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MIRA INFORM REPORT

Report No. :	535350
Report Date :	17.10.2018

IDENTIFICATION DETAILS

Name :	MAPLE LEAF CEMENT FACTORY LIMITED
Registered Office :	42-Lawrence Road, Lahore
Country :	Pakistan
Financials (as on) :	2018 [Quarterly]
Date of Incorporation :	1960
Com. Reg. No.:	0001107
Legal Form :	Public Limited Company
Line of Business :	Subject is principally engaged in manufacturing, selling and marketing of cement
No. of Employees :	1,210

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :	A

Credit Rating	Explanation	Rating Comments
A	Acceptable Risk	Business dealings permissible with moderate risk of default

Status :	Good
Payment Behaviour :	Slow and delayed
Litigation :	Clear

NOTES :

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Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Pakistan	B1	B1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

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PAKISTAN - ECONOMIC OVERVIEW

Decades of internal political disputes and low levels of foreign investment have led to underdevelopment in Pakistan. Pakistan has a large English-speaking population, with English-language skills less prevalent outside urban centers. Despite some progress in recent years in both security and energy, a challenging security environment, electricity shortages, and a burdensome investment climate have traditionally deterred investors. Agriculture accounts for one-fifth of output and two-fifths of employment. Textiles and apparel account for more than half of Pakistan's export earnings; Pakistan's failure to diversify its exports has left the country vulnerable to shifts in world demand. Pakistan's GDP growth has gradually increased since 2012, and was 5.3% in 2017. Official unemployment was 6% in 2017, but this fails to capture the true picture, because much of the economy is informal and underemployment remains high. Human development continues to lag behind most of the region.

In 2013, Pakistan embarked on a $6.3 billion IMF Extended Fund Facility, which focused on reducing energy shortages, stabilizing public finances, increasing revenue collection, and improving its balance of payments position. The program concluded in September 2016. Although Pakistan missed several structural reform criteria, it restored macroeconomic stability, improved its credit rating, and boosted growth. The Pakistani rupee has remained relatively stable against the US dollar since 2015, though it declined about 10% between November 2017 and March 2018. Balance of payments concerns have reemerged, however, as a result of a significant increase in imports and weak export and remittance growth.

Pakistan must continue to address several longstanding issues, including expanding investment in education, healthcare, and sanitation; adapting to the effects of climate change and natural disasters; improving the country's business environment; and widening the country's tax base. Given demographic challenges, Pakistan's leadership will be pressed to implement economic reforms, promote further development of the energy sector, and attract foreign investment to support sufficient economic growth necessary to employ its growing and rapidly urbanizing population, much of which is under the age of 25.

In an effort to boost development, Pakistan and China are implementing the "China-Pakistan Economic Corridor" (CPEC) with $60 billion in investments targeted towards energy and other infrastructure projects. Pakistan believes CPEC investments will enable growth rates of over 6% of GDP by laying the groundwork for increased exports. CPEC-related obligations, however, have raised IMF concern about Pakistan's capital outflows and external financing needs over the medium term.

Source : CIA

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COMPANY NAME

Business Name **MAPLE LEAF CEMENT FACTORY LIMITED**

FULL ADDRESS

Registered Address
42-Lawrence Road, Lahore, Pakistan

Tel # 92 (42) 36278904, 36278905
Fax # 92 (42) 36368721

SHORT DESCRIPTION OF BUSINESS

a.	**Nature of Business**	Principally engaged in manufacturing, selling and marketing of cement
b.	**Year Established**	1960
c.	**Registration No.**	0001107

PLANT LOCATION

Iskanderabad District, Mianwali,
Punjab, Pakistan

AUDITORS

KPMG Taseer Hadi & Co.
(Chartered Accountants)

LEGAL STATUS

Public Limited Company **(Listed at stock exchange of Pakistan)**

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DETAILS OF MANAGEMENT

Names	**Designation**
Mr. Tariq Sayeed Saigol	Chairman
Mr. Sayeed Tariq Saigol	Chief Executive Officer
Mr. Taufique Sayeed Saigol	Director
Mr. Waleed Tariq Saigol	Director
Mr. Danial Taufique Saigol	Director
Mr. Syed Mohsin Raza Naqvi	Director
Mr. Zamiruddin Azar	Director
Mr. Karim Hatim	Director

SHAREHOLDERS

Categories	**Shareholding (%)**
Associated Companies & Related Parties	55.20
Mutual Funds	3.81
General Public – Individuals	14.87
General Public – Foreign Investors	26.12

ASSOCIATES

A. **SUBSIDIARY**

None

B. **ASSOCIATED COMPANIES**

(1) Kohinoor Textile Mills Limited, Pakistan.
(2) Kohinoor Raiwind Mills Limited, Pakistan.

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BUSINESS ACTIVITIES

Principally engaged in manufacturing, selling and marketing of cement

NUMBER OF EMPLOYEES

1,210

PLANT CAPACITY & PRODUCTION OF CLINKERS

	2016	2015
	(In Metric Tons)	
Current Installed Capacity	3,360,000	3,360,000
Actual Production	3,092,793	2,824,854

Lower capacity utilization of cement plant is due to gap between demand and supply of cement. The capacity of plant has been determined on the basis of 300 days.

ANNUAL SALES VOLUME

Years	In Pak Rupees
2014	18,968,547,000/-
2015	20,720,054,000/-
2016	23,432,696,000/-

CUSTOMERS

Various local & international

BANKERS

(1) Allied Bank Limited, Pakistan.
(2) Askari Bank Limited, Pakistan.
(3) Bank Alfalah Limited, Pakistan.

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(4) Bank Al-Habib Limited, Pakistan.
(5) BankIslami Pakistan Limited, Pakistan.
(6) Burj Bank Limited, Pakistan.
(7) Bank of Khyber Limited, Pakistan.
(8) Dubai Islamic Bank Limited, Pakistan.
(9) Faysal Bank Limited, Pakistan.
(10) First Dawood Islamic Bank Limited, Pakistan.
(11) First Women Bank Limited, Pakistan.
(12) Habib Bank Limited, Pakistan.
(13) Habib Metropolitan Bank Limited, Pakistan.
(14) HSBC Bank Middle East Limited, Pakistan.
(15) MCB Bank Limited, Pakistan.
(16) Meezan Bank Limited, Pakistan.
(17) National Bank of Pakistan.
(18) NIB Bank Limited, Pakistan.
(19) Soneri Bank Limited, Pakistan.
(20) Standard Chartered Bank (Pakistan) Limited
(21) Summit Bank Limited, Pakistan.
(22) The Bank of Punjab, Pakistan.
(23) United Bank Limited, Pakistan.

EXPORTING COUNTRIES

Mainly to Afghanistan, India & Middle East Countries

IMPORTING COUNTRIES

Subject import globally from Companies belongs to European Countries, Japan, Korea, Taiwan, Singapore & China

FINANCIAL PERFORMANCE

Maple Leaf is a growing and promising cement manufacturer in a highly competitive industry. It has consistently improved its revenues despite a pressure on retention prices lately. Having reached over 99 percent capacity utilization during FY16, the company continued this streak during FY17 as it reached overcapacity in clinker. Margins were growing as the industry was enjoying lower prices for imported coal. However, dependence on imported raw material (coal, furnace oil etc.) is a gamble as more than 60 percent of the cost of production relies on how the global market performs. As coal prices as well as furnace oil prices rose during FY17, so did Maple leaf's costs and margins as a result suffered-falling to 40 percent against 43 percent during FY16. Meanwhile, even as dispatches have grown and capacity utilization for MapleLeaf reached its ceiling, exports have fallen and share in total has fallen to 13 percent during FY17. This trend, observed across the sector is troubling. However, MapleLeaf has several projects in the works-from its investment in the new expansion to that

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in a power project that would to a great extend substitute its electricity needs and cushion the blow from rising costs. The company reduced its finance costs as it repaid its entire Sukuk loan of Rs 8billion during FY16. According to the company's annual report: "Strong fundamentals-profitability and efficient cash flow management would ensure the expansion does not hit any snags from the financing point of view. The company is in a good position to seek loans". Indeed, that is always one of the concerns of stakeholders when a company embarks on a billion rupees investment. The company has been saving on inland transportation costs through haulage via the railway network. Transportation and distribution remains one of the issues in companies situated in the north. They often suffer from higher freight as imported content has to be transported from the south where the ports are located; and the use of the railway network must offer reprieve.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year, Company has contributed an amount of Rs. 6,300 million towards national exchequer in shape of taxes, duties, cess, levies etc. The Company has also contributed through earnings of valuable foreign exchange amounting to US$ 37 million.

FUTURE OUTLOOK

Much like the rest of the cement industry, during the latest quarterly financial result ending Sep-17, Maple Leaf is in a bit of a bind but not because of any lack in efficiency or a sales downturn. In fact, in 1QFY18, dispatches for the company rose by 17 percent resulting in a 5 percent increase in net revenue. Part of the reason for a smaller growth in revenues is the reduction in retention prices amongst companies in the north. Many companies are also offering price discounts and revenues have not been able to keep up with the volumetric sales growth. Margins have suffered greatly as coal prices went up considerably during the period against this time last year. The combination of low retention prices and higher per unit cost of production reduced margins to 37 percent during 1QFY18 against 43 percent during 1QFY17. Meanwhile, export volumes have plummeted all around-for Maple Leaf, they fell by 46 percent during 1QFY18-as Afghanistan has become a difficult market to penetrate in competing with cheaper Iranian cement that has quickly established a foothold. Border restrictions have also added to the trouble in that key market. Local demand has become a savior for the cement industry. As expansions come online however, capacity utilization will move down and Maple Leaf as well as other manufacturers in the industry will face price competition and a significant reduction to margins. If costs for fuel and power continue to climb, bottom-line will ultimately suffer. For its part, the coal fired power plant should help bring down costs in the long run while controlled financial management and other incomes coming through investment in holding company bode well for Maple Leaf. Maple Leaf must explore exporting destinations should exports in traditional markets such as Afghanistan and South Africa continue to fall. This would help cushion the blow if/when local demand is unable to absorb the additional capacity post FY19. Depending on Maple Leaf utilization of added capacity, it could grow its market share-at the very least, it would maintain its existing space as a mid-tier supplier of cement. Risk from higher costs, and price competition will remain to put pressure on the bottom-line over the next five years even as local demand expands, bolstered by growth in infrastructure and housing sectors.

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MEMBERSHIPS

- Federation Pakistan Chamber of Commerce & Industry.
- Rawalpindi Chamber of Commerce & Industry.
- All Pakistan Cement Manufacturers Association.

COMMENTS

Subject Company was established in 1960 and is engaged in manufacturing, selling and marketing of cement. Overall reputation is normal.

In view of current disturbed economic and political situation, we would advise to deal with all the business in Pakistan with some caution.

Unconsolidated financial results Q1-FY18

Rs (mn)	1QFY18	1QFY17	chg
Sales	5,810.1	5,556.1	5%
Cost of goods sold	3,683.1	3,175.2	16%
Gross profit	2,127.0	2,380.8	-11%
Distribution & marketing cost	266.2	373.5	-29%
Administrative expenses	149.6	121.8	23%
Other expenses	124.2	149.3	-17%
Other operating income	14.1	4.5	217%
Finance cost	144.0	46.1	213%
Profit Before tax	1,457.1	1,694.7	-14%
Net tax	407.7	471.3	-13%
Profit After tax	1,049.4	1,223.4	-14%

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Gross margin	37%	43%	
Net margin	18%	22%	
Dispatches (tons)	739,248	632,202	17%
EPS (Rs)	1.99	2.32	-14%

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FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 73.90
UK Pound	1	INR 97.33
Euro	1	INR 85.58
PKR	1	INR 0.55

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	PRI
Report Prepared by :	KET

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)