

MLCF

1QFY21 Result Review: Stance Upgraded to BUY

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MLCF has announced its 1QFY21 result where it posted a profit after tax of Rs309mn (EPS: Rs0.28) as compared to a loss after tax of Rs1.3bn (LPS: Rs1.19) in the same period last year, surged by 224% YoY.

Despite the economic contractionary phase and COVID-19 adversities, the company has posted a revenue of Rs7.52bn against Rs7.15bn in SPLY, recording a growth of 5.2% YoY.

Gross margin has been improved drastically to 16.3% in 1QFY21 as compared to -2.9% in 1QFY20 due to a decrease in coal prices during the period and an increase in retention prices. SG&A expenses have been increased by 0.2% YoY.

Other income was increased by 14.7% YoY and a decrease in finance cost by 42% YoY further eased the pressure on the bottom-line.

Going forward, the offtake is expected to improve from the current fiscal year. MLCF is currently trading at a FY21E P/B of 1.34x which offers a discount of 20% relative to its historical 5-year average of 1.68x. We have a **BUY** stance on the script with a DCF based Jun-21 TP of Rs 50 which provides an upside potential of 23%.

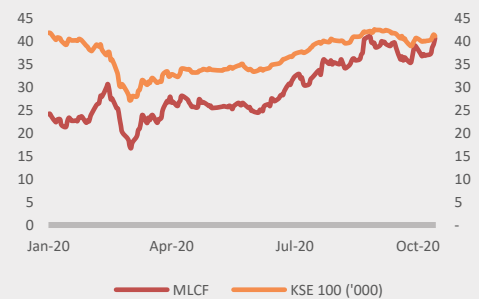
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	7,521	7,147	5.2% ▲	29,118	26,006	12.0% ▲
Cost of Sales	-6,292	-7,356	14.5% ▼	-29,845	-21,089	41.5% ▲
Gross Profit	1,229	-209	587.6% ▲	-728	4,917	114.8% ▼
SG&A Expenses	-358	-358	0.2% ▲	-1,602	-1,667	3.9% ▼
Other Expenses	-33	-10	225.4% ▲	-90	-456	80.3% ▼
Operating Profit	838	-578	245.0% ▲	-2,419	2,794	186.6% ▼
Other Income	45	39	14.7% ▲	132	43	206.9% ▲
Finance Cost	-469	-809	42.0% ▼	-2,982	-1,173	154.3% ▲
Profit Before Taxation	413	-1,348	230.6% ▲	-5,269	1,664	416.6% ▼
Taxation	-104	43	243.7% ▲	426	-199	314.1% ▼
Profit After Taxation	309	-1,305	223.7% ▲	-4,843	1,465	430.5% ▼
Earnings Per Share	0.28	-1.19	223.7% ▲	-4.41	1.33	430.5% ▼
Dividend	0.00	0.00		0.00	0.50	
Bonus	-	-		-	-	
Gross Margin	16.3%	-2.9%	19.3% ▲	-2.5%	18.9%	21.4% ▼
SG&A Expenses to Sales	-4.8%	-5.0%	0.3% ▼	-5.5%	-6.4%	0.9% ▼
Other Income to Sales	0.6%	0.5%	0.0% ▲	0.5%	0.2%	0.3% ▲
Ex. Gain / (Loss) to Sales	-4.8%	-5.0%	0.3% ▼	-5.5%	-6.4%	0.9% ▼
Effective Taxation	-25.1%	-3.2%	21.9% ▲	-8.1%	-12.0%	3.9% ▼
Net Margin	4.1%	-18.3%	22.4% ▲	-16.6%	5.6%	22.3% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MLCF
TP - Jun 21	50
LDPCP	40.74
Upside (%)	22.73
Free Float ('mn)	494
Market Cap. (Rs.'mn)	44,747

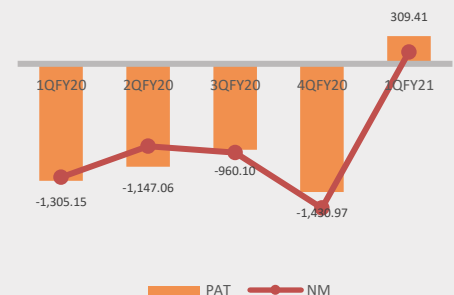
MLCF vs KSE 100



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	35,392	37,994	40,343
Cost of sale	13,224	13,411	14,510	18,677	21,089	29,845	28,775	30,341	31,767
Gross profit	7,496	10,022	9,482	7,023	4,917	- 728	6,617	7,654	8,576
Selling and promotion expenses	1,314	1,360	1,275	736	933	817	993	1,066	1,132
Administration expenses	381	486	621	731	734	785	954	1,024	1,087
Other operating expenses	263	660	536	572	456	90	109	117	125
Operating Profit	5,537	7,517	7,050	4,983	2,794	- 2,419	4,561	5,446	6,232
Other operating income	46	36	139	56	43	132	160	172	183
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	2,989	4,196	5,276
Taxation	1,047	2,233	2,093	763	199	- 426	867	1,183	1,492
Profit after taxation	3,454	4,885	4,777	3,632	1,465	- 4,843	2,122	3,014	3,784
EPS	3.14	4.45	4.35	3.31	1.33	- 4.41	1.93	2.74	3.44

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%	21.5%	7.4%	6.2%
Cost of sale	6.3%	1.4%	8.2%	28.7%	12.9%	41.5%	-3.6%	5.4%	4.7%
Gross profit	14.9%	33.7%	-5.4%	-25.9%	-30.0%	-114.8%	-1009.6%	15.7%	12.0%
Selling and promotion expenses	24.6%	3.5%	-6.2%	-42.3%	26.8%	-12.4%	21.5%	7.4%	6.2%
Administration expenses	28.5%	27.4%	27.8%	17.6%	0.4%	7.0%	21.5%	7.4%	6.2%
Other operating expenses	33.3%	150.6%	-18.7%	6.7%	-20.3%	-80.3%	21.5%	7.4%	6.2%
Operating Profit	11.3%	35.7%	-6.2%	-29.3%	-43.9%	-186.6%	-288.5%	19.4%	14.4%
Other operating income	-42.7%	-21.2%	282.0%	-59.8%	-23.1%	206.9%	21.5%	7.4%	6.2%
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%	-156.7%	40.4%	25.7%
Taxation	37.7%	113.3%	-6.3%	-63.5%	-73.9%	-314.1%	-303.6%	36.5%	26.1%
Profit after taxation	22.1%	41.4%	-2.2%	-24.0%	-59.7%	-430.5%	-143.8%	42.0%	25.6%
EPS	22.1%	41.4%	-2.2%	-24.0%	-59.7%	-430.5%	143.8%	42.0%	25.6%

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	18.70	20.14	21.26
OP Margin	%	26.72	32.08	29.38	19.39	10.74	-8.31	12.89	14.33	15.45
NP Margin	%	16.67	20.85	19.91	14.13	5.63	-16.63	6.00	7.93	9.38
ROE	%	19.56	22.89	20.15	12.14	4.80	-15.46	6.35	8.45	9.88
ROCE	%	14.98	20.07	15.70	7.41	2.77	-9.09	4.17	6.13	7.73
ROA	%	11.06	15.25	12.31	6.18	2.22	-7.34	3.34	4.71	5.93
Cost per ton	'mn	4.50	3.91	4.42	4.82	5.87	5.75	5.83	6.00	6.18
EBITDA per ton	'mn	2.45	2.78	2.62	1.88	1.39	0.14	1.51	1.61	1.70

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	1.09	1.34	1.38
Acid-test	x	0.12	0.26	0.19	0.15	0.23	0.27	0.21	0.37	0.50
Cash to current liab.	x	0.03	0.08	0.05	0.05	0.03	0.07	-0.02	0.10	0.33

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	1,747	1,762	1,992
Inventory Turnover	x	11	13	13	15	14	17	16	17	16
Inventory Days		33	28	27	24	25	22	22	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	-37	-72
Utilization	%	85	95	95	107	96	89	85	87	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	10.8	10.2	9.4
Total Market Share	%	8.4	8.6	8.3	8.2	7.8	10.9	9.3	8.5	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	1.93	2.74	3.44
DPS	Rs.	2.00	4.00	3.75	2.50	0.50	0.00	0.72	1.03	1.29
Div. Yield	%	0.05	0.10	0.09	0.06	0.01	0.00	0.02	0.03	0.03
Dividend Cover	x	1.57	1.11	1.16	1.32	2.67	0.00	2.67	2.67	2.67
BVPS	Rs.	16.08	19.43	21.59	27.23	27.78	28.52	30.45	32.47	34.88
Payout	%	63.59	89.94	86.22	75.60	37.48	0.00	37.48	37.48	37.48
Retention	%	36.41	10.06	13.78	24.40	62.52	100.00	62.52	62.52	62.52
No. of Shares	'000	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098	1,098
P/E		12.95	9.16	9.37	12.32	30.54	0.00	21.09	14.85	11.83
Sales per share		18.86	21.33	21.84	23.40	23.68	26.51	32.22	34.59	36.73
P/BV		2.53	2.10	1.89	1.50	1.47	1.43	1.34	1.25	1.17
Price to Sales		2.16	1.91	1.87	1.74	1.72	1.54	1.26	1.18	1.11

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	0.52	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	2.63	3.83	5.47

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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SELL	Less than and equal to -5%

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