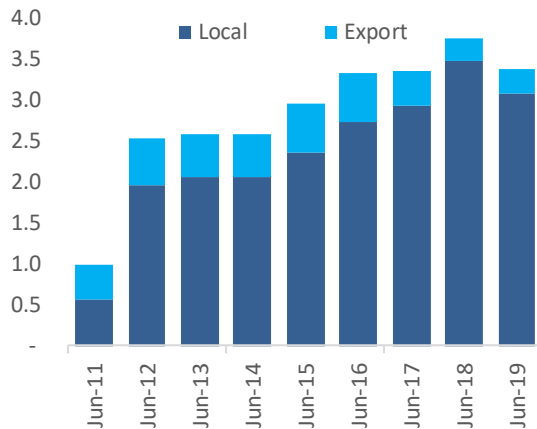


# Day Break

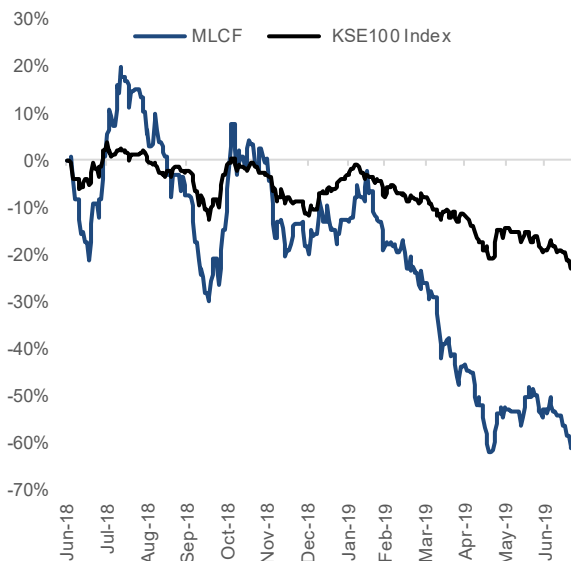
Wednesday, 18 September 2019

## Company Update

**Exhibit:** Overall total dispatches of MLCF have fallen in line with declining sales of North region.



**Exhibit:** MLCF's Relative Performance to KSE 100



Source: Bloomberg, PSX & IGI Research

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## Cements

### MLCF: 4QFY19E operational loss to be arrested by one-time taxation. FY19E EPS to close at PKR 5.58

- Maple Leaf Cement Factory Limited's (MLCF) board meeting is scheduled on 19<sup>th</sup> Sep-19 to announce financial result for 4QFY19, wherein we expect the company to post consolidated earnings of PKR 1.42bn (EPS: PKR 2.39),
- This will bring FY19E earnings to PKR 3.31bn, down by 28%YoY, as against PKR 4.57bn reported in the similar period of the preceding year.
- Though 4QFY19E earnings of the Company reflect a healthy growth, the results are largely driven by impacts of positive taxation on account of recently inaugurated production line, excluding which the results would have displayed a loss position.
- We expect the Company to declare a dividend of PKR 1.00/share along with the result.

#### FY19E EPS to close at PKR 5.58, down by 28%YoY

Maple Leaf Cement Factory Limited's (MLCF) board meeting is scheduled on 19<sup>th</sup> Sep-19 to announce financial result for 4QFY19, wherein we expect the company to post consolidated earnings of PKR 1.42bn (EPS: PKR 2.39), up by +18%YoY, as compared to PKR 1.20bn (EPS: PKR 2.03) in the same period last year. This will bring FY19E earnings to PKR 3.31bn, down by 28%YoY, as against PKR 4.57bn reported in the similar period of the preceding year. We expect the Company to declare a dividend of PKR 1.00/share along with the result.

Though 4QFY19E earnings of the Company depict a healthy growth, the results are largely driven by impacts of positive taxation on account of recently inaugurated production line, excluding which the results would have displayed a loss position. Gross profits of the Company during 4Q are expected to fall by a substantial 52%YoY to PKR 765mn despite +6%YoY rise in net sales, largely driven by an enhanced cost structure of the Company following a) +24%YoY depreciation of PKR against the greenback, b) incremental depreciation expense post capitalization of new production line and; c) mounting inflationary pressures, taking gross margins to 11% as against 25% reported in the comparative period. Further injury is also drawn from a colossal rise in finance cost of the Company owing to increase in quantum of short term borrowings, significant rise in benchmark interest rates during the period and unwinding of finance cost to P&L post commencement of new plant leading the Company to present a Loss Before Taxation of PKR 346mn (PKR 0.58/share). However, the day is saved by a hefty one-time tax credit available on newly inaugurated plant, taking overall profitability to the positive territory - PKR 1.42bn.

#### Exhibit: MLCF Result Highlights - Consolidated

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	6,739	6,356	6%	25,015	25,580	-2%
Gross Profit	765	1,596	-52%	5,520	8,032	-31%
Sell. / Dist. & Admin	392	407	-4%	1,518	1,475	3%
EBIT	342	1,188	-71%	3,798	6,183	-24%
Financial Charges	688	254	2.7x	1,698	847	2.0x
Pre-tax Profits	(346)	934	-137%	2,100	5,336	-61%
Taxation	(1,764)	(269)	6.6x	(1,210)	763	-259%
Post-tax Profits	1,418	1,203	18%	3,310	4,573	-28%
EPS	2.39	2.03		5.58	7.70	
DPS	1.00	1.00		1.00	2.50	

Source: Company Accounts, IGI Research

No. of Shares: 594mn

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