

# Flash Note

Thursday, 25 February 2021

## Cements

### Maple Leaf Cement Factory (MLCF)

#### Lower dispatches on y/y basis marred earnings accretion; 2QFY21 earnings clock in at PKR 0.97/share

- Maple Leaf Cement Factory Limited (MLCF) announced its financial result for 2QFY21 wherein it reported a net profit of PKR 1,070mn (EPS: PKR 0.97), as against net loss of PKR 749mn (LPS: PKR 1.01) in 2QFY20. This takes 6MFY21 earnings to PKR 1,625mn (EPS: PKR 1.48) as against net loss of PKR 1,767mn (LPS: PKR 2.42) reported in 6MFY20. In conjunction with the result the company did not announce any cash dividend.
- Net Sales of the Company during 2QFY21 increased by 21%q/q and mere 1% y/y. This was largely driven by increase in sales volumes (down by ~20%y/y and 15% q/q) amid economic revival. In addition, increased retention prices amid improvement in cement sales price in northern region, where the company has its footprint, along with possible reduction in dealer discount also corroborated overall sales performance.
- Gross margins of the company during the quarter have increased massively to 24% as against 6% registered in last year. This was largely driven by better absorption of fixed cost amid higher volumetric sales and low
- A steep 64%y/y decline in finance cost outweighed operating margins attributable to low borrowing requirement during the quarter and series of rate cut in benchmark interest rates.
- Along with the result the Company also announced the capacity expansion of brown field by way of installation of line-4 having capacity up to 8000tpd coupled with WHR which is expected to be commissioned within 18 months timeframe. The estimated cost of project is PKR 18.5bn.

Exhibit: MLCF 2QFY21 Result Highlights								
Period end (JUN) - PKRmn	2QFY21	2QFY20	YoY	1QFY21	QoQ	1HFY21	1HFY20	YoY
Net Sales	9,100	9,035	1%	7,521	21%	16,621	16,182	4%
Gross Profit	2,219	499	4.4x	1,465	51%	3,684	618	6%
Sell. / Dist. & Admin	475	487	-2%	360	32%	834	847	23%
Other Operating expense	114	42	2.7x	48	2.3x	162	68	-24%
Other Income	69	58	17%	46	49%	114	99	7%
EBIT	1,699	28	60.6x	1,103	54%	2,802	(197)	-12%
Financial Charges	317	870	-64%	426	-26%	743	1,699	-49%
Pre-tax Profits	1,381	(841)	n/a	677	2.03x	2,058	(1,866)	4%
Taxation	311	(57)	n/a	122	2.5x	433	(99)	720%
Post-tax Profits	1,070	(749)	n/a	555	93%	1,625	(1,767)	-29%
EPS	0.97	(1.01)		0.87		1.48	(2.42)	
<b>Key Ratios</b>								
Gross Margin (%)	24%	6%		19%		22%	4%	
Net Margin (%)	12%	-9%		7%		10%	-11%	
Source: IGI Research, Company Accounts, PSX						No. of Shares: 1,098mn		

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