

Flash Note

Wednesday, 25 April 2018

Cements

MLCF: Lower retention prices and high input costs push 3QFY18 earnings down by 15%YoY to PKR 1.89/share

- Maple Leaf Cement Factory Limited (MLCF) announced its financial results for 3QFY18 with unconsolidated earnings clocking in at PKR 881mn (Fully diluted EPS: PKR 1.48) as compared to PKR 1,358mn (EPS: PKR 2.29) in the same period last year. On a cumulative basis this brought 9MFY18 earnings to PKR 2.85bn (EPS: PKR 4.81) as against PKR 4.05bn (EPS: PKR 6.82) in the corresponding period last year.
- On a consolidated basis, the MLCF group posted earnings of PKR 1.12bn (EPS: PKR 1.89) for 3QFY18 as against PKR 1.33bn (EPS: PKR 2.24) in 3QFY17, marking a decline of 15%YoY and taking 9MFY18 earnings to PKR 3.37bn (EPS: PKR 5.68) as against PKR 3.95bn recorded in the same period last year.
- On a consolidated basis, the Company recorded a growth of +11%YoY in its net sales largely driven by +15%YoY growth in volumetric sales.
- Gross profits during 3QFY18 remained at similar levels despite a humongous increase in international coal prices and a stark fall in cement prices. This is heavily owed to hefty cost savings stemming from 40MW Coal based power plant operated by Maple Leaf Power Limited (MLPL).
- Finance cost of the group rose sharply to PKR 263mn as against PKR 92mn recorded in the same period last year, largely on the back of high debt borrowing in the current period.
- The effective tax rate of the Company fell to ~24% as against 27% reported in the corresponding period last year, largely on the back of tax exemptions on profits driven by MLPL.

Exhibit:

MLCF Result Highlights (Consolidated Results)

Period end (JUN) - PKRmn	3QFY18	3QFY17	YoY	9MFY18	9MFY17	YoY
Net Sales	7,024	6,305	11%	19,302	18,227	6%
Gross Profit	2,415	2,415	0%	6,807	7,557	-10%
Sell. / Dist. & Admin	526	447	18%	1,439	1,412	2%
Non-Operating Income	7	44	-84%	55	76	-28%
EBIT	1,736	1,921	-10%	4,995	5,793	-14%
Financial Charges	263	92	184%	593	196	202%
Pre-tax Profits	1,474	1,829	-19%	4,402	5,597	-21%
Taxation	352	501	-30%	1,032	1,645	-37%
Post-tax Profits	1,122	1,328	-15%	3,370	3,952	-15%
EPS	1.89	2.24		5.68	6.66	
DPS	-	-		1.50	2.00	

Key Ratios

Gross Margin (%)	34.4	38.3		35.3	41.5	
Net Margin (%)	16.0	21.1		17.5	21.7	
Effective Tax Rate (%)	23.9	27.4		23.4	29.4	

Source: Company Accounts, IGI Research

No. of Shares : 594mn

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Time Horizon: Dec – 2018

Valuation Methodology: The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):
(Discounted Cash Flow)

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