

Maple Leaf Cement Factory Limited

Result Review

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

Pakistan Research

MLCF: consolidated EPS stood at PKR 0.76, up 51% YoY

- MLCF announced its 1QFY22 financial results today where the company posted consolidated net earnings of PKR 0.76/ share versus PKR 0.51/ share in 1QFY21, up 51% YoY.
- Topline of the company surged to PKR 9.9bn during 1QFY22 due to higher retention prices over the year as the cement MRP in North increased by 25% YoY. Similarly, net sales grew by 4% on sequential basis due to 8% increase in cement MRP prices over the quarter in North.
- However, higher energy costs contributed to increased cost of sales (+27% YoY) during 1QFY22 and 7% increase on sequential basis.
- Comprehensively, gross margins during the quarter witnessed accretion of 3pps YoY to settle at 22% during 1QFY22 compared to 19% during the same period last year. However, margins witnessed sequential decline of 2.6pps.
- Finance cost of the company declined to PKR 311mn (-27% YoY) benefiting from lower interest rates.
- Selling and Admin expenses increased by 71% YoY during 1QFY22 possibly due to higher transportation and freight costs.
- We have a 'BUY' recommendation on MLCF with a revised Jun-22 price target (PT) of PKR 65/share, providing a potential upside of 84%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	65
Current Price (PKR)	44.71
Upside/(Downside) (%)	+ 84%
Dividend Yield	0.0%
Total Return (%)	+ 84%
12-month High (PKR)	50.90
12-month Low (PKR)	30.83
Outstanding Shares (mn)	1098
Market Cap (PKR mn)	3,915
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	1QFY21	1QFY22	YoY	4QFY21	QoQ
Net Sales	7,521	9,896	32%	9,542	4%
Cost of Sales	6,056	7,688	27%	7,164	7%
Gross Profit	1,465	2,207	51%	2,378	-7%
Selling & Admin. Exp	360	617	71%	681	-9%
Other Income	46	11	-75%	51	-78%
Other Charges	48	179	271%	150	19%
Finance cost	426	311	-27%	280	11%
Profit before tax	677	1,112	64%	1,317	-16%
Taxation	122	273	124%	337	-19%
Net Income	555	839	51%	980	-14%
EPS	0.51	0.76	51%	0.89	-14%

Source: Company Accounts, Akseer Research

Key Financial Ratios – Consolidated

	FY19A	FY20A	FY21F	FY22E	FY23F	FY24F
EPS	2.69	(3.24)	3.49	4.02	4.47	4.45
EPS Growth	-66%	NM	NM	15%	11%	0%
DPS	0.50	-	0.00	0.00	3.00	3.00
PER	12.7	NM	9.8	8.5	7.6	7.7
Dividend Yield	1.5%	0.0%	0.0%	0.0%	8.8%	8.8%
EV/EBITDA	4.3	5.9	19.2	5.2	5.4	4.0
P/B	0.7	1.0	1.1	1.0	0.9	0.8
ROE	8.6%	-11.5%	10.9%	11.4%	11.2%	10.8%

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 equity (FCFE) method. We have used a risk free rate of 11%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 17%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of PKR 65/share. Our price target provides a potential upside of 84%. Our revised investment case on MLCF is based on (1) nearing election period (2) higher PSDP releases and (3) improved retention prices

Risks

Key risks to our investment thesis include 1) higher than anticipated increase in input cost (Coal, FO, Gas), 2) lower than anticipated growth in cement demand 3) higher than estimated decline in cement prices 4) prolonged pandemic situation and 5) increase 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. The company also exports its products to Africa, Gulf, and other Asian countries. MLCF 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						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net sales	26,006	29,118	35,640	48,350	51,163	45,859
Cost of sales	19,944	28,532	27,040	38,585	39,603	33,839
Gross Profit	6,062	585	8,601	9,764	11,560	12,021
SG & A	1,674	1,608	2,095	2,440	2,908	3,512
Operating Profit	4,387	(1,023)	6,506	7,324	8,652	8,508
Other income	52	146	223	224	235	242
Other charges	549	161	431	272	301	310
Finance cost	1,231	2,897	1,327	1,113	1,741	1,620
Profit before tax	2,659	(3,934)	4,970	6,163	6,845	6,820
Taxation	199	(375)	1,142	1,746	1,939	1,932
Profit after tax	2,460	(3,559)	3,829	4,417	4,906	4,888

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
PPE	52,096	49,540	49,150	60,422	58,880	56,365
Other LT assets	90	85	80	83	81	80
Non-Current Assets	52,187	49,624	49,231	60,505	58,961	56,444
Current assets	14,727	17,374	17,338	20,856	23,638	21,288
Total Assets	66,913	66,998	66,569	81,361	82,599	77,732
Non-Current liabilities	20,279	16,408	16,289	25,055	20,846	16,476
Current liabilities	14,227	16,040	11,938	13,705	14,344	12,415
Total Liabilities	34,506	32,448	28,227	38,760	35,190	28,891
Equity	28,523	30,882	35,207	38,747	43,653	45,246
Total Equity & liabilities	66,913	66,998	66,569	81,362	82,599	77,733

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22E	FY23F	FY24F
Net Income	2,460	(3,559)	3,829	4,417	4,906	4,888
Non-cash Charges	2,658	3,602	3,595	3,511	4,373	4,459
Operating Cash flows	6,509	(1,584)	7,002	8,958	9,401	9,186
FCFF	(634)	(4)	4,822	(5,027)	7,820	8,405
Net borrowings	2,461	(2,486)	(4,247)	7,359	(3,130)	(4,536)
FCFE	688	(5,110)	(447)	1,535	3,443	2,708
Net change in cash	(160)	534	(557)	1,504	3,341	(751)
Closing cash	525	1,059	502	2,006	5,347	4,597

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

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