



## Rating Action

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## PACRA MAINTAINS RATINGS OF MAPLE LEAF CEMENT FACTORY LIMITED

PACRA has maintained the long-term and short term ratings of Maple Leaf Cement Factory Limited (MLCFL) at "**BB**" (Double B) and **B** (Single B), respectively. The rating of the Privately Placed Sukuk issue of PKR 8,000mln is maintained at **BB+** (Double B plus). The ratings denote a possibility of credit risk developing, particularly as a result of adverse economic change over time.

The ratings reflect MLCFL's high business risk emanating from challenging industry dynamics that resulted into low capacity utilization, in turn, subdued revenues. Meanwhile, a price war among industry players, besides raw material cost fluctuations, led to sizeable reduction in margins. However, lately prices regained strength, a result of cement manufacturers' cognizance towards margin-led recovery as demand growth at both local and export fronts may be limited. This is expected to improve overall business prospects of the company besides providing some relief to the cash flows. Nevertheless, high leveraging, suppressed cash flows, resulting in weak coverages remain key concerns. The ratings incorporate the company's diversified product mix and established brand name in the local market.

The ratings are dependent on the company's ability to achieve optimal capacity utilization, while generating sufficient cash flows to meet its upcoming major debt service obligations. Meanwhile, any significant downfall in cement prices for a longer time span may put further pressure on overall risk profile of the company.

### About the Company

Maple Leaf Cement Factory Limited, one of the leading cement manufacturers, was established in 1956 and is listed on all three stock exchanges of the country. The cement plant is located at Dadukhal, District Mianwali, in Northern Pakistan. The plant is based on modern European machinery with two dry process lines and two wet process lines with total capacity of 3.7mtpa. The company also has a diversified product portfolio - white cement, well head cement and conventional grey cement.

Kohinoor Maple Leaf Group - mainly through Kohinoor Textile Mills Limited (KTML) - owns the majority stake (65%) in the company, while individuals own the rest.

Saigol family effectively controls group companies with strong presence on the board of directors (five family members on MLCFL's board) and key management positions. Mr. Sayeed Saigol, the CEO, joined the company in 2005. He is supported by a team of professionals with adequate experience in related fields.

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