

Maple Leaf Cement (MLCF)

3QFY18 EPS Rs1.9, -15% YoY (-4% QoQ); 9MFY18 EPS Rs5.7, -15% YoY
In-line with expectations

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Higher local sales restrict profitability decline

MLCF: Consolidated Financial Highlights

Rsmn	3QFY18	3QFY17	YoY	QoQ	9MFY18	9MFY17	YoY
Sales	7,024	6,305	11%	8%	19,302	18,227	6%
Cost of Sales	4,609	3,891	18%	9%	12,496	10,670	17%
Gross Profit	2,415	2,415	0%	8%	6,807	7,557	-10%
Administrative Expenses	212	166	28%	40%	516	448	15%
Selling and Distribution expenses	314	281	12%	-9%	923	963	-4%
Other Operating Expenses	160	91	76%	11%	428	427	0%
Other Income	7	44	-84%	-77%	55	76	-28%
Profit from Operations	1,736	1,921	-10%	6%	4,995	5,793	-14%
Finance Cost	263	92	184%	41%	593	196	202%
Profit/(Loss) Before Tax	1,474	1,829	-19%	2%	4,402	5,597	-21%
Taxation	352	501	-30%	29%	1,032	1,645	-37%
Profit/(Loss) After Tax	1,122	1,328	-15%	-4%	3,370	3,952	-15%
EPS (Diluted)	1.9	2.2			5.7	6.7	

Source: PSX, Company Accounts, Topline Research

- MLCF reported 3QFY18 consolidated earnings of Rs1.1bn (EPS Rs1.9), in-line with expectations. Earnings were down 15% mainly owing to contraction in margins.
- Growth in the company's revenues during the outgoing quarter was driven by higher volumes, +23% YoY where local demand depicted stellar growth of 30% thanks to increased private sector construction activities and demand from Govt. projects under CPEC.

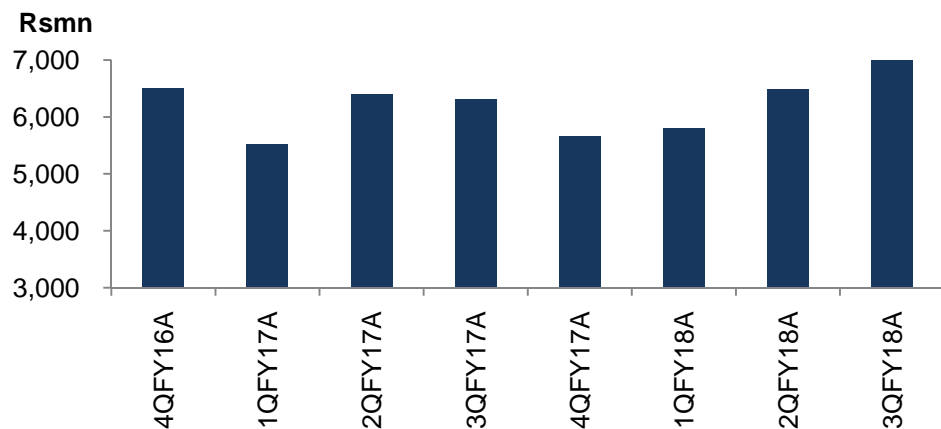
Higher local sales restrict profitability decline

- While consolidated gross margins were down 3.9ppts to 34% in 3QFY18, cement operations margin significantly contracted by 8.4ppts to 30%. We attribute this to 1) higher input costs and 2) lower local net retention as cement prices in North remained under pressure during period under review. We estimate that average net retention price of the company fell by 10% YoY to Rs329/bag.
- Decline in consolidated margins was restricted to 34% during the outgoing quarter on the back of cheap power generation from the company's wholly-owned subsidiary, Maple Leaf Power Limited (MLPL) which started commercial operations in Oct 2017. This coal based power subsidiary is the second cheapest source of electricity for the company after Waste Heat Recovery (WHR) system, despite higher international coal prices.
- We flag 1) price competition, 2) unanticipated increase in gas and coal prices, and 3) lower than estimated local demand, as key risk for MLCF.

MLCF: Key Numbers					
	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	5.4	4.8	5.8	8.2	8.0
Earnings Growth	550%	-12%	22%	40%	-1%
PE at Rs73	13.4	15.3	12.5	9.0	9.1
Dividend Yield	0%	0%	4%	5%	5%
ROE	48%	19%	20%	24%	20%
PBV	6.4	3.0	2.5	2.1	1.8

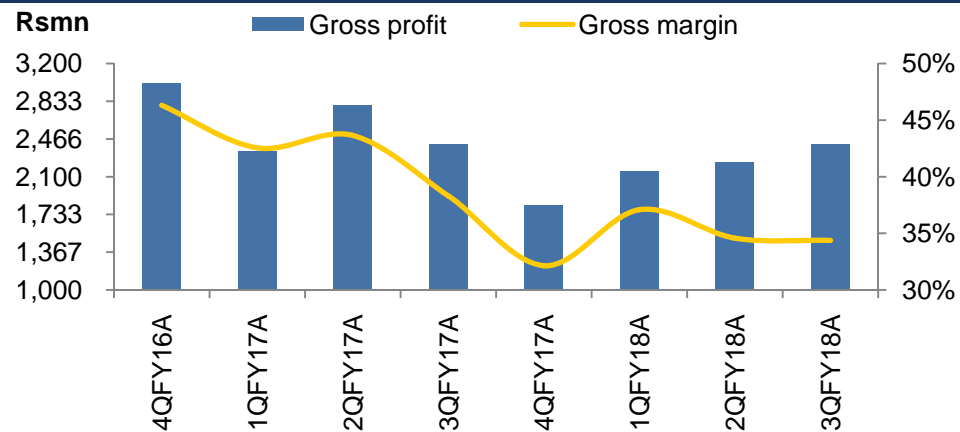
Source: Company Accounts, Topline Research

MLCF: Quarterly Sales



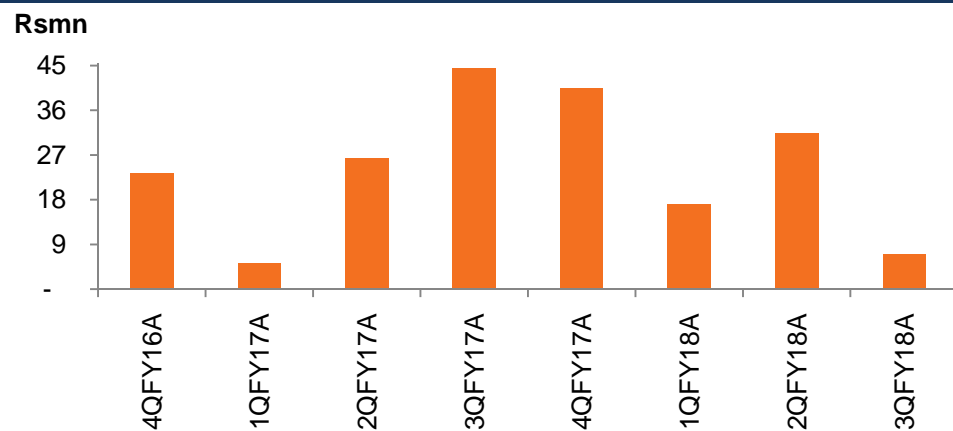
Source: Company Accounts, Topline Research

MLCF: Quarterly Gross Profit & Gross Margins



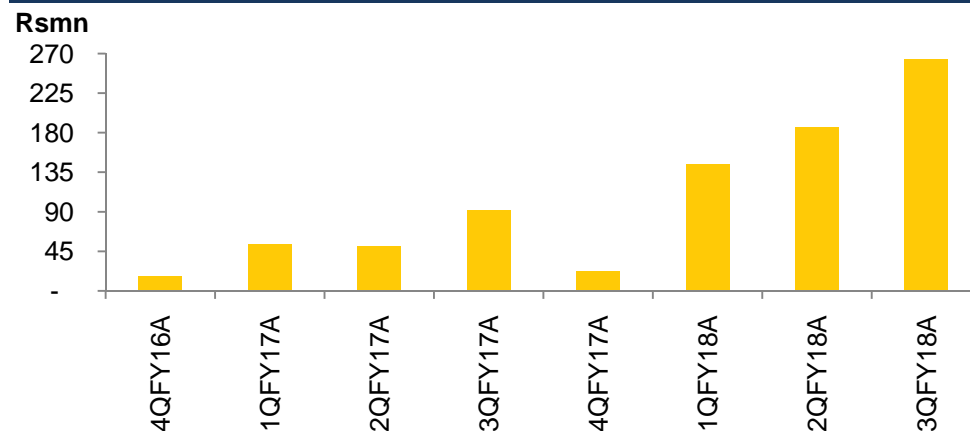
Source: Company Accounts, Topline Research

MLCF: Quarterly Other Income



Source: Company Accounts, Topline Research

MLCF: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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