

Maple Leaf Cement Limited

Analysis of Financial Statements

Team Members

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- ◆ **Company Name:** Maple Leaf Cement Limited
- ◆ **Ticker:** MLCF
- ◆ **Exchange:** Pakistan Stock Exchange (PSX)
- ◆ **Sector:** Cement
- ◆ **Recommendation:** Buy
- ◆ **Current Price:** 22.57 PKR (30 Dec 2022)
- ◆ **Target Price:** 40 PKR
- ◆ **Increase:** 77.23%

Business Overview

- ◆ 3rd Largest Company in Pakistan.
- ◆ Established in 1956
- ◆ Collaboration between West Pakistan Industrial Development Corporation & Government of Canada.
- ◆ Located at Daud-Khel (District Mianwali).
- ◆ In 1992, Kohinoor acquired it under the privatization policy.
- ◆ Up to 2006, they enhanced the Capacity.
- ◆ Holds 9% market share of ordinary Portland cement & 80% market share of white cement.

Business Model

- ◆ **Products:** Ordinary Portland Cement, White Cement, Sulphate Resistant Cement, Low Alkaline, & wall Coat.
- ◆ **Markets:** Domestic & International Market
- ◆ **Customers:**
 - ◆ **Local Customers:** Commercial and Residential Construction and Government agencies. (Approx: 95% of Sales).
 - ◆ **International Customers:** Middle East, Africa, & Afghanistan. (Up to 5% of sales).
- ◆ Energy Intensive Business.

Business Model

- ◆ Nearly 4% consumption of raw material used.
- ◆ Raw was acquired from Daud-Khel, A city rich in raw materials required for cement production.
- ◆ 60% of their cost is consumed by energy.
- ◆ Coal Mix
 - ◆ Local Coal
 - ◆ Afghan Coal
 - ◆ Alternative.

Cement Industry

- ◇ It has huge impact on economic growth.
- ◇ Cement Sector is composed of 17 companies of which 16 companies are operational.
- ◇ Divided into two regions; North and South, with North covering areas of Punjab, KPK and AJK and South including areas of Sindh and Baluchistan.
- ◇ Industry is contributing about 0.4% to the global GDP and 7.7% impact to employees globally.

Cement Industry

Industry is Oligopolistic in nature

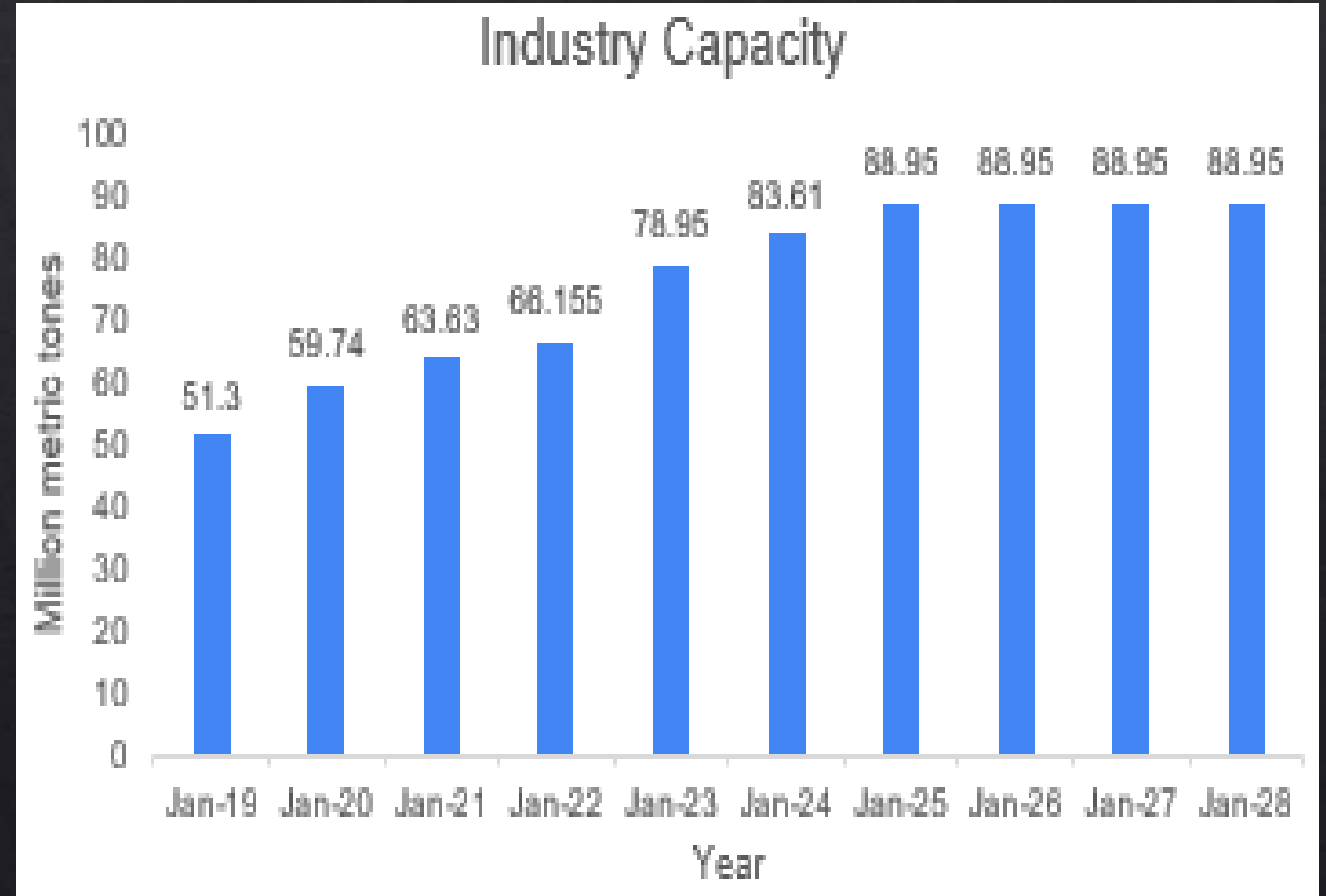
Major Players

- ◊ Lucky Cement
- ◊ Bestway Cement
- ◊ DG Khan Cement
- ◊ Maple Leaf Cement
- ◊ Kohat Cement
- ◊ Fauji Cement
- ◊ Power Cement
- ◊ Pioneer Cement

Cement Industry

Current capacity

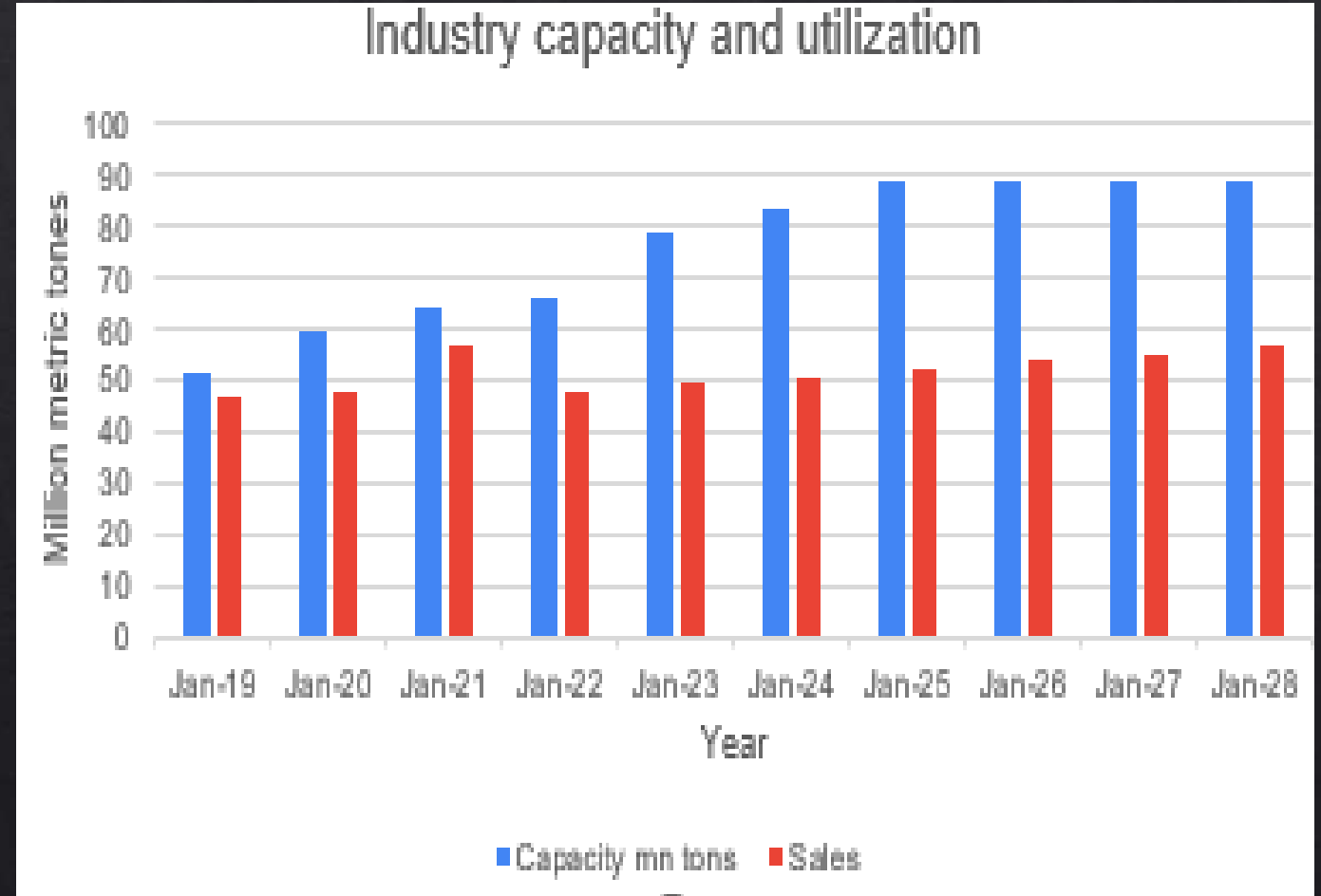
- ◇ Installed annual capacity of 66.16 million metric tons in 2022.
- ◇ Companies operating in south have more opportunities for revenue diversification through exports to various markets via the sea.



Cement Industry

Capacity Expansion

- ◇ The capacity expansion has been announced by many industry participants
- ◇ An expected approximately 83.61 million metric tons of expansion toward the production facility is anticipated by FY24.



Cement Industry

Impact of flood

- ◇ Flooding has caused significant damage to the country's infrastructure.
- ◇ The cement industry saw a 16.82% year-on-year decrease in November 2022 due to the floods.
- ◇ The demand for cement is expected to rise by 10% to 15% in the coming year.
- ◇ Undertaking the process of rebuilding or reconstruction could take 3-6 months on average

Investment risks

Operational Risks

- ◇ Machinery Breakdown
(LOW probability, HIGH impact)
- ◇ Loss of qualified and competent employees
(LOW probability, LOW impact).
- ◇ Health and Safety
(LOW probability, MEDIUM impact)

Investment risks

Market Risks

- ◇ Threat of New Entrants

(MEDIUM probability, LOW impact)

- ◇ Inflation

(HIGH probability, HIGH impact)

- ◇ Supply Chain and Backlog

(HIGH probability, HIGH impact).

Investment risks

Political Risks

- ◇ Development Budget

(MEDIUM probability, HIGH impact)

- ◇ Tax Environment

(HIGH probability, HIGH impact))