post EPS of Rs3.37 (up 19/59% YoY/QoQ) in 2QFY22, cumulating into 1HFY22E profitability of Rs1,247mn (EPS Rs5.49, up 106% YoY).

Impact

- We attribute expected increase in PIOC profitability to (1) better cement retention prices and (2) increased dispatches in domestic market.
- PIOC revenue is expected to increase by 65/43% YoY/QoQ in 2QFY22 due to ~10/25% YoY/QoQ increase in cement dispatches amid 50/14% YoY/QoQ increase in cement retention prices in 2QFY22.
- Furthermore, PIOC gross margins are expected to increase by 4.7ppt YoY in 2QFY22 to 20.2% due to aforementioned factors and lower fixed cost contribution per unit. However, on sequential basis company gross margins are expected to decline by 3.4ppt QoQ in 2QFY22 due to higher fuel/energy cost given increase in coal prices.
- Furthermore, PIOC finance cost is expected to increase by 45/3% YoY/QoQ in 2QFY22.
- Among other major heads admin/distribution cost is expected to increase/decrease by 18/2% YoY in 2QFY22. Distribution cost is expected to decline due to absence of exports, in our view.
- Furthermore, company effective tax rate is expected to clock in at 28.6% in 2QFY22 as compared to tax credit booked in 2QFY21.

Outlook

- We have “Outperform” stance on the scrip with Dec-22 target price of Rs121. 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 amid decline in demand growth.

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Fig 01: PIOC 2QFY22 Earnings Preview (Rs mn)

	2QFY22	2QFY21	YoY	QoQ	1HFY22	1HFY21	YoY
Sales - net	8,891	5,378	65%	43%	15,088	9,371	61%
COGS	7,094	4,546	56%	50%	11,829	8,231	44%
Gross profit	1,796	832	116%	23%	3,259	1,139	186%
Distribution Expenses	32	33	-2%	15%	60	68	-12%
Admin Expenses	37	31	18%	1%	73	60	21%
Other operating expenses	87	26	240%	-2%	176	26	588%
Other operating income	27	77	-65%	171%	37	198	-82%
EBIT	1,667	821	103%	26%	2,987	1,184	152%
Financial Charges	595	409	45%	3%	1,175	839	40%
PBT	1,073	411	161%	45%	1,812	345	425%
Taxation	306	(235)	-231%	18%	565	(261)	-316%
PAT	766	646	19%	59%	1,247	607	106%
EPS@227.15mn sh	3.37	2.84			5.49	2.67	
GP margins	20.2%	15.5%			21.6%	12.2%	
EBIT margins	18.8%	15.3%			19.8%	12.6%	
NP margins	8.6%	12.0%			8.3%	6.5%	

Source: PSX, Company Accounts, Foundation Research, February 2022

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Recommendations definitions

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