

Maple Leaf Cement Factory Limited

Result Review

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

Pakistan Research

MLCF: 2QFY23 EPS clocked in at PKR 2.7, up 53% YoY

- MLCF announced its 2QFY23 financial result today, wherein the company posted a consolidated EPS of PKR 2.7, up 53% YoY, compared to an EPS of PKR 1.8 in 2QFY22. This takes cumulative earnings in 1HFY23 to PKR 4.0/share, up 56% YoY. The result came in higher than our expectation mainly due to higher gross margins.
- Topline of the company augmented by 41% YoY to PKR 17.2bn during 2QFY23. This is mainly due to significantly improved retention prices (+54% YoY), despite the fact that company's volumes plunged by 8% YoY.
- Finance cost of the company grew by 43% YoY to PKR 523mn during 2Q, owing to higher borrowings coupled with increase in the interest rates.
- On sequential basis, gross margins of the company improved by 4ppt QoQ to 33%. This is primarily due to improvement in the retention prices.
- We have a 'BUY' recommendation on MLCF with our Dec-23 price target (PT) of PKR 32/share, providing an upside of 42%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	32
Current Price (PKR)	22
Upside/(Downside) (%)	+42%
Dividend Yield (%)	+0%
Total Return (%)	+ 42%
12-month High (PKR)	19
12-month Low (PKR)	39
Outstanding Shares (mn)	1,073
Market Cap (PKR mn)	24,000
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	2QFY22	2QFY23	YoY	1HFY22	1HFY23	YoY
Net Sales	12,226	17,224	41%	22,121	30,051	36%
Cost of Sales	8,337	11,588	39%	16,025	20,720	29%
Gross Profit	3,889	5,636	45%	6,096	9,331	53%
Selling & Admin. Exp	611	782	28%	1,228	1,575	28%
Other Income	31	52	69%	42	60	42%
Other Charges	323	292	-10%	502	674	34%
Finance cost	365	523	43%	676	1,084	60%
Profit before tax	2,620	4,092	56%	3,732	6,058	62%
Taxation	701	1,162	66%	974	1,750	80%
Net Income	1,919	2,930	53%	2,757	4,308	56%
EPS*	1.8	2.7	53%	2.6	4.0	56%

*As per new number of shares

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
EPS	(3.24)	3.49	4.24	5.69	3.04	4.53
EPS Growth	-220%	-208%	22%	34%	-46%	49%
DPS	0.00	0.00	0.00	0.00	0.00	2.00
PER	(6.90)	6.41	5.27	3.93	7.35	4.93
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%
EV/EBITDA	4.93	15.05	3.88	3.23	2.66	3.53
P/B	0.66	0.70	0.60	0.54	0.50	0.46
ROE	-11.5%	10.9%	11.4%	13.7%	6.8%	9.2%

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 17%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 23%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our Dec-23 PT of 32/share. Our price target provides an upside of 42%. Our investment case on MLCF is based on (1) Recently commissioned plant and, (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	62,832	58,096	58,998
Cost of sales	28,532	27,040	35,280	45,822	46,598	45,028
Gross Profit	585	8,601	13,239	17,010	11,498	13,970
SG & A	1,608	2,095	2,461	2,990	3,386	3,746
Operating Profit	(1,023)	6,506	10,778	14,019	8,112	10,224
Other income	146	223	60	130	106	117
Other charges	161	431	1,041	1,541	1,209	1,479
Finance cost	2,897	1,327	1,658	3,499	2,135	1,603
Profit before tax	(3,934)	4,970	8,139	9,110	4,875	7,260
Taxation	(375)	1,142	3,586	3,006	1,609	2,396
Profit after tax	(3,559)	3,829	4,553	6,103	3,266	4,864

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
PPE	49,540	49,150	61,480	64,567	63,913	63,235
Other LT assets	85	80	87	81	80	79
Non-Current Assets	49,624	49,231	61,568	64,648	63,992	63,314
Current assets	17,374	17,338	20,899	27,902	27,736	27,852
Total Assets	66,998	66,569	82,467	92,550	91,729	91,166
Non-Current liabilities	16,408	16,289	23,493	19,998	17,222	15,259
Current liabilities	16,040	11,938	16,687	23,943	22,673	19,252
Total Liabilities	32,448	28,227	40,180	43,941	39,895	34,511
Equity	30,882	35,207	39,783	44,490	47,756	52,620
Total Equity & liabilities	66,998	66,569	82,467	92,550	91,729	91,166

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
Net Income	(3,559)	3,829	4,553	6,103	3,266	4,864
Non-cash Charges	3,602	3,595	3,456	4,095	4,237	4,384
Operating Cash flows	(1,584)	7,002	9,062	4,798	8,121	9,826
FCFF	(4)	4,822	(5,801)	(32)	5,971	7,193
Net borrowings	(2,486)	(4,247)	7,701	1,774	(4,715)	(5,300)
FCFE	(5,110)	(447)	973	(602)	(175)	820
Net change in cash	534	(557)	315	(209)	(219)	774
Closing cash	1,059	502	816	608	388	1,162

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.

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

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