Flash Note

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Cements

Maple Leaf Cement Factory Limited (MLCF)

Lower retention prices driven by substantial distributor discounts amid intense competition generate 1QFY20 loss of PKR 1.65/share

- Maple Leaf Cement Factory Limited (MLCF) announced its financial results for 1QFY20 with a consolidated loss of PKR 982mn (LPS: PKR 1.65), down by 3.7xYoY, as compared to PKR 587mn (EPS: PKR 0.99) reported in the same period last year.
- Net sales of the Company during 1QFY20 increased by a substantial +28%YoY, largely driven by incremental sales from recently inaugurated production line not available in the comparative quarter.
- Gross profits of the Company fell by a colossal 92%YoY, on account of significant drop in domestic retention prices led by substantial distributor discounts amid intense competition and enhanced FED (up by +25%YoY) while cost escalation played a lesser role, thanks to notable energy costs savings from Maple Leaf Power Limited (MLPL).
- Finance charge of the Company shot up by 2.4x, largely driven by substantial increase in short term borrowing requirements of the Company, rise in benchmark interest rates and impact of unwinding of finance cost related to new production line to P&L post capitalization.

Exhibit:

MLCF Result Highlights - Consolidated

Period end (JUN) - PKRmn	1QFY20	1QFY19	YoY	4QFY19	YoY
Net Sales	7,147	5,566	28%	7,730	-8%
Gross Profit	119	1,469	-92%	1,307	-91%
Sell. / Dist. & Admin	360	386	-7%	548	-34%
Non-Operating Income	41	4	10.2x	21	94%
EBIT	(225)	1,008	-2.2x	434	-2.5x
Financial Charges	800	333	2.4x	221	3.6x
Pre-tax Profits	(1,025)	675	-3.5x	213	-4.8x
Taxation	(43)	88	-2.5x	(355)	-88%
Post-tax Profits	(982)	587	-3.7x	568	-3.7x
Fully Diluted EPS /(LPS)	(1.65)	0.99		0.96	
DPS	-	-		0.50	
Key Ratios					
Gross Margin (%)	1.7	26.4		16.9	
Net Margin (%)	(13.7)	10.5		7.3	
Effective Tax Rate (%)	4.1	13.1		n/m	

Source: Company Accounts, IGI Research   *No. of Shares: 594mn*

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