

MLCF

1HFY22 Result Review: BUY Stance Maintained

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MLCF has announced its 1HFY22 result where it posted a profit after tax of Rs2.404bn (EPS: Rs2.19) as compared to a profit after tax of Rs1.38bn (EPS: Rs1.26) in the same period last year, surged by 74.2% YoY.

The company has posted a revenue of Rs22bn against Rs16bn in SPLY, recording a growth of 33.1% YoY. We note that this growth is attributed to the increase in cement bag prices.

The gross margin has been improved to 25.9% as compared to 20.7% in SPLY due to an increase in retention prices. SG&A expenses have been increased by 47.3% YoY.

MLCF is currently trading at a FY22E P/E of 7.19x. Moreover, the scrip is also trading at a FY22E P/B of 0.85x which offers a discount of 22% relative to its historical 5-year average of 1.09x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 48 which provides an upside potential of 48%.

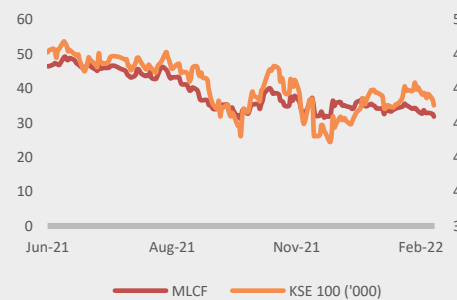
Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	12,226	9,100	34.4% ▲	22,121	16,621	33.1% ▲
Cost of Sales	-8,425	-6,881	22.4% ▲	-16,392	-13,173	24.4% ▲
Gross Profit	3,801	2,219	71.3% ▲	5,729	3,447	66.2% ▲
SG&A Expenses	-611	-475	28.6% ▲	-1,226	-832	47.3% ▲
Other Expenses	-303	-114	165.6% ▲	-467	-148	216.6% ▲
Operating Profit	2,887	1,630	77.1% ▲	4,037	2,468	63.6% ▲
Other Income	29	69	57.6% ▼	40	113	64.5% ▼
Finance Cost	-380	-317	19.8% ▲	-710	-787	9.7% ▼
Profit Before Taxation	2,536	1,381	83.6% ▲	3,366	1,794	87.6% ▲
Taxation	-695	-311	23.4% ▲	-963	-415	132.2% ▲
Profit After Taxation	1,841	1,070	72.0% ▲	2,404	1,380	74.2% ▲
Earnings Per Share	1.68	0.97	72.0% ▲	2.19	1.26	74.2% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	31.1%	24.4%	6.7% ▲	25.9%	20.7%	5.2% ▲
SG&A Expenses to Sales	-5.0%	-5.2%	0.2% ▼	-5.5%	-5.0%	0.5% ▲
Other Income to Sales	0.2%	0.8%	0.5% ▼	0.2%	0.7%	0.5% ▼
Ex. Gain / (Loss) to Sales	-5.0%	-5.2%	0.2% ▼	-5.5%	-5.0%	0.5% ▲
Effective Taxation	-27.4%	-22.5%	4.9% ▲	-28.6%	-23.1%	5.5% ▲
Net Margin	15.1%	11.8%	3.3% ▲	10.9%	8.3%	2.6% ▲

Source: ACPL Research, Company Financials

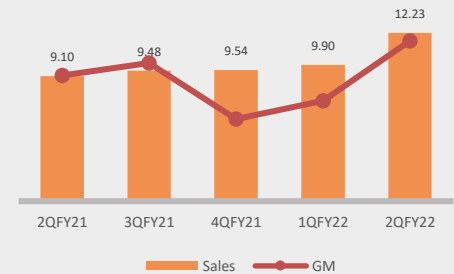
Key Statistics

Symbol	MLCF
TP - Dec 22	48.00
LDCP	32.50
Upside (%)	48
Free Float ('mn)	494
Market Cap. (Rs.'mn)	35,696

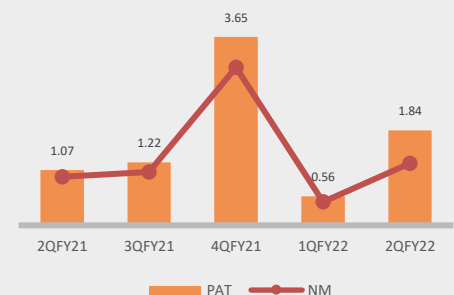
MLCF vs KSE 100



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	FY22E	FY23E	FY24E	FY25E
Net sales	26,006	29,118	35,640	44,957	50,429	56,490	63,199
Cost of sale	21,089	29,845	28,135	33,466	37,077	40,663	44,662
Gross profit	4,917	- 728	7,505	11,491	13,352	15,827	18,538
Selling and promotion expenses	933	817	1,116	1,573	1,765	1,977	2,212
Administration expenses	734	785	973	899	1,009	1,130	1,264
Other operating expenses	456	90	365	967	1,084	1,215	1,359
Operating Profit	2,794	- 2,419	5,051	8,052	9,494	11,506	13,703
Other operating income	43	132	3,732	225	252	282	316
Finance cost	1,173	2,982	1,494	1,825	1,503	1,241	1,061
Profit before taxation	1,664	- 5,269	7,290	6,452	8,243	10,547	12,958
Taxation	199	- 426	1,035	1,746	2,235	2,857	3,517
Profit after taxation	1,465	- 4,843	6,254	4,706	6,009	7,690	9,441
EPS	1.33	- 4.41	5.69	4.28	5.47	7.00	8.60

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	1.2%	12.0%	22.4%	26.1%	12.2%	12.0%	11.9%
Cost of sale	12.9%	41.5%	-5.7%	18.9%	10.8%	9.7%	9.8%
Gross profit	-30.0%	-114.8%	-1131.5%	53.1%	16.2%	18.5%	17.1%
Selling and promotion expenses	26.8%	-12.4%	36.6%	41.0%	12.2%	12.0%	11.9%
Administration expenses	0.4%	7.0%	23.9%	-7.5%	12.2%	12.0%	11.9%
Other operating expenses	-20.3%	-80.3%	305.7%	164.8%	12.2%	12.0%	11.9%
Operating Profit	-43.9%	-186.6%	-308.8%	59.4%	17.9%	21.2%	19.1%
Other operating income	-23.1%	206.9%	2727.8%	-94.0%	12.2%	12.0%	11.9%
Finance cost	82.0%	154.3%	-49.9%	22.1%	-17.6%	-17.4%	-14.5%
Profit before taxation	-62.1%	-416.6%	-238.3%	-11.5%	27.8%	27.9%	22.9%
Taxation	-73.9%	-314.1%	-343.2%	68.6%	28.0%	27.9%	23.1%
Profit after taxation	-59.7%	-430.5%	-229.1%	-24.8%	27.7%	28.0%	22.8%
EPS	-59.7%	-430.5%	229.1%	-24.8%	27.7%	28.0%	22.8%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	18.91	-2.50	21.06	25.56	26.48	28.02	29.33
OP Margin	%	10.74	-8.31	14.17	17.91	18.83	20.37	21.68
NP Margin	%	5.63	-16.63	17.55	10.47	11.91	13.61	14.94
ROE	%	4.80	-15.46	16.66	11.27	12.58	14.29	15.46
ROCE	%	2.77	-9.09	11.62	8.51	10.26	12.22	13.61
ROA	%	2.22	-7.34	9.44	7.18	8.81	10.50	11.77
Cost per ton	'mn	5.87	5.75	5.67	7.62	7.84	7.97	8.12
EBITDA per ton	'mn	1.39	0.14	0.92	2.45	2.55	2.73	2.90

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.00	1.08	1.48	1.58	1.85	2.32	2.79
Acid-test	x	0.23	0.27	0.22	0.28	0.43	0.76	1.14
Cash to current liab.	x	0.03	0.07	0.04	-0.11	0.02	0.31	0.66

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Average Inventory	'mn	1,466	1,759	1,965	2,354	2,396	2,343	2,571
Inventory Turnover	x	14	17	14	14	15	17	17
Inventory Days		25	22	25	26	24	21	21
Receivables Days		38	39	19	42	40	40	40
Payables Days		142	97	97	90	95	95	95
Operating Cycle		-79	-37	-53	-23	-32	-34	-34
Utilization	%	96	89	86	75	59	63	68
Export Revenue	%	9	3	7	7	7	7	6
Local Revenue	%	91	97	93	93	93	93	94
Export Market Share	%	0.7	0.4	0.6	0.4	0.4	0.3	0.3
Local Market Share	%	8.3	12.6	9.8	7.0	6.3	5.6	5.0
Total Market Share	%	7.8	10.9	8.7	6.3	5.7	5.1	4.5

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	1.33	-4.41	5.69	4.28	5.47	7.00	8.60
DPS	Rs.	0.50	0.00	0.00	0.00	1.50	2.00	2.00
Div. Yield	%	1.54	0.00	0.00	0.00	4.62	6.15	6.15
Dividend Cover	x	2.67	0.00	0.00	0.00	3.65	3.50	4.30
BVPS	Rs.	27.78	28.52	34.18	38.02	43.49	48.99	55.58
Payout	%	37.48	0.00	0.00	0.00	27.42	28.57	23.27
Retention	%	62.52	100.00	100.00	100.00	72.58	71.43	76.73
No. of Shares	'000	1,098	1,098	1,098	1,098	1,098	1,098	1,098
P/E		24.36	0.00	5.71	7.59	5.94	4.64	3.78
Sales per share		23.68	26.51	32.45	40.93	45.91	51.43	57.54
P/BV		1.17	1.14	0.95	0.85	0.75	0.66	0.58
Price to Sales		1.37	1.23	1.00	0.79	0.71	0.63	0.56

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.73	0.70	0.43	0.32	0.23	0.17	0.14
L.T. Debt to Equity	x	0.56	0.48	0.34	0.21	0.14	0.11	0.09
Interest Cover	x	2.38	-0.81	3.38	4.41	6.32	9.27	12.92

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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