

## Foundation Alert

### MLCF: Analyst Briefing Takeaways

#### Event

- Maple Leaf Cement Factory Limited (MLCF PA) held its analyst briefing today to discuss its financial/operational performance for FY22 and future outlook of the company. Following are the key takeaways of the briefing.

#### Impact

- Maple Leaf Cement Factory Limited (MLCF PA) profitability clocked in at Rs3.6bn (EPS Rs3.38), down by 42% YoY in FY22 as compared to profit of Rs6.3bn (EPS Rs5.83) in FY21.
- Company management has attributed decline in profitability to absence of other income and imposition of super tax as core profitability has increased significantly.
- MLCF management has shared that company sales increased by 37% YoY in FY22 due to better retention prices as volumes remained on lower side. Company dispatches declined by 1.2% YoY to 4.47mn ton in FY22 as compared to 4.53mn tons in FY21. However, retention prices increased by 46% YoY to Rs9,655/ton as compared to Rs6,613/ton in FY21.
- Company management has disclosed that in White cement market MLCF is holding above 90% market share.
- Management has also shared current prices of different coal variants and disclosed that Afghan/Local coal current prices stand at Rs47/30K/ton. Moreover, company is relying on 25/70% Afghan/local coal to fulfill its fuel requirements.
- In FY22, MLCF relied 32/53/3/12% on WHR/Coal/Solar/National grid to meet its energy requirements with average cost of 0.02/0.11/0.02/0.16/USD/kWh for each of these.
- MLCF have energy efficient plants consuming only 720 kcal/kg of clinker and option of using Pet coke in kiln. Moreover, new line III currently has 80% Pet Coke usage.
- Company has the ability to dispatch 19,500 tons per day due to its streamlined and efficient operational logistic network.
- Furthermore, in FY23 management has shared that 11.52mn tons of new capacity will be added in North region that will take north region total capacity to 61.95mn tons, while in South region 1.27mn tons of new capacity would be added that will take South region total capacity to 16.99mn tons. Moreover, during FY24-25 13mn tons new capacity would be added in North region that will take region total capacity to 74.95mn tons by FY25.
- On demand front, management believes that dispatches would decline by 10% YoY in FY23 due to slowdown in demand.

#### Outlook

- The stock is not in our formal coverage. However, we expect company to remain beneficiary of (1) higher reliance on Afghan/domestic coal due to its geographical location, (2) increase in market share due to COD of new line, (3) resumption of construction activity, (4) reversal of interest rate cycle and (5) declining coal prices.
- To highlight, near term profitability of the company is expected to remain under pressure due to (1) decline in demand given economic consolidation and (2) uncertainty over pricing discipline as cement companies who have not expanded in current cycle may go for higher dispatches in order to maintain their current market share.

Fig 1: Maple Leaf Cement Factory Limited - Financial Highlights

Rs in mn	1QFY23	1QFY22	YoY	4QFY22	QoQ	FY22	FY21	YoY
Net sales	12,827	9,896	30%	14,428	-11%	48,520	35,538	37%
COGS	9,258	7,967	16%	11,515	-20%	36,244	28,135	29%
<b>Gross Profit</b>	<b>3,569</b>	<b>1,929</b>	<b>85%</b>	<b>2,913</b>	<b>23%</b>	<b>12,275</b>	<b>7,403</b>	<b>66%</b>
Distribution cost	417	400	4%	336	24%	1,484	1,014	46%
Administrative expense	369	216	71%	295	25%	971	813	19%
Other charges	373	164	128%	327	14%	952	524	82%
Other income	8	11	-32%	30	-75%	57	3,732	-98%
<b>Profit from operations</b>	<b>2,417</b>	<b>1,161</b>	<b>108%</b>	<b>1,985</b>	<b>22%</b>	<b>8,925</b>	<b>8,784</b>	<b>2%</b>
Finance cost	643	330	95%	591	9%	1,741	1,494	17%
<b>PBT</b>	<b>1,774</b>	<b>831</b>	<b>114%</b>	<b>1,394</b>	<b>27%</b>	<b>7,184</b>	<b>7,290</b>	<b>-1%</b>
TAX	564	268	110%	2,088	-73%	3,557	1,035	244%
<b>PAT</b>	<b>1,210</b>	<b>563</b>	<b>115%</b>	<b>(694)</b>	<b>-274%</b>	<b>3,626</b>	<b>6,254</b>	<b>-42%</b>
<b>EPS @1,073mn Share</b>	<b>1.13</b>	<b>0.52</b>		<b>(0.65)</b>		<b>3.38</b>	<b>5.83</b>	
Gross Margin	28%	19%		20%		25%	21%	
Net Margin	9%	6%		-5%		7%	18%	
Tax Effect	32%	32%		150%		50%	14%	

Source: Company account, Foundation Securities, Nov' 22

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If	
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Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.