

Cement

PIOC: FY26 Management Call Takeaways

- Pioneer Cement Limited (PIOC) held a corporate briefing session to discuss the FY26 financial results and provide key insights on the future outlook for the company.
- The company reported FY26 revenue of PKR 38bn, up 15.8% YoY, with profit after tax of PKR 6.59bn. EPS hit an all-time high of PKR 29.03, up 35.2% YoY. Profit growth well ahead of revenue growth points to margin expansion and operating leverage.
- The company has repaid all of its outstanding debt. This removes finance cost from the P&L, gives the company room to fund capex internally, and supports earnings quality going forward.

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Key Highlights from Corporate Briefing

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- The company has repaid all of its outstanding debt. This removes finance cost from the P&L, providing room to fund capex internally, and supports earnings quality going forward.
- Domestic dispatches were ~2.45mn tons in FY26, with no export sales, so earnings depend entirely on the local market. Average net retention was PKR 15,783/ton, which is the key figure to watch for margin sustainability.
- Management expects industry dispatches to grow 7-8% in FY27, with double-digit growth possible. The drivers are PSDP spending, Mera Ghar Mera Ashiana and other government-backed housing initiatives. Because the outlook relies on public-sector spending, execution and funding timelines are the main risk to this view.
- The power mix is now ~67% grid electricity, with the rest from waste heat recovery (WHR). The average power cost is ~PKR 22/unit, compared with PKR 24-25/unit previously, while grid electricity costs ~PKR 26/unit. The 30MW coal-fired captive plant

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remains offline because coal-based generation cost has risen to over PKR 40/unit, from ~PKR 36/unit last year. Heavy grid dependence leaves the company exposed to tariff changes. The government's incremental electricity package, which gives a 15-20% discount on eligible incremental consumption, partly offsets this.

- The 31MW solar project is in its final stages, with commissioning expected this quarter at an estimated capex of PKR 2bn. This should lower the blended power cost and reduce grid reliance, with the benefit visible from the next quarter.
- The planned battery energy storage system (BESS) would reduce grid consumption during peak-tariff hours. It would also allow critical loads to be shifted to battery storage, which addresses equipment damage from frequent grid tripping and should improve operational reliability. Together with solar, it forms a credible plan to cut power costs.
- Management is exploring biomass and other alternative fuels to optimize the fuel mix and cut energy costs, with utilization expected to begin by March 2027. This is a further lever beyond power, though its impact depends on supply availability and pricing.
- About 95% of PIOC's coal mix is locally sourced, mainly from KPK with some from Dukki, Balochistan, and its limestone comes from Punjab. Management sees the ability to run mainly on local coal as a competitive advantage. It reduces exposure to imported coal prices and currency swings.
- Management highlighted that PIOC's existing capacity carries a relatively higher EV per ton. It justified this by pointing out that greenfield projects, such as the proposed expansion at DG Khan, may take roughly 2-3 years to become operational. PIOC, in contrast, offers established capacity and immediate cash generation. The premium therefore pays for time-to-market and earnings visibility. The risk is that the higher entry multiple leaves less room for error if cement pricing or volumes disappoint.
- On the Punjab royalty case, management said the next hearing is expected within the coming week. The outcome is a near-term catalyst. Any adverse ruling could bring a cost or provisioning impact, while a favorable one would remove an overhang. The financial exposure was not quantified, so the outcome is worth monitoring.

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