

Maple Leaf Cement Factory Limited

Result Review

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

Pakistan Research

MLCF: 3QFY23 EPS clocked in at PKR 1.75, up 20% YoY

- MLCF announced its 3QFY23 financial result today, wherein the company posted a consolidated EPS of PKR 1.75, up 20% YoY, compared to an EPS of PKR 1.46 in 3QFY22. This takes cumulative 9MFY23 earnings to PKR 5.76/share, up 43% YoY. The result came in lower than anticipated possibly due to higher depreciation charged during the quarter.
- Revenue of the company increased by 42% YoY to PKR 17.0bn during 3QFY23. This is mainly due to significantly improved retention prices (44% YoY), despite the fact that company's volumes plunged by 1% YoY.
- Finance cost of the company decreased by 14% YoY to PKR 409mn during 3Q, possibly owing to lower short term borrowings.
- On QoQ basis, gross margins of the company declined by 6ppt to 27%. The primary factor behind lower gross margins is the increasing cost of bags, which is likely due to higher depreciation charges.
- We have a 'BUY' recommendation on MLCF with our Dec-23 price target (PT) of PKR 35/share, providing an upside of 27%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	35
Current Price (PKR)	27
Upside/(Downside) (%)	+27%
Dividend Yield (%)	0%
Total Return (%)	27%
12-month High (PKR)	19
12-month Low (PKR)	39
Outstanding Shares (mn)	1,073
Market Cap (PKR mn)	28,422
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	3QFY22	3QFY23	YoY	9MFY22	9MFY23	YoY
Net Sales	11,990	17,038	42%	34,112	47,090	38%
Cost of Sales	8,704	12,465	43%	24,729	33,186	34%
Gross Profit	3,286	4,573	39%	9,382	13,904	48%
Selling & Admin. Exp	616	1,163	89%	1,844	2,738	48%
Other Income	-16	32	-301%	26	91	247%
Other Charges	123	365	196%	625	1,039	66%
Finance cost	474	409	-14%	1,150	1,493	30%
Profit before tax	2,058	2,668	30%	5,790	8,725	51%
Taxation	494	792	60%	1,469	2,542	73%
Net Income	1,563	1,876	20%	4,321	6,184	43%
EPS*	1.46	1.75	-	4.03	5.76	-

*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	8.15	3.30	5.40
EPS Growth	-220.4%	-	21.5%	92.1%	-59.5%	63.8%
DPS	*-	-	-	-	-	2.00
PER	-	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

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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 35/share. Our price target provides an upside of 27%. 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	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

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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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