

# MLCF

## 9MFY22 Result Review: BUY Stance Maintained

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MLCF has announced its 9MFY22 result where it posted a profit after tax of Rs3.592bn (EPS: Rs3.27) as compared to a profit after tax of Rs5.521bn (EPS: Rs5.03) in the same period last year, dropped by 34.9% YoY because of 99% decrease in other income compared to SPLY.

The company has posted a revenue of Rs34.112bn against Rs26.053bn in SPLY, recording a growth of 30.9% YoY. We note that this growth is attributed to the increase in cement bag prices.

The gross margin has been improved to 25.3% as compared to 20.6% in SPLY due to an increase in retention prices. SG&A expenses have been increased by 34.9% YoY.

MLCF is currently trading at a FY22E P/E of 7.87x. Moreover, the scrip is also trading at a FY22E P/B of 0.93x which offers a discount of 22% relative to its historical 5-year average of 1.19x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 48 which provides an upside potential of 35%.

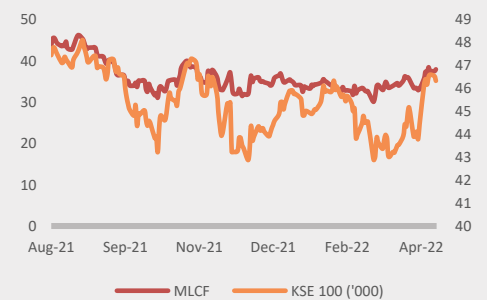
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	11,990	9,457	26.8% ▲	34,112	26,053	30.9% ▲
Cost of Sales	-9,081	-7,253	25.2% ▲	-25,473	-20,677	23.2% ▲
Gross Profit	2,909	2,204	32.0% ▲	8,639	5,376	60.7% ▲
SG&A Expenses	-614	-557	10.2% ▲	-1,840	-1,364	34.9% ▲
Other Expenses	-106	-100	6.1% ▲	-574	-231	148.1% ▲
Operating Profit	2,189	1,546	41.5% ▲	6,225	3,781	64.6% ▲
Other Income	-17	3,570	100.5% ▼	23	3,681	99.4% ▼
Finance Cost	-494	-348	41.9% ▲	-1,205	-1,188	1.4% ▲
Profit Before Taxation	1,677	4,768	64.8% ▼	5,044	6,274	19.6% ▼
Taxation	-489	-357	62.9% ▼	-1,452	-753	92.8% ▲
Profit After Taxation	1,188	4,412	73.1% ▼	3,592	5,521	34.9% ▼
Earnings Per Share	1.08	4.02	73.1% ▼	3.27	5.03	34.9% ▼
Dividend	0.00	0.00	0.00	0.00	0.00	
Bonus	-	-	-	-	-	
Gross Margin	24.3%	23.3%	1.0% ▲	25.3%	20.6%	4.7% ▲
SG&A Expenses to Sales	-5.1%	-5.9%	0.8% ▼	-5.4%	-5.2%	0.2% ▲
Other Income to Sales	-0.1%	37.8%	37.9% ▼	0.1%	14.1%	14.1% ▼
Ex. Gain / (Loss) to Sales	-5.1%	-5.9%	0.8% ▼	-5.4%	-5.2%	0.2% ▲
Effective Taxation	-29.2%	-7.5%	21.7% ▲	-28.8%	-12.0%	16.8% ▲
Net Margin	9.9%	46.6%	36.7% ▼	10.5%	21.2%	10.7% ▼

Source: ACPL Research, Company Financials

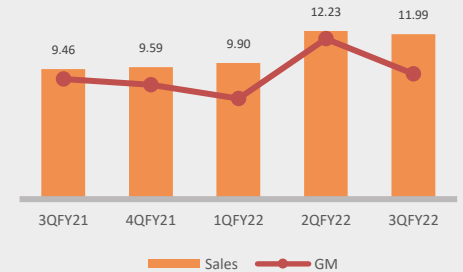
### Key Statistics

Symbol	MLCF
TP - Dec 22	48.00
LDCP	35.6
Upside (%)	35
Free Float ('mn)	494
Market Cap. (Rs.'mn)	39,211

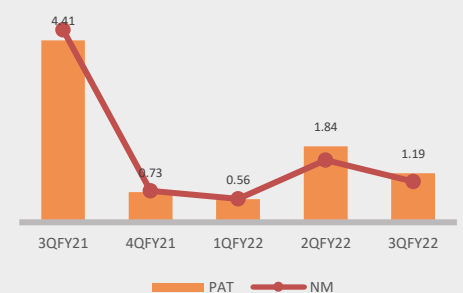
### MLCF vs KSE 100



### 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	45,296	50,795	56,886	63,627
Cost of sale	21,089	29,845	28,135	33,466	37,077	40,663	44,662
<b>Gross profit</b>	<b>4,917</b>	<b>- 728</b>	<b>7,505</b>	<b>11,830</b>	<b>13,718</b>	<b>16,223</b>	<b>18,965</b>
Selling and promotion expenses	933	817	1,116	1,585	1,778	1,991	2,227
Administration expenses	734	785	973	892	1,001	1,121	1,253
Other operating expenses	456	90	365	761	853	956	1,069
<b>Operating Profit</b>	<b>2,794</b>	<b>- 2,419</b>	<b>5,051</b>	<b>8,591</b>	<b>10,086</b>	<b>12,155</b>	<b>14,416</b>
Other operating income	43	132	3,732	45	51	57	64
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	6,812	8,634	10,971	13,419
Taxation	199	- 426	1,035	1,843	2,341	2,972	3,642
<b>Profit after taxation</b>	<b>1,465</b>	<b>- 4,843</b>	<b>6,254</b>	<b>4,969</b>	<b>6,293</b>	<b>7,999</b>	<b>9,777</b>
EPS	<b>1.33</b>	<b>- 4.41</b>	<b>5.69</b>	<b>4.52</b>	<b>5.73</b>	<b>7.28</b>	<b>8.90</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	1.2%	12.0%	22.4%	27.1%	12.1%	12.0%	11.9%
Cost of sale	12.9%	41.5%	-5.7%	18.9%	10.8%	9.7%	9.8%
<b>Gross profit</b>	<b>-30.0%</b>	<b>-114.8%</b>	<b>-1131.5%</b>	<b>57.6%</b>	<b>16.0%</b>	<b>18.3%</b>	<b>16.9%</b>
Selling and promotion expenses	26.8%	-12.4%	36.6%	42.1%	12.1%	12.0%	11.9%
Administration expenses	0.4%	7.0%	23.9%	-8.2%	12.1%	12.0%	11.9%
Other operating expenses	-20.3%	-80.3%	305.7%	108.4%	12.1%	12.0%	11.9%
<b>Operating Profit</b>	<b>-43.9%</b>	<b>-186.6%</b>	<b>-308.8%</b>	<b>70.1%</b>	<b>17.4%</b>	<b>20.5%</b>	<b>18.6%</b>
Other operating income	-23.1%	206.9%	2727.8%	-98.8%	12.1%	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%	-6.6%	26.7%	27.1%	22.3%
Taxation	-73.9%	-314.1%	-343.2%	78.0%	27.0%	27.0%	22.5%
<b>Profit after taxation</b>	<b>-59.7%</b>	<b>-430.5%</b>	<b>-229.1%</b>	<b>-20.6%</b>	<b>26.7%</b>	<b>27.1%</b>	<b>22.2%</b>
EPS	<b>-59.7%</b>	<b>-430.5%</b>	<b>229.1%</b>	<b>-20.6%</b>	<b>26.7%</b>	<b>27.1%</b>	<b>22.2%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	18.91	-2.50	21.06	26.12	27.01	28.52	29.81
OP Margin	%	10.74	-8.31	14.17	18.97	19.86	21.37	22.66
NP Margin	%	5.63	-16.63	17.55	10.97	12.39	14.06	15.37
ROE	%	4.80	-15.46	16.66	11.83	13.03	14.63	15.71
ROCE	%	2.77	-9.09	11.62	8.94	10.65	12.54	13.85
ROA	%	2.22	-7.34	9.44	7.55	9.16	10.79	12.01
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	2.62	2.72	2.90	3.08

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.00	1.08	1.48	1.60	1.89	2.38	2.87
Acid-test	x	0.23	0.27	0.22	0.29	0.46	0.81	1.21
Cash to current liab.	x	0.03	0.07	0.04	-0.10	0.05	0.36	0.73

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	4.52	5.73	7.28	8.90
DPS	Rs.	0.50	0.00	0.00	0.00	1.50	2.00	2.00
Div. Yield	%	1.40	0.00	0.00	0.00	4.21	5.62	5.62
Dividend Cover	x	2.67	0.00	0.00	0.00	3.82	3.64	4.45
BVPS	Rs.	27.78	28.52	34.18	38.26	43.99	49.77	56.67
Payout	%	37.48	0.00	0.00	0.00	26.18	27.46	22.47
Retention	%	62.52	100.00	100.00	100.00	73.82	72.54	77.53
No. of Shares	'000	1,098	1,098	1,098	1,098	1,098	1,098	1,098
P/E		26.68	0.00	6.25	7.87	6.21	4.89	4.00
Sales per share		23.68	26.51	32.45	41.24	46.25	51.79	57.93
P/BV		1.28	1.25	1.04	0.93	0.81	0.72	0.63
Price to Sales		1.50	1.34	1.10	0.86	0.77	0.69	0.61

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	0.73	0.70	0.43	0.32	0.22	0.17	0.13
L.T. Debt to Equity	x	0.56	0.48	0.34	0.20	0.14	0.11	0.09
Interest Cover	x	2.38	-0.81	3.38	4.71	6.71	9.79	13.59

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

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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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