

Tuesday, 18 October 2022

MLCF: Decrease in 1QFY23 cost is a good omen for other cement results...

Maple Leaf Cement Factory (MLCF) announced its 1QFY23 result with EPS of PKR 1.28/sh against EPS of PKR 0.76/sh reported in same period last year. MLCF in keeping 'consistency' does not announced any dividend where the last dividend announced was in FY19 for PKR 0.5/sh.

The sales has declined by 11% on Y/Y basis given slowdown in business activity although there is positive movement of 30% on Q/Q basis.

However, the real story is cost of sales which is reduced by 15% on Q/Q basis with the appetite of Afghan Coal (the grade A coal is of better quality wherein mix is cheaper).

Also, Richard bay coal is now quoted below \$250/ton whereas the Afghan coal plays vital role in reducing the production cost pricing even cheap than international coal due to freight cost and low prices as compared to quoted in regulated markets.

The distribution and admins cost has increased significantly by 32% and 25% on Q/Q basis respectively whereas the finance cost still remained on lower side -increased by 5% only in Q/Q comparison.

The MLCF is currently undergoing a capacity expansion project to increase its grey cement production by 7,000 tpd by constructing a new brownfield plant. The MLCF after completion of expansion will have the annual production capacity of 7.7 mn tons.

Earnings Snapshot

P&L (PKR in 000)	4QFY22	1QFY23	Q/Q(%)	1QFY22	Y/Y (%)
Sales - net	14,407,987	12,827,344	-11%	9,895,557	30%
Cost of sales	(10,771,192)	(9,132,694)	-15%	(7,688,111)	19%
Gross profit	3,636,795	3,694,650	2%	2,207,446	67%
Distribution cost	(316,009)	(417,341)	32%	(399,531)	4%
Admin expenses	(299,655)	(375,692)	25%	(217,481)	72.7%
Other charges	(378,456)	(382,351)	1%	(179,116)	113%
Other income	33,428	7,868	-76%	11,281	-30%
Operating Profit	2,676,103	2,527,134	-6%	1,422,599	78%
Finance cost	(536,348)	(561,347)	5%	(310,773)	81%
PBT	2,139,755	1,965,787	-8%	1,111,826	77%
Tax	(2,105,207)	(587,576)	-72%	(272,939)	115%
PAT	34,548	1,378,211	3889%	838,887	64%
EPS	0.03	1.28		0.76	

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MLCF: EV/ton satiating, EV/sh: PKR 44.65/sh | Underperformance vs KSE100

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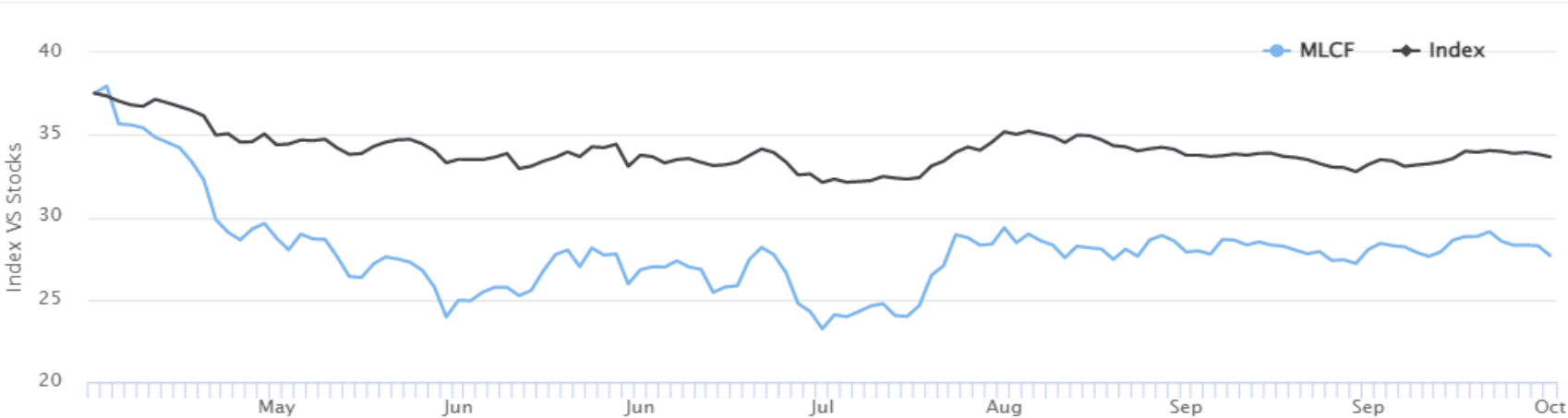
Companies	Enterprise Value (PKR in mn)	Annual Capacity Per Ton	EV/Ton (PKR)	EV/Ton (\$)
Fauji Cement	37,170	6,237,000	5,960	27
Kohat Cement	35,680	5,017,500	7,111	32
Cherat Cement	33,990	4,536,000	7,493	34
Maple Leaf	49,300	5,670,000	8,695	40

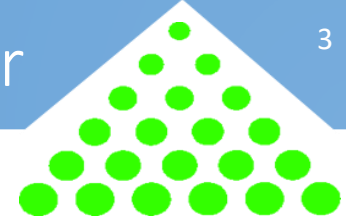
Source: SCS Research, company books

MLCF	PKR 28.10
52 Weeks Hi	PKR 41.74
52 Weeks Lo	PKR 22.71
Avg Volume (12M)	4,145,758
Paid Up Capital	10.7 bn
No. of Shares	1.07 bn
Free Float	483.01 mn
Market Cap	30.16 bn
EPS 1QFY22	PKR 1.28

Valuations

PE multiple	5.62x
Price to sales	0.85x
EV/sh	PKR 44.65
EV to EBITDA	4.57x



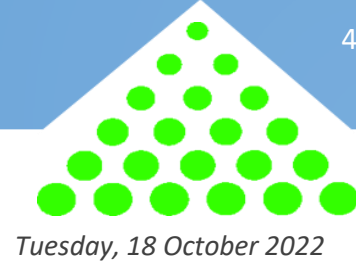


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MLCF: Trend analysis...

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Valuation method

Following research techniques adopted to calculate target price/recommendation

Price to earnings & Price to Book, EV-EBITDA multiple

Discounted Cash flows or Dividend Discount Model or Enterprise Value