



The Pakistan Credit Rating Agency Limited

PIONEER CEMENT LIMITED

	INITIAL [Nov-16]
Entity	
Long Term	A
Short Term	A1
Outlook	Stable

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NOVEMBER 2016



Pioneer Cement Limited

BALANCE SHEET	30-Jun-16	30-Jun-15	30-Jun-14
	Annual	Annual	Annual
Non-Current Assets	10,431	7,373	7,549
Investments (Incl. associates)	2,425	1,074	1,648
Equity	2,356	-	-
Debt	-	1,006	1,582
Investment Property	69	67	66
Current Assets	1,911	3,668	2,680
Inventory	181	884	1,143
Trade Receivables	108	61	61
Others	1,621	2,722	1,476
Total Assets	14,768	12,114	11,877
Debt	645	996	2,013
Short-term	645	621	-
Long-term (Incl. Current Maturity of long-term debt)	-	375	2,013
Other shortterm liabilities	1,108	1,022	1,531
Other Longterm Liabilities	2,345	1,764	1,530
Shareholder's Equity	10,670	8,333	6,802
Total Liabilities & Equity	14,768	12,114	11,877

INCOME STATEMENT

Turnover	9,367	8,426	8,025
Gross Profit	4,005	3,166	2,589
Other Income	0	520	113
Financial Charges	(17)	(56)	(155)
Net Income	2,519	2,496	1,769

Cashflow Statement

EBITDA	4,314	3,456	2,946
Free Cashflow from Operations (FCFO)	2,667	2,234	2,749
Net Cash changes in Working Capital	483	323	(482)
Net Cash from Operating Activities	3,124	2,052	2,023
Net Cash from Investing Activities	(2,729)	457	(810)
Net Cash from Financing Activities	(1,826)	(1,307)	(1,788)
Net Cash generated during the period	(1,431)	1,202	(574)

Ratio Analysis

Performance			
Turnover Growth	11.2%	5.0%	6.0%
Gross Margin	42.8%	37.6%	32.3%
Net Margin	26.9%	29.6%	22.0%
ROE	25.9%	30.3%	26.3%
Coverages			
Debt Service Coverage (x) (FCFO/Gross Interest+CMLTD+Uncovered STB)	152.6	23.9	1.7
Interest Coverage (x) (FCFO/Gross Interest)	152.6	39.7	17.7
Debt Payback (Years) (Total Lt.Debt (excluding Covered Short Term Borrowings) / FCI)	0.0	0.2	0.8
Liquidity			
Net Cash Cycle (Inventory Days + Receivable Days - Payable Days)	24	37	29
Capital Structure (Total Debt/Total Debt+Equity)	5.7%	10.7%	22.8%



STANDARD RATING SCALE & DEFINITIONS

Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

LONG TERM RATINGS		SHORT TERM RATINGS
AAA AA+ AA AA- A+ A A-	<p>Highest credit quality. Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.</p> <p>Very high credit quality. Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</p> <p>High credit quality. Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.</p>	<p>A1+: The highest capacity for timely repayment.</p> <p>A1: A strong capacity for timely repayment.</p> <p>A2: A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.</p> <p>A3: An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial conditions.</p> <p>B: The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions.</p> <p>C: An inadequate capacity to ensure timely repayment.</p>
BBB+ BBB BBB-	<p>Good credit quality. Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.</p>	
BB+ BB BB-	<p>Speculative. Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met.</p>	
B+ B B-	<p>Highly speculative. Significant credit risk. A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.</p>	
CCC CC C	<p>High default risk. Substantial credit risk “CCC” Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. “CC” Rating indicates that default of some kind appears probable. “C” Ratings signal imminent default.</p>	
D	<p>Obligations are currently in default.</p>	

<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved with in foreseeable future, but may continue if underlying circumstances are not settled.</p>	<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. ‘Stable’ outlook means a rating is not likely to change. ‘Positive’ means it may be raised. ‘Negative’ means it may be lowered. Where the trends have conflicting elements, the outlook may be described as ‘Developing’.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, or e) the entity/issuer defaults.</p>
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Name of Issuer
Sector
Type of Relationship

Pioneer Cement Limited
 Cement
 Solicited

Purpose of the Rating

Independent Risk Assessment

Rating History

Notification Date	Long Term	Short Term	Outlook	Action
Nov. 2, 2016	A	A1	Stable	Initial

Related Criteria and Research

Rating Methodology
 Sector Research

Corporate Rating Methodology
 Cement Sector Overview - 2016

Rating Analysts

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[Rating Team Statement](#)

Rating Procedure

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

[Disclaimer](#)

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[Probability of Default \(PD\)](#)

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