

# Maple Leaf Cement Factory Limited



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**Mr. Muhammad Ghufan**  
DGM Companies Affairs,  
Karachi Stock Exchange (Guarantee) Limited,  
Stock Exchange Building,  
Stock Exchange Road,  
Karachi.

*Through Courier*  
MLCF/KSE/56  
June 28, 2011

**Subject: Placement of Company on the Non-Compliant Segment of the Exchange on account of Default of the Listing Regulation**

Dear Sir,

Please refer to your letter No. KSE/ Gen-3584 dated June 7, 2011 on the subject cited above.

At the outset, we are thankful for acceding to our request and allowing extension in time to the Company for placement in the Non-Compliant Segment of the Exchange upto June 30, 2011 vide your earlier letter dated July 5, 2010.

Regarding continuing poor performance of the Company, it may please be noted that the ongoing year also remained one of the worst in the history for the local cement industry in terms of selling prices, capacity utilization and profitability. The current recession coupled with excess supply resulted in free fall in prices due to a severe price war. The capacity utilization at industry level hovered around 70%. The fierce price war has drastically eroded retention prices and a significant decrease in export was also witnessed during the year. As a result, the industry incurred severe losses with most of the plants showing negative results, which are mainly due to external factors beyond the control of the management(s).

The prospects of the local cement industry are linked to improvements in the economy, especially macro-economic indicators and law and order situation. According to the Federal Budget 2010-2011, Rs. 663 Billion were allocated to public sector development program (PSDP). However, this amount was largely slashed in the aftermath of the floods. The prolonged unstable economic conditions have continued to plague the Company and drastically affected its financial health. The Company suffered post tax loss of Rs. 1,565 million during the period July-March, 2011 after accounting for distribution cost and financial charges of Rs. 1,237 million and Rs. 1,605 million respectively. Rising cost of coal, fuels and packing materials also adversely impacted the production costs. Coal in international market is hovering around US\$ 145/ ton against US\$ 82/ ton in corresponding period last year. In addition, constant rise of electricity tariff also reduced operating margins of the Company. The prevailing sales prices were not able to offset rise in input costs.

The present economic down turn, power load shedding, high inflationary trends and still higher cost of financing are serious impediments to economic growth in the country and adversely affected the prices and dispatches of cement. The infrastructure redevelopment of flood affected areas is also a potential for cement demand and the Company is hopeful that cement demand will rise in the local market following the commencement of rebuilding activities in flood affected areas.



Cont'd on Page-2-