

MLCF

9MFY21 Result Review: BUY Stance Maintained

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MLCF has announced its 9MFY21 result where it posted a profit after tax of Rs2.6bn (EPS: Rs2.37) as compared to a loss after tax of Rs3.4bn (LPS: Rs3.11) in the same period last year, surged by 176.3% YoY.

The company has posted a revenue of Rs26bn against Rs23bn in SPLY, recording a growth of 13% YoY. We note that this growth is attributed to the surge in construction activities amid the initiation of Naya Pakistan Housing Scheme and other development projects.

Gross margin has been improved drastically to 22.9% as compared to 0.1% in SPLY due to an increase in retention prices. SG&A expenses have been increased by 18% YoY.

Finally, the increased other income by 48.1% YoY and a decrease in finance cost by 54.2% YoY contributed in the upsurge of the bottom-line.

MLCF is currently trading at a FY21E P/E of 14.1x. Moreover, the scrip is also trading at a FY21E P/B of 1.45x which offers a discount of 23% relative to its historical 5-year average of 1.89x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs 58 which provides an upside potential of 26%.

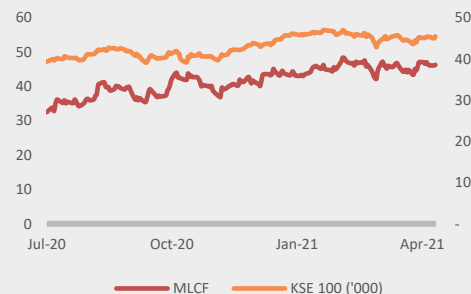
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	9,477	6,914	37.1% ▲	26,098	23,097	13.0% ▲
Cost of Sales	-6,939	-6,823	1.7% ▲	-20,112	-23,072	12.8% ▼
Gross Profit	2,539	91	2587.7% ▲	5,986	24	24429.8% ▲
SG&A Expenses	-579	-353	64.0% ▲	-1,411	-1,196	18.0% ▲
Other Expenses	-119	-55	114.6% ▲	-266	-101	164.0% ▲
Operating Profit	1,841	-317	680.1% ▲	4,308	-1,273	438.6% ▼
Other Income	58	19	201.8% ▲	171	116	48.1% ▲
Finance Cost	-304	-690	56.0% ▼	-1,090	-2,382	54.2% ▼
Profit Before Taxation	1,595	-988	261.5% ▲	3,389	-3,539	195.8% ▲
Taxation	-372	28	1345.2% ▲	-786	127	719.9% ▼
Profit After Taxation	1,223	-960	227.4% ▲	2,603	-3,412	176.3% ▲
Earnings Per Share	1.11	-0.87	227.4% ▲	2.37	-3.11	176.3% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	26.8%	1.3%	25.5% ▲	22.9%	0.1%	22.8% ▲
SG&A Expenses to Sales	-6.1%	-5.1%	1.0% ▲	-5.4%	-5.2%	0.2% ▲
Other Income to Sales	0.6%	0.3%	0.3% ▲	0.7%	0.5%	0.2% ▲
Ex. Gain / (Loss) to Sales	-6.1%	-5.1%	1.0% ▲	-5.4%	-5.2%	0.2% ▲
Effective Taxation	-23.3%	-2.8%	20.5% ▲	-23.2%	-3.6%	19.6% ▲
Net Margin	12.9%	-13.9%	26.8% ▲	10.0%	-14.8%	24.7% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MLCF
TP - Dec 21	58.00
LDCP	46.00
Upside (%)	26
Free Float ('mn)	494
Market Cap. (Rs.'mn)	50,524

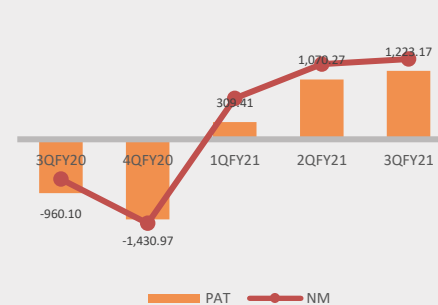
MLCF vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	20,720	23,433	23,992	25,699	26,006	29,118	34,290	37,398	40,743
Cost of sale	13,224	13,411	14,510	18,677	21,089	29,845	26,198	28,112	30,246
Gross profit	7,496	10,022	9,482	7,023	4,917	- 728	8,092	9,286	10,496
Selling and promotion expenses	1,314	1,360	1,275	736	933	817	943	1,028	1,120
Administration expenses	381	486	621	731	734	785	912	995	1,084
Other operating expenses	263	660	536	572	456	90	350	381	416
Operating Profit	5,537	7,517	7,050	4,983	2,794	- 2,419	5,887	6,881	7,877
Other operating income	46	36	139	56	43	132	233	254	277
Finance cost	1,083	436	318	644	1,173	2,982	1,454	1,171	913
Profit before taxation	4,501	7,118	6,870	4,395	1,664	- 5,269	4,666	5,964	7,240
Taxation	1,047	2,233	2,093	763	199	- 426	1,083	1,677	2,045
Profit after taxation	3,454	4,885	4,777	3,632	1,465	- 4,843	3,583	4,287	5,195
EPS	3.14	4.45	4.35	3.31	1.33	- 4.41	3.26	3.90	4.73

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	9.2%	13.1%	2.4%	7.1%	1.2%	12.0%	17.8%	9.1%	8.9%
Cost of sale	6.3%	1.4%	8.2%	28.7%	12.9%	41.5%	-12.2%	7.3%	7.6%
Gross profit	14.9%	33.7%	-5.4%	-25.9%	-30.0%	-114.8%	-1212.2%	14.8%	13.0%
Selling and promotion expenses	24.6%	3.5%	-6.2%	-42.3%	26.8%	-12.4%	15.4%	9.1%	8.9%
Administration expenses	28.5%	27.4%	27.8%	17.6%	0.4%	7.0%	16.2%	9.1%	8.9%
Other operating expenses	33.3%	150.6%	-18.7%	6.7%	-20.3%	-80.3%	288.6%	9.1%	8.9%
Operating Profit	11.3%	35.7%	-6.2%	-29.3%	-43.9%	-186.6%	-343.3%	16.9%	14.5%
Other operating income	-42.7%	-21.2%	282.0%	-59.8%	-23.1%	206.9%	76.7%	9.1%	8.9%
Finance cost	-26.1%	-59.8%	-26.9%	102.3%	82.0%	154.3%	-51.2%	-19.4%	-22.0%
Profit before taxation	25.4%	58.1%	-3.5%	-36.0%	-62.1%	-416.6%	-188.6%	27.8%	21.4%
Taxation	37.7%	113.3%	-6.3%	-63.5%	-73.9%	-314.1%	-354.3%	54.9%	21.9%
Profit after taxation	22.1%	41.4%	-2.2%	-24.0%	-59.7%	-430.5%	-174.0%	19.6%	21.2%
EPS	22.1%	41.4%	-2.2%	-24.0%	-59.7%	-430.5%	174.0%	19.6%	21.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	36.18	42.77	39.52	27.33	18.91	-2.50	23.60	24.83	25.76
OP Margin	%	26.72	32.08	29.38	19.39	10.74	-8.31	17.17	18.40	19.33
NP Margin	%	16.67	20.85	19.91	14.13	5.63	-16.63	10.45	11.46	12.75
ROE	%	19.56	22.89	20.15	12.14	4.80	-15.46	10.27	11.25	12.31
ROCE	%	14.98	20.07	15.70	7.41	2.77	-9.09	7.17	8.66	10.20
ROA	%	11.06	15.25	12.31	6.18	2.22	-7.34	5.66	6.54	7.75
Cost per ton	'mn	4.50	3.91	4.42	4.82	5.87	5.75	5.85	6.01	6.18
EBITDA per ton	'mn	2.45	2.78	2.62	1.88	1.39	0.14	1.94	2.03	2.10

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	0.91	1.69	1.34	1.07	1.00	1.08	1.33	1.74	1.84
Acid-test	x	0.12	0.26	0.19	0.15	0.23	0.27	0.29	0.59	0.82
Cash to current liab.	x	0.03	0.08	0.05	0.05	0.03	0.07	0.01	0.27	0.61

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Average Inventory	'mn	1,179	1,040	1,087	1,247	1,466	1,759	1,671	1,619	1,874
Inventory Turnover	x	11	13	13	15	14	17	16	17	16
Inventory Days		33	28	27	24	25	22	23	21	23
Receivables Days		12	14	15	17	38	39	39	39	25
Payables Days		87	86	90	105	142	97	97	97	120
Operating Cycle		-42	-43	-48	-64	-79	-37	-35	-38	-72
Utilization	%	85	95	95	107	96	89	77	80	84
Export Revenue	%	21	18	13	7	9	3	4	3	3
Local Revenue	%	79	82	87	93	91	97	96	97	97
Export Market Share	%	1.7	1.5	1.1	0.6	0.7	0.4	0.3	0.2	0.2
Local Market Share	%	8.3	8.3	8.2	8.5	8.3	12.6	9.8	9.4	8.9
Total Market Share	%	8.4	8.6	8.3	8.2	7.8	10.9	8.4	7.9	7.3

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
EPS	Rs.	3.14	4.45	4.35	3.31	1.33	-4.41	3.26	3.90	4.73
DPS	Rs.	2.00	4.00	3.75	2.50	0.50	0.00	1.00	1.00	1.50
Div. Yield	%	0.04	0.09	0.08	0.05	0.01	0.00	0.02	0.02	0.03
Dividend Cover	x	1.57	1.11	1.16	1.32	2.67	0.00	3.26	3.90	3.15
BVPS	Rs.	16.08	19.43	21.59	27.23	27.78	28.52	31.78	34.68	38.41
Payout	%	63.59	89.94	86.22	75.60	37.48	0.00	30.65	25.62	31.71
Retention	%	36.41	10.06	13.78	24.40	62.52	100.00	69.35	74.38	68.29
No. of Shares	'000	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098
P/E		14.63	10.34	10.58	13.91	34.48	0.00	14.10	11.79	9.72
Sales per share		18.86	21.33	21.84	23.40	23.68	26.51	31.22	34.05	37.09
P/BV		2.86	2.37	2.13	1.69	1.66	1.61	1.45	1.33	1.20
Price to Sales		2.44	2.16	2.11	1.97	1.94	1.74	1.47	1.35	1.24

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Debt to Equity	x	0.31	0.14	0.28	0.64	0.73	0.70	0.43	0.30	0.21
L.T. Debt to Equity	x	0.04	0.07	0.13	0.43	0.56	0.48	0.27	0.17	0.12
Interest Cover	x	5.11	17.26	22.14	7.74	2.38	-0.81	4.05	5.87	8.62

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

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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