

MLCF

9MFY23 Result Review: BUY Stance Maintained

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MLCF has announced its 9MFY23 result where it posted a profit after tax of Rs5.06bn (EPS: Rs4.71) as compared to a profit after tax of Rs3.59bn (EPS: Rs3.35) in the SPLY, which increased by 40.8% YoY due to improved gross margins amid decrease in coal prices.

The company has posted a revenue of Rs47.09bn against Rs34.09bn in SPLY, recording a growth of 38% YoY amid an increase in cement bags' prices.

The gross margin has improved to 27.3% as compared to 25.3% in SPLY. SG&A expenses have increased by 48.1% YoY. Moreover, effective taxation has clocked at 32.8% as compared to 28.8% in SPLY.

MLCF is currently trading at a FY23E P/E of 4.08x. Moreover, the scrip is also trading at a FY23E P/B of 0.42x which offers a discount of 46% relative to its historical 3-year average of 0.78x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs33 which provides an upside potential of 25%.

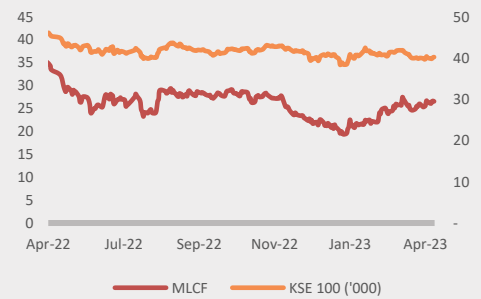
Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	17,038	11,990	42.1% ▲	47,090	34,112	38.0% ▲
Cost of Sales	-12,801	-9,081	41.0% ▲	-34,211	-25,473	34.3% ▲
Gross Profit	4,237	2,909	45.7% ▲	12,879	8,639	49.1% ▲
SG&A Expenses	-1,160	-614	89.0% ▲	-2,724	-1,840	48.1% ▲
Other Expenses	-345	-106	223.9% ▲	-975	-574	69.9% ▲
Operating Profit	2,732	2,189	24.8% ▲	9,180	6,225	47.5% ▲
Other Income	32	-17	289.6% ▼	92	23	296.9% ▲
Finance Cost	-498	-494	0.7% ▲	-1,748	-1,205	45.1% ▲
Profit Before Taxation	2,267	1,677	35.1% ▲	7,524	5,044	49.2% ▲
Taxation	-766	-489	43.4% ▼	-2,467	-1,452	69.9% ▲
Profit After Taxation	1,501	1,188	26.3% ▲	5,056	3,592	40.8% ▲
Earnings Per Share	1.40	1.11	26.3% ▲	4.71	3.35	40.8% ▲
Dividend	-	-	-	-	-	-
Bonus	-	-	-	-	-	-
Gross Margin	24.9%	24.3%	0.6% ▲	27.3%	25.3%	2.0% ▲
SG&A Expenses to Sales	-6.8%	-5.1%	1.7% ▲	-5.8%	-5.4%	0.4% ▲
Other Income to Sales	0.2%	-0.1%	0.3% ▲	0.2%	0.1%	0.1% ▲
Ex. Gain / (Loss) to Sales	-6.8%	-5.1%	1.7% ▲	-5.8%	-5.4%	0.4% ▲
Effective Taxation	-33.8%	-29.2%	4.6% ▲	-32.8%	-28.8%	4.0% ▲
Net Margin	8.8%	9.9%	1.1% ▼	10.7%	10.5%	0.2% ▲

Source: ACPL Research, Company Financials

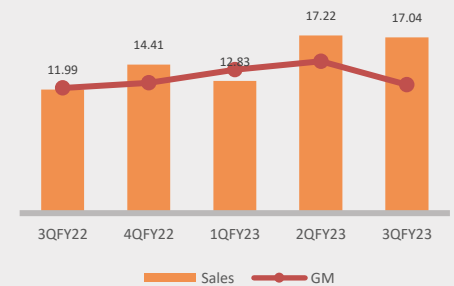
Key Statistics

Symbol	MLCF
TP - Dec 23	33.00
LDCP	26.52
Upside (%)	25
Free Float ('mn)	483
Market Cap. (Rs.'mn)	28,261

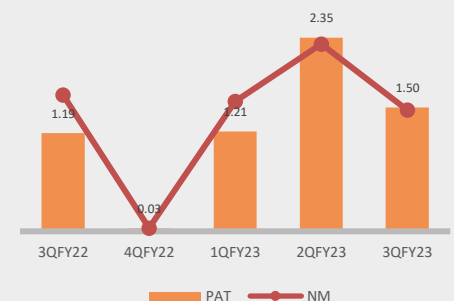
MLCF vs KSE 100



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	63,356	65,783	68,636	72,624
Cost of sale	29,845	28,135	36,244	46,028	46,993	49,118	51,828
Gross profit	- 728	7,403	12,275	17,327	18,790	19,518	20,796
Selling and promotion expenses	817	1,014	1,484	2,268	2,355	2,457	2,600
Administration expenses	785	813	971	1,400	1,454	1,517	1,605
Other operating expenses	90	524	952	1,311	1,362	1,421	1,503
Operating Profit	- 2,419	5,051	8,868	12,348	13,619	14,123	15,088
Other operating income	132	3,732	57	127	132	137	145
Finance cost	2,982	1,494	1,741	2,272	2,442	2,067	776
Profit before taxation	- 5,269	7,290	7,184	10,202	11,309	12,193	14,458
Taxation	- 426	1,035	3,557	3,284	3,630	3,905	4,622
Profit after taxation	- 4,843	6,254	3,626	6,918	7,679	8,287	9,836
EPS	- 4.51	5.83	3.38	6.45	7.15	7.72	9.16

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	12.0%	22.1%	36.5%	30.6%	3.8%	4.3%	5.8%
Cost of sale	41.5%	-5.7%	28.8%	27.0%	2.1%	4.5%	5.5%
Gross profit	-114.8%	-1117.5%	65.8%	41.2%	8.4%	3.9%	6.6%
Selling and promotion expenses	-12.4%	24.1%	46.4%	52.9%	3.8%	4.3%	5.8%
Administration expenses	7.0%	3.7%	19.4%	44.1%	3.8%	4.3%	5.8%
Other operating expenses	-80.3%	482.4%	81.7%	37.7%	3.8%	4.3%	5.8%
Operating Profit	-186.6%	-308.8%	75.6%	39.2%	10.3%	3.7%	6.8%
Other operating income	206.9%	2727.8%	-98.5%	123.9%	3.8%	4.3%	5.8%
Finance cost	154.3%	-49.9%	16.5%	30.5%	7.5%	-15.3%	-62.5%
Profit before taxation	-416.6%	-238.3%	-1.5%	42.0%	10.8%	7.8%	18.6%
Taxation	-314.1%	-343.2%	243.5%	-7.7%	10.5%	7.6%	18.3%
Profit after taxation	-430.5%	-229.1%	-42.0%	90.8%	11.0%	7.9%	18.7%
EPS	-430.5%	229.1%	-42.0%	90.8%	11.0%	7.9%	18.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	-2.50	20.83	25.30	27.35	28.56	28.44	28.64
OP Margin	%	-8.31	14.21	18.28	19.49	20.70	20.58	20.78
NP Margin	%	-16.63	17.60	7.47	10.92	11.67	12.07	13.54
ROE	%	-15.46	16.66	8.94	10.36	10.32	10.02	51.00
ROCE	%	-9.09	11.62	5.52	7.67	8.04	8.28	35.40
ROA	%	-7.34	9.44	4.41	10.41	10.73	10.71	10.78
Cost per ton	'mn	5.75	5.67	7.72	11.83	11.82	12.09	12.36
EBITDA per ton	'mn	0.14	0.92	1.17	4.10	4.32	4.33	4.42

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.08	1.48	1.25	1.16	1.41	1.70	2.40
Acid-test	x	0.27	0.22	0.19	-0.09	0.18	0.45	1.11
Cash to current liab.	x	0.07	0.04	0.05	-0.25	0.02	0.29	0.94

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Average Inventory	'mn	1,759	1,965	2,423	2,735	2,803	2,897	3,042
Inventory Turnover	x	17	14	15	17	17	17	17
Inventory Days		22	25	24	22	22	22	21
Receivables Days		39	19	16	16	16	16	16
Payables Days		97	97	92	95	95	95	95
Operating Cycle		-37	-53	-51	-57	-57	-57	-57
Utilization	%	89	86	80	47	49	50	51
Export Revenue	%	3	7	2	3	3	3	3
Local Revenue	%	97	93	98	97	97	97	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	7.6	7.4	7.1	7.0
Total Market Share	%	10.9	8.7	9.0	7.0	6.8	6.6	6.5

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	-4.51	5.83	3.38	6.45	7.15	7.72	9.16
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	62.20	69.36	77.08	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	4.52	7.79	4.08	3.68	3.41	2.87
Sales per share		27.13	33.11	45.20	59.03	61.29	63.95	67.66
P/BV		0.90	0.75	0.70	0.42	0.38	0.34	1.47
Price to Sales		0.97	0.80	0.58	0.45	0.43	0.41	0.39

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Debt to Equity	x	0.70	0.43	0.62	0.35	0.28	0.21	0.44
L.T. Debt to Equity	x	0.48	0.34	0.46	0.27	0.20	0.14	0.15
Interest Cover	x	-0.81	3.38	5.09	5.43	5.58	6.83	19.45

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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