

Flash Note

Friday, 24 April 2020

Cements

Maple Leaf Cement Factory Limited (MLCF)

Substantial erosion in gross margins continue losses; 3QFY20 LPS clocks at PKR (0.87), down 1.7xYoY

- ✓ Maple Leaf Cement Factory Limited (MLCF) announced its financial results for 3QFY20 with consolidated net loss of PKR 960mn (Fully Diluted LPS: PKR 0.87), down by 1.7xYoY, as compared to a net profit of PKR 558mn (EPS: PKR 0.51) reported in the same period last year. This accumulates 9MFY20 consolidated net loss to PKR 2.7bn (LPS: PKR 2.48) as against net earnings of PKR 1.89bn (EPS: PKR 1.72) reported in the comparative period.
- ✓ Net sales of the Company during 3QFY20 grew by +15%YoY, thanks to enhanced volumetric sales on the back of incremental capacity available as against the comparative quarter, despite substantially lower retention prices.
- ✓ Gross profit margins of the Company during the quarter have reduced massively to 1% as against 23% recorded in the comparative period. The significant decline is owed primarily to substantial decline in retention prices of local cement dispatches that have dropped by almost 27%YoY as against the comparative period.
- ✓ Finance charges of the Company have jumped up more than 2two folds driven largely from borrowing costs attributed to new plant and higher short term borrowing requirements amid a peaked interest rate scenario.

Exhibit: MLCF Result Highlights - Consolidated						
Period end (JUN) - PKRmn	3QFY20	3QFY19	YoY	9MFY20	9MFY19	YoY
Net Sales	6,914	6,027	15%	23,097	18,276	26%
Gross Profit	91	1,380	-93%	709	4,755	-85%
Sell. / Dist. & Admin	353	379	-7%	1,200	1,126	7%
Non-Operating Income	19	10	83%	119	30	3.9x
EBIT	(298)	987	-0.3x	(495)	3,456	-0.1x
Financial Charges	690	289	2.4x	2,359	1,010	2.3x
Pre-tax Profits	(988)	698	-1.4x	(2,854)	2,446	-1.2x
Taxation	(28)	140	-0.2x	(127)	554	-0.2x
Post-tax Profits	(960)	558	-1.7x	(2,727)	1,893	-1.4x
Fully Diluted EPS /(LPS)	(0.87)	0.51		(2.48)	1.72	
DPS	-	-		-	-	
Key Ratios						
Gross Margin (%)	1.3	22.9		3.1	26.0	
Net Margin (%)	(13.9)	9.3		(11.8)	10.4	
Effective Tax Rate (%)	2.8	20.1		4.4	22.6	

Source: Company Accounts, IGI Research

No. of Shares: 1098mn

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