

## Maple Leaf Cement Factory Limited

### Result Preview

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

Pakistan Research

## MLCF: 1QFY23 EPS expected at PKR 1.23, up 58% YoY

- MLCF is scheduled to announce its 1QFY23 financial result on 18<sup>th</sup> October, 2022, where we expect the company to report an EPS of PKR 1.23 compared to an EPS of PKR 0.76 in 1QFY22, up 58% YoY.
- Increase in earnings can be attributable to improved retention prices and higher reliance on local coal.
- Net sales are anticipated to grow by 31% YoY to PKR 12.9bn during 1QFY23 on account of improved retention prices (up 75% YoY). This is despite a decline in local dispatches by 25% YoY due to torrential rainfall and flash floods along with cut in PSDP.
- MLCF's gross margin is expected to clock in at 27% in 1QFY23 vs 22% in 1QFY22. Higher margins are likely due to increased quantum of low-cost local coal along with higher cement prices.
- Selling & admin expenses are expected to decline by 1% YoY to PKR 612mn in 1QFY23 due to lower cement dispatches.
- Finance cost of the company is anticipated to grow by 116% YoY to PKR 671mn during 1QFY23 largely due to increase in the interest rates accompanied with increase in long term borrowing.
- Effective tax rate of the company is likely to reach 33% during 1QFY23 vs 25% during 1QFY22 due to higher taxes announced in the FY23 budget.
- We have a 'BUY' recommendation on MLCF with our June-23 price target (PT) of PKR 40/share, providing an upside of 43%.

#### Key Data

PSX Ticker	MLCF
Target Price (PKR)	40
Current Price (PKR)	28
Upside/(Downside) (%)	+43%
Dividend Yield (%)	+0%
Total Return (%)	+ 43%
12-month High (PKR)	42
12-month Low (PKR)	23
Outstanding Shares (mn)	1,073
Market Cap (PKR mn)	30,118
Year End	June

Source: Company Accounts, Akseer Research

#### Financial Estimates (PKR mn)

	1QFY22	1QFY23F	YoY	FY22	FY23F	YoY
Net Sales	9,896	12,946	31%	48,520	62,275	28%
Cost of Sales	7,688	9,384	22%	35,280	47,695	35%
<b>Gross Profit</b>	<b>2,207</b>	<b>3,562</b>	61%	<b>13,239</b>	<b>14,580</b>	10%
Selling & Admin. Exp	617	612	-1%	2,461	3,395	38%
Other Income	11	32	186%	60	129	115%
Other Charges	179	346	93%	1,041	1,385	33%
Finance cost	311	671	116%	1,658	2,806	69%
<b>Profit before tax</b>	<b>1,112</b>	<b>1,964</b>	77%	<b>8,139</b>	<b>7,123</b>	-12%
Taxation	273	640	134%	3,586	2,350	-34%
<b>Net Income</b>	<b>839</b>	<b>1,324</b>	58%	<b>4,553</b>	<b>4,772</b>	5%
EPS	0.76	1.23	62%	4.15	4.45	7%

Source: Company Accounts, Akseer Research

#### Key Financial Ratios

	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
EPS	(3.24)	3.49	4.15	4.45	4.57	10.28
EPS Growth	-	-	19%	7%	3%	125%
DPS	-	-	-	-	-	4.00
PER	-	8.11	6.83	6.37	6.19	2.75
Dividend Yield	-	-	-	-	-	14.1%
EV/EBITDA	5.43	17.16	4.52	3.73	3.30	3.21
P/B	0.84	0.88	0.78	0.70	0.63	0.51
ROE	-	10.9%	11.4%	11.1%	10.2%	18.7%

Source: Company Accounts, Akseer Research

**Altamash Hemani**  
[altamash.hemani@alphacapital.com.pk](mailto:altamash.hemani@alphacapital.com.pk)

### 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 13%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 19%.

### Investment Thesis

We have a 'Buy' recommendation on the stock based on our June-23 PT of PKR 40/share. Our price target provides an upside of 43%. Our investment case on MLCF is based on (1) upcoming expansion (2) improved 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 estimate decline in cement prices (4) lower than anticipated 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						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
Net sales	29,118	35,640	48,520	62,275	63,369	67,050
Cost of sales	28,532	27,040	35,280	47,695	49,281	43,381
<b>Gross Profit</b>	<b>585</b>	<b>8,601</b>	<b>13,239</b>	<b>14,580</b>	<b>14,088</b>	<b>23,669</b>
SG & A	1,608	2,095	2,461	3,395	3,774	4,130
<b>Operating Profit</b>	<b>(1,023)</b>	<b>6,506</b>	<b>10,778</b>	<b>11,184</b>	<b>10,314</b>	<b>19,539</b>
Other income	146	223	60	129	105	116
Other charges	161	431	1,041	1,385	1,401	2,202
Finance cost	2,897	1,327	1,658	2,806	1,699	990
<b>Profit before tax</b>	<b>(3,934)</b>	<b>4,970</b>	<b>8,139</b>	<b>7,123</b>	<b>7,319</b>	<b>16,464</b>
Taxation	(375)	1,142	3,586	2,350	2,415	5,433
<b>Profit after tax</b>	<b>(3,559)</b>	<b>3,829</b>	<b>4,553</b>	<b>4,772</b>	<b>4,903</b>	<b>11,031</b>

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
PPE	49,540	49,150	61,480	63,878	62,998	62,082
Other LT assets	85	80	87	81	80	79
Non-Current Assets	49,624	49,231	61,568	63,959	63,077	62,161
Current assets	17,374	17,338	20,899	26,361	28,054	29,397
<b>Total Assets</b>	<b>66,998</b>	<b>66,569</b>	<b>82,467</b>	<b>90,320</b>	<b>91,132</b>	<b>91,558</b>
Non-Current liabilities	16,408	16,289	23,493	19,798	16,863	14,752
Current liabilities	16,040	11,938	16,687	23,288	22,187	13,752
<b>Total Liabilities</b>	<b>32,448</b>	<b>28,227</b>	<b>40,180</b>	<b>43,086</b>	<b>39,050</b>	<b>28,504</b>
Equity	30,882	35,207	39,783	43,159	48,062	59,094
<b>Total Equity &amp; liabilities</b>	<b>66,998</b>	<b>66,569</b>	<b>82,466</b>	<b>90,320</b>	<b>91,131</b>	<b>91,558</b>

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
Net Income	(3,559)	3,829	4,553	4,772	4,903	11,031
Non-cash Charges	3,602	3,595	3,456	4,784	4,974	5,172
<b>Operating Cash flows</b>	<b>(1,584)</b>	<b>7,002</b>	<b>9,062</b>	<b>6,557</b>	<b>7,872</b>	<b>13,228</b>
<b>FCFF</b>	<b>(4)</b>	<b>4,822</b>	<b>(5,801)</b>	<b>1,262</b>	<b>4,919</b>	<b>9,635</b>
Net borrowings	(2,486)	(4,247)	7,701	624	(3,709)	(9,208)
<b>FCFE</b>	<b>(5,110)</b>	<b>(447)</b>	<b>973</b>	<b>6</b>	<b>71</b>	<b>(236)</b>
Net change in cash	534	(557)	315	355	12	(297)
<b>Closing cash</b>	<b>1,059</b>	<b>502</b>	<b>816</b>	<b>1,172</b>	<b>1,184</b>	<b>887</b>

Source: Company Accounts, Akseer Research

**Disclaimer**

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, the JV and/or any of their officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professionals who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and the JV accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of the JV. Action could be taken for unauthorized reproduction, distribution or publication.

**Valuation Methodology**

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.

**Ratings Criteria**

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.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

**Research Dissemination Policy**

The JV endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

**Analyst Certification**

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

**Contact Details****Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8,  
off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

**Alpha Capital (Pvt) Limited** (Formerly: Alfa Adhi Securities (Pvt) Limited)

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,  
KCH Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: [info@alfaadhi.pk](mailto:info@alfaadhi.pk)