

Maple Leaf Cement Factory Limited

Result Review

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

Pakistan Research

1QFY23 EPS clocks in at PKR 1.28, up 64% YoY

- MLCF announced its 1QFY23 financial results today wherein the company posted a consolidated EPS of PKR 1.28 compared to an EPS of PKR 0.78 in SPLY, up 64% YoY. This increase in earnings is mainly due to higher retention prices coupled with increased consumption of local coal.
- Topline of the company augmented by 30% YoY to PKR 12.8bn during 1QFY23 on account of improved retention prices, up 73% YoY. This is despite a decline in local dispatches by 25% YoY due to flash flooding.
- Selling & admin cost increased by 29% YoY to 793mn mainly due to inflationary impact.
- Finance cost of the company grew by 81% YoY to PKR 561mn during 1Q due to higher interest rates accompanied with increase in borrowings.
- The company recorded an effective tax rate of 30% during 1QFY23 vs 25% during 1QFY22 due to higher taxes announced in the FY23 budget.
- On sequential basis, MLCF's earnings grew by 4.9x YoY mainly on account lower tax expense as the company booked hefty super tax expense in previous quarter.
- We have a 'BUY' recommendation on MLCF with our June-23 price target (PT) of PKR 40/share, providing an upside of 46%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	40
Current Price (PKR)	28
Upside/(Downside) (%)	+46%
Dividend Yield (%)	+0%
Total Return (%)	+ 46%
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 Highlights (PKR mn)

	1QFY22	1QFY23	YoY
Net Sales	9,896	12,827	30%
Cost of Sales	7,688	9,133	19%
Gross Profit	2,207	3,695	67%
Selling & Admin. Exp	617	793	29%
Other Income	11	8	-30%
Other Charges	179	382	113%
Finance cost	311	561	81%
Profit before tax	1,112	1,966	77%
Taxation	273	588	115%
Net Income	839	1,378	64%
EPS	0.78	1.28	64%

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY20A	FY21A	FY22A	FY23E	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	-	7.93	6.67	6.22	6.06	2.69
Dividend Yield	-	-	-	-	-	14.5%
EV/EBITDA	5.38	16.94	4.46	3.68	3.26	3.16
P/B	0.82	0.86	0.76	0.69	0.62	0.50
ROE	-	10.9%	11.4%	11.1%	10.2%	18.7%

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 June-23 PT of PKR 40/share. Our price target provides an upside of 46%. 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	FY23E	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
Gross Profit	585	8,601	13,239	14,580	14,088	23,669
SG & A	1,608	2,095	2,461	3,395	3,774	4,130
Operating Profit	(1,023)	6,506	10,778	11,184	10,314	19,539
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
Profit before tax	(3,934)	4,970	8,139	7,123	7,319	16,464
Taxation	(375)	1,142	3,586	2,350	2,415	5,433
Profit after tax	(3,559)	3,829	4,553	4,772	4,903	11,031

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23E	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
Total Assets	66,998	66,569	82,467	90,320	91,132	91,558
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
Total Liabilities	32,448	28,227	40,180	43,086	39,050	28,504
Equity	30,882	35,207	39,783	43,159	48,062	59,094
Total Equity & liabilities	66,998	66,569	82,466	90,320	91,132	91,558

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY20A	FY21A	FY22A	FY23E	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
Operating Cash flows	(1,584)	7,002	9,062	6,557	7,872	13,228
FCFF	(4)	4,822	(5,801)	1,262	4,919	9,635
Net borrowings	(2,486)	(4,247)	7,701	624	(3,709)	(9,208)
FCFE	(5,110)	(447)	973	6	71	(236)
Net change in cash	534	(557)	315	355	12	(297)
Closing cash	1,059	502	816	1,172	1,184	887

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

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