

Maple Leaf Cement Factory Limited



42-Lawrence Road, Lahore (PAKISTAN)
Phones: 042-36278904-5 Fax: 042-36368721

Confidential & Sealed

The General Manager
Pakistan Stock Exchange Ltd
Stock Exchange Building,
Stock Exchange Road,
Karachi.

PUCARS/ Courier
MLCF/Q3/P&L/18
April 24, 2018

Financial Results for the Quarter Ended March 31, 2018 (Un-Audited)

Dear Sir,

We have to inform you that the Board of Directors of **Maple Leaf Cement Factory Limited** (the "Company") in their Meeting held on **Tuesday, April 24, 2018 at 3:00 PM** at 42-Lawrence Road, Lahore, the Registered Office of the Company, recommended the following:-

CASH DIVIDEND / BONUS SHARES / RIGHT SHARES N I L

The **consolidated** (un-audited) financial results of the Company are as follows:-

	<u>Nine Months Period Ended</u>		<u>Three Months Period Ended</u>	
	<u>March 31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>	<u>March 31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>
	-----Rupees in thousand-----			
Sales-Net	19,302,366	18,226,759	7,024,087	6,305,281
Cost of goods sold	(12,495,632)	(10,670,230)	(4,609,200)	(3,890,625)
Gross profit	6,806,734	7,556,529	2,414,887	2,414,656
Distribution cost	(922,693)	(963,269)	(313,584)	(281,021)
Administrative expenses	(516,418)	(448,317)	(212,357)	(165,713)
Other charges	(427,709)	(427,251)	(159,634)	(90,874)
	(1,866,820)	(1,838,837)	(685,575)	(537,608)
Other income	54,828	75,681	7,117	44,365
Profit from operations	4,994,742	5,793,373	1,736,429	1,921,413
Finance cost	(593,007)	(196,283)	(262,520)	(92,355)
Profit before taxation	4,401,735	5,597,090	1,473,909	1,829,058
Taxation	(1,031,724)	(1,644,793)	(351,586)	(501,156)
Profit after taxation	3,370,011	3,952,297	1,122,323	1,327,902
	-----Rupees-----			
Earnings Per Share - basic and diluted	6.01	7.49	1.89	2.52

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Signature
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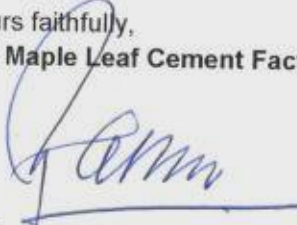
The **un-consolidated** (un-audited) financial results of the Company are as follows: -

	<u>Nine Months Period Ended</u>		<u>Three Months Period Ended</u>	
	<u>March 31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>	<u>March 31</u> <u>2018</u>	<u>March 31</u> <u>2017</u>
	-----Rupees in thousand-----			
Sales-Net	19,317,316	18,293,754	7,027,642	6,323,617
Cost of goods sold	(13,095,407)	(10,670,230)	(4,914,653)	(3,890,625)
Gross profit	6,221,909	7,623,524	2,112,989	2,432,992
Distribution cost	(922,693)	(963,269)	(313,584)	(281,021)
Administrative expenses	(514,016)	(441,198)	(211,872)	(162,730)
Other charges	(390,746)	(427,251)	(137,850)	(90,874)
	(1,827,455)	(1,831,718)	(663,306)	(534,625)
Other income	50,315	90,625	11,334	42,506
Profit from operations	4,444,769	5,882,431	1,461,017	1,940,873
Finance cost	(559,062)	(185,752)	(228,638)	(81,946)
Profit before taxation	3,885,707	5,696,679	1,232,379	1,858,927
Taxation	(1,031,724)	(1,644,793)	(351,586)	(501,156)
Profit after taxation	2,853,983	4,051,886	880,793	1,357,771
Earnings Per Share -	-----Rupees-----			
basic and diluted	<u>5.09</u>	<u>7.68</u>	<u>1.47</u>	<u>2.57</u>

(The above disclosure will suffice requirements of Sections 96 and 131 of the Securities Act, 2015)

We will be sending you the requisite copies of the printed accounts for distribution amongst the TRE Certificate Holders of the Exchange in due course of time.

Yours faithfully,
For Maple Leaf Cement Factory Limited


(Muhammad Ashraf)
Company Secretary

➤ **The Director / HOD**
Surveillance, Supervision and Enforcement Department
Securities and Exchange Commission of Pakistan
NIC Building, 63-Jinnah Avenue, Blue Area,
Islamabad

Fax # 051-9100440

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Directors' Review

In compliance with Section 237 of Companies Act, 2017, the Directors of your Company have pleasure to present standalone and consolidated unaudited financial statements for the nine months ended 31st March 2018.

Consolidated financial highlights for Maple Leaf Cement Factory Limited (the Company) and its wholly-owned subsidiary, Maple Leaf Power Limited (MLPL) are as follows:-

	Nine Months Ended			
	(July to March)		Variance	% age
	2018	2017		
	-----Rupees in thousand-----			
Net Sales Revenue	19,302,366	18,226,759	1,075,607	5.90%
Gross Profit	6,806,734	7,556,529	(749,795)	-9.92%
Operating Profit	4,994,742	5,793,373	(798,631)	-13.79%
Finance Cost	593,007	196,283	396,724	202.12%
Profit Before Taxation	4,401,735	5,597,090	(1,195,355)	-21.36%
Taxation	1,031,724	1,644,793	(613,069)	-37.27%
Profit After Taxation	3,370,011	3,952,297	(582,286)	-14.73%
Earnings Per Share (Rs.)	6.01	7.49	(1.48)	-19.76%

Standalone financial highlights of the Company, Maple Leaf Cement Factory Limited are as follows:-

	Nine Months Ended			
	(July to March)		Variance	% age
	2018	2017		
	-----Rupees in thousand-----			
Net Sales Revenue	19,317,316	18,293,754	1,023,562	5.60%
Gross Profit	6,221,909	7,623,524	(1,401,615)	-18.39%
Operating Profit	4,444,769	5,882,431	(1,437,662)	-24.44%
Finance Cost	559,062	185,752	373,310	200.97%
Profit Before Taxation	3,885,707	5,696,679	(1,810,972)	-31.79%
Taxation	1,031,724	1,644,793	(613,069)	-37.27%
Profit After Taxation	2,853,983	4,051,886	(1,197,903)	-29.56%
Earnings Per Share (Rs.)	5.09	7.68	(2.59)	-33.72%

Note: The above standalone financial highlights of the Company include power cost supplied by MLPL at NEPRA approved tariff of Rs. 12.92 /KWH.

During the period, capacity utilization and dispatches improved, as evident from the data shown below:-

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Particulars	July to March		Variance	
	2018	2017	Change	%age
-----M.Tons-----				
Production				
Clinker Production	2,677,652	2,456,981	220,671	8.98%
Cement Production	2,850,325	2,535,387	314,938	12.42%
Sales				
Domestic	2,642,335	2,199,641	442,695	20.13%
Exports	221,185	360,895	(139,710)	-38.71%
	2,863,520	2,560,536	302,985	11.83%

During the reporting period, the Company recorded net consolidated sales of Rs.19,302 million against Rs.18,227 million in the corresponding period last year mainly due to 20.1% quantitative growth in local sales arising from improved economic activity and ongoing CPEC projects. During the period under review, local dispatches increased from 2,199,641 metric tons to 2,642,335 metric tons as compared to the corresponding period. This growth can be attributed to increased private sector construction activities, accelerated materialization of budgeted Public Sector Development Program (PSDP) and demand from China Pakistan Economic Corridor (CPEC) related projects.

Prioritizing the need to meet appetite of increased domestic demand, export sale volumes declined by 38.7% registering a decrease of 139,710 metric tons. Reduced margins in export sales owing to barriers erected by the importing countries particularly anti-dumping duty imposed by South Africa contributed to decline in exports. However, record growth of 20.1% in local dispatches mitigated ill effects arising from falling exports.

During the current reporting period, despite 20.1% volumetric increase in local dispatches, reduction in average sales price in domestic market compressed net retention per ton for grey cement, as compared to the corresponding period last year. This decline in retention was triggered mainly due to increase in Federal Excise Duty (FED) on local cement by 25% i.e. from Rs. 1,000 per metric ton to Rs. 1250 per metric ton, effective 1st July 2017. However, it is pertinent to mention that grey cement selling prices in local market have shown an upward trend in the last 2 months and is expected to sustain till year end.

Coal prices in the global markets continued an upward trend mainly on account of increase in demand from Indian market where coal stocks are being piled up in light of upcoming monsoon season. Moreover, a ban imposed by the Indian Supreme Court on pet coke usage in power plants has lead to upward push on coal prices due to increased demand. Climatic changes such as cyclone and cold weather and production cut in coal mining during the first half of current financial year 2017-18 also affected global coal prices. However, the Company partially derived benefit of relatively lower coal prices throughout the current period on account of utilization of coal inventory which was built up at relatively lower prices.

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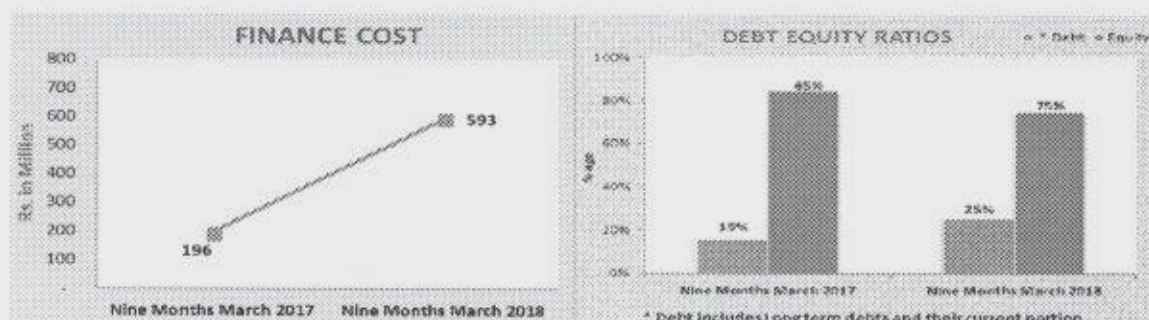
Coal fired power plant (CFPP) setup as wholly-owned subsidiary, Maple Leaf Power Limited (MLPL) started its commercial operations in October 2017 which is another cost competitive advantage to the Company. After Waste Heat Recovery Power Plant, CFPP is the cheapest source of electricity for the Company. Despite hike in coal prices and recent devaluation of Pak rupee against US dollar, the Company was able to keep its fuel and power costs under control along with advantage derived by use of low-cost pet coke which is more economical due to higher energy content. The Company is also continuously benefitting from lower inland transportation costs via the railway network resulting in reasonable savings.

On account of aforementioned factors impacting cost of production, the Company achieved consolidated gross profit of Rs.6,807 million in the current period with a decrease of 9.9% from Rs.7,557 million in the corresponding period last year.



Due to foregoing reasons, the decline in gross profit has impacted consolidated operational margins. Increase in marketing and distribution cost for reporting period as compared to corresponding depicts accelerated branding and dealer engagement activities. Consolidated operating profit for the current reporting period is Rs.4,995 million, showing a decrease of 13.8% compared to Rs.5,793 million in the corresponding period last year.

Finance costs during the reporting period increased to Rs. 593 million as compared to Rs. 196 million in corresponding period. Increase in finance cost relates mainly to mark-up on debt raised to finance power project. As apparent from the graph below, debt equity mix has altered from the level in the corresponding period last year due to additional debt raised to finance power project. Moreover, keeping in view the risk of Pak Rupee devaluation, the company has opted for early retirement of its entire foreign currency debt. Debt equity ratio and finance cost trends are as shown below:-



The Company recorded consolidated pre-tax profit of Rs.4,402 million during the period against pre-tax profit of Rs.5,597 million in the corresponding period last year. Consolidated tax expense for the reporting period also decreased in line with reduced pre-tax profitability. Taxation charged during the period pertains only to Maple Leaf Cement Factory Limited, standalone operations and amounted to Rs. 1,032 million for the first nine months of current financial year, as compared to Rs. 1,645 million in corresponding period last year. The profit earned from MLPL is exempt from charge of income tax. Above earnings performance has impacted post-tax consolidated profits at Rs.3,370 million for the current period against Rs.3,952 million in the corresponding period last year, showing a decline of 14.7%.

Right Issue

To partially finance the expansion project, the Board of Directors in their meeting held on 15th August 2017 decided to raise fresh equity through right issue. 12.5% rights shares (one right share for every 8 shares held) were offered at a price of Rs. 65/- per share (inclusive of premium of Rs. 55/- per share). A total of Rs. 4,288 million was raised through right issue. The directors and sponsors fully subscribed to their share of right subscription, 88.2% of public portion was subscribed by shareholders, whereas the remaining 5.3% of the total right issue was fully taken up by underwriters.

Maple Leaf Power Limited

Maple Leaf Power Limited (a wholly owned subsidiary), established to install and operate 40 MW imported coal-fired captive power plant, has successfully started commercial production from October 2017. The project was completed within budget cost and as per the planned timelines.

National Electric Power Regulatory Authority (NEPRA) has approved a tariff of Rs. 12.92 KWH to be used as transfer price on sale of electricity to the Company Maple Leaf Cement Factory Limited. The profits derived by MLPL are exempt from tax under clause 132 of second schedule of Income Tax Ordinance. This has resulted in tax free net profit of Rs. 535 million in MLPL during reported nine months of current financial year. With the successful power plant commencement, savings in power cost on account of reduced electricity unit cost have impacted favourably on consolidated accounts. Self-generation of power has reduced reliance on the national grid.

Capacity Expansion Project

The Company has undertaken to set up an additional dry process production line of 7,300 tons per day grey clinker production, which is a brown field expansion at the Company's existing site in Iskandarabad. Upon completion, the production capacity will enhance to 18,000 tons per day of grey cement. Total project cost is estimated at Rs. 25 billion including impact of recent devaluation of Pak Rupee. The project cost will be financed approximately upto 17% through right issue, 51% through bank loans and the balance through self generation. Till March 31, 2018, a total of 59 shipments with estimated value of 36 million euros have arrived at plant site. Construction work at site is in full-swing and commercial production from new line is expected to commence by April 2019.

Future Outlook

Going forward, we expect increased domestic demand for cement on account of rise in PSDP allocations in the wake of upcoming election year, together with construction activities in the private sector. The cement industry is also keenly eyeing developments on CPEC and this opportunity is expected to prove to be of great benefit for the whole nation. Despite prevailing political uncertainty, speedy progress is being registered on CPEC projects due to collective measures of the political and military leadership and would be a trigger to absorb future supply from new capacities. Historic allocation for PSDP in budget for the financial year 2017-2018 is a clear indication that the government will remain focused on completion of infrastructure schemes including power projects, motorways, Orange train and low-income housing.

On the macro-economic side, disorder in balance of payments, declining foreign exchange reserves, risk of further devaluation of Pak rupee and political turbulence are factors which could have an adverse impact on GDP growth and cause disturbance to macro-economic indicators of Pakistan.

On account of improvement in cement demand and supply situation in domestic market, sale prices are expected to remain stable at current level till the end of current financial year. Gross margins are expected to remain under pressure due to rising coal and fuel prices. Cost reduction efforts continue to be the focus in all operational areas and the Company has adopted various strategies to reduce cost including use of alternative fuels and optimized operations of the plant despite the recent rise in oil prices and increasing prices of coal.

The Board takes this opportunity to express its deep sense of gratitude and thanks to the shareholders, employees, customers, bankers and other stakeholders for the confidence and faith they have always reposed in us.

For and on behalf of the Board


(Sayeed Tariq Saigol)
Chief Executive

Lahore: April 24, 2018