

Maple Leaf Cement Factory Limited

Result Preview

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

Pakistan Research

MLCF: 4QFY22 EPS expected at PKR 0.72, down 22% YoY

- MLCF is scheduled to announce its 4QFY22 financial result on 2nd September, 2022, where we expect the company to report an EPS of PKR 0.72 for 4QFY22 compared to an EPS of PKR 0.91 in 4QFY21, down 22% YoY. This will take FY22 EPS to PKR 4.64 vs PKR 3.49 in FY21, up 33% YoY.
- Net sales are anticipated to augment by 60% YoY to PKR 15.3bn during 4QFY22 on account of improved retention prices (up 70% YoY). This is despite a decline in local dispatches by 1% YoY due to a cut in government development expenditures during 4QFY22.
- MLCF's gross margin is expected to clock in at 27% in 4QFY22 vs 25% in 4QFY21. Higher margins are likely due to improved retention prices along with effective coal management.
- Finance cost of the company is anticipated to grow by 143% YoY to PKR 681mn during 4Q due to increase in the interest rates accompanied with increase in long term borrowing.
- Despite 80% YoY increase in PBT, company's bottom-line is expected to decline by 22%YoY in 4Q. This is due to the introduction of new taxes in the FY23 budget. Effective tax rate of the company is expected to reach at 68% in 4QFY22 vs 25% in 4QFY21.
- We have a 'BUY' recommendation on MLCF with our Dec-22 price target (PT) of PKR 40/share, providing an upside of 39%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	40
Current Price (PKR)	28
Upside/(Downside) (%)	+39%
Dividend Yield (%)	+0%
Total Return (%)	+ 39%
12-month High (PKR)	44
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)

	4QFY21	4QFY22F	YoY	FY21	FY22F	YoY
Net Sales	9,562	15,263	60%	35,640	49,374	39%
Cost of Sales	7,164	11,126	55%	27,040	35,855	33%
Gross Profit	2,398	4,137	73%	8,601	13,519	57%
Selling & Admin. Exp	681	702	3%	2,095	2,546	22%
Other Income	51	28	-45%	223	54	-76%
Other Charges	150	345	130%	431	970	125%
Finance cost	280	687	145%	1,327	1,837	38%
Profit before tax	1,337	2,430	82%	4,970	8,220	65%
Taxation	337	1,652	390%	1,142	3,121	173%
Net Income	1,000	778	-22%	3,829	5,098	33%
EPS	0.91	0.72	-20%	3.49	4.64	33%

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY19A	FY20A	FY21A	FY22F	FY23F	FY24F
EPS	2.69	(3.24)	3.49	4.64	3.27	3.77
EPS Growth	-66%	-220%	-	33%	-30%	15%
DPS	0.50	-	-	-	-	-
PER	10.66	-	8.22	6.18	8.77	7.60
Dividend Yield	1.7%	-	-	-	-	-
EV/EBITDA	3.96	5.46	17.29	4.57	4.15	4.30
P/B	0.60	0.85	0.89	0.80	0.72	0.66
ROE	9%	-	11%	13%	8%	9%

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 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 Dec-22 PT of 40/share. Our price target provides an upside of 39%. 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						
	FY19A	FY20A	FY21A	FY22F	FY23F	FY24F
Net sales	26,006	29,118	35,640	49,374	58,726	61,214
Cost of sales	19,944	28,532	27,040	35,855	45,811	47,910
Gross Profit	6,062	585	8,601	13,519	12,914	13,304
SG & A	1,674	1,608	2,095	2,546	3,949	4,596
Operating Profit	4,387	(1,023)	6,506	10,973	8,965	8,708
Other income	52	146	223	54	287	271
Other charges	549	161	431	970	254	287
Finance cost	1,231	2,897	1,327	1,837	3,758	2,645
Profit before tax	2,659	(3,934)	4,970	8,220	5,241	6,046
Taxation	199	(375)	1,142	3,121	1,729	1,995
Profit after tax	2,460	(3,559)	3,829	5,098	3,511	4,051

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22F	FY23F	FY24F
PPE	52,096	49,540	49,150	61,819	62,547	60,517
Other LT assets	90	85	80	83	81	80
Non-Current Assets	52,187	49,624	49,231	61,903	62,628	60,597
Current assets	14,727	17,374	17,338	26,212	32,193	35,580
Total Assets	66,913	66,998	66,569	88,115	94,821	96,177
Non-Current liabilities	20,279	16,408	16,289	27,647	24,569	21,223
Current liabilities	14,227	16,040	11,938	17,097	23,322	24,104
Total Liabilities	34,506	32,448	28,227	44,743	47,892	45,327
Equity	28,523	30,882	35,207	39,428	42,940	46,990
Total Equity & liabilities	66,913	66,998	66,569	88,115	94,822	96,178

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22F	FY23F	FY24F
Net Income	2,460	(3,559)	3,829	5,098	3,511	4,051
Non-cash Charges	2,658	3,602	3,595	3,456	4,737	4,868
Operating Cash flows	6,509	(1,584)	7,002	2,482	5,642	6,028
FCFF	(634)	(4)	4,822	(12,503)	2,698	4,964
Net borrowings	2,461	(2,486)	(4,247)	13,680	(572)	(3,243)
FCFE	688	(5,110)	(447)	38	(392)	(51)
Net change in cash	(160)	534	(557)	97	(348)	(184)
Closing cash	525	1,059	502	598	250	66

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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Rating	Expected Total Return
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