

Maple Leaf Cement Factory Limited

Result Review

PSX: MLCF Bloomberg: MLCF: PA Reuters: MPLF.PSX

Pakistan Research

MLCF: 2QFY24 EPS clocked in at PKR 2.1, down 23% YoY

- MLCF announced its 2QFY24 financial result today, wherein the company posted a consolidated EPS of PKR 2.1, down 23% YoY, compared to an EPS of PKR 2.7 in 2QFY23. This takes the 1HFY24 cumulative earnings to PKR 3.6/share, down 10% YoY.
- Topline of the company increased by 5% YoY to PKR 18bn during 2QFY24. This is primarily due to higher retention price, up 19% YoY.
- MLCF's gross margins came at 35% in 2QFY24 vs 33% in 2QFY23. Higher margins were due to lower coal prices coupled with higher retention prices.
- Finance cost of the company grew by 75% YoY to PKR 916mn in 2QFY24, due to higher interest rates.
- Selling & Distribution expenses surged by 4x YoY to PKR 1.6bn in 2QFY24 mainly driven by the axle load regime and higher fuel costs.
- We have a 'BUY' recommendation on MLCF with Dec-24 price target (PT) of PKR 51/share, providing an upside of 38%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	51
Current Price (PKR)	37
Upside/(Downside) (%)	+38%
Dividend Yield (%)	+0%
Total Return (%)	+ 38%
12-month High (PKR)	43
12-month Low (PKR)	22
Outstanding Shares (mn)	1,073
Market Cap (PKR mn)	39,821
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	2QFY23	2QFY24	YoY	1HFY23	1HFY24	YoY
Net Sales	17,224	18,073	5%	30,051	34,749	16%
Cost of Sales	11,588	11,690	1%	20,720	23,138	12%
Gross Profit	5,636	6,383	13%	9,331	11,610	24%
Selling & Admin. Exp	782	2,221	184%	1,575	3,780	140%
Other Income	52	71	36%	60	146	144%
Other Charges	292	392	34%	674	728	8%
Finance cost	523	916	75%	1,084	1,862	72%
Profit before tax	4,092	2,925	-29%	6,058	5,387	-11%
Taxation	1,162	682	-41%	1,750	1,518	-13%
Net Income	2,930	2,243	-23%	4,308	3,869	-10%
EPS	2.73	2.09	-23%	4.01	3.60	-10%

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
EPS	3.49	4.24	5.38	6.63	6.12	6.95
EPS Growth	-208%	22%	27%	23%	-8%	13%
DPS	0.00	0.00	0.00	0.00	2.00	3.00
PER	10.63	8.75	6.90	5.59	6.06	5.34
Dividend Yield	0.0%	0.0%	0.0%	0.0%	5.4%	8.1%
EV/EBITDA	20.28	5.48	4.34	2.96	2.36	2.20
P/B	1.16	1.00	0.87	0.78	0.69	0.63
ROE	11%	11%	13%	14%	11%	12%

Source: Company Accounts, Akseer Research

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Valuation Basis

Our PT for Maple Leaf Cement Factory Limited (MLCF) has been computed using Free cash flow to Firm (FCFF) method. We have used a risk free rate of 15%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 21%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-24 PT of 51/share. Our price target provides an upside of 38%. Our investment case on MLCF is based on (1) demand recovery and, (2) higher retention prices.

Risks

Key downside risks to our investments thesis are: (1) higher than anticipated increase in input cost (Coal) (2) lower than anticipated growth in cement demand (3) higher than estimated decline in cement prices (4) lower than expected decline in interest rates.

Company Description

Maple Leaf Cement Factory Ltd. produces and sells cement primarily in Pakistan. The company offers ordinary Portland cement and white cement. Maple Leaf Cement Factory Ltd. also exports its products to Africa, Gulf, and other Asian countries. The company was founded in 1956 and is headquartered in Lahore, Pakistan. Maple Leaf Cement Factory Ltd. operates as a subsidiary of Kohinoor Textile Mills Limited.

Financial Highlights - MLCF

Income Statement (PKR mn) – Consolidated						
	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
Net sales	35,640	48,520	62,075	70,645	73,058	76,980
Cost of sales	27,040	35,280	44,462	50,847	54,052	56,912
Gross Profit	8,601	13,239	17,614	19,798	19,007	20,068
SG & A	2,095	2,461	3,400	4,192	5,095	5,566
Operating Profit	6,506	10,778	14,213	15,605	13,912	14,502
Other income	223	60	147	102	114	113
Other charges	431	1,041	1,286	1,620	1,782	2,186
Finance cost	1,327	1,658	2,381	3,163	2,163	992
Profit before tax	4,970	8,139	10,694	10,924	10,080	11,437
Taxation	1,142	3,586	4,923	3,804	3,510	3,983
Profit after tax	3,829	4,553	5,771	7,120	6,570	7,454

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
PPE	49,150	61,480	66,746	66,737	64,674	62,542
Other LT assets	80	87	83	80	79	79
Non-Current Assets	49,231	61,568	66,830	66,816	64,753	62,622
Current assets	17,338	20,899	22,756	25,747	29,983	33,566
Total Assets	66,569	82,467	89,585	92,564	94,736	96,187
Non-Current liabilities	16,289	23,493	26,618	23,124	18,808	15,792
Current liabilities	11,938	16,687	15,048	16,138	16,119	15,343
Total Liabilities	28,227	40,180	41,666	39,263	34,927	31,135
Equity	35,207	39,783	46,019	51,299	57,869	63,176
Total Equity & liabilities	66,569	82,466	89,585	92,564	94,736	96,187

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY21A	FY22A	FY23A	FY24F	FY25F	FY26F
Net Income	3,829	4,553	5,771	7,120	6,570	7,454
Non-cash Charges	3,595	3,456	3,780	5,533	5,714	5,903
Operating Cash flows	7,002	9,062	17,717	10,640	10,451	12,105
FCFF	4,822	(5,801)	9,959	7,184	8,210	8,980
Net borrowings	(4,247)	7,701	(5,103)	(30)	(3,510)	(3,508)
FCFE	(447)	973	3,572	5,093	3,291	4,826
Net change in cash	(557)	315	(67)	3,355	2,489	1,728
Closing cash	502	816	751	4,105	6,594	8,322

Source: Company Accounts, Akseer Research

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To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three- tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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