

Flash Note

Friday, 23 October 2020

Cements

Maple Leaf Cement Factory Limited (MLCF)

Resumed economy, improved retention prices and an expansionary monetary cycle pump up earnings to PKR 0.51 /share

- Maple Leaf Cement Factory Limited (MLCF) announced its financial result for 1QFY21 wherein, on a consolidated basis, it reported a net profit of PKR 555mn (EPS: PKR 0.51), as against loss of PKR 832mn (Fully Diluted LPS: PKR 0.76) in 4QFY20. The Company announced nil dividends along with the result.
- Net Sales of the Company during 1QFY21, as against 4QFY20 jumped up by 25% QoQ. This was largely driven by recovery in sales volumes following reopening of domestic economy post Covid-19 led lockdowns. To recall, major portion of 4QFY20 was severely marred by lockdown situation due to Covid-19. Increased retention prices amid improvement in cements sales prices in the North region, where the Company has its footprint, along with possible reduction in dealer discounts also corroborated overall sales performance.
- Gross margins of the Company improved to 20% driven by improved retention prices and reduced cost structure amid better utilization of fixed costs and lower global coal prices.
- Financial charges dropped by 21% largely due to series of rate cuts in benchmark interest rate in the previous quarter, the financial impact of which is apparent in the current quarter.
- Effective tax rate further dropped to 18% as against 23% registered in 4QFY20, possibly due to available tax credits and improved export sales mix, courtesy export sales carry lower tax rate of 1%.

Exhibit: MLCF Result Highlights - Consolidated

Period end (JUN) - PKRmn	1QFY21	4QFY20	QoQ	1QFY20	YoY
Net Sales	7,521	6,021	25%	7,147	5%
Gross Profit	1,465	(124)	-1284%	119	1129%
Sell. / Dist. & Admin	360	408	-12%	360	0%
Non-Operating Income	46	27	69%	41	12%
EBIT	1,103	(542)	-303%	(225)	-589%
Financial Charges	426	538	-21%	800	-47%
Pre-tax Profits	677	(1,080)	-163%	(1,025)	-166%
Taxation	122	(248)	-149%	(43)	-386%
Post-tax Profits	555	(832)	-167%	(982)	-157%
Fully Diluted EPS /(LPS)	0.51	(0.76)		(0.89)	
DPS	-	-		-	
Key Ratios					
Gross Margin (%)	19.5	(2.1)		1.7	
Net Margin (%)	7.4	(13.8)		(13.7)	
Effective Tax Rate (%)	18.0	23.0		4.1	

Source: Company Accounts, IGI Research

No. of Shares: 1098mn

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