

October 23, 2020



**Maple Leaf Cement Factory : 1QFY21 results is a prelude
to a better year**

Maple Leaf Cement Factory: 1QFY21 results is a prelude to a better year

MLCF reported improvement in sales and gross margins...

MLCF reported standalone 1QFY21 EPS of Re 0.28/sh which is an improvement from 4Q sequentially i.e. 4Q LPS. Also MLCF reported loss in the same period last year.

We see this 1Q EPS is a prelude to a better following quarters given better local demand & retention rates. MLCF reported cement dispatches of 1.14mn tons during July – Sept albeit slightly better retention margins. This is reflected in a better gross margins of 16%, MLCF reported ~1.25mn tons dispatches in the same period last year.

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Ticker	MLCF
Price	40.94
Avg. Volume	13.4mn
52 week hi	41.75
52 week lo	14.70
Paid up in Rs	10.98bn
Market cap Rs	44.98bn
Enterprise Value Rs	60.1bn
EV per share Rs	54.7/sh
Book Value Rs	32/sh
FY19 DPS Re	0.5/sh

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Source: Company accounts

	Period ended	
	September 30 2020	September 30 2019
	Rupees in thousand	
Sales - Net	7,520,858	7,147,042
Cost of sales	(6,292,288)	(7,356,130)
Gross profit / (loss)	1,228,570	(209,088)
Distribution cost	(162,399)	(173,973)
Administrative expenses	(195,166)	(184,218)
Other charges	(33,326)	(10,240)
	(390,891)	(368,431)
Other income	44,810	39,058
Profit / (loss) from operations	882,489	(538,461)
Finance cost	(469,470)	(809,206)
Profit / (loss) before taxation	413,019	(1,347,667)
Taxation	(103,614)	42,521
Profit / (loss) after taxation	309,405	(1,305,146)
		(Restated)
	Rupees	
Earnings / (loss) per share - Basic & Diluted	0.28	(1.87)

MLCF: FY21 to be key year where MLCF will be able to sell more versus FY20

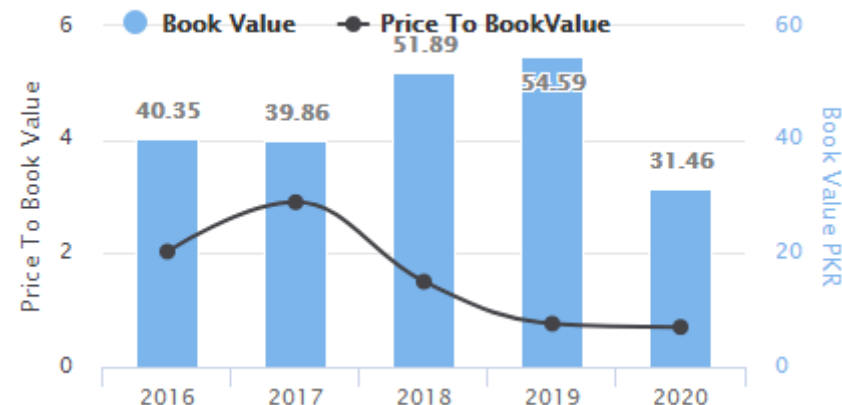
FY21 to be a key year after FY20 loss...

We see MLCF as a capacity absorption play in FY21. We see above 5.6mn tons sales during FY21 as against 4.8mn tons as per cement association in FY20. We see demand side to build up after Prime Minister's effort to increase house financing & youth loans through banks. SBP has already asked banks to increase exposure to construction industry.

Banks have been asked to designate dedicated officers in branches for such financing. Such things augur well for cement producers in general.

Also cement producers as a whole will remain take benefit of lower financial charge as being reflected in 1Q of MLCF.

As per our estimations, good cement producers are actually operating at ~85% operating capacity, which is actually good for MLCF which is now a key producer after Bestway (BWCL), Kohat Cement (KOHCL) & DG Khan Cement in the northern zone.

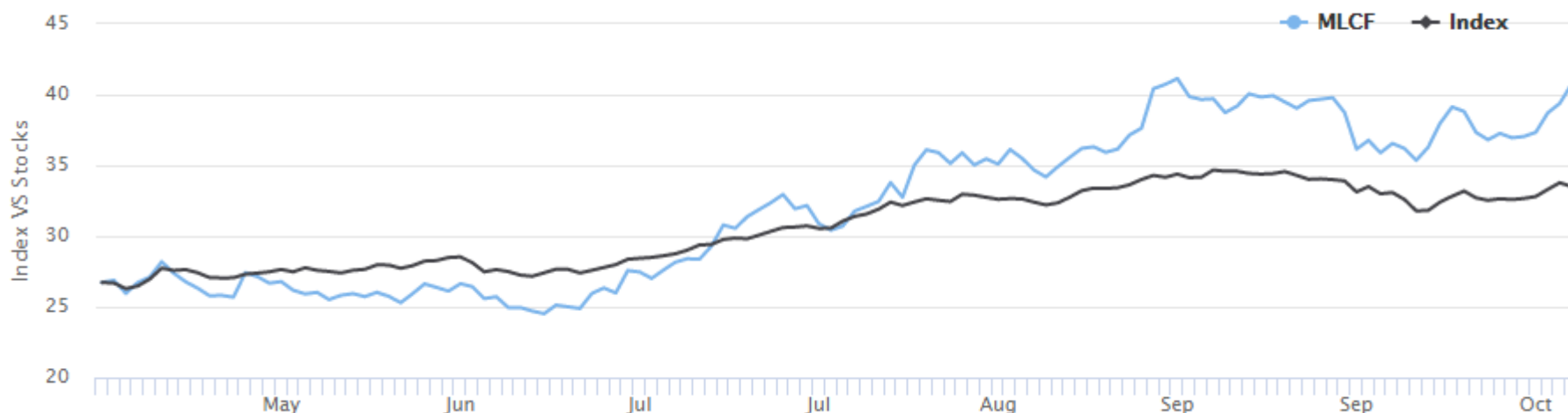


MLCF: Valuations...

Sanguine valuations as a key player...

MLCF yields FY21E *Price Earnings multiple* of 8.6x as per our EPS forecast of Rs4.75/sh. MLCF also yields P/BV of 1.3x.

We have assumed retention rates of Rs310/50kg bag on conservative side. We see cement companies have room to earn in FY21 given anticipated local demand.



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- (Target Price, if any/Current Price - 1) > 10% Positive*
- (Target Price, if any/Current Price - 1) < -10% Negative*
- less than 10% (Target Price, if any/Current Price -1) Hold*

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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