

Lafarge Surma Cement Limited (DSE: LAFSURCEML)

Current Price (December 31, 2015)	74.6
Total Number of Share (Mn)	1161.4
Free Float (%)	35.4%
Annualized PE – LAFSURCEML	37.8x
Trailing PE – LAFSURCEML	35.7x
Annualized PE – CEMENT	29.1x

*Based on annualized earnings of 9M 2015.

Financials (BDT Mn)**	2013	2014	9M, 2015 (Unaudited)
Revenue	11,330.4	11,583.0	7,715.6
Gross Profit	4,703.3	4,466.9	2,663.8
Operating Profit	3,985.7	3,778.2	1,995.5
Net Profit After Tax	2,546.1	2,819.8	1,720.6
Total Asset	19,027.3	19,996.0	20,066.0
Total Equity	11,044.5	13,255.6	13,787.6

YoY Growth (%)	2013	2014	9M, 2015
Revenue	6.5%	2.2%	-7.5%
Net Profit After Tax	N/A	10.7%	-18.4%

Per Share (BDT)	2013	2014	9M, 2015
Restated EPS	2.2	2.4	1.5
Book Value Per Share	9.5	11.4	11.9

Others (%)	2013	2014	9M, 2015
Gross Profit Margin	41.5%	38.6%	34.5%
Operating Profit Margin	35.2%	32.6%	25.9%
Net Profit Margin	22.5%	24.3%	22.3%
ROA	13.6%	14.5%	-
ROE	26.2%	23.2%	-
Stock Dividend	-	-	-
Cash Dividend	-	10.0%	5.0%

3 years' CAGR	Peers			
	LAFSURCEML	HEIDELBCEM	MICEMENT	CONFIDCEM
Revenue	23.8%	7.2%	13.5%	17.5%
NPAT	N/A	16.3%	4.7%	6.5%

**Accounting year Jan-Dec

Source: DSE; Financial Statements of LAFSURCEML and Research, IDLC Investments Ltd.

Terminologies

Free Float: % of total shares not owned by Sponsors/ Directors, and Govt.

Annualized PE: Based on annualized earnings of the latest declared quarters

Trailing PE: Based on latest 12 months earnings

Company Profile

Lafarge Surma Cement Limited (DSE: LAFSURCEML) was incorporated in November, 1997 as a private limited company. It is a joint venture of two worldwide renowned companies: Lafarge and Cementos Molins. In January, 2003 the company went public and was listed in both DSE and CSE.

The company is a unique cross border commercial venture spanning between Bangladesh and neighboring India. It has two subsidiaries named Lafarge Umium Mining Private Ltd. and Lafarge Mawshun Minerals Private Ltd. The former operates its quarry in Meghalaya, India and supplies the parent with limestone extracted from the quarry through a 17 km long cross border conveyor belt.

Key Revenue Drivers & Company Insight

LAFSURCEML is a manufacturer and marketer of cement and clinker primarily in the local market. The company has strong backward linkage through its subsidiaries. Although, procuring from the quarry in India was halted due to legal complexities, procurement resumed in August, 2012. The company sources its chief raw material limestone and produce clinker from it on its own. Merging with continuing ride, capacity utilization rate was greater than 100% in last consecutive three years. The company managed to achieve 16.0% YoY growth in sales volume in 2014, but failed to achieve price target due to increased pricing competition in the industry.

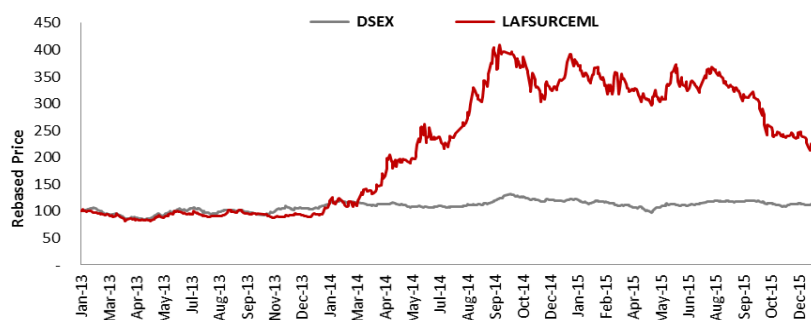
However, regarding the merger with Holcim, the company has notified that, due to the current corporate structures of both Lafarge and Holcim Bangladesh Limited, both shall remain as separate companies and are still competitors until communicate otherwise.

Financial Performance

During 2014, LAFSURCEML managed a top line growth of only 2.2% YoY which was 6.5% YoY in 2013, as real estate business remained sluggish. In spite of full fledged backward support, the company's Gross Profit Margin (GPM) and Operating Profit Margin (OPM) shrank by 2.9% and 2.6% points. However, it managed to expand its Net Profit Margin by 1.9% points as financing cost decreased by 60.7% YoY. In the year of 2014, with its persistent improvement in NPAT, retained earnings turned positive and stood at BDT 1,295.0 Mn which was BDT -944.1 Mn in 2013.

During 9M 2015, Revenue and NPAT declined by 7.5% YoY and 18.4% YoY, respectively. Moreover, the GPM, OPM and NPM dropped further by 4.2%, 7.2% and 3.0% points, respectively from that of 9M 2014.

Recently, the company has reported consolidated net profit after tax of BDT 1,720.6 Mn with EPS of BDT 1.5 for the period of nine months (Jan'15 to Sep'15) as against BDT 2,108.5 Mn and BDT 1.8, respectively for the same period of the previous year.



Source: DSE and Research, IDLC Investments Limited

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