

Maple Leaf Cement Factory Limited

Result Preview

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

Pakistan Research

MLCF - FY21 EPS expected at PKR 3.45

- MLCF is scheduled to announce its 4QFY21 results on 12th August 2021. The company is estimated to post profit after tax of PKR 945mn (EPS PKR 0.86), as compared to loss of PKR 832mn (LPS PKR 0.76) in the same period last year on back of robust growth in sales and low base in FY20. This will take FY21 consolidated earnings to PKR 3.45/share.
- The company is also expected to announce PKR 1.00 dividend along with FY21 results.
- MLCF's topline is expected to accelerate by 36% YoY to PKR 8.2bn in 4QFY21 driven by 34% YoY jump in the cement prices, along with growth in cement dispatches, up 1.7% YoY to 1.02mn tons during 4Q.
- Gross margins for the 4QFY21 are likely to clock in at 24.5% compared to negative GMs of 2.1% in 4QFY20. The higher variance in margins is primarily due to low base in 4QFY20 and strong demand in 4QFY21 which also allowed the company to pass on the rising cost pressure and record positive margins.
- For full year FY21, sales are expected to increase by 18% YoY to PKR 34.3bn on the back of positive sales growth and better retention prices.
- 121% YoY surge in the other income and moderation in the finance cost during the 4Q, down 50%, YoY, will take profit before tax into positive territory at PKR 1.1bn compared to a loss of PKR 1.0bn in 4QFY20.
- We have a 'BUY' recommendation on MLCF with a Dec-21 price target (PT) of PKR 77/share, providing a potential upside of 74.7% along with a dividend yield of 2.3%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	77
Current Price (PKR)	43.84
Upside/(Downside) (%)	+ 74.7%
Dividend Yield (%)	+ 2.3%
Total Return (%)	+ 77.0%
12-month High (PKR)	50.90
12-month Low (PKR)	33.05
Outstanding Shares (mn)	1098
Market Cap (PKR mn)	47.8
Year End	June

Source: Company Accounts, Akseer Research

Financial Estimates (PKR mn)

	4QFY20A	4QFY21E	YoY	FY20A	FY21E	YoY
Net Sales	6,021	8,213	36%	29,118	34,311	18%
Cost of Sales	6,145	6,203	1%	28,532	26,078	-9%
Gross Profit	(124)	2,010	1724%	585	8,232	1306%
Selling & Admin. Exp	408	579	42%	1,608	1,915	19%
Other Income	27	60	121%	146	233	59%
Other Charges	38	85	126%	161	366	128%
Finance cost	538	271	-50%	2,897	1,318	-55%
Profit before tax	(1,080)	1,136	na	(3,934)	4,866	na
Taxation	(248)	268	na	(375)	1,073	na
Net Income	(832)	945	na	(3,559)	3,793	na
EPS	(0.76)	0.86	na	(3.24)	3.45	na
DPS				-	1.00	

Source: Company Accounts, Akseer Research

Key Financial Ratios – Consolidated

	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
EPS	7.92	2.69	(3.24)	3.45	3.73	6.32
EPS Growth	-10%	-66%	-220%	-207%	8%	69%
DPS	2.50	0.50	-	1.00	1.00	3.00
PER	5.5	16.2	(13.5)	12.6	11.7	6.9
Dividend Yield	5.7%	1.1%	0.0%	2.3%	2.3%	6.9%
EV/EBITDA	3.2	4.9	6.7	22.6	6.6	6.8
P/B	0.9	0.9	1.3	1.4	1.3	1.1
ROE	17.2%	8.6%	-11.5%	11.1%	11.0%	16.1%

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 equity (FCFE) method. We have used a risk free rate of 11%, beta of 1.0 and market risk premium of 6% to arrive at cost of equity of 17%.

Investment Thesis

We have a 'BUY' recommendation on the stock based on our PT of PKR 77/share. Our price target provides a potential upside of 74.7% along with a dividend yield of 2.3%. Our revised investment case on MLCF is based on (1) normalcy in economic activity (2) boom in the construction sector.

Risks

Key risks to our investment thesis include 1) higher than anticipated increase in input cost (Coal, FO, Gas), 2) lower than anticipated growth in cement demand 3) higher than estimated decline in cement prices 4) prolonged pandemic situation and 5) increase 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						
	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
Net sales	25,684	26,006	29,118	34,311	42,255	49,221
Cost of sales	17,159	19,944	28,532	26,078	32,788	35,438
Gross Profit	8,525	6,062	585	8,232	9,467	13,783
SG & A	1,969	1,674	1,608	1,915	1,857	2,002
Operating Profit	6,557	4,387	(1,023)	6,317	7,610	11,781
Other income	63	52	146	233	140	148
Other charges	436	549	161	366	280	407
Finance cost	847	1,231	2,897	1,318	1,755	1,837
Profit before tax	5,336	2,659	(3,934)	4,866	5,715	9,684
Taxation	763	199	(375)	1,073	1,619	2,744
Profit after tax	4,573	2,460	(3,559)	3,793	4,096	6,941

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
PPE	46,469	52,096	49,540	47,364	61,641	59,989
Other LT assets	83	90	85	83	81	80
Non-Current Assets	46,551	52,187	49,624	47,447	61,722	60,068
Current assets	13,687	14,727	17,374	16,791	19,886	20,267
Total Assets	60,238	66,913	66,998	64,238	81,608	80,335
Non-Current liabilities	16,863	20,279	16,408	12,524	22,189	18,204
Current liabilities	12,566	14,227	16,040	16,946	21,511	18,396
Total Liabilities	29,429	34,506	32,448	29,470	43,699	36,600
Equity	26,545	28,523	30,882	34,295	37,292	43,135
Total Equity & liabilities	60,238	66,913	66,998	64,238	81,608	80,335

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) - Consolidated						
	FY18A	FY19A	FY20A	FY21F	FY22F	FY23F
Net Income	4,573	2,460	(3,559)	3,793	4,096	6,941
Non-cash Charges	2,367	2,658	3,602	3,578	3,636	4,527
Operating Cash flows	5,335	6,509	(1,584)	5,873	7,938	12,065
FCFF	(14,470)	(634)	(4)	5,500	(8,715)	10,508
Net borrowings	12,815	2,461	(2,486)	(1,229)	10,906	(7,729)
FCFE	(2,381)	688	(5,110)	3,244	934	1,463
Net change in cash	235	(160)	534	(275)	(24)	345
Closing cash	685	525	1,059	784	760	1,105

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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