

# Day Break

Thursday, 23 April 2020

## COMPANY UPDATE

### Maple Leaf Cement Factory Limited

Cement

<b>Recommendation</b>	<b>BUY</b>
Target Price: Dec/20	34.1
Last Closing: 21-Apr-20	26.8
Upside / (Down side) %:	27.20
Valuation Methodology:	Discounted Cash Flow (DCF)

Time Horizon: 8M

#### Market Data

Bloomberg Tkr.	MLCF PA		
Shares (mn)	1,098.3		
Free Float Shares (mn)	494.3		
Free Float Shares (%)	45.0%		
Market Cap (PKRbn   USDmn)	29.4	190.7	
Exchange	KSE 100		
<b>Price Info.</b>	90D	06M	12M
Abs. Return	22.8	69.7	(9.9)
Lo	16.7	15.1	13.8
Hi	30.7	30.7	30.7

#### Key Company Financials

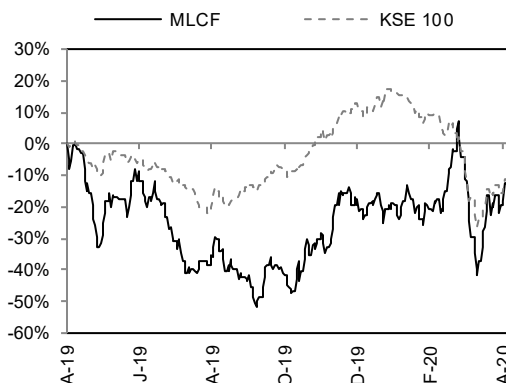
Period End: Jun

PKRbn	2020e	2021f	2022f	2023f
Total Revenue	25.9	18.8	25.4	29.2
Net Income	(3.4)	(1.2)	0.4	1.6
EPS (PKR)	(3.1)	(1.1)	0.4	1.4
DPS (PKR)	-	-	0.3	0.5
Total Assets	62.0	56.6	56.7	55.9
Total Equity	31.5	28.9	27.9	28.2

#### Key Financial Ratios

ROE (%)	(11.1)	(4.0)	1.5	5.6
P/E (x)	- 8.5	- 24.6	71.2	18.8
P/B (x)	0.9	1.0	1.1	1.0
DY (%)	-	-	0.9	1.9

#### Relative Price Performance



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## Cements

### MLCF: Lower retention prices to present LPS: PKR 0.84 in 3QFY20E, 9MFY20E loss comes to PKR 2.45

- ✓ MLCF's board meeting is scheduled on 23<sup>rd</sup> Apr-20 to announce financial result for 3QFY20, wherein we expect the company to post consolidated loss of PKR 927mn (Fully Diluted LPS: PKR 0.84)
- ✓ Despite a substantial growth in overall dispatches, net sales of the Company are expected to grow only by 4%YoY, largely due to substantially reduced domestic retention prices. Resultantly we expect MLCF to present a gross loss of PKR 451mn as against profit of PKR 1.38bn in the same period last year.
- ✓ Further injury is expected to occur via elevated finance costs due from recent expansion and higher short term borrowing requirements amid a peaked interest rate scenario.

#### Losses continue; 3QFY20E LPS to clock in at PKR 0.84/share

Maple Leaf Cement Factory Limited's (MLCF) board meeting is scheduled on 23<sup>rd</sup> Apr-20 to announce financial result for 3QFY20, wherein we expect the company to post consolidated loss of PKR 927mn (Fully Diluted LPS: PKR 0.84), down by almost 1.7xYoY, compared to a net profit of PKR 558mn (EPS: PKR 0.51) in the same period last year. This will accumulate 9MFY20E loss to PKR 2.69bn (LPS: PKR 2.45), down by 1.4xYoY, as against profit of PKR 1.89bn (EPS: PKR 1.72) reported in the similar period of the preceding year.

Despite a substantial +57%YoY growth in overall dispatches, net sales of the Company during 3QFY20E are expected to grow only by 4%YoY, largely due to reduced domestic retention prices (decline of ~36%YoY) amid intense competition in the local market leading to higher discounts. This massive decline in retentions is not expected to cover production costs, despite lower cost/tonnage of 7%YoY against comparative quarter, and resultantly we expect MLCF to present a gross loss of PKR 451mn as against profit of PKR 1.38bn in the same period last year. Further injury is expected to occur via elevated finance costs due from recent expansion and higher short term borrowing requirements amid a peaked interest rate scenario.

#### Exhibit: MLCF Result Highlights - Consolidated

Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	6,307	6,027	5%	22,489	18,276	23%
Gross Profit	(451)	1,380	-0.3x	168	4,755	-96%
Sell. / Dist. & Admin	426	379	12%	1,273	1,126	13%
EBIT	(846)	987	-0.9x	(1,043)	3,456	-0.3x
Financial Charges	587	289	2.0x	2,257	1,010	2.2x
Pre-tax Profits	(1,434)	698	-2.1x	(3,300)	2,446	-1.4x
Taxation	(507)	140	-3.6x	(606)	554	-1.1x
Post-tax Profits	(927)	558	-1.7x	(2,694)	1,893	-1.4x
Fully Diluted EPS /(LPS)	(0.84)	0.51		(2.45)	1.72	
<b>Key Ratios</b>						
Gross Margin (%)	(7.1)	22.9		0.7	26.0	
Net Margin (%)	(14.7)	9.3		(12.0)	10.4	
Effective Tax Rate (%)	35.4	20.1		18.4	22.6	

Source: Company Accounts, IGI Research

No. of Shares: 1098mn

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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**Time Horizon:** Dec – 2020

**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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