

Pioneer Cement Limited

KATS: PIOC
Bloomberg: PIOC PA

LDCP: PKR 224.17/sh
1-year ADTO: PKR 587.6 MN

OUTPERFORM

Margins Expand 4.9ppts Y/Y Despite Higher Coal Prices

23 October 2026

- **PIOC reported 1QFY27 PAT of PKR 2.2 BN (up 73% Y/Y).** EPS clocked in at PKR 9.72, significantly above expectations. Net sales grew 29% Y/Y to PKR 10.8 BN, while COGS increased at a slower 20% Y/Y, driving gross profit up 50% Y/Y to PKR 3.8 BN.
- **Margins expand on higher retention prices and lower dealer commissions.** Gross margins improved to 34.7% from 29.8% SPLY, supported by a 21% Y/Y increase in net retention prices and a 78% decline in dealer and wholesaler commissions. This more than offset a 25.4% Y/Y increase in Richards Bay coal prices to USD 113.9/ton. The lower COGS likely reflect a royalty reversal based on revised calculation basis, which excludes sales tax and FED from ex-factory prices (previously calculated as 6% of ex-factory price).
- **Unlevered balance sheet supports finance cost savings.** PIOC now operates with zero debt, compared with PKR 6.8 BN in 1QFY26, contributing to a 94% Y/Y decline in finance costs to PKR 14 MN. Higher other income, up 61% Y/Y to PKR 148 MN, also supported profitability.
- **Outlook.** We expect domestic demand to remain supported by government-led housing initiatives and improving construction activity. On the cost front, PIOC's solar expansion to ~31 MW and the planned commissioning of alternative-fuel equipment around Mar-27 should help improve energy-cost efficiency and provide a degree of insulation against elevated coal prices. However, sustained increases in imported coal prices remain a key risk to margin sustainability.

Y/E: Jun	FY26	FY27E	FY28E	FY29E
EPS	29.03	34.80	41.74	48.27
DPS	-	-	-	-
BVPS	218.0	256.3	298.0	346.3
P/E	9.5	6.4	5.4	4.6
D/Y	0.0%	0.0%	0.0%	0.0%
P/B	1.3	0.9	0.8	0.6

Source: Company accounts, Optimus Research

Laiba Saleem
laiba.saleem@optimus.pk
+9221 3529 6888 x 2308

REN: REP-107



Earnings Snapshot

2

PKR MN	Sep-26E	Sep-26	Jun-26	Mar-26	Dec-25	Sep-25	Q/Q	Y/Y
Net sales	10,258	10,847	9,859	10,042	10,262	8,417	10%	29%
Cost of goods sold	7,610	7,086	6,737	7,125	7,225	5,910	5%	20%
Gross profit	2,648	3,761	3,121	2,916	3,037	2,507	20%	50%
Selling and distribution expenses	41	50	33	42	40	40	51%	24%
Administrative expenses	123	149	127	124	98	140	17%	7%
Operating profit	2,484	3,561	2,961	2,750	2,899	2,327	20%	53%
Other charges	180	188	204	123	150	115	-8%	64%
Other income	126	148	78	143	168	91	90%	61%
Finance cost	40	14	75	165	179	214	-82%	-94%
Pre-tax profit	2,391	3,508	2,759	2,606	2,738	2,089	27%	68%
Taxation	876	1,299	561	1,084	1,138	815	132%	59%
Profit after tax	1,515	2,209	2,198	1,522	1,600	1,274	0%	73%
EPS	6.67	9.72	9.68	6.70	7.04	5.61		
DPS	-	-	-	-	-	-		
Gross margins	25.8%	34.7%	31.7%	29.0%	29.6%	29.8%		
Operating margins	24.2%	32.8%	30.0%	27.4%	28.3%	27.6%		
Net margins	14.8%	20.4%	22.3%	15.2%	15.6%	15.1%		
Effective tax rate	36.6%	37.0%	20.3%	41.6%	41.6%	39.0%		

Source: Company Accounts, Optimus Research

Analyst Certification

The research analyst for this report, Laiba Saleem, certifies that: (1) all of the views expressed in this report accurately reflect her personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report, (3) neither she nor any associated person holds any interest in the securities of the subject company; and (4) neither she nor any associated person holds a financial interest in the subject company aggregating more than 1% of its value.

Valuation Methodology

We employ a Fair Value approach with a primary focus on intrinsic value-based methodologies, using one or more of the following as appropriate: Discounted Cash Flow (DCF), Dividend Discount Model (DDM), Asset-Based Valuation (NAV), Relative Valuation, Sum of the Parts (SOTP), and Residual Income. Methodology selection and weighting varies by sector, business maturity, and data availability, and is disclosed within each report."

Rating System

We employ a three-tier rating system based on expected total return over a 12-month horizon from the date of report publication. A stock is rated Outperform where the expected total return is +15% or more, Neutral where the expected total return falls between -14% and +14%, and Underperform where the expected total return is -15% or worse. All returns are measured relative to the last closing price at the time of report publication.

Disclaimer

This report has been prepared by Optimus Capital Management (Pvt.) Ltd. [Optimus] and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation or any offer to buy. While reasonable care has been taken to ensure that the information contained in this report is not untrue or misleading at the time of its publication, Optimus makes no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Optimus and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. Optimus as a firm may have business relationships, including investment banking relationships with the companies referred to in this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report and Optimus accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. At the same time, it should be noted that investments in capital markets are also subject to market risks. This report may not be reproduced, distributed or published by any recipient for any purpose.