

Maple Leaf Cement Factory Limited

Result Preview

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

Pakistan Research

MLCF: 3QFY23 EPS expected to clock in at PKR 2.34, up 61% YoY

- MLCF is scheduled to announce its 3QFY23 financial result on 17th April, 2023, where we expect the company to report an EPS of PKR 2.34 for 3QFY23 compared to an EPS of PKR 1.46 in 3QFY22, up 61% YoY. This will take 9MFY23 EPS to PKR 6.35, up 58% YoY. On a QoQ basis, EPS is expected to decline by 14% due to a 7% QoQ decline in volumes.
- MLCF's revenue is anticipated to increase by 37% YoY to PKR 16.4bn during 3QFY23 on account of improved retention prices, up 39% YoY. This is despite a volumetric decline in dispatches by 1% YoY due to weak industry volumes, which fell 11% YoY during 3QFY23. MLCF managed to increase its market share to 12.9% after commencement of its 2.1mn ton expansion in Nov-22.
- MLCF's gross margin are expected to improve by 5ppt and clock in at 32% during 3QFY23. Higher margins are due to greater use of local coal vs more expensive imported coal, as well as steep increase in retention prices.
- Finance cost of the company is anticipated to grow by 60% YoY to PKR 760mn during 3Q due to upward revision in the policy rate coupled with higher long-term borrowing.
- We have a 'BUY' recommendation on MLCF with our Dec-23 price target (PT) of PKR 35/share, providing an upside of 33%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	35
Current Price (PKR)	27
Upside/(Downside) (%)	+33%
Dividend Yield (%)	0%
Total Return (%)	+ 33%
12-month High (PKR)	39
12-month Low (PKR)	19
Outstanding Shares (mn)	1,073
Market Cap (PKR mn)	28,444
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	3QFY22	3QFY23F	YoY	9MFY22	9MFY23F	YoY
Net Sales	11,990	16,444	37%	34,112	46,495	36%
Cost of Sales	8,704	11,153	28%	24,729	31,874	29%
Gross Profit	3,286	5,290	61%	9,382	14,621	56%
Selling & Admin. Exp	616	745	21%	1,844	2,320	26%
Other Income	-16	20	-	26	80	203%
Other Charges	123	337	174%	625	1,012	62%
Finance cost	474	760	60%	1,150	1,844	60%
Profit before tax	2,058	3,468	69%	5,790	9,525	65%
Taxation	494	956	93%	1,469	2,706	84%
Net Income	1,563	2,511	61%	4,321	6,819	58%
EPS	1.46	2.34	-	4.03	6.35	-

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
EPS	(3.24)	3.49	4.24	8.15	3.30	5.40
EPS Growth	-220.4%	-	21.5%	92.1%	-59.5%	63.8%
DPS	-	-	-	-	-	2.00
PER	(8.46)	7.85	6.46	3.36	8.31	5.07
Dividend Yield	-	-	-	-	-	7.3%
EV/EBITDA	5.36	16.84	4.43	3.61	2.49	3.56
P/B	0.81	0.86	0.74	0.62	0.58	0.52
ROE	-	10.9%	11.4%	18.6%	7.0%	10.3%

Source: Company Accounts, Akseer Research

Altamash Hemani
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 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 35/share. Our price target provides an upside of 33%. Our investment case on MLCF is based on (1) recent 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	61,350	53,812	54,504
Cost of sales	28,532	27,040	35,280	42,091	42,310	40,050
Gross Profit	585	8,601	13,239	19,258	11,502	14,454
SG & A	1,608	2,095	2,461	3,001	3,396	3,758
Operating Profit	(1,023)	6,506	10,778	16,257	8,106	10,697
Other income	146	223	60	130	105	115
Other charges	161	431	1,041	1,349	1,149	1,625
Finance cost	2,897	1,327	1,658	2,856	2,129	1,110
Profit before tax	(3,934)	4,970	8,139	12,182	4,933	8,078
Taxation	(375)	1,142	3,586	3,434	1,390	2,277
Profit after tax	(3,559)	3,829	4,553	8,749	3,542	5,801

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
PPE	49,540	49,150	61,480	68,734	66,684	64,580
Other LT assets	85	80	87	81	80	79
Non-Current Assets	49,624	49,231	61,568	68,815	66,764	64,660
Current assets	17,374	17,338	20,899	24,850	24,306	28,025
Total Assets	66,998	66,569	82,467	93,665	91,070	92,684
Non-Current liabilities	16,408	16,289	23,493	23,143	19,992	16,664
Current liabilities	16,040	11,938	16,687	19,000	16,146	15,421
Total Liabilities	32,448	28,227	40,180	42,144	36,138	32,085
Equity	30,882	35,207	39,783	47,136	50,678	56,479
Total Equity & liabilities	66,998	66,569	82,467	93,665	91,070	92,684

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23F	FY24F	FY25F
Net Income	(3,559)	3,829	4,553	8,749	3,542	5,801
Non-cash Charges	3,602	3,595	3,456	4,715	4,836	4,961
Operating Cash flows	(1,584)	7,002	9,062	10,552	9,083	11,706
FCFF	(4)	4,822	(5,801)	642	7,828	9,646
Net borrowings	(2,486)	(4,247)	7,701	1,149	(6,452)	(3,619)
FCFE	(5,110)	(447)	973	(260)	(153)	5,230
Net change in cash	534	(557)	315	398	(287)	5,093
Closing cash	1,059	502	816	1,216	929	6,022

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

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@alphacapital.com.pk