

Maple Leaf Cement Factory Limited

Result Review

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

Pakistan Research

MLCF: 4QFY22 EPS clocked in at PKR 0.22, down 77% YoY

- MLCF announced its 4QFY22 results today wherein the company posted a consolidated EPS of PKR 0.22 compared to an EPS of PKR 0.91 in 4QFY21, down 76% YoY. This takes FY22 EPS to PKR 4.15 vs PKR 3.49 in FY21, up 19% YoY. The result was lower than our expectation mainly due to higher than expected higher effective tax rate.
- Topline of the company augmented by 51% YoY to PKR 14.4bn during 4QFY22 on account of improved retention prices (up 61% 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 clocked in at 27% in 4QFY22 vs 25% in 4QFY21. Company recorded higher margins on account of increase in retention prices and effective management of coal.
- Finance cost of the company grew by 81% YoY to PKR 508mn during 4Q due to increase in the interest rates accompanied with increase in long term borrowing.
- Despite 76% YoY increase in PBT, company's bottom-line declined by 77% YoY in 4Q. This is due to the introduction of new taxes in the FY23 budget. Effective tax rate of the company reached at 90% 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 38%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	40
Current Price (PKR)	28
Upside/(Downside) (%)	+38%
Dividend Yield (%)	+0%
Total Return (%)	+38%
12-month High (PKR)	43
12-month Low (PKR)	23
Outstanding Shares (mn)	1,073
Market Cap (PKR mn)	31,084
Year End	June

Source: Company Accounts, Akseer Research

Financial Highlights (PKR mn)

	4QFY21	4QFY22	YoY	FY21	FY22	YoY
Net Sales	9,562	14,408	51%	35,640	48,520	36%
Cost of Sales	7,164	10,551	47%	27,040	35,280	30%
Gross Profit	2,398	3,857	61%	8,601	13,239	54%
Selling & Admin. Exp	681	617	-9%	2,095	2,461	17%
Other Income	51	34	-33%	223	60	-73%
Other Charges	150	415	177%	431	1,041	141%
Finance cost	280	508	81%	1,327	1,658	25%
Profit before tax	1,337	2,350	76%	4,970	8,139	64%
Taxation	337	2,117	528%	1,142	3,586	214%
Net Income	1,000	232	-77%	3,829	4,553	19%
EPS*	0.91	0.22	-76%	3.49	4.24	22%

*As per new number of shares

Source: Company Accounts, Akseer Research

Key Financial Ratios

	FY19A	FY20A	FY21A	FY22A	FY23F	FY24F
EPS	2.69	(3.24)	3.49	4.24	3.45	3.52
EPS Growth	-66%	-220%	-208%	22%	-19%	2%
DPS	0.50	0.00	0.00	0.00	0.00	0.00
PER	10.76	(8.94)	8.30	6.83	8.40	8.23
Dividend Yield	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	3.98	5.49	17.39	4.60	4.22	4.15
P/B	0.60	0.86	0.90	0.80	0.73	0.67
ROE	8.6%	-11.5%	10.9%	11.7%	8.7%	8.1%

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 38%. 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	FY22A	FY23F	FY24F
Net sales	26,006	29,118	35,640	48,520	61,653	62,831
Cost of sales	19,944	28,532	27,040	35,280	48,171	49,687
Gross Profit	6,062	585	8,601	13,239	13,482	13,144
SG & A	1,674	1,608	2,095	2,461	3,949	4,596
Operating Profit	4,387	(1,023)	6,506	10,778	9,532	8,548
Other income	52	146	223	60	287	271
Other charges	549	161	431	1,041	262	275
Finance cost	1,231	2,897	1,327	1,658	4,035	2,905
Profit before tax	2,659	(3,934)	4,970	8,139	5,523	5,638
Taxation	199	(375)	1,142	3,586	1,823	1,861
Profit after tax	2,460	(3,559)	3,829	4,553	3,700	3,778

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	26,830	34,784	38,206
Total Assets	66,913	66,998	66,569	88,733	97,413	98,804
Non-Current liabilities	20,279	16,408	16,289	27,646	24,569	21,222
Current liabilities	14,227	16,040	11,938	18,260	26,270	27,359
Total Liabilities	34,506	32,448	28,227	45,906	50,839	48,582
Equity	28,523	30,882	35,207	38,883	42,584	46,361
Total Equity & liabilities	66,913	66,998	66,569	88,733	97,413	98,804

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY19A	FY20A	FY21A	FY22F	FY23F	FY24F
Net Income	2,460	(3,559)	3,829	4,553	3,700	3,778
Non-cash Charges	2,658	3,602	3,595	3,456	4,737	4,868
Operating Cash flows	6,509	(1,584)	7,002	1,853	6,211	5,690
FCFF	(634)	(4)	4,822	(13,345)	3,452	4,800
Net borrowings	2,461	(2,486)	(4,247)	15,005	384	(2,773)
FCFE	688	(5,110)	(447)	733	1,133	81
Net change in cash	(160)	534	(557)	792	1,177	(52)
Closing cash	525	1,059	502	1,293	2,470	2,418

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.

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

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