

Flash Note

Friday, 20 September 2019

Cements

Maple Leaf Cement Factory Limited (MLCF)

Lower offtakes and elevated production costs push FY19 earnings down by 46%YoY to PKR 4.14/share; 85% right issue recommended to streamline debt profile

- Maple Leaf Cement Factory Limited (MLCF) announced its financial results for 4QFY19 with consolidated earnings clocking in at PKR 568mn (EPS: PKR 0.96), down by 53%YoY, as compared to PKR 1.20bn (Fully diluted EPS: PKR 2.03) reported in the same period last year. This brings FY19 consolidated earnings to PKR 2.46bn (EPS: PKR 4.14), down by 46%YoY, as against PKR 4.57bn (Fully diluted EPS: 7.70) recorded in the similar period of the preceding year.
- The Company announced a dividend of PKR 0.50/share along with the result.
- Net Sales of the Company during the quarter grew marginally by +1%YoY despite lower dispatches sold, largely owing to higher retentions during the current year as compared to the preceding period.
- Gross profits during FY19 shrunk to 23% owing majorly to rise in input costs stemming from substantial PKR depreciation against the greenback and mounting inflationary pressures.
- Finance charges of the Company during FY19 grew 2 fold, representing sharp incline in short term borrowing requirements of the Company, rise in benchmark interest rates and unwinding of finance cost to P&L post capitalization of new production line.
- Effective tax rate of the group for FY19 shrunk to 7.5% as against preceding year's 14%, largely due to impact of investment tax credits available on recently inaugurated production line.
- The Board of Directors have recommended to issue 85% right shares in order to reduce current debt levels and to improve debt/equity leverage. Based on LDCP closing price of PKR 16.72, the theoretical X-Right price is determined at PKR 14.55/share.

Exhibit:

MLCF Result Highlights - Consolidated

Period end (JUN) - PKRmn	4QFY19	4QFY18	YoY	FY19	FY18	YoY
Net Sales	7,730	6,460	20%	26,006	25,684	1%
Gross Profit	1,307	1,596	-18%	6,062	8,032	-25%
Sell. / Dist. & Admin	548	407	35%	1,674	1,475	13%
Non-Operating Income	21	8	2.6x	52	63	-18%
EBIT	434	931	-53%	3,890	5,926	-34%
Financial Charges	221	(3)	n/m	1,231	590	2.1x
Pre-tax Profits	213	934	-77%	2,659	5,336	-50%
Taxation	(355)	(269)	32%	199	763	-74%
Post-tax Profits	568	1,203	-53%	2,460	4,573	-46%
Fully Diluted EPS	0.96	2.03		4.14	7.70	
DPS	0.50	1.00		0.50	2.50	
Key Ratios						
Gross Margin (%)	16.9	24.7		23.3	31.3	
Net Margin (%)	7.3	18.6		9.5	17.8	
Effective Tax Rate (%)	n/m	n/m		7.5	14.3	

Source: Company Accounts, IGI Research

No. of Shares: 594mn

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