

MLCF

1QFY23 Result Review: BUY Stance Maintained

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MLCF has announced its 1QFY23 result where it posted a profit after tax of Rs1.21bn (EPS: Rs1.13) as compared to a profit after tax of Rs0.56bn (EPS: Rs0.51) in the SPLY, which increased by 115.1% YoY due to improved gross margins amid higher retention prices.

The company has posted a revenue of Rs12.83bn against Rs9.90bn in SPLY, recording a growth of 29.6% YoY amid an increase in cement bags' prices.

The gross margin has improved to 27.8% as compared to 19.5% in SPLY due to a decrease in coal prices. SG&A expenses have increased by 27.9% YoY. Moreover, effective taxation has clocked at 31.8% as compared to 32.3% in SPLY.

MLCF is currently trading at a FY23E P/E of 5.83x. Moreover, the scrip is also trading at a FY23E P/B of 0.46x which offers a discount of 44% relative to its historical 3-year average of 0.82x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs40 which provides an upside potential of 45%.

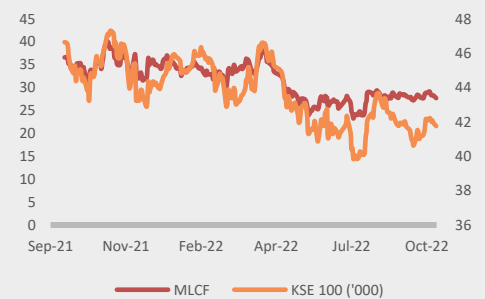
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	12,827	9,896	29.6% ▲	48,520	35,538	36.5% ▲
Cost of Sales	-9,258	-7,967	16.2% ▲	-36,244	-28,135	28.8% ▲
Gross Profit	3,569	1,929	85.0% ▲	12,275	7,403	65.8% ▲
SG&A Expenses	-787	-615	27.9% ▲	-2,455	-1,827	34.4% ▲
Other Expenses	-373	-164	127.6% ▲	-952	-524	81.7% ▲
Operating Profit	2,409	1,150	109.6% ▲	8,868	5,051	75.6% ▲
Other Income	8	11	31.5% ▼	57	3,732	98.5% ▼
Finance Cost	-643	-330	94.7% ▲	-1,741	-1,494	16.5% ▲
Profit Before Taxation	1,774	831	113.6% ▲	7,184	7,290	1.5% ▼
Taxation	-564	-268	10.4% ▲	-3,557	-1,035	243.5% ▲
Profit After Taxation	1,210	563	115.1% ▲	3,626	6,254	42.0% ▼
Earnings Per Share	1.13	0.52	115.1% ▲	3.38	5.83	42.0% ▼
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Gross Margin	27.8%	19.5%	8.3% ▲	25.3%	20.8%	4.5% ▲
SG&A Expenses to Sales	-6.1%	-6.2%	0.1% ▼	-5.1%	-5.1%	0.1% ▼
Other Income to Sales	0.1%	0.1%	0.1% ▼	0.1%	10.5%	10.4% ▼
Ex. Gain / (Loss) to Sales	-6.1%	-6.2%	0.1% ▼	-5.1%	-5.1%	0.1% ▼
Effective Taxation	-31.8%	-32.3%	0.5% ▼	-49.5%	-14.2%	35.3% ▲
Net Margin	9.4%	5.7%	3.7% ▲	7.5%	17.6%	10.1% ▼

Source: ACPL Research, Company Financials

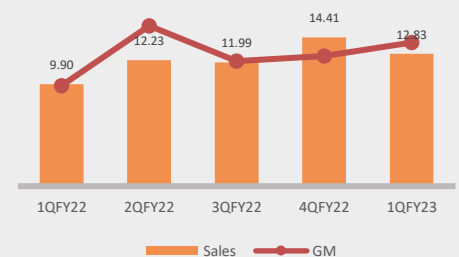
Key Statistics

Symbol	MLCF
TP - Jun 23	40.00
LDCP	27.67
Upside (%)	45
Free Float ('mn)	483
Market Cap. (Rs.'mn)	30,290

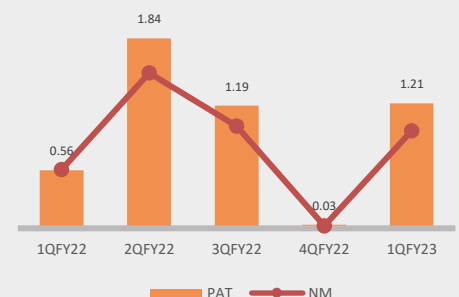
MLCF vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	29,118	35,538	48,520	71,334	71,024	74,176	78,589
Cost of sale	29,845	28,135	36,244	54,380	54,219	53,824	53,635
Gross profit	- 728	7,403	12,275	16,954	16,805	20,351	24,954
Selling and promotion expenses	817	1,014	1,484	2,318	2,308	2,411	2,554
Administration expenses	785	813	971	2,054	2,045	2,136	2,263
Other operating expenses	90	524	952	2,069	2,060	2,151	2,279
Operating Profit	- 2,419	5,051	8,868	10,513	10,392	13,653	17,857
Other operating income	132	3,732	57	43	43	45	47
Finance cost	2,982	1,494	1,741	3,034	2,389	2,065	776
Profit before taxation	- 5,269	7,290	7,184	7,521	8,045	11,632	17,129
Taxation	- 426	1,035	3,557	2,430	2,593	3,743	5,502
Profit after taxation	- 4,843	6,254	3,626	5,091	5,452	7,890	11,627
EPS	- 4.51	5.83	3.38	4.74	5.08	7.35	10.83

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	12.0%	22.1%	36.5%	47.0%	-0.4%	4.4%	6.0%
Cost of sale	41.5%	-5.7%	28.8%	50.0%	-0.3%	-0.7%	-0.4%
Gross profit	-114.8%	-1117.5%	65.8%	38.1%	-0.9%	21.1%	22.6%
Selling and promotion expenses	-12.4%	24.1%	46.4%	56.2%	-0.4%	4.4%	6.0%
Administration expenses	7.0%	3.7%	19.4%	111.5%	-0.4%	4.4%	6.0%
Other operating expenses	-80.3%	482.4%	81.7%	117.3%	-0.4%	4.4%	6.0%
Operating Profit	-186.6%	-308.8%	75.6%	18.6%	-1.2%	31.4%	30.8%
Other operating income	206.9%	2727.8%	-98.5%	-24.4%	-0.4%	4.4%	6.0%
Finance cost	154.3%	-49.9%	16.5%	74.3%	-21.3%	-13.6%	-62.4%
Profit before taxation	-416.6%	-238.3%	-1.5%	4.7%	7.0%	44.6%	47.3%
Taxation	-314.1%	-343.2%	243.5%	-31.7%	6.7%	44.3%	47.0%
Profit after taxation	-430.5%	-229.1%	-42.0%	40.4%	7.1%	44.7%	47.4%
EPS	-430.5%	229.1%	-42.0%	40.4%	7.1%	44.7%	47.4%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	-2.50	20.83	25.30	23.77	23.66	27.44	31.75
OP Margin	%	-8.31	14.21	18.28	14.74	14.63	18.41	22.72
NP Margin	%	-16.63	17.60	7.47	7.14	7.68	10.64	14.79
ROE	%	-15.46	16.66	8.94	7.84	7.75	10.08	60.29
ROCE	%	-9.09	11.62	5.52	5.75	5.96	8.25	41.79
ROA	%	-7.34	9.44	4.41	8.25	8.40	11.12	13.17
Cost per ton	'mn	5.75	5.67	7.72	11.88	11.59	11.26	10.88
EBITDA per ton	'mn	0.14	0.92	1.17	3.11	3.00	3.61	4.34

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.08	1.48	1.25	0.80	0.96	1.29	2.20
Acid-test	x	0.27	0.22	0.19	-0.46	-0.26	0.02	0.84
Cash to current liab.	x	0.07	0.04	0.05	-0.62	-0.42	-0.15	0.66

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	1,759	1,965	2,423	2,987	3,273	3,256	3,239
Inventory Turnover	x	17	14	15	18	17	17	17
Inventory Days		22	25	24	20	22	22	22
Receivables Days		39	19	16	16	16	16	16
Payables Days		97	97	92	95	95	95	95
Operating Cycle		-37	-53	-51	-59	-57	-57	-57
Utilization	%	89	86	80	56	57	58	60
Export Revenue	%	3	7	2	2	2	2	3
Local Revenue	%	97	93	98	98	98	98	97
Export Market Share	%	0.4	0.6	0.2	0.2	0.2	0.2	0.2
Local Market Share	%	12.6	9.8	9.8	8.9	8.7	8.4	8.3
Total Market Share	%	10.9	8.7	9.0	8.2	8.0	7.8	7.6

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	-4.51	5.83	3.38	4.74	5.08	7.35	10.83
DPS	Rs.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	29.18	34.98	37.79	60.50	65.58	72.93	17.97
Payout	%	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	100	100	100	100	100	100	100
No. of Shares	'000	1,073	1,073	1,073	1,073	1,073	1,073	1,073
P/E		0.00	4.75	8.19	5.83	5.45	3.76	2.55
Sales per share		27.13	33.11	45.20	66.46	66.17	69.11	73.22
P/BV		0.95	0.79	0.73	0.46	0.42	0.38	1.54
Price to Sales		1.02	0.84	0.61	0.42	0.42	0.40	0.38

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.70	0.43	0.62	0.36	0.30	0.22	0.44
L.T. Debt to Equity	x	0.48	0.34	0.46	0.28	0.21	0.15	0.15
Interest Cover	x	-0.81	3.38	5.09	3.46	4.35	6.61	23.02

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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