Maple Leaf Cement (MLCF)

4QFY18 EPS Rs2.0, +46% YoY (+7% QoQ); FY18 EPS Rs7.7, -4% YoY

Better than expectations

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One-time deferred tax adjustment boosts earnings

MLCF: Consolidated Financial Highlights							
Rsmn	**4QFY18**	**4QFY17**	**YoY**	**QoQ**	**FY18**	**FY17**	**YoY**
Sales	6,382	5,659	13%	-9%	25,684	23,885	8%
Cost of Sales	4,663	3,840	21%	1%	17,159	14,510	18%
Gross Profit	1,719	1,819	-6%	-29%	8,525	9,376	-9%
Administrative Expenses	223	188	19%	5%	739	636	16%
Selling and Distribution expenses	307	312	-2%	-2%	1,230	1,275	-4%
Other Operating Expenses	9	109	-92%	-95%	436	536	-19%
Other Income	8	40	-80%	15%	63	116	-46%
Profit from Operations	1,188	1,250	-5%	-32%	6,183	7,044	-12%
Finance Cost	254	(22)	NM	-3%	847	174	386%
Profit/(Loss) Before Tax	934	1,272	-27%	-37%	5,336	6,870	-22%
Taxation	(269)	448	NM	NM	763	2,093	-64%
Profit/(Loss) After Tax	1,203	824	46%	7%	4,573	4,776	-4%
EPS (Diluted)	2.0	1.4			7.7	8.0	

Source: PSX, Company Accounts, Topline Research

- MLCF reported consolidated earnings for 4QFY18, +46% YoY, better than the street consensus mainly on the back of one-time deferred tax adjustment due to lower corporate tax (corporate tax rate to be gradually reduced by 1% to 25% from previous 30%, during the next 5 years), which the previous Govt. announced in its last budget.
- The company also booked tax credit (power companies in Pakistan are tax exempt) on its power subsidiary Maple Leaf Power Limited (MLPL) which started its commercial operations in Oct 2017.

One-time deferred tax adjustment boosts earnings

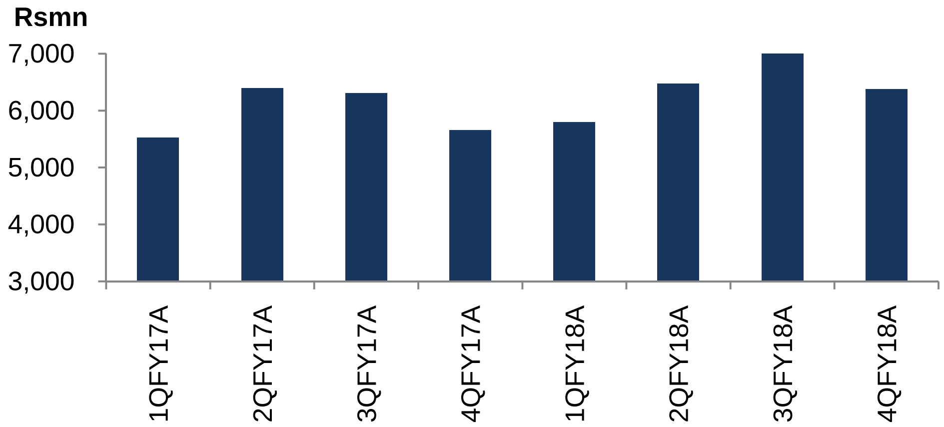
- Sales were +13% YoY during the outgoing quarter, mainly due to 12% increase in revenue from cement operations thanks to higher local dispatches, +13% YoY.
- Decline in consolidated gross margins were restricted to 27%, -5.2ppts YoY in 4QFY18 while cement operations margin significantly contracted by 12.3ppts YoY to 20%. We attribute this decline to 1) higher input costs where coal prices were +30% YoY to US$100/ton. Moreover, consolidated margins were restricted to 27% on the back of cheap power generation from MLPL.
- 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

	FY14A	FY15A	FY16A	FY17A	FY18A
EPS	4.8	5.8	8.2	8.0	7.7
Earnings Growth	-12%	22%	40%	-1%	-4%
PE at Rs46.8	9.8	8.0	5.7	5.8	6.1
Dividend Yield	0%	6%	9%	8%	5%
ROE	19%	20%	24%	20%	12%
PBV	1.9	1.6	1.4	1.1	0.7

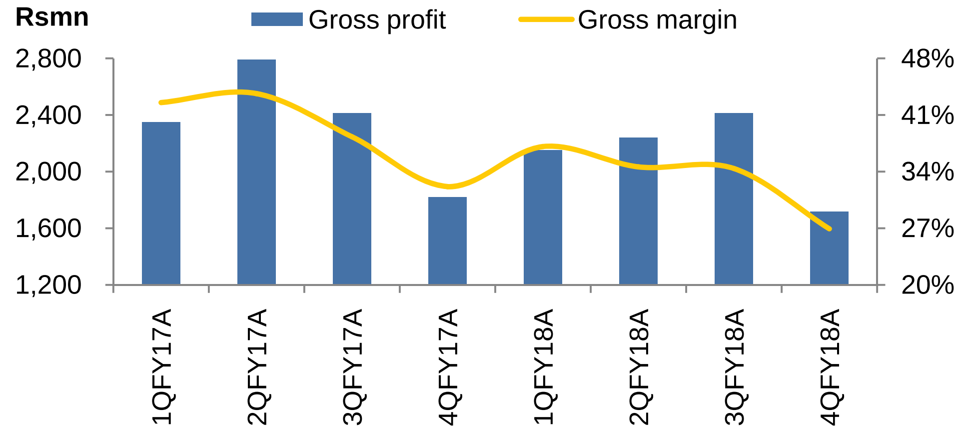
Source: Company Accounts, Topline Research

MLCF: Quarterly Sales



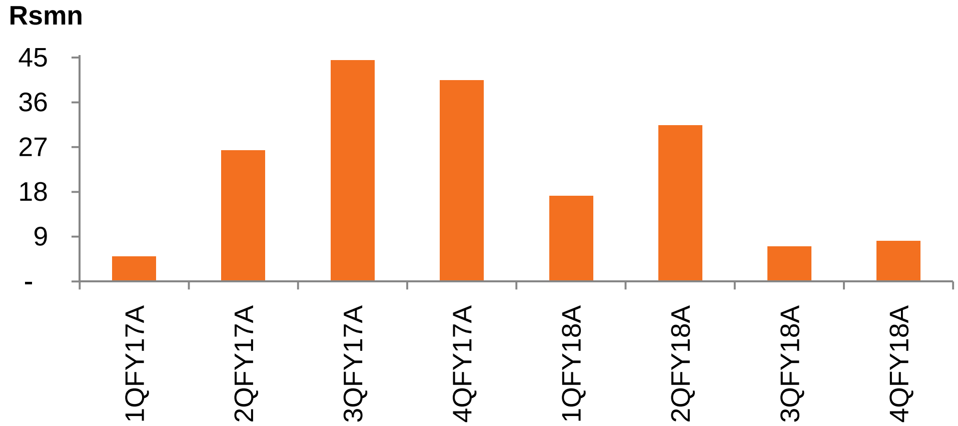
Source: Company Accounts, Topline Research

MLCF: Quarterly Gross Profit & Gross Margins



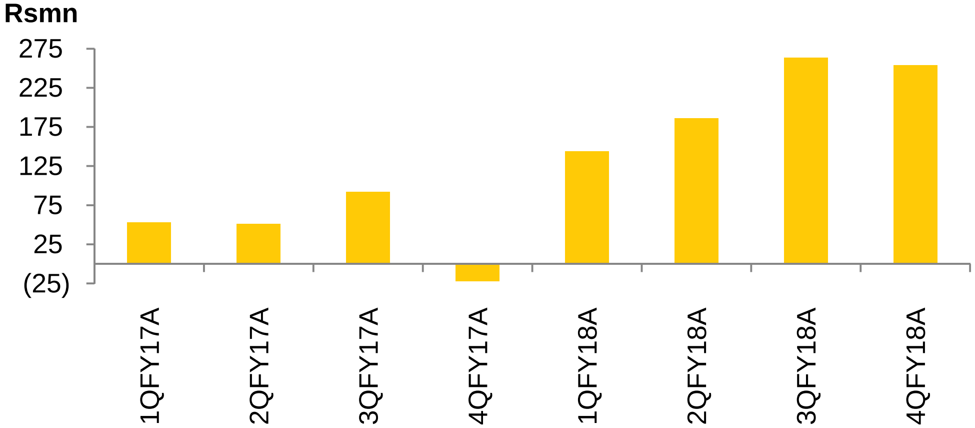
Source: Company Accounts, Topline Research

MLCF: Quarterly Other Income



Source: Company Accounts, Topline Research

MLCF: Quarterly Finance Cost



Source: Company Accounts, Topline Research

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