

Pioneer Cement: Beginning to blossom on core cost reduction

Tuesday, 29 October 2024

PIOC recorded a net profit of PKR 1.02bn (EPS: PKR 4.5/sh) in 1QFY25 reflecting a robust 10% growth compared to PKR 0.93bn (EPS: PKR 4.11/sh) in 1QFY24. **PIOC is yielding FY25 PE band of 4.5x – 5.8x. We recommend our 'positive' stance based on methodology.**

Sales increased despite lowering utilization of 37% - 40%...

The net sales turnover has decreased by 10% QoQ reaching to PKR 7.9bn from PKR 8.7bn in FY25. This is mainly due to slight lowering utilization as cement industry dispatches has decreased during Jul – Sept. PIOC dispatched 463,187 tons which is less than 13.4% from last quarter FY24. During 4QFY24 PIOC posted dispatches of 534853 tons. **PIOC is now currently selling cement bag at PKR1455/1465.**

PIOC fuel cost dynamics changed...

PIOC is working to decrease fuel & power cost production. In FY24 it was PKR 6731/ton as compared to PKR 7260/ton in FY23. The company's directors reporting that PIOC is shifting from imported coal to local & Afghan coal. We see an annual cost saving of ~PKR10bn in this respect. Hence impact of higher electricity cost would be lessened going forward.

PIOC is in a favorable situation...

PIOC is located in *Khushab*, a district in Punjab. From FY25 onwards, we see incidence of interest rates would further decrease. Also we see an upward trend in cement dispatches outlook for all the Northern Zone players. **Hence we are taking 45% utilization in our PIOC model during FY25. We will shortly give detailed outlook on PIOC.**

PIOC Snapshot

Price (PKR/sh)	202
Mkt Cap (PKR)	45.84bn
Avg Vol (12m)	796,177
Paid-up (PKR)	2.27bn
Beta	1.78
Par Value (PKR)	10
52 weeks low	98.5
52 weeks high	224.4

Source: SCS Research

Rs mn	1QFY24	1QFY25
Sales	8,712	7,891
EBIT	2,509	2,223
PBT	1,535	1,677
PAT	933	1,023
EPS	4.11	4.50

Source: SCS Research

Pioneer Cement: Quarterly sales stability...

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Rs mn	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
Revenue from contracts- Gross	12,089	14,009	11,870	11,268	11,846
Sales tax	2,076	2,435	2,090	1,973	2,019
FED	1,201	1,340	1,129	1,055	1,853
Commission	84	105	87	138	72
Discount & rebate	16	16	15	(43)	11
Revenue From contracts - net	8,712	10,113	8,550	8,144	7,891
Cost of sales	6,062	6,620	5,810	5,264	5,490
Gross Profit	2,650	3,492	2,740	2,881	2,401
Distribution cost	61	49	34	27	41
Admin Exp	79	82	54	142	137
EBIT	2,509	3,361	2,652	2,712	2,223
Oth Exp	79	175	98	126	106
Operating Profit	2,430	3,185	2,554	2,586	2,117
Other Income	7	110	54	262	53
Remeasurement Gain / loss	47	143	0.4	(190)	-
Finance cost	950	626	680	550	493
PBT	1,535	2,813	1,928	2,108	1,677
Taxation	602	1,121	725	760	654
PAT	933	1,693	1,203	1,348	1,023
EPS	4.11	7.45	5.29	5.93	4.50
DPS		5		10	

Source: SCS Research

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