

Flash Note

Wednesday, 26 February 2020

Cements

Maple Leaf Cement Factory Limited (MLCF)

Substantial erosion in gross margins continue losses; drag 2QFY20 LPS to PKR 0.71, down 2xYoY

- ✓ Maple Leaf Cement Factory Limited (MLCF) announced its financial results for 2QFY20 with consolidated net loss of PKR 785mn (Fully Diluted LPS: PKR 0.71), down by 2xYoY, as compared to PKR 748mn (EPS: PKR 0.68) reported in the same period last year. This accumulates 1HFY20 consolidated net loss to PKR 1.77bn (LPS: PKR 1.61) as against PKR 1.34bn (EPS: PKR 1.22) reported in the comparative period.
- ✓ Net sales of the Company during 2QFY20 grew by +35%YoY as against the comparative period owing majorly to enhanced dispatches made during the period.
- ✓ Gross profit margins of the Company during the quarter have reduced massively to 6% as against 29% recorded in the comparative period. The significant decline is owed primarily to substantial decline in retention prices of local cement dispatches that have dropped by 27%YoY as against the comparative period. However, gross margins have improved as against the sequential quarter (1QFY20) possibly due to advantage taken of certain markets where temporary rise in demand kept prices floated.
- ✓ Finance charges of the Company have jumped up more than 2\two folds driven largely from 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	2QFY20	2QFY19	YoY	1HFY20	1HFY19	YoY
Net Sales	9,035	6,683	35%	16,182	12,249	32%
Gross Profit	499	1,906	-74%	618	3,375	-82%
Sell. / Dist. & Admin	487	362	35%	847	747	13%
Non-Operating Income	58	16	3.6x	99	20	4.0x
EBIT	28	1,461	-1.0x	(197)	2,469	-1.1x
Financial Charges	870	388	2.2x	1,669	721	2.3x
Pre-tax Profits	(841)	1,073	-1.8x	(1,866)	1,748	-2.1x
Taxation	(57)	325	-1.2x	(99)	413	-1.2x
Post-tax Profits	(785)	748	-2.0x	(1,767)	1,335	-2.3x
Fully Diluted EPS /(LPS)	(0.71)	0.68		(1.61)	1.22	
DPS	-	-		-	-	
Key Ratios						
Gross Margin (%)	5.5	28.5		3.8	27.6	
Net Margin (%)	(8.7)	11.2		(10.9)	10.9	
Effective Tax Rate (%)	6.7	30.3		5.3	23.6	

Source: Company Accounts, IGI Research

No. of Shares: 1098mn

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