

Result Preview | Pakistan Research

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MLCF: EPS expected to clock in at PKR 3.16, up 21% YoY in 1QFY27

Maple Leaf Cement Factory Limited

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

- MLCF is expected to release its 1QFY27 results, wherein we expect the company to post consolidated EPS of PKR 3.16, up 21% YoY.
- This is the second consecutive quarter wherein MLCF will fully consolidate PIOC results, distorting the YoY comparisons.
- We expect consolidated revenue to clock in at PKR 30.6bn, up 86% YoY primarily reflecting the effect of PIOC's consolidation. Standalone revenue is projected to clock in at PKR 20.2bn, up 22% YoY driven by a 2% YoY increase in dispatches coupled with a likely increase of 17% YoY in net retention.
- Consolidated gross margin is expected to remain flattish YoY at 34%, as higher retentions are likely to be offset by rising fuel costs. Pet coke prices increased ~16% YoY to USD 140–150/ton in 1QFY27, prompting MLCF to reduce its share in the fuel mix to ~18% from 60% SPLY. Similarly, RB2 coal prices rose 25% YoY to USD 113/ton amid South African supply disruptions. The unavailability of Afghan coal following border closures has further shifted industry demand towards local and RB2 coal.
- Higher inland freight costs have further added to the fuel cost. MLCF's railway freight savings declined from USD 10–12/ton SPLY to almost nil in 1QFY27 as the facility is being redirected towards the Sahiwal Power Project, as stated by the management. Additionally, a 34% YoY increase in HSD prices to PKR 372/litre has raised transportation costs and coal's factory-gate price.
- Finance cost is expected to surge ~6x YoY to PKR 2.35bn, mainly driven by leveraged acquisition of PIOC, accounting for ~92% of total finance cost.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	144
Current Price (PKR)	86
Upside/(Downside) (%)	67%
Dividend Yield (%)	0%
Total Return (%)	67%
12-month High (PKR)	133
12-month Low (PKR)	71
Outstanding Shares (Mn)	1,047
Market Cap (PKR Mn)	90,457

Source: PSX, Akseer Research

Financial Estimates (PKR m)	1QFY26	1QFY27F	YoY	4QFY26	QoQ
Sales	16,483	30,617	86%	28,182	9%
Cost of Sales	10,892	20,174	85%	15,862	27%
Gross Profit	5,592	10,443	87%	12,320	-15%
General and Admin	587	801	36%	1,331	-40%
Selling and Distribution	774	1,043	35%	664	57%
Other Operating Expenses	322	555	72%	287	93%
Other Income	559	506	-9%	591	-14%
Finance Cost	397	2,359	495%	2,225	6%
Share of profit from associate	(3)	(303)	n.m.	(394)	-23%
Profit Before Tax	4,068	5,888	45%	8,009	-26%
Taxation	1,339	2,179	63%	3,240	-33%
Net Income	2,728	3,710	36%	4,769	-22%
Non-Controlling Interest	0	400	n.m.	502.6	-20%
Net income attributable to parent	2,728	3,309	21%	4,267	-22%
EPS	2.60	3.16	21%	4.07	-22%
DPS	0.00	0.00	n.m.	0	n.m.

Sources: Company Accounts, Akseer Research

- On a sequential basis, earnings are expected to decline 22% QoQ, primarily due to a PKR 1.5bn reversal of previously booked royalty recorded in 4QFY26. This inflated 4QFY26 gross margins to 44%. The resulting high base, depletion of low-cost coal inventories, and lagged cement price increases are expected to compress gross margins by 10ppt QoQ.

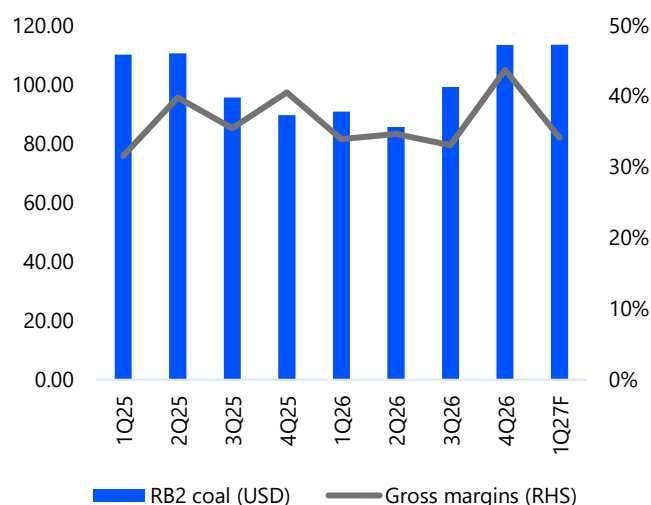
Dispatches	1QFY26	1QFY27	YoY	4QFY26	QoQ
MLCF	1,029,560	1,045,815	2%	981,180	7%
PIOC	549,927	585,952	7%	569,634	3%
Cons.	-	1,631,767	n.m.	1,550,814	5%

Source: Company Accounts, Akseer Research

Key Financial Ratios	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
EPS (PKR)	6.5	11.0	11.3	14.5	16.3	20.2	24.5	28.2
EPS Growth	21.0%	68.7%	3.3%	27.8%	12.7%	23.3%	21.5%	15.3%
DPS (PKR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS (PKR)	54.4	67.7	79.2	95.8	112.2	132.3	156.8	185.1
PER	13.2	7.8	7.6	5.9	5.3	4.3	3.5	3.0
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
P/B	1.6	1.3	1.1	0.9	0.8	0.6	0.5	0.5
ROE	13.1%	17.9%	15.4%	17.5%	15.7%	16.5%	16.9%	16.5%

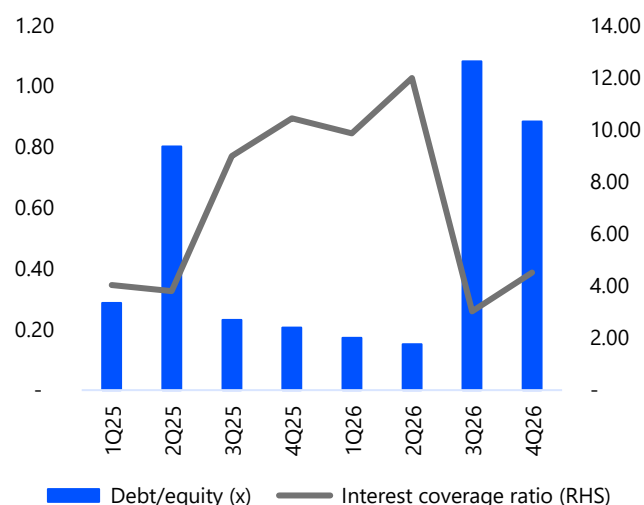
Source: Company Accounts, Akseer Research

Increase in RB2 coal prices compress gross margin



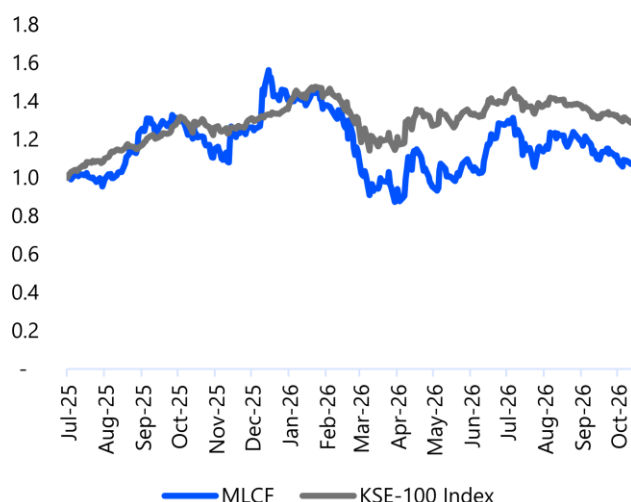
Source: Bloomberg, Company Accounts, Akseer Research

Debt/Equity Spikes Since PIOC's Leveraged Acquisition



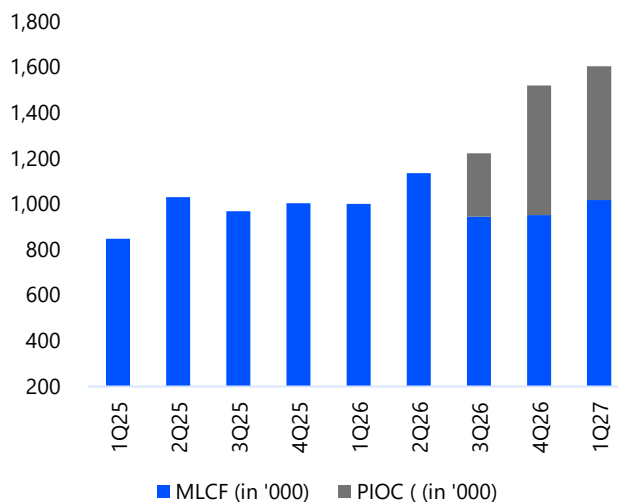
Source: Company Accounts, Akseer Research

Relative Price Performance of MLCF



Source: Bloomberg, Akseer Research

Acquisition of PIOC lifts up consolidated dispatches



Source: APCMA, Akseer Research

Valuation Basis

Our PT for Maple Leaf Cement Factory Limited (MLCF) has been computed using Sum of The Parts (SOTP) method where company's core operations have been valued by discounting Free Cash Flow to Firm (FCFF). We have used a risk-free rate of 13%, a beta of 1.33, a market risk premium of 6%, and cost of debt of 12.4% to arrive at WACC of 17%.

Investment Thesis

We have a 'Buy' recommendation on the stock based on our June-27 PT of PKR 144/share. Our investment case is based on (1) highest FY27E EPS growth of 28% and highest 3-year expected earnings CAGR of 21% in our universe, (2) valuation remains attractive on a relative basis, with the stock trading at the one of the lowest FY27E/FY28F P/E of 5.9x/5.3x and P/B of 1.1x in our universe, and (3) diversification into fertilizer, healthcare and banking should support further income generation.

Risks

Key downside risks to our investment thesis include (1) continued closure of Afghan border to disrupt local coal prices and put pressure on exports, (2) increase in global coal prices and pet-coke prices to cause margins to compress and (3) increase in interest rate to affect earnings due to higher finance cost.

Company description

Maple Leaf Cement Factory Limited (MLCF) is Pakistan's one of the largest cement manufacturer, producing ordinary Portland and various other types of cement. The plant is located in Daudkhel, Mianwali, Punjab. It has an annual cement production capacity of 8.2mn tons along with a dedicated line for white cement, having annual production capacity of 150,000 tons. With the recent acquisition of PIOC, MLCF's consolidated annual capacity has increased to 13.38mn tons, making it second largest player in the Northern region after BWCL.

Financials- MLCF

Income Statement (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
Net Sales	66,452	68,654	85,146	134,259	143,079	162,352	185,016	205,889
Cost of Sales	44,022	43,212	53,539	87,926	94,596	107,740	123,997	139,659
Gross Profit	22,430	25,442	31,607	46,333	48,483	54,613	61,019	66,230
Other Expenses	8,516	8,412	8,285	10,482	11,106	12,265	13,541	14,722
Operating Profit (EBIT)	13,914	17,030	23,322	35,851	37,378	42,347	47,478	51,508
Other Income	427	3,111	1,371	663	1,773	2,951	3,737	4,257
Finance Cost	3,535	3,012	4,594	9,263	8,434	7,435	5,208	2,699
Profit before tax (PBT)	10,806	17,891	20,099	27,251	30,718	37,864	46,007	53,067
Taxation/Levies	3,886	4,865	7,534	10,083	11,366	14,010	17,023	19,635
Profit after tax (PAT)	6,920	13,025	12,565	17,168	19,352	23,854	28,985	33,432
EPS (PKR)	6.51	10.98	11.34	14.50	16.35	20.15	24.49	28.24
DPS (PKR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company Accounts, Akseer Research

Balance Sheet (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
PPE	72,786	72,403	140,122	140,669	141,236	141,824	142,435	143,068
Other LT assets	183	9,673	53,151	53,119	53,088	53,056	53,024	52,992
Non-current assets	72,969	82,077	193,273	193,788	194,323	194,880	195,459	196,060
Current assets	27,375	36,655	49,097	58,763	72,324	84,889	96,473	112,172
Total assets	100,344	118,731	242,369	252,551	266,647	279,769	291,932	308,232
Non-current liabilities	23,672	24,353	108,805	100,821	86,009	64,140	42,459	32,558
Current liabilities	19,028	23,419	39,360	38,291	47,847	58,983	63,843	56,612
Total liabilities	42,700	47,772	148,164	139,112	133,856	123,123	106,302	89,170
Equity	57,644	70,959	94,205	113,439	132,791	156,645	185,630	219,062
Total equity & liabilities	100,344	118,732	242,369	252,551	266,647	279,769	291,932	308,232

Source: Company Accounts, Akseer Research

Cash Flow Statement (PKR Mn)	FY24A	FY25A	FY26A	FY27F	FY28F	FY29F	FY30F	FY31F
Net Operating Profit After Tax	8,910	11,968	14,580	22,586	23,548	26,679	29,911	32,450
Non-Cash Charges	4,848	4,816	5,653	7,685	7,972	8,270	8,579	8,899
Operating Cash Flows	14,229	20,331	39,864	24,799	31,009	33,294	36,480	39,265
FCFF	3,263	15,920	(33,507)	16,599	22,502	24,467	27,322	29,764
Financial Charges (1-T)	(2,264)	(2,116)	(2,872)	(5,835)	(5,313)	(4,684)	(3,281)	(1,700)
Net Borrowings	(2,994)	(302)	69,657	(8,318)	(8,064)	(14,812)	(21,868)	(21,866)
FCFE	(1,994)	13,502	33,278	2,446	9,124	4,971	2,173	6,199
Closing Cash	1,279	1,862	3,733	9,776	20,018	26,849	31,376	40,256

Source: Company Accounts, Akseer Research

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