

Flash Note

Tuesday, 25 October 2016

Cements

MLCF: Soaring domestic demand and deleveraging kept Profitability intact amid rebounding coal prices

- Maple Leaf Cement Company's (MLCF) profitability surged by +44%YoY to PKR 1.22bn (EPS: PKR 2.32) in 1QFY17 as compared to PKR 0.85bn (EPS: PKR 1.60) reported during the same period of last year.
- Revenue increased by +12%YoY to PKR 5.56bn in 1QFY17 on the back of anticipated growth in total despatches by +4%YoY (+12%YoY local despatches growth).
- Gross Margin improved by 609bpsYoY to 43% in 1QFY17 as compared to 37% in same period last year. This improvement is supported by a) diversified energy mix, b) better coal inventory management, and c) lower power cost from grid. However gross margins declined on quarterly basis by 345bps owing to +20%QoQ upsurge in international coal prices.
- Finance cost plunged by 75%YoY to PKR 46mn in 1QFY17 as compared to PKR 186mn in 1QFY16 due to early debt retirement.

Recommendation

The scrip is currently trading at FY17 P/E of 9.0x and offers +26% upside from last close, with our Jun-17 TP of PKR 113/share. Hence, we maintain our **BUY** call on the scrip.

Exhibit: Financial Highlights

PKR mn	1QFY17	1QFY16	YoY	4QFY16	QoQ
Revenue	5,556	4,966	12%	6,497	-14%
Gross Profit	2,381	1,825	30%	3,009	-21%
Selling and Admin	495	418	18%	496	0%
Other Expense	149	77	95%	302	-51%
Finance Cost	46	186	-75%	16	195%
PBT	1,695	1,152	47%	2,218	-24%
Tax	471	306	54%	839	-44%
Net profit	1,223	847	44%	1,379	-11%
EPS	2.32	1.60		2.61	
DPS	0.00	0.00		2.50	
Key Ratios					
Gross Margin	43%	37%		46%	
Net Margin	22%	17%		21%	
Effective Tax Rate	28%	27%		38%	

Source: IGI Research, Company Financials

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Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
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Time Horizon: Jun - 2017

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

DCF (Discounted Cash Flow)

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