

Maple Leaf Cement (MLCF)

2QFY18 EPS Rs2, -18% YoY (+9% QoQ)

Cash dividend Rs1.5/share

In-line with expectations

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Lower effective tax rate arrests profitability decline

MLCF: Consolidated Financial Highlights

Rsmn	2QFY18	2QFY17	YoY	QoQ	1HFY18	1HFY17	YoY
Sales	6,478	6,395	1%	12%	12,278	11,921	3%
Cost of sales	4,237	3,604	18%	16%	7,886	6,780	16%
Gross profit	2,240	2,791	-20%	4%	4,392	5,142	-15%
Administrative exp	151	158	-4%	-1%	304	283	8%
Selling and distribution exp	343	309	11%	29%	609	682	-11%
Other operating exp	144	187	-23%	16%	268	336	-20%
Other Income	31	26	18%	84%	48	31	52%
Profit from Operations	1,633	2,163	-24%	0%	3,258	3,872	-16%
Finance Cost	186	51	264%	29%	330	104	218%
Profit/(Loss) before Tax	1,447	2,112	-31%	-2%	2,928	3,768	-22%
Taxation	272	672	-59%	-33%	680	1,144	-41%
Profit/(Loss) after Tax	1,174	1,439	-18%	9%	2,248	2,624	-14%
EPS (Diluted)	2.0	2.4			3.8	4.4	

Source: PSX, Company Accounts, Topline Research

- Despite robust growth in local dispatches that we have seen so far, MLCF's consolidated net sales remained almost flat YoY in 2QFY18 primarily on the back of lower local net retention prices (grey cement). While we await detailed accounts, our initial impression suggests that avg. net retention prices of MLCF declined by Rs20-25/bag YoY to around Rs330-335/bag in 2QFY18.

Lower effective tax rate arrests profitability decline

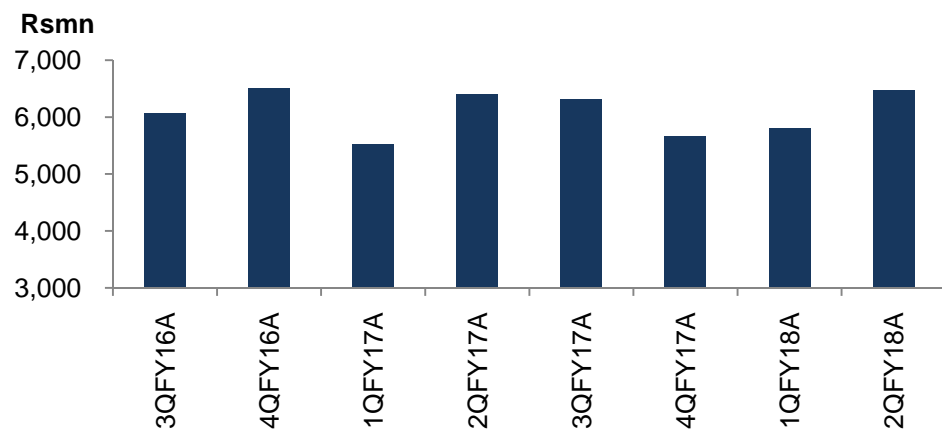
- Consolidated gross margins were significantly contracted by 9ppts YoY to ~35% in the outgoing quarter. However, margins from cement operations were down 13ppts to ~31%. We attribute this 4ppts difference in consolidated and unconsolidated margins to start of 40MW coal power plant (setup by MLCF as a subsidiary) which is supplying electricity to MLCF. Dent on cement operations margin in 2QFY18 were owing to higher F.O.B coal prices, up 34% YoY to avg. US\$87/ton (with a quarter lag impact).
- Effective tax rate of MLCF clocked-in at ~19%, down 13ppts YoY in 2QFY18. One of the reasons for this was the tax benefit which MLCF received for setting up a coal power plant, we believe.
- On sequential basis, net revenues were up 12% while net earnings grew by 9% mainly owing to lower effective tax rate.
- We flag 1) stiff price competition, 2) unanticipated increase in gas and coal prices, and 3) lower than estimated 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 Rs71.6	13.2	15.0	12.3	8.8	8.9
Dividend Yield	0%	0%	4%	6%	5%
ROE	48%	19%	20%	24%	20%
PBV	6.3	2.9	2.4	2.1	1.7

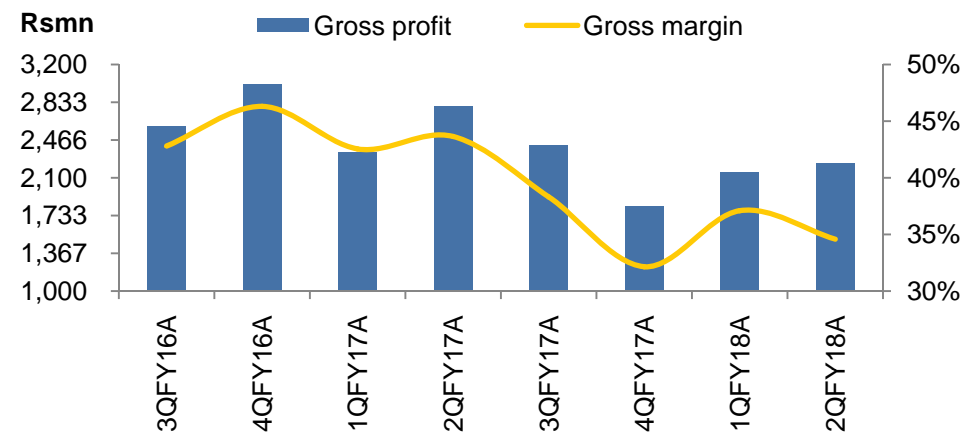
Source: Company Accounts, Topline Research

MLCF: Quarterly Sales



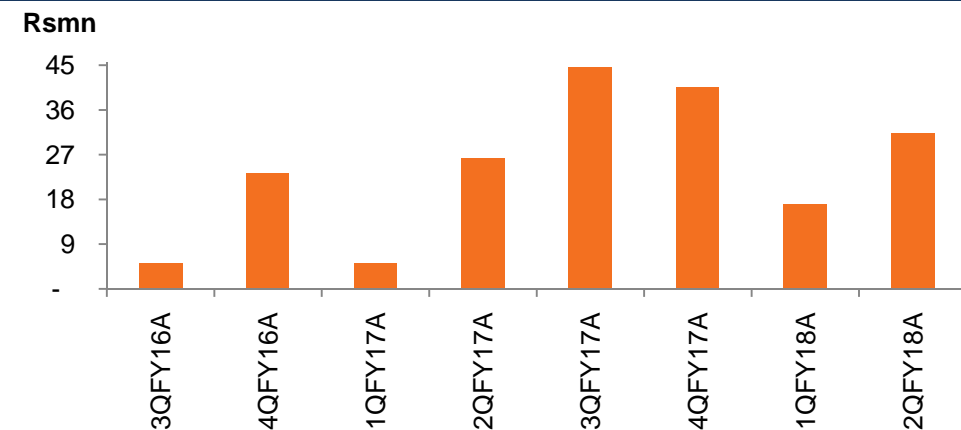
Source: Company Accounts, Topline Research

MLCF: Quarterly Gross Profit & Gross Margins



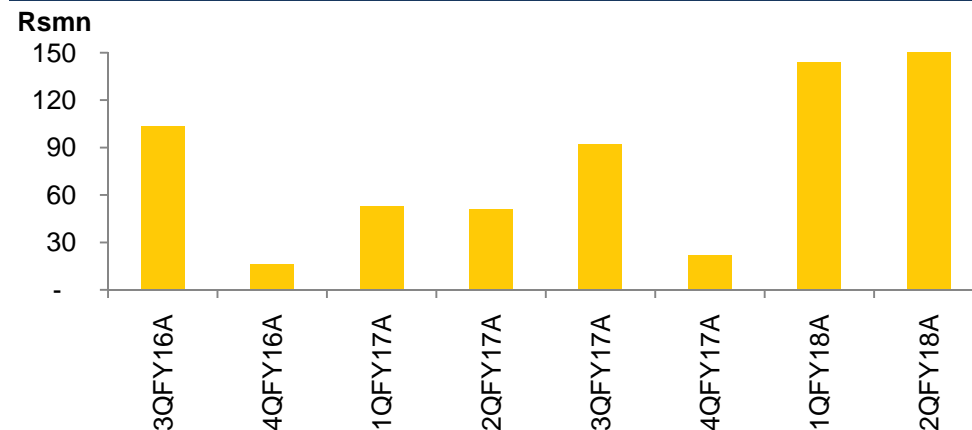
Source: Company Accounts, Topline Research

MLCF: Quarterly Other Income



Source: Company Accounts, Topline Research

MLCF: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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