

MLCF

1HFY21 Result Review: BUY Stance Maintained

Equity Research | Cement | Thursday, 25 February, 2021

MLCF has announced its 1HFY21 result where it posted a profit after tax of Rs1.4bn (EPS: Rs1.26) as compared to a loss after tax of Rs2.5bn (LPS: Rs2.23) in the same period last year, surged by 156.3% YoY.

The company has posted a revenue of Rs16.6bn against Rs16.2bn in SPLY, recording a growth of 2.7% YoY.

Gross margin has been improved drastically to 20.7% as compared to -0.4% in SPLY due to an increase in retention prices. SG&A expenses have been decreased by 1.3% YoY.

Finally, the increased other income and a decrease in finance cost by 53.5% YoY contributed in the upsurge of the bottom-line.

MLCF is currently trading at a FY21E P/B of 1.51x which offers a discount of 21% relative to its historical 5-year average of 1.92x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs 65 which provides an upside potential of 39%.

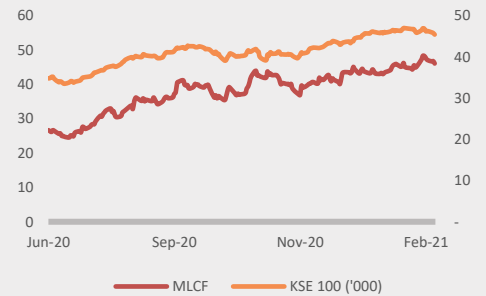
Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	9,100	9,035	0.7% ▲	16,621	16,182	2.7% ▲
Cost of Sales	-6,881	-8,893	22.6% ▼	-13,173	-16,249	18.9% ▼
Gross Profit	2,219	142	1357.9% ▲	3,447	-67	5271.8% ▲
SG&A Expenses	-475	-485	2.1% ▲	-832	-843	1.3% ▼
Other Expenses	-114	-35	223.3% ▲	-148	-46	223.8% ▲
Operating Profit	1,630	-378	531.5% ▲	2,468	-955	358.3% ▼
Other Income	69	57	19.6% ▲	113	96	17.6% ▲
Finance Cost	-317	-883	64.1% ▼	-787	-1,693	53.5% ▼
Profit Before Taxation	1,381	-1,204	214.7% ▲	1,794	-2,551	170.3% ▲
Taxation	-311	57	548.5% ▲	-415	99	517.9% ▼
Profit After Taxation	1,070	-1,147	193.3% ▲	1,380	-2,452	156.3% ▲
Earnings Per Share	0.97	-1.04	193.3% ▲	1.26	-2.23	156.3% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	24.4%	1.6%	22.8% ▲	20.7%	-0.4%	21.2% ▲
SG&A Expenses to Sales	-5.2%	-5.4%	0.1% ▼	-5.0%	-5.2%	0.2% ▼
Other Income to Sales	0.8%	0.6%	0.1% ▲	0.7%	0.6%	0.1% ▲
Ex. Gain / (Loss) to Sales	-5.2%	-5.4%	0.1% ▼	-5.0%	-5.2%	0.2% ▼
Effective Taxation	-22.5%	-4.7%	17.8% ▲	-23.1%	-3.9%	19.2% ▲
Net Margin	11.8%	-12.7%	24.5% ▲	8.3%	-15.2%	23.5% ▲

Source: ACPL Research, Company Financials

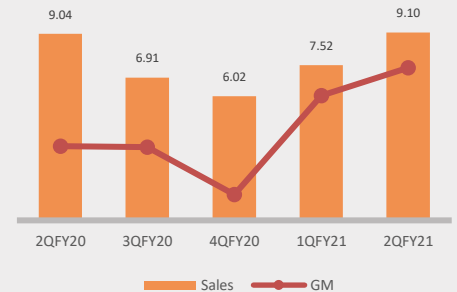
Key Statistics

Symbol	MLCF
TP - Dec 21	65.00
LDCP	46.70
Upside (%)	39
Free Float ('mn)	494
Market Cap. (Rs.'mn)	51,293

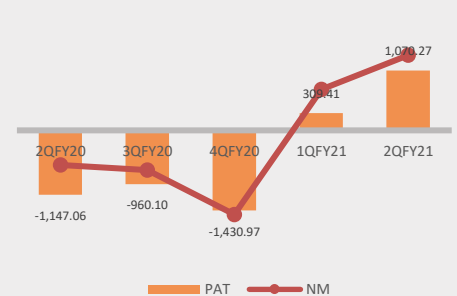
MLCF vs KSE 100



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	34,335	36,728	40,113
Cost of sale	13,224	13,411	14,510	18,677	21,089	29,845	27,343	29,352	31,589
Gross profit	7,496	10,022	9,482	7,023	4,917	- 728	6,992	7,376	8,523
Selling and promotion expenses	1,314	1,360	1,275	736	933	817	827	885	967
Administration expenses	381	486	621	731	734	785	893	955	1,043
Other operating expenses	263	660	536	572	456	90	306	327	357
Operating Profit	5,537	7,517	7,050	4,983	2,794	- 2,419	4,966	5,209	6,157
Other operating income	46	36	139	56	43	132	233	250	273
Finance cost	1,083	436	318	644	1,173	2,982	1,733	1,422	1,139
Profit before taxation	4,501	7,118	6,870	4,395	1,664	- 5,269	3,467	4,037	5,290
Taxation	1,047	2,233	2,093	763	199	- 426	801	1,137	1,496
Profit after taxation	3,454	4,885	4,777	3,632	1,465	- 4,843	2,666	2,900	3,795
EPS	3.14	4.45	4.35	3.31	1.33	- 4.41	2.43	2.64	3.45

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%	17.9%	7.0%	9.2%
Cost of sale	6.3%	1.4%	8.2%	28.7%	12.9%	41.5%	-8.4%	7.3%	7.6%
Gross profit	14.9%	33.7%	-5.4%	-25.9%	-30.0%	-114.8%	-1061.1%	5.5%	15.6%
Selling and promotion expenses	24.6%	3.5%	-6.2%	-42.3%	26.8%	-12.4%	1.3%	7.0%	9.2%
Administration expenses	28.5%	27.4%	27.8%	17.6%	0.4%	7.0%	13.8%	7.0%	9.2%
Other operating expenses	33.3%	150.6%	-18.7%	6.7%	-20.3%	-80.3%	239.5%	7.0%	9.2%
Operating Profit	11.3%	35.7%	-6.2%	-29.3%	-43.9%	-186.6%	-305.3%	4.9%	18.2%
Other operating income	-42.7%	-21.2%	282.0%	-59.8%	-23.1%	206.9%	76.9%	7.0%	9.2%
Finance cost	-26.1%	-59.8%	-26.9%	102.3%	82.0%	154.3%	-41.9%	-17.9%	-19.9%
Profit before taxation	25.4%	58.1%	-3.5%	-36.0%	-62.1%	-416.6%	-165.8%	16.4%	31.1%
Taxation	37.7%	113.3%	-6.3%	-63.5%	-73.9%	-314.1%	-288.2%	41.9%	31.6%
Profit after taxation	22.1%	41.4%	-2.2%	-24.0%	-59.7%	-430.5%	-155.0%	8.8%	30.8%
EPS	22.1%	41.4%	-2.2%	-24.0%	-59.7%	-430.5%	155.0%	8.8%	30.8%

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	20.36	20.08	21.25
OP Margin	%	26.72	32.08	29.38	19.39	10.74	-8.31	14.46	14.18	15.35
NP Margin	%	16.67	20.85	19.91	14.13	5.63	-16.63	7.76	7.90	9.46
ROE	%	19.56	22.89	20.15	12.14	4.80	-15.46	7.84	8.10	9.86
ROCE	%	14.98	20.07	15.70	7.41	2.77	-9.09	5.19	5.88	7.73
ROA	%	11.06	15.25	12.31	6.18	2.22	-7.34	4.15	4.49	5.92
Cost per ton	'mn	4.50	3.91	4.42	4.82	5.87	5.75	5.84	6.00	6.18
EBITDA per ton	'mn	2.45	2.78	2.62	1.88	1.39	0.14	1.66	1.60	1.68

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	1.16	1.39	1.40
Acid-test	x	0.12	0.26	0.19	0.15	0.23	0.27	0.29	0.43	0.53
Cash to current liab.	x	0.03	0.08	0.05	0.05	0.03	0.07	0.06	0.17	0.36

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	1,705	1,690	1,957
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	-36	-38	-72
Utilization	%	85	95	95	107	96	89	80	84	88
Export Revenue	%	21	18	13	7	9	3	3	3	3
Local Revenue	%	79	82	87	93	91	97	97	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	10.3	9.8	9.4
Total Market Share	%	8.4	8.6	8.3	8.2	7.8	10.9	8.8	8.2	7.7

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	2.43	2.64	3.45
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	2.43	2.64	2.30
BVPS	Rs.	16.08	19.43	21.59	27.23	27.78	28.52	30.94	32.58	35.04
Payout	%	63.59	89.94	86.22	75.60	37.48	0.00	41.20	37.87	43.42
Retention	%	36.41	10.06	13.78	24.40	62.52	100.00	58.80	62.13	56.58
No. of Shares	'000	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098
P/E		14.85	10.50	10.74	14.12	35.00	0.00	19.24	17.69	13.52
Sales per share		18.86	21.33	21.84	23.40	23.68	26.51	31.26	33.44	36.52
P/BV		2.90	2.40	2.16	1.71	1.68	1.64	1.51	1.43	1.33
Price to Sales		2.48	2.19	2.14	2.00	1.97	1.76	1.49	1.40	1.28

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	0.51	0.38	0.28
L.T. Debt to Equity	x	0.04	0.07	0.13	0.43	0.56	0.48	0.28	0.19	0.13
Interest Cover	x	5.11	17.26	22.14	7.74	2.38	-0.81	2.87	3.66	5.41

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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