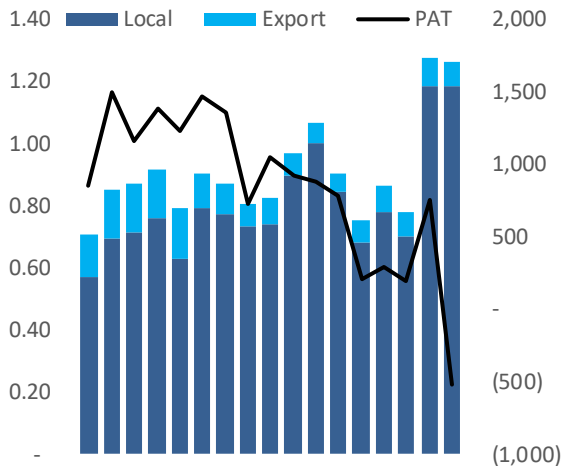


# Day Break

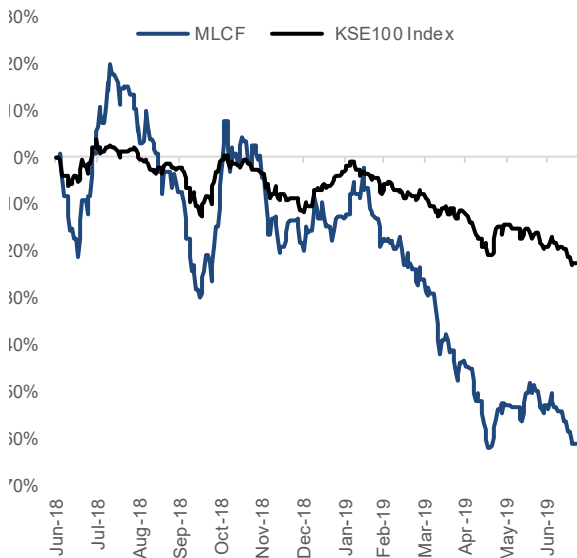
Thursday, 24 October 2019

## Company Update

**Exhibit:** Overall dispatches of MLCF have increased but intense competition has eaten away profitability.



**Exhibit:** MLCF's Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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## Cements

### MLCF: Lower retention prices amid intense competition and inflated costs to present loss of PKR 0.30/share during 1QFY20E

- Maple Leaf Cement Factory Limited's (MLCF) board meeting is scheduled on 24st Oct-19 to announce financial result for 1QFY20E, wherein on a consolidated basis, we expect the company to post a net loss of PKR 180mn (LPS PKR 0.30),
- The decline in earnings is expected on the back a) lower retention prices in the domestic front due to intense competition and enhanced FED (+33.3%YoY); and b) greater discounts offered to distributors to maintain sales levels, and; c) higher input costs on the back of +28%YoY depreciation of PKR against greenback, increase in energy costs of the Company and mounting inflationary pressures.
- On a sequential basis, earnings are expected to decrease by 132%QoQ, led by a) marginal decline in domestic dispatches, b) lower retentions on account of enhanced FED, c) enhanced cost structure and; d) absence of substantial investment tax credit in 4QFY19.

### 1QFY20E to reflect loss of PKR 0.30/share amid intense competition and flattish QoQ dispatches growth.

Maple Leaf Cement Factory Limited's (MLCF) board meeting is scheduled on 24st Oct-19 to announce financial result for 1QFY20E, wherein on a consolidated basis, we expect the company to post a net loss of PKR 180mn (LPS PKR 0.30), compared to a net profit of PKR 587mn (EPS PKR 0.99) in the same period last year.

Although cement dispatches of the Company have increased enormously (up by +67%YoY), courtesy incremental sales from new plant inaugurated during 4QFY19, the decline in earnings is expected on the back a) lower retention prices in the domestic front due to intense competition and enhanced FED (+33.3%YoY); and b) greater discounts offered to distributors to maintain sales levels, and; c) higher input costs on the back of +28%YoY depreciation of PKR against greenback, increase in energy costs of the Company and mounting inflationary pressures.

On a sequential basis, earnings are expected to decrease by 132%QoQ, led by a) marginal decline in domestic dispatches, b) lower retentions on account of enhanced FED, c) enhanced cost structure and; d) absence of substantial investment tax credit in 4QFY19.

Exhibit: MLCF Result Highlights - Consolidated

Period end (JUN) - PKRmn	1QFY20E	1QFY19	YoY	4QFY19	YoY
Net Sales	7,651	5,566	37%	7,730	-1%
Gross Profit	799	1,469	-46%	1,307	-39%
Sell. / Dist. & Admin	467	386	21%	548	-15%
Non-Operating Income	16	4	337%	21	-24%
EBIT	230	1,008	-77%	434	-47%
Financial Charges	628	333	88%	221	184%
Pre-tax Profits	(397)	675	-159%	213	-287%
Taxation	(218)	88	-347%	(355)	-39%
Post-tax Profits	(180)	587	-131%	568	-132%
Fully Diluted EPS	(0.30)	0.99		0.96	
DPS	-	-		0.50	
<b>Key Ratios</b>					
Gross Margin (%)	10.4	26.4		16.9	
Net Margin (%)	(2.3)	10.5		7.3	
Effective Tax Rate (%)	54.8	13.1		n/m	

Source: Company Accounts, IGI Research

No. of Shares: 594mn

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IGI Finex Securities Limited

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