

Flash Note

Thursday, 09 February 2017

Cements

PIOC: Announces capacity expansion and cost efficiency plans

- As per PSX notice by PIOC, the company has signed contracts with M/s. Sinoma-Chengdu Design & Research, China for procurement of 1) cement plant with production capacity of ~2.5mn tpa, 2) 12MW WHR power plant, and 3) 24MW Coal fired captive power plant.
- The said brownfield expansion will take company's existing capacity of 2.1mn tpa to ~4.6mn tpa. The anticipated timeframe for commercial operations is 24-30 months with estimated cost of PKR 20-22bn. We assume debt financing to the tune of 75%.
- In addition, the company intends to install another 12MW WHR plant on its new line. To recall, PIOC's 12MW WHR power plant became operational in Dec-16 on its existing line.
- Installation of coal based CPP (24MW) is another cost rationalization initiative taken by the company to reduce its reliance on national grid. The estimated project cost for this plant is PKR 3.5-4.0bn.

Recommendation

We are currently evaluating the impact of new expansion plans by PIOC and will shortly be updating our investment case on the company.

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Time Horizon: Dec - 2017

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