

September 03, 2020



**Maple Leaf Cement Factory : FY20 preview & future outlook**

**Board meeting on September 10, 2020**

## Maple Leaf Cement Factory: FY20 preview & future outlook...

### LPS anticipation of Rs1.28/sh | slight profitability in 4Q only | Board meeting just announced

In anticipation of board meeting announcement, we expect MLCF to report FY20 LPS of Rs1.28/sh (9MFY20 LPS: Rs 2.48). We see MLCF may report slight earnings in 4Q.

MLCF reported EPS of Rs2.24/sh in preceding FY19 & paid a token dividend of Re0.5/sh.

### FY21 to be a key year...

Still, keeping retention prices on cement bag at the present levels - we see MLCF as a capacity absorption play in FY21. Government decreased FED charge in finance bill for FY21 which provides cushion to northern zone players.

Also SBP gave olive branch in lieu of decreasing interest rates which will amplify FY21 earnings. Given above 'positives' - we conservatively estimated model earnings of Rs4.75/sh in FY21.

As per our understanding MLCF 'provides' dam quality stuff as against few other players and would remain on money, in our opinion, given continuous dam construction efforts by incumbent government.

### 4Q & FY20 estimations in perspective...

We have anticipated MLCF cement bag dispatches of nearly 4.97mn tons in FY20 (11MFY20: 4.66mn tons). Despite tough environment prevailed during 4Q due to lockdown observed - we see MLCF may have utilized nearly 88% of the installed capacity of 5.67mn tons. Taking cue of drop in retention prices during most part of FY20 & Rs 310/bag prevailed during later part, we see prospects of earnings in 4Q.

Also we see slight decrease in charges on coal (we have taken average price of \$80/ton - \$82/ton) alongside landed cost. Also we are assuming electricity cost of Rs12.7/kwh as a 'balancing act' in our fuel cost estimations which indeed derived from various heads of energy.

Also we see MLCF financial charges may decrease in 4Q given SBP's thrust to help trade & industry. SBP decreased interest rates from 13.25% to 7% which may help MLCF to report some earnings in aforementioned 4Q.

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Ticker	MLCF
Price	37.67
Avg. Volume	12.8mn
52 week hi	38.15
52 week lo	13.70
Paid up in Rs	10.98bn
Market cap Rs	41.37bn
Enterprise Value Rs	56.14bn
EV per share Rs	51.1/sh
Book Value Rs	32/sh
FY19 DPS Re	0.5/sh

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*Price to earnings & Price to Book, EV-EBITDA multiple*

*Discounted Cash flows or Dividend Discount Model or Enterprise Value*