LAFARGE MALAYAN CEMENT BHD				
	2009	2010F	2011F	2012F
REVENUE (RM mil)	2,483.1	2,574.9	2,967.2	3,036.7
NET PROFIT (RM mil)	412.2	319.0	472.7	484.4
EPS (sen)	48.5	37.5	55.6	57.0
P/E (x)	14.3	18.5	12.5	12.2

Lafarge's net profit comes in lower than expected at RM124m

Recommendation: Hold
Target Price RM6.52
By ECMLibra Investment Research (Aug 26)

Below Expectations

1HFY10 net profit of RM123.7 million came in much lower than expectations, making up only 33.6% and 30.8% of house and street estimates respectively.

The group has declared a second single tier interim dividend of 8 sen per share.

Still Down Y-o-Y, But Improved Q-o-Q

2QFY11 revenue declined 6.3% year-on-year (y-o-y) while net profit dropped 10.3% largely due to weak demand and prices in the international arena.

The situation appears somewhat more comforting from the quarter-on-quarter (q-o-q) perspective, with a 7.8% increase in revenue and a 57.4% increase in net profit. Better q-o-q numbers came from a hike in selling prices by 9% in May, aided by a slight improvement in domestic demand as well as lower operating costs and a one-off impact in 1QFY10 due to scheduled plant maintenance.

However, on a YTD basis, circumstances still appear grim, with revenue and net profit down 8.1% and 29.6% respectively. While margins have improved in the current quarter, we are concerned that high rebates in 1QFY10 may not be sufficiently compensated by an anticipated pick up in demand and net selling prices in the coming quarters.

A Muted Improvement in 2HFY10?

The cement industry has long hung their hopes on the roll out of several large construction projects in the 2HFY10 to boost earnings.

We are somewhat cautious on this front as a large package of the LCCT project was only awarded in 3QCY10, with the LRT project still pending.

Although we expect demand and margins to see some solace from 3QFY10 onwards, its impact may be more muted than anticipated.