

# MLCF

## FY22 Result Review: BUY Stance Maintained

Equity Research | Cement | Friday, 2 September, 2022



MLCF has announced its FY22 result where it posted a profit after tax of Rs3.626bn (EPS: Rs3.30) as compared to a profit after tax of Rs6.254bn (EPS: Rs5.69) in the SPLY, which dropped by 42% YoY due to a decrease in other income and increase in effective taxation compared to SPLY.

The company has posted a revenue of Rs48.520bn against Rs35.538bn in SPLY, recording a growth of 36.5% YoY amid an increase in cement bags' prices.

The gross margin has improved to 25.3% as compared to 20.8% in SPLY due to a decrease in coal prices. SG&A expenses have increased by 34.4% YoY. Moreover, effective taxation has jumped to 49.5% as compared to 14.2% in SPLY due to the imposition of super tax by the government.

MLCF is currently trading at a FY23E P/E of 5.82x. Moreover, the scrip is also trading at a FY23E P/B of 0.69x which offers a discount of 19% relative to its historical 3-year average of 0.96x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs38 which provides an upside potential of 32%.

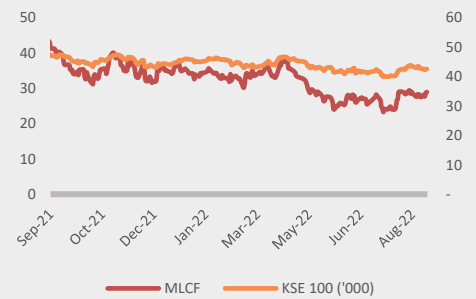
Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	14,408	9,485	51.9% ▲	48,520	35,538	36.5% ▲
Cost of Sales	-10,771	-7,465	44.3% ▲	-36,244	-28,135	28.8% ▲
<b>Gross Profit</b>	<b>3,637</b>	<b>2,020</b>	<b>80.1% ▲</b>	<b>12,275</b>	<b>7,403</b>	<b>65.8% ▲</b>
SG&A Expenses	-616	-457	34.7% ▲	-2,455	-1,827	34.4% ▲
Other Expenses	-378	-293	29.2% ▲	-952	-524	81.7% ▲
<b>Operating Profit</b>	<b>2,643</b>	<b>1,270</b>	<b>108.1% ▲</b>	<b>8,868</b>	<b>5,051</b>	<b>75.6% ▲</b>
Other Income	33	52	35.2% ▼	57	3,732	98.5% ▼
Finance Cost	-536	-306	75.1% ▲	-1,741	-1,494	16.5% ▲
Profit Before Taxation	2,140	1,015	110.8% ▲	7,184	7,290	1.5% ▼
Taxation	-2,105	-282	545.5% ▲	-3,557	-1,035	243.5% ▲
<b>Profit After Taxation</b>	<b>35</b>	<b>733</b>	<b>95.3% ▼</b>	<b>3,626</b>	<b>6,254</b>	<b>42.0% ▼</b>
Earnings Per Share	0.03	0.67	95.3% ▼	3.30	5.69	42.0% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	25.2%	21.3%	3.9% ▲	25.3%	20.8%	4.5% ▲
SG&A Expenses to Sales	-4.3%	-4.8%	0.5% ▼	-5.1%	-5.1%	0.1% ▼
Other Income to Sales	0.2%	0.5%	0.3% ▼	0.1%	10.5%	10.4% ▼
Ex. Gain / (Loss) to Sales	-4.3%	-4.8%	0.5% ▼	-5.1%	-5.1%	0.1% ▼
Effective Taxation	-98.4%	-27.8%	70.6% ▲	-49.5%	-14.2%	35.3% ▲
Net Margin	0.2%	7.7%	7.5% ▼	7.5%	17.6%	10.1% ▼

Source: ACPL Research, Company Financials

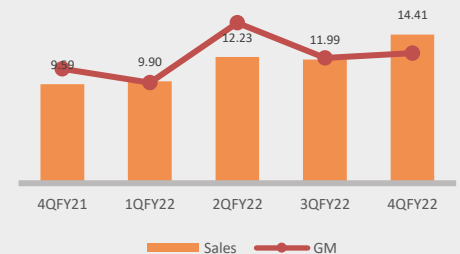
### Key Statistics

Symbol	MLCF
TP - Jun 23	38.00
LDCP	28.85
Upside (%)	32
Free Float ('mn)	494
Market Cap. (Rs.'mn)	30,697

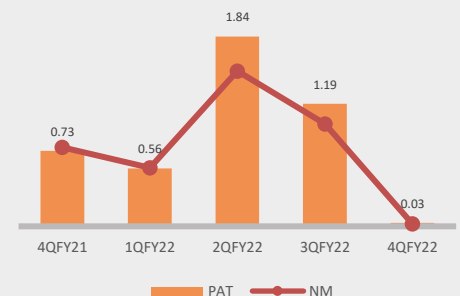
### MLCF vs KSE 100



### 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	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	26,006	29,118	35,538	48,520	58,075	62,269	65,116
Cost of sale	21,089	29,845	28,135	36,244	43,584	46,395	48,656
<b>Gross profit</b>	<b>4,917</b>	<b>- 728</b>	<b>7,403</b>	<b>12,275</b>	<b>14,491</b>	<b>15,873</b>	<b>16,460</b>
Selling and promotion expenses	933	817	1,014	1,484	1,787	1,916	2,003
Administration expenses	734	785	813	971	1,469	1,575	1,647
Other operating expenses	456	90	524	952	898	963	1,007
<b>Operating Profit</b>	<b>2,794</b>	<b>- 2,419</b>	<b>5,051</b>	<b>8,868</b>	<b>10,337</b>	<b>11,420</b>	<b>11,803</b>
Other operating income	43	132	3,732	57	178	191	200
Finance cost	1,173	2,982	1,494	1,741	2,670	2,360	2,209
Profit before taxation	1,664	- 5,269	7,290	7,184	7,845	9,250	9,794
Taxation	199	- 426	1,035	3,557	2,402	2,809	2,955
<b>Profit after taxation</b>	<b>1,465</b>	<b>- 4,843</b>	<b>6,254</b>	<b>3,626</b>	<b>5,443</b>	<b>6,442</b>	<b>6,838</b>
EPS	<b>1.33</b>	<b>- 4.41</b>	<b>5.69</b>	<b>3.30</b>	<b>4.96</b>	<b>5.86</b>	<b>6.23</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	1.2%	12.0%	22.1%	36.5%	19.7%	7.2%	4.6%
Cost of sale	12.9%	41.5%	-5.7%	28.8%	20.3%	6.4%	4.9%
<b>Gross profit</b>	<b>-30.0%</b>	<b>-114.8%</b>	<b>-1117.5%</b>	<b>65.8%</b>	<b>18.0%</b>	<b>9.5%</b>	<b>3.7%</b>
Selling and promotion expenses	26.8%	-12.4%	24.1%	46.4%	20.4%	7.2%	4.6%
Administration expenses	0.4%	7.0%	3.7%	19.4%	51.2%	7.2%	4.6%
Other operating expenses	-20.3%	-80.3%	482.4%	81.7%	-5.7%	7.2%	4.6%
<b>Operating Profit</b>	<b>-43.9%</b>	<b>-186.6%</b>	<b>-308.8%</b>	<b>75.6%</b>	<b>16.6%</b>	<b>10.5%</b>	<b>3.4%</b>
Other operating income	-23.1%	206.9%	2727.8%	-98.5%	214.5%	7.2%	4.6%
Finance cost	82.0%	154.3%	-49.9%	16.5%	53.4%	-11.6%	-6.4%
Profit before taxation	-62.1%	-416.6%	-238.3%	-1.5%	9.2%	17.9%	5.9%
Taxation	-73.9%	-314.1%	-343.2%	243.5%	-32.5%	16.9%	5.2%
<b>Profit after taxation</b>	<b>-59.7%</b>	<b>-430.5%</b>	<b>-229.1%</b>	<b>-42.0%</b>	<b>50.1%</b>	<b>18.3%</b>	<b>6.2%</b>
EPS	<b>-59.7%</b>	<b>-430.5%</b>	<b>229.1%</b>	<b>-42.0%</b>	<b>50.1%</b>	<b>18.3%</b>	<b>6.2%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	18.91	-2.50	20.83	25.30	24.95	25.49	25.28
OP Margin	%	10.74	-8.31	14.21	18.28	17.80	18.34	18.13
NP Margin	%	5.63	-16.63	17.60	7.47	9.37	10.34	10.50
ROE	%	4.80	-15.46	16.66	8.92	11.80	12.26	11.51
ROCE	%	2.77	-9.09	11.62	6.69	9.11	9.86	9.48
ROA	%	2.22	-7.34	9.44	5.62	8.09	9.08	9.07
Cost per ton	'mn	5.87	5.75	5.67	7.62	11.35	11.77	12.03
EBITDA per ton	'mn	1.39	0.14	0.92	2.68	3.38	3.53	3.51

Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.00	1.08	1.48	1.43	1.34	1.58	1.79
Acid-test	x	0.23	0.27	0.22	0.10	0.12	0.32	0.55
Cash to current liab.	x	0.03	0.07	0.04	-0.30	-0.25	-0.06	0.17

Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Average Inventory	'mn	1,466	1,759	1,965	2,460	2,698	2,712	2,865
Inventory Turnover	x	14	17	14	15	16	17	17
Inventory Days		25	22	25	25	23	21	21
Receivables Days		38	39	19	42	42	42	42
Payables Days		142	97	97	90	95	95	95
Operating Cycle		-79	-37	-53	-24	-31	-32	-32
Utilization	%	96	89	86	75	48	49	50
Export Revenue	%	9	3	7	7	7	8	9
Local Revenue	%	91	97	93	93	93	92	91
Export Market Share	%	0.7	0.4	0.6	0.4	0.3	0.3	0.3
Local Market Share	%	8.3	12.6	9.8	7.0	5.1	4.3	3.6
Total Market Share	%	7.8	10.9	8.7	6.3	4.6	3.9	3.3

Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EPS	Rs.	1.33	-4.41	5.69	3.30	4.96	5.86	6.23
DPS	Rs.	0.50	0.00	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	1.73	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	2.67	0.00	0.00	0.00	0.00	0.00	0.00
BVPS	Rs.	27.78	28.52	34.18	37.03	41.99	47.85	54.08
Payout	%	37.48	0.00	0.00	0.00	0.00	0.00	0.00
Retention	%	62.52	100.00	100.00	100.00	100.00	100.00	100.00
No. of Shares	'000	1,098	1,098	1,098	1,098	1,098	1,098	1,098
P/E		21.63	0.00	5.07	8.74	5.82	4.92	4.63
Sales per share		23.68	26.51	32.36	44.18	52.88	56.69	59.29
P/BV		1.04	1.01	0.84	0.78	0.69	0.60	0.53
Price to Sales		1.22	1.09	0.89	0.65	0.55	0.51	0.49

Gearing Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	0.73	0.70	0.43	0.33	0.30	0.24	0.21
L.T. Debt to Equity	x	0.56	0.48	0.34	0.21	0.15	0.11	0.09
Interest Cover	x	2.38	-0.81	3.38	5.09	3.87	4.84	5.34

Source: ACPL Research, Company Financials

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

#### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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