

MAPLE LEAF CEMENT FACTORY LTD.

Oct 25, 2016

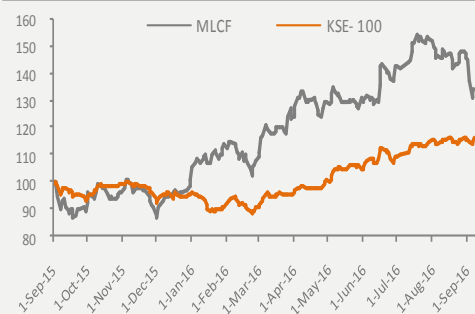
BUY

Price Target : PKR 109/share

CURRENT MARKET DATA

Current Price	89.7
Market Cap (PKR mn)	47,348
52 wk Hi	114.31
52 wk low	64.48
Outstanding shares (mn)	527.23
Free Float (mn)	45%

Sources: PSX

RELATIVE TO KSE—100


Sources: PSX

1QFY17 Earnings clocked at PKR 2.32/sh, little above our expectations ...

- Maple leaf cement Factory Ltd. (MLCF) announced its 1QFY17A earnings of PKR 1,223mn (EPS: PKR 2.32) as compared to our projected earnings of PKR 1,066mn (EPS: PKR 2.02), above our expectations by 14% due to 1) Higher applied tax rate of 31% & 2) Better cost efficiency by the company.
- During 1QFY17A, MLCF posted PAT of PKR 1,223mn (EPS: PKR 2.32) compared to PKR 847mn (EPS: PKR 1.60) in 1QFY16A, up by significant 44%YoY.
- In line with our expectations, top line of the company grew by 12%YoY during 1QFY17 due to increase in total cement offtake supported by higher proportionate of domestic sales as compared to corresponding period of 1QFY16A.
- On sequential basis, the topline dropped 14%QoQ clocking in at PKR 5,556mn in comparison to PKR 6,497mn of 1QFY16A.
- As anticipated, the gross margins increased to ~42% during 1QFY17 owing to reliance on in-house HFO & diesel based CPP supported by cost savings from WHR plant.
- Owing to subdued finance cost the PBT rose 47%YoY clocking in at PKR 1,695mn.

Investment Perspective

We revise our investment case with 'Buy' stance on MLCF with our June'17 price target of PKR 109/sh, implying 21% upside from the last closing price of PKR 89.7/sh.

EARNINGS SUMMARY FOR 1QFY17A

PKR 'mn'	1QFY17A	1QFY16A	YoY	1QFY17A	4QFY16A	QoQ
Net Sales	5,556	4,966	12%	5,556	6,497	-14%
Cost of sales	3,175	3,140	1%	3,175	3,489	-9%
Gross Profit	2,381	1,825	30%	2,381	3,009	-21%
Admin Expenses	122	113	8%	122	118	3%
Distribution Expenses	373	303	23%	373	378	-1%
Operating Profit	1,886	1,410	34%	1,886	2,513	-25%
Other operating expenses	149	77	95%	149	302	-51%
Other operating income	4	5	-12%	4	23	-81%
EBIT	1,741	1,338	30%	1,741	2,234	-22%
Financial Charges	46	186	-75%	46	16	195%
Profit before taxation	1,695	1,152	47%	1,695	2,218	-24%
Taxation	471	306	54%	471	839	-44%
Profit after Tax	1,223	847	44%	1,223	1,379	-11%
EPS	2.32	1.60	44%	2.32	2.61	-11%

Source: Nael Research, Company accounts

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