



Monday, 18 April 2022

## MLCF: 3Q EPS to spike...preview

Maple Leaf Cement Factory (MLCF) is expected to announce its 3Q result wherein we see EPS of PKR 2.24/sh in our model. The EPS could be higher if our premise of higher effective tax rate doesn't prove right. The company has already announced EPS of PKR 2.19/sh in first two quarters. The company may show improved gross profit margin from 19% to 31% from 1Q to 2Q whereas we expect it to further increase in 3Q. One of the reason of this could be usage of Afghan coal (in shape of barter trade) and continuous increase in cement bag retail prices in the northern zone reaching to the extent of PKR855-860/bag. Conversely, we see slight attrition in 4Q EPS given increase in electricity rate by the incumbent government. We see jump in fuel & power tariff.

Likewise, we expect finance cost to increase by 13% inline with increase in interest rate from 1Q.

Overall, 3Q EPS is expected to increase from last quarter wherein we are 'positive', on MLCF as per our methodology. MLCF yield FY22 PE of ~5.9x.

We wish to remind that the company has not announced any dividend since FY20.

PKR in "000"	1QFY22	2QFY22	3Q FY22E	Δ in %
Sales	9,895,557	12,225,855	14,556,153	19%
Cost of sales	(7,966,856)	(8,425,091)	(9,461,499)	12%
<b>Gross profit</b>	<b>1,928,701</b>	<b>3,800,764</b>	<b>5,094,654</b>	<b>34%</b>
Distribution cost	(399,531)	(380,103)	(436,685)	15%
Admin expenses	(215,562)	(230,417)	(245,272)	6%
Other charges	(163,876)	(303,414)	(442,952)	46%
Other income	11,165	29,031	46,897	62%
<b>Operating Profit</b>	<b>1,160,897</b>	<b>2,915,861</b>	<b>4,016,642</b>	<b>38%</b>
Finance cost	(330,223)	(380,051)	(429,879)	13%
<b>PBT</b>	<b>830,674</b>	<b>2,535,810</b>	<b>3,586,763</b>	<b>41%</b>
Taxation	(268,064)	(694,901)	(1,121,738)	61%
<b>PAT</b>	<b>562,610</b>	<b>1,840,909</b>	<b>2,465,025</b>	<b>34%</b>

EPS	0.51	1.68	2.24
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MLCF	PKR 37.7
Mkt Cap	41.22 bn
Avg vol. (12M)	4.2 mn
Paid up	11 bn
Authorized Capital	15 bn
52 Weeks Lo	PKR29.85
52 weeks Hi	PKR50.90
FY20 EPS	-3.24
FY21 EPS	3.49

Source: Scs Research

### About the company....

MLCF operates with production capacity of 5.67mn tons and normally operates at ~90% of the capacity.

It is one of the main players in the Northern Zone that produces black and also white cement.

The factory is situated in Distt. Mianwali, province of Punjab.

The company is part of famous Kohinoor Group with interest in Kohinoor Textile Mills (KTML), Pak Elektron (PAEL) being one of the other big companies.



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*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*