

MLCF

FY21 Result Review: BUY Stance Maintained

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MLCF has announced its FY21 result where it posted a profit after tax of Rs6.3bn (EPS: Rs5.69) as compared to a loss after tax of Rs4.4bn (LPS: Rs4.4) in the same period last year, surged by 229% YoY.

The company has posted a revenue of Rs36bn against Rs29bn in SPLY, recording a growth of 22% 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 21% as compared to -2.5% in SPLY due to an increase in retention prices. SG&A expenses have been increased by 30% YoY.

Finally, the increased other income by 2727% YoY and a decrease in finance cost by 50% YoY contributed in the upsurge of the bottom-line.

MLCF is currently trading at a FY22E P/E of 7.62x. Moreover, the scrip is also trading at a FY22E P/B of 1.27x which offers a discount of 32% relative to its historical 5-year average of 1.59x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 65 which provides an upside potential of 50%.

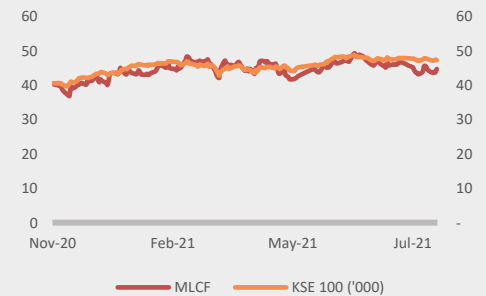
Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	9,542	6,021	58.5% ▲	35,640	29,118	22.4% ▲
Cost of Sales	-8,023	-6,773	18.5% ▲	-28,135	-29,845	5.7% ▼
Gross Profit	1,519	-752	202.0% ▲	7,505	-728	1131.5% ▲
SG&A Expenses	-677	-406	66.9% ▲	-2,088	-1,602	30.4% ▲
Other Expenses	-99	11	1010.0% ▲	-365	-90	305.7% ▲
Operating Profit	743	-1,147	164.8% ▲	5,051	-2,419	308.8% ▼
Other Income	3,561	16	21554.0% ▲	3,732	132	2727.8% ▲
Finance Cost	-404	-600	32.7% ▼	-1,494	-2,982	49.9% ▼
Profit Before Taxation	3,900	-1,730	325.5% ▲	7,290	-5,269	238.3% ▲
Taxation	-249	299	83.3% ▲	-1,035	426	343.2% ▼
Profit After Taxation	3,651	-1,431	355.2% ▲	6,254	-4,843	229.1% ▲
Earnings Per Share	3.32	-1.30	355.2% ▲	5.69	-4.41	229.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	15.9%	-12.5%	28.4% ▲	21.1%	-2.5%	23.6% ▲
SG&A Expenses to Sales	-7.1%	-6.7%	0.4% ▲	-5.9%	-5.5%	0.4% ▲
Other Income to Sales	37.3%	0.3%	37.0% ▲	10.5%	0.5%	10.0% ▲
Ex. Gain / (Loss) to Sales	-7.1%	-6.7%	0.4% ▲	-5.9%	-5.5%	0.4% ▲
Effective Taxation	-6.4%	-17.3%	10.9% ▼	-14.2%	-8.1%	6.1% ▲
Net Margin	38.3%	-23.8%	62.0% ▲	17.5%	-16.6%	34.2% ▲

Source: ACPL Research, Company Financials

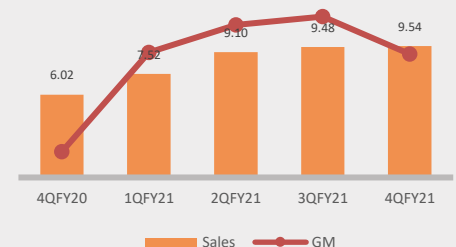
Key Statistics

Symbol	MLCF
TP - Jun 22	65.00
LDCP	46.00
Upside (%)	50
Free Float ('mn)	494
Market Cap. (Rs.'mn)	47,668

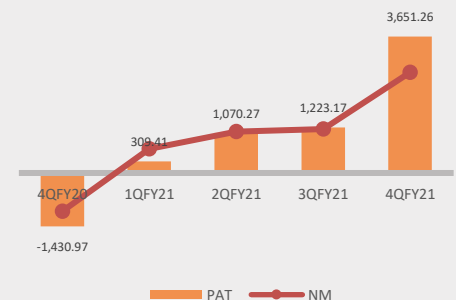
MLCF vs KSE 100



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	FY21A	FY22E	FY23E
Net sales	20,720	23,433	23,992	25,699	26,006	29,118	35,640	46,547	52,792
Cost of sale	13,224	13,411	14,510	18,677	21,089	29,845	28,135	38,192	41,693
Gross profit	7,496	10,022	9,482	7,023	4,917	- 728	7,505	8,355	11,100
Selling and promotion expenses	1,314	1,360	1,275	736	933	817	1,116	1,457	1,653
Administration expenses	381	486	621	731	734	785	973	1,270	1,441
Other operating expenses	263	660	536	572	456	90	365	477	541
Operating Profit	5,537	7,517	7,050	4,983	2,794	- 2,419	5,051	5,151	7,466
Other operating income	46	36	139	56	43	132	3,732	4,874	5,528
Finance cost	1,083	436	318	644	1,173	2,982	1,494	1,171	913
Profit before taxation	4,501	7,118	6,870	4,395	1,664	- 5,269	7,290	8,854	12,081
Taxation	1,047	2,233	2,093	763	199	- 426	1,035	2,493	3,420
Profit after taxation	3,454	4,885	4,777	3,632	1,465	- 4,843	6,254	6,361	8,661
EPS	3.14	4.45	4.35	3.31	1.33	- 4.41	5.69	5.79	7.89

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Net sales	9.2%	13.1%	2.4%	7.1%	1.2%	12.0%	22.4%	30.6%	13.4%
Cost of sale	6.3%	1.4%	8.2%	28.7%	12.9%	41.5%	-5.7%	35.7%	9.2%
Gross profit	14.9%	33.7%	-5.4%	-25.9%	-30.0%	-114.8%	-1131.5%	11.3%	32.9%
Selling and promotion expenses	24.6%	3.5%	-6.2%	-42.3%	26.8%	-12.4%	36.6%	30.6%	13.4%
Administration expenses	28.5%	27.4%	27.8%	17.6%	0.4%	7.0%	23.9%	30.6%	13.4%
Other operating expenses	33.3%	150.6%	-18.7%	6.7%	-20.3%	-80.3%	305.7%	30.6%	13.4%
Operating Profit	11.3%	35.7%	-6.2%	-29.3%	-43.9%	-186.6%	-308.8%	2.0%	44.9%
Other operating income	-42.7%	-21.2%	282.0%	-59.8%	-23.1%	206.9%	2727.8%	30.6%	13.4%
Finance cost	-26.1%	-59.8%	-26.9%	102.3%	82.0%	154.3%	-49.9%	-21.6%	-22.0%
Profit before taxation	25.4%	58.1%	-3.5%	-36.0%	-62.1%	-416.6%	-238.3%	21.5%	36.4%
Taxation	37.7%	113.3%	-6.3%	-63.5%	-73.9%	-314.1%	-343.2%	140.8%	37.2%
Profit after taxation	22.1%	41.4%	-2.2%	-24.0%	-59.7%	-430.5%	-229.1%	1.7%	36.2%
EPS	22.1%	41.4%	-2.2%	-24.0%	-59.7%	-430.5%	229.1%	1.7%	36.2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	%	36.18	42.77	39.52	27.33	18.91	-2.50	21.06	17.95	21.03
OP Margin	%	26.72	32.08	29.38	19.39	10.74	-8.31	14.17	11.07	14.14
NP Margin	%	16.67	20.85	19.91	14.13	5.63	-16.63	17.55	13.66	16.41
ROE	%	19.56	22.89	20.15	12.14	4.80	-15.46	16.64	14.48	16.82
ROCE	%	14.98	20.07	15.70	7.41	2.77	-9.09	11.88	11.49	14.38
ROA	%	11.06	15.25	12.31	6.18	2.22	-7.34	9.67	9.52	12.25
Cost per ton	'mn	4.50	3.91	4.42	4.82	5.87	5.75	5.85	7.80	7.78
EBITDA per ton	'mn	2.45	2.78	2.62	1.88	1.39	0.14	0.98	0.64	0.86

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Current	x	0.91	1.69	1.34	1.07	1.00	1.08	1.38	1.52	1.66
Acid-test	x	0.12	0.26	0.19	0.15	0.23	0.27	0.34	0.35	0.63
Cash to current liab.	x	0.03	0.08	0.05	0.05	0.03	0.07	0.06	0.02	0.42

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Average Inventory	'mn	1,179	1,040	1,087	1,247	1,466	1,759	1,728	1,977	2,566
Inventory Turnover	x	11	13	13	15	14	17	16	19	16
Inventory Days		33	28	27	24	25	22	22	19	22
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	-36	-40	-72
Utilization	%	85	95	95	107	96	89	77	84	92
Export Revenue	%	21	18	13	7	9	3	4	3	2
Local Revenue	%	79	82	87	93	91	97	96	97	98
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	9.8	9.8
Total Market Share	%	8.4	8.6	8.3	8.2	7.8	10.9	8.4	8.2	8.0

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
EPS	Rs.	3.14	4.45	4.35	3.31	1.33	-4.41	5.69	5.79	7.89
DPS	Rs.	2.00	4.00	3.75	2.50	0.50	0.00	0.00	1.00	1.50
Div. Yield	%	0.05	0.09	0.09	0.06	0.01	0.00	0.00	0.02	0.03
Dividend Cover	x	1.57	1.11	1.16	1.32	2.67	0.00	0.00	5.79	5.26
BVPS	Rs.	16.08	19.43	21.59	27.23	27.78	28.52	34.21	40.00	46.89
Payout	%	63.59	89.94	86.22	75.60	37.48	0.00	0.00	17.27	19.02
Retention	%	36.41	10.06	13.78	24.40	62.52	100.00	100.00	82.73	80.98
No. of Shares	'000	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098
P/E		13.80	9.76	9.98	13.12	32.53	0.00	7.62	7.49	5.50
Sales per share		18.86	21.33	21.84	23.40	23.68	26.51	32.45	42.38	48.07
P/BV		2.70	2.23	2.01	1.59	1.56	1.52	1.27	1.08	0.93
Price to Sales		2.30	2.03	1.99	1.85	1.83	1.64	1.34	1.02	0.90

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	0.40	0.26	0.17
L.T. Debt to Equity	x	0.04	0.07	0.13	0.43	0.56	0.48	0.25	0.15	0.10
Interest Cover	x	5.11	17.26	22.14	7.74	2.38	-0.81	3.38	4.40	8.17

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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- 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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