

# Day Break

Monday, 24 February 2020



## COMPANY UPDATE

### Maple Leaf Cement Factory Limited

Cement

<b>Recommendation</b>	BUY		
Target Price: Dec/20	31.6		
Last Closing: 21-Feb-20	22.7		
Upside:	39.3		
Valuation Methodology:	Discounted Cash Flow (DCF)		
Time Horizon:	10M		
<b>Market Data</b>	MLCF PA		
Bloomberg Tkr.	1,098.3		
Shares (mn)	494.3		
Free Float Shares (mn)	45.0%		
Free Float Shares (%)	161.7		
Market Cap (PKRbn   USDmn)	25.0	KSE 100	
Exchange	KSE 100		
<b>Price Info.</b>	90D	06M	12M
Abs. Return	15.6	25.9	(51.9)
Lo	18.7	13.8	13.8
Hi	25.0	25.0	47.4

### Key Company Financials

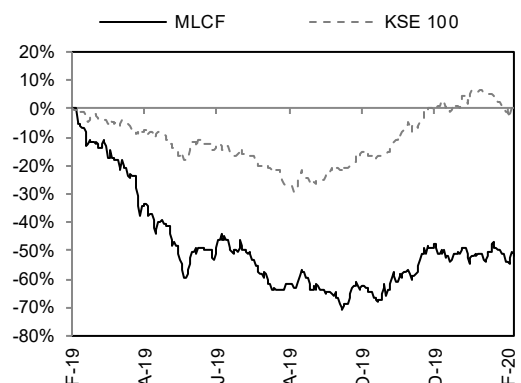
Period End: Jun

PKRbn	2019e	2020f	2021f	2022f
Total Revenue	26.0	24.5	26.8	30.5
Net Income	2.5	(2.8)	(0.3)	1.6
EPS (PKR)	2.2	(2.5)	(0.3)	1.5
DPS (PKR)	0.5	-	-	0.5
Total Assets	66.0	61.4	59.6	58.5
Total Equity	30.5	32.2	30.5	30.7

### Key Financial Ratios

ROE (%)	17.1	8.1	(8.8)	(1.0)
P/E (x)	10.1	9.1	79.2	15.4
P/B (x)	0.8	0.8	0.8	0.8
DY (%)	2.2	-	-	2.2

### Relative Price Performance



Source: Bloomberg, PSX &amp; IGI Research

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## Cements

### MLCF: Lower retention prices to present LPS: PKR 0.81 in 2QFY20E, 1HFY20 loss comes to PKR 1.71

- ✓ MLCF's board meeting is scheduled on 25<sup>th</sup> Feb-20 to announce financial result for 2QFY20, wherein we expect the company to post consolidated loss of PKR 891mn (LPS: PKR 0.81)
- ✓ Despite a substantial +82% growth in overall dispatches, net sales of the Company during 2QFY20E are expected to grow only by +20%YoY, largely due to reduced domestic retention prices amid intense competition in the domestic market leading to higher discounts.
- ✓ Resultantly we expect MLCF to present a gross loss of PKR311mn as against profit of PKR 1.91bn in the same period last year.
- ✓ Further injury is expected to occur via elevated finance costs due from recent expansion and higher short term borrowing requirements amid a peaked interest rate scenario.

### Losses continue; 2QFY20E LPS to clock at PKR 0.81/share

Maple Leaf Cement Factory Limited's (MLCF) board meeting is scheduled on 25<sup>th</sup> Feb-20 to announce financial result for 2QFY20, wherein we expect the company to post consolidated loss of PKR 891mn (LPS: PKR 0.81), down by almost 1.1x%YoY, compared to a net profit of PKR 748mn (EPS: PKR 0.68) in the same period last year. This will accumulate 1HFY20E loss to PKR 1.87bn (LPS: PKR 1.71), down by 48%YoY, as against PKR 1.34bn (EPS: PKR 1.22) reported in the similar period of the preceding year.

Despite a substantial +82% growth in overall dispatches, net sales of the Company during 2QFY20E are expected to grow only by 20%YoY, largely due to reduced domestic retention prices (decline of ~32%YoY) amid intense competition in the local market leading to higher discounts. This massive decline in retentions is not expected to cover production costs, which are anticipated to be controlled marginally as against comparative quarter, and resultantly we expect MLCF to present a gross loss of PKR311mn as against profit of PKR 1.91bn in the same period last year. Further injury is expected to occur via 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	8,585	6,683	20%	15,732	12,249	-55%
Gross Profit	(311)	1,906	-0.4x	(191)	3,375	-162%
Sell. / Dist. & Admin	404	362	12%	764	747	-53%
EBIT	(709)	1,461	-0.5x	(935)	2,469	-76%
Financial Charges	649	388	-19%	1,449	721	-45%
Pre-tax Profits	(1,358)	1,073	33%	(2,383)	1,748	-57%
Taxation	(467)	325	n/m	(510)	413	-92%
Post-tax Profits	(891)	748	-1.1x	(1,874)	1,335	-48%
Fully Diluted EPS /(LPS)	(0.81)	0.68		(1.71)	1.22	
<b>Key Ratios</b>						
Gross Margin (%)	(3.6)	28.5		(1.2)	27.6	
Net Margin (%)	(10.4)	11.2		(11.9)	10.9	
Effective Tax Rate (%)	34.4	30.3		21.4	23.6	

Source: Company Accounts, IGI Research

No. of Shares: 1098mn

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Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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**Time Horizon:** Dec – 2020

**Valuation Methodology:** The analyst(s) has used following valuation methodology to arrive at the target price of the said security (ies):  
(Discounted Cash Flow)

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