

# Flash Note

Thursday, 03 October 2019

## Cements

### Pioneer Cement Limited (PIOC)

#### Reduced margins and substantial tax charge push 4QFY19 earnings to loss of 35mn (LPS: 0.15); FY19 EPS: 3.48

- Pioneer Cement Limited (PIOC) announced its financial results for 4QFY19 with loss reported of PKR 35mn (LPS: PKR 0.15), as compared to profit of PKR 495mn (EPS: PKR 2.18) reported in the same period last year. This brings FY19 earnings to PKR 790mn (EPS: PKR 3.48), down by 52%YoY, as against PKR 1.64bn (EPS: PKR 7.24) recorded in the similar period of the preceding year.
- The Company has declared nil dividends along with the result as compared to dividend of PKR 4.07/share in the comparative period.
- Sales of the Company during the quarter declined by 14%YoY, owing to lesser cement quantity sold and reduced retentions achieved during the quarter.
- Gross profits of the Company during the quarter under review fell by a colossal 50%YoY owing to substantial rise in cost structure of the Company led by significant PKR depreciation and mounting inflationary pressures.
- The Company reversed a portion of its finance charges during the quarter, details of which are awaited up to the publication of annual report.
- Major setback is witnessed due to substantial rise in taxability of the Company with effective tax charged being greater than the available profits during the quarter. We believe adverse impacts on deferred tax liabilities on account of changes enacted in Finance Act, 2019 may have a substantial impact however we await publication of annual report for further clarity in this alarming rise.

Exhibit:

#### PIOC Result Highlights

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	2,245	2,617	-14%	9,734	10,121	-4%
Gross Profit	376	749	-50%	2,135	2,811	-24%
Sell. / Dist. & Admin	109	82	33%	325	264	23%
Non-Operating Income	29	153	-81%	73	59	23%
EBIT	168	575	-71%	1,594	2,308	-31%
Financial Charges	(17)	16	-203%	271	95	185%
Pre-tax Profits	185	559	-67%	1,323	2,213	-40%
Taxation	220	63	248%	533	569	-6%
Post-tax Profits	(35)	495	-107%	790	1,644	-52%
EPS	(0.15)	2.18		3.48	7.24	
DPS	-	4.07		-	4.07	

#### Key Ratios

Gross Margin (%)	16.7	28.6		21.9	27.8	
Net Margin (%)	(1.5)	18.9		8.1	16.2	
Effective Tax Rate (%)	118.7	11.3		40.3	25.7	

Source: Company Accounts, IGI Research

No. of Shares : 227mn

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