

Maple Leaf Cement Factory Limited
Result Review

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

Pakistan Research

MLCF - FY21 consolidated EPS stood at PKR 3.49

- MLCF announced its financial result today where the company posted net earnings of PKR 3.49/ share, versus the LPS of PKR 3.24/ share in FY20, mainly on the back of improved margins and other income.
- The company did not announce any dividend along with the results (we expected PKR 1.0/ share dividend) as the management approved PKR 500mn loan facility for its holding company's working capital requirements.
- The gross margins improved 12x times and was supported through 22% YoY growth in the topline accompanied with a reduction in cost of sales, down 5% YoY.
- In 4Q alone, net sales grew by 58% YoY and settled at PKR 9.5bn. Comprehensively, MLCF recorded 22% YoY growth in its topline which settled at PKR 35.6bn on the back of improved economic activity and resumption in the construction activity post lockdowns.
- Selling and Admin expenses grew 30% YoY to PKR 2.1bn in FY21 on the back of improved dispatches and exports.
- 53% YoY surge in other income followed with moderation in finance cost, down 54% YoY, supported the bottomline of the company as the company recorded a profit after tax of PKR 3.8bn in FY21 compared to a loss of 3.5bn in FY20.
- Other charges of the company swelled by 168% YoY and clocked in at PKR 431mn. Moreover, taxes witnessed a significant jump mainly because of tax carried forward in FY20.
- We have a 'BUY' recommendation on MLCF with a Dec-21 price target (PT) of PKR 77/share, providing a potential upside of 71.6%.

Key Data

PSX Ticker	MLCF
Target Price (PKR)	77
Current Price (PKR)	44.71
Upside/(Downside) (%)	+ 71.6%
Dividend Yield	0%
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	4QFY21	YoY	FY20A	FY21	YoY
Net Sales	6,021	9,542	58%	29,118	35,640	22%
Cost of Sales	6,145	7,164	17%	28,532	27,040	-5%
Gross Profit	(124)	2,378	20.2x	585	8,601	13.7x
Selling & Admin. Exp	408	579	42%	1,608	2,095	30%
Other Income	27	51	86%	146	223	53%
Other Charges	38	150	300%	161	431	168%
Finance cost	538	280	-48%	2,897	1,327	-54%
Profit before tax	(1,080)	1,419	NA	(3,934)	4,970	NA
Taxation	(248)	337	NA	(375)	1,142	NA
Net Income	(832)	980	NA	(3,559)	3,829	NA
EPS	(0.76)	0.89	NA	(3.24)	3.49	NA

Source: Company Accounts, Akseer Research

Key Financial Ratios – Consolidated

	FY18A	FY19A	FY20A	FY21A	FY22F	FY23F
EPS	7.92	2.69	(3.24)	3.49	3.72	6.32
EPS Growth	-10%	-66%	-220%	-208%	7%	70%
DPS	2.50	0.50	-	0.00	1.00	3.00
PER	5.6	16.6	(13.8)	12.8	12.0	7.1
Dividend Yield	5.6%	1.1%	0.0%	0.0%	2.2%	6.7%
EV/EBITDA	3.3	5.0	6.8	23.0	6.6	6.8
P/B	1.0	0.9	1.3	1.4	1.3	1.1
ROE	17.2%	8.6%	-11.5%	11.2%	10.6%	15.7%

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 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 71.6%. 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	FY21A	FY22F	FY23F
Net sales	25,684	26,006	29,118	35,640	42,255	49,221
Cost of sales	17,159	19,944	28,532	27,040	32,788	35,438
Gross Profit	8,525	6,062	585	8,601	9,467	13,783
SG & A	1,969	1,674	1,608	2,095	1,857	2,002
Operating Profit	6,557	4,387	(1,023)	6,506	7,610	11,781
Other income	63	52	146	223	140	148
Other charges	436	549	161	431	279	407
Finance cost	847	1,231	2,897	1,327	1,765	1,837
Profit before tax	5,336	2,659	(3,934)	4,970	5,705	9,684
Taxation	763	199	(375)	1,142	1,616	2,744
Profit after tax	4,573	2,460	(3,559)	3,829	4,089	6,941

Source: Company Accounts, Akseer Research

Balance sheet (PKR mn) – Consolidated						
	FY18A	FY19A	FY20A	FY21A	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	17,372	21,015	21,394
Total Assets	60,238	66,913	66,998	64,819	82,737	81,462
Non-Current liabilities	16,863	20,279	16,408	12,524	22,189	18,205
Current liabilities	12,566	14,227	16,040	17,491	21,513	18,396
Total Liabilities	29,429	34,506	32,448	30,015	43,702	36,601
Equity	26,545	28,523	30,882	34,330	38,419	44,261
Total Equity & liabilities	60,238	66,913	66,998	64,819	82,737	81,462

Source: Company Accounts, Akseer Research

Cashflow statement (PKR mn) – Consolidated						
	FY18A	FY19A	FY20A	FY21A	FY22F	FY23F
Net Income	4,573	2,460	(3,559)	3,829	4,089	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)	6,007	7,835	12,063
FCFF	(14,470)	(634)	(4)	5,630	(8,811)	10,506
Net borrowings	12,815	2,461	(2,486)	(989)	10,666	(7,729)
FCFE	(2,381)	688	(5,110)	3,618	590	1,461
Net change in cash	235	(160)	534	100	730	344
Closing cash	685	525	1,059	1,159	1,889	2,232

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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