

Flash Note

Thursday, 16 February 2017



Securities

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Cement

MLCF: Earnings remained flat at PKR 2.79/share in 2QFY17

- Profitability for Maple Leaf Cement Factory Ltd (MLCF) remained flat at PKR 1.47bn (EPS PKR 2.79) in 2QFY17, taking profitability for 1HFY17 to PKR 2.69bn (EPS PKR 5.11), up by +15%YoY.
- The company announced an interim cash dividend of PKR 2.0/share.
- Revenue increased by +9%YoY to PKR 6.41bn in 2QFY17, taking 1HFY17 revenue to PKR 11.97bn on the back of +8%YoY growths anticipated in domestic dispatches.
- Company maintained its gross margins for the quarter at 44% in 2QFY17 compared to same period last year.
- Finance cost declined by 56%YoY to PKR 58mn as compared to PKR131mn on the back of swift deleveraging.
- Effective tax rate increased to 31% in 2QFY17 as against 20% recorded in same period last year.

Recommendation

We maintain our 'HOLD' call on the scrip with Dec-17 TP of PKR 132/share, offering limited upside of +2% from last closing. MLCF is currently trading at FY17E P/E of 12x.

Exhibit:

MLCF Financial Highlights

	2QFY17	2QFY16	YoY	1HFY17	1HFY16	YoY
<i>Income Statement</i>						
Revenue	6,414	5,894	9%	11,970	10,860	10%
Gross Profit	2,810	2,587	9%	5,191	4,413	18%
Sell & Admin	465	471	-1%	961	887	8%
Fin cost	58	131	-56%	104	317	-67%
PBT	2,143	1,880	14%	3,838	3,033	27%
Net profit	1,471	1,495	-2%	2,694	2,342	15%
EPS	2.79	2.83		5.11	4.44	
<i>Key Ratios</i>						
Gross Margin	44%	44%		43%	41%	
Net Margin	23%	25%		23%	22%	
Effective Tax Rate	31%	20%		30%	23%	

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: Dec - 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)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

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