Company Report

Monday, June 30, 2025

Value Call

COMPANY UPDATE

Maple Leaf Cement Factory Limited (MLCF)
Cements

Recommendation	**BUY**
Target Price: Jun-26	109.20
Last Closing: 26-Jun-25	83.31
Upside (%):	31%
Valuation Methodology:	DCF

Market Data

Bloomberg Tkr.	MLCF PA
Shares (mn)	1,047
Free Float Shares (mn)	471.4
Free Float Shares (%)	45%
Market Cap (PKRbn)	87.8
Market Cap (USDmn)	310.2
Exchange	KSE-100

Price info.	**01M**	**03M**	**09M**	**12M**
Abs. Return	12%	40%	2.6x	2.2x
Low	74	56	32	32
High	91	91	91	91

Key Company Financials
Period End: Jun

PKRbn	**FY24A**	**FY25E**	**FY26E**	**FY27E**
Total Revenue	66.52	66.89	69.16	74.58
Net Income	5.27	14.93	11.54	13.39
EPS (PKR)	5.0	14.3	11.0	12.8
DPS (PKR)	-	1.5	2.0	2.5
Total Assets	99.37	104.35	118.06	125.18
Total Equity	52.62	65.98	75.68	86.45
Key Financial Ratios				
ROE (%)	10%	23%	15%	15%
P/E (x)	16.6	5.8	7.6	6.5
P/B (x)	1.7	1.3	1.2	1.0
DY (%)	-	2%	2%	3%

Source: Bloomberg, CapitalStake, PSX, Company Financials, IGI Research

IGI Research
Laraib Nisar
laraib.nisar@igi.com.pk
Tel: (+92-21) 111-234-234 Ext: 974

Cements

Rebuilding Value: MLCF Set to Outperform Amid Sector Recovery

- We reiterate our buy rating on MLCF with target price of PKR 109.2/share offering 31% upside from the closing price of PKR 83.31 on 26-Jun-25. The Company has been able to increase its market share by expanding the capacity, post expansion the market share has increased to 9.6% from 8.2%. The annual production capacity of the company stands at 8.0mn tons. Monetary easing cycle and the improving demand outlook also supports our buy rating.
- Currently, the gross margins of MLCF stand at 32% in FY24, the margins are expected to improve to around 35-36% owing to efficient use of fuel and power mix, MLCF is utilizing low-cost local coal and the company has a decent power mix.
- We estimate MLCF earnings for next 5 years to post 15% CAGR reaching PKR 10.6bn compared to the last reported earnings of PKR 5.3bn.
- Using DCF, we have a 'BUY' rating on MLCF with a Jun-26 target price of PKR 109.2/share offering ≈ 31% upside from the last closing price of PKR 83.3/share. The Company trades at CY24/25 P/E of 5.6/3.9 with 8% dividend yield.

Reiterating our "BUY" rating on Maple Leaf Cement Factory (MLCF)

We reiterate our "BUY" rating on MLCF with target price of PKR 109.2/share offering 31% upside from the closing price of PKR 83.31 on 26-Jun-25. The Company has been able to increase its market share by expanding the capacity, post expansion the market share has increased to 9.6% from 8.2%. The annual production capacity of the company stands at 8.0mn tons. Monetary easing cycle and the improving demand outlook also supports our buy rating.

We base our investment thesis on a) improving demand outlook, b) capacity expansion and increase in market share, c) efficient use of fuel and power mix to improve margins, d) monetary easing cycle and e) earnings to grow at 5yr CAGR of 15%.

Recommendation: We have a 'BUY' rating on MLCF with a Jun-26 target price of PKR 109.2/share offering a ~31% upside from the last closing price of PKR 83.31/share (26-Jun-25). The Company is currently trading at CY25/26 P/E of 7.7/9.9.

Investment Thesis

1. Improving Demand Outlook

The outlook for Pakistan's cement sector is gradually turning positive after a challenging FY24. While local sales declined by 5% in FY24, and 10MFY25 data shows a 6% YoY drop (29.9mn tons vs. 31.7mn tons). A recovery is expected from FY26 onwards, driven by improving macroeconomic indicators. We forecast 3% growth in local cement sales for FY26. This rebound will likely be supported by lower inflation, falling interest rates, and a gradual pickup in private sector construction activity. On the export front, we project a 5% YoY increase in FY26, supported by the PKR's depreciation, which has enhanced the competitiveness of Pakistani cement in regional markets. Overall, while the near-term environment remains challenging, signs of stabilization and recovery are emerging, setting the stage for moderate growth in both local and export markets over the medium term.

Exhibit: Cement Dispatches

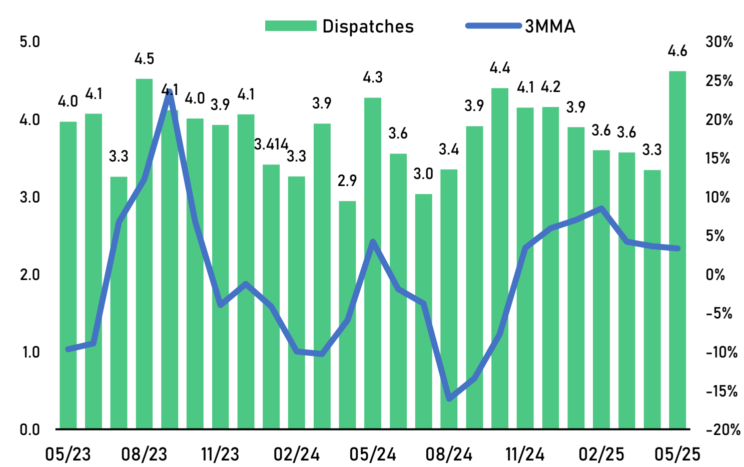
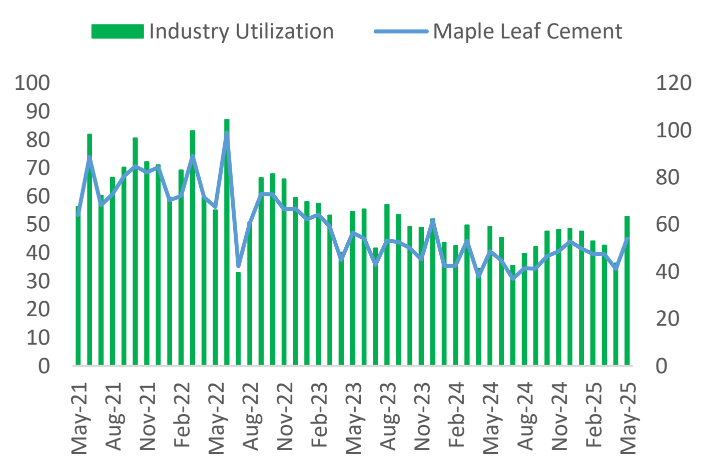


Exhibit: MLCF vs Average Industry Capacity Utilization



Source: Company Accounts, IGI Research

2. Capacity Expansion and increase in market share

Early mover in expansion cycle:

In November 2022, Maple Leaf Cement (MLCF) commissioned a brownfield clinker line at its Iskanderabad plant, boosting capacity by 2.1mn tons from 5.7mn to 7.8mn tons annually. This move positioned MLCF as the fourth-largest player nationally, with a 9.6% share of total capacity (up from 8.2%), and the fourth-largest in North Pakistan with ≈12% share.

Cost-efficient execution:

The project cost was ~PKR 20 bn—remarkably lower than peers' recent expansions (e.g., Fauji's ~PKR 27 bn for 2.05 mn tons). Financing included concessional debt under government facilities, and internal cashflows, minimizing equity dilution.

Strategic Advantages:

MLCF's timely and cost-effective strategy gives it a strong foothold as demand recovers. Lower capital cost per ton enhances return on assets and future profitability.

3. Efficient use of Fuel and Power Mix to improve margins

MLCF's gross margins are expected to improve from 32% in FY24 to 35–36%. This improvement is driven by lower coal prices, better fuel efficiency, and a cost-effective power mix.

International coal prices have moderated in recent months, helping reduce the cost burden across the industry. MLCF is well-positioned to benefit due to its flexible fuel mix, which includes a growing share of local coal and biomass—both more affordable than imports.

The company also maintains one of the most efficient power setups in the sector, relying heavily on in-house generation through coal, solar, and waste heat recovery. This lowers dependence on the national grid and helps contain per-unit power costs, a major advantage in Pakistan's volatile energy environment.

The company's power mix—53% coal, 32% WHR, 7% solar, and 8% grid—keeps average power cost around PKR 14.77/kWh. This integrated fuel strategy positions MLCF among the most efficient players in the sector.

Exhibit: Pricing and Margins

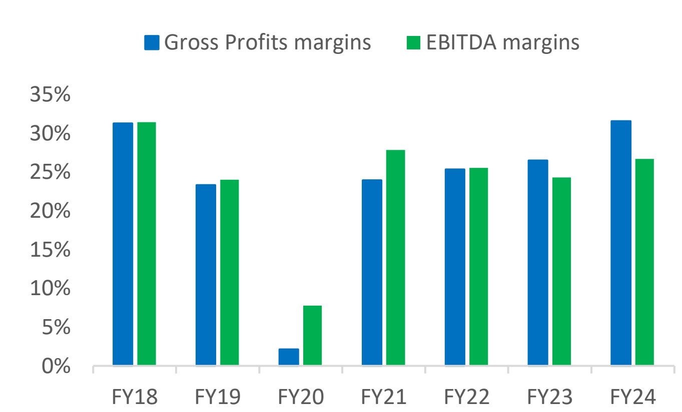
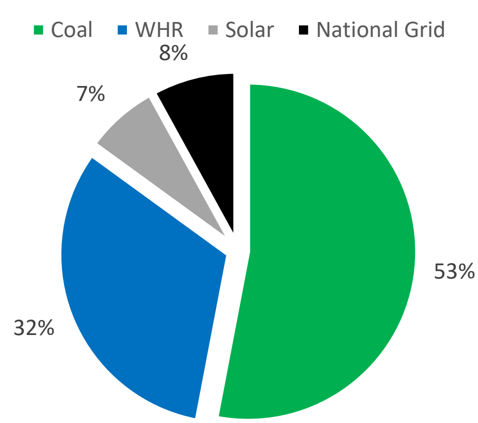


Exhibit: COGS Decomposition



Source: Company Accounts, IGI Research

4. Monetary Easing Cycle

With inflation dropping from 38% (May 2023) to just 0.3% (April 2025), the SBP has slashed policy rates by 1,100bps to 11%. This easing cycle is expected to revive economic activity, particularly in housing and construction. While past borrowing surged even during high rates due to subsidized housing loans (3–9%), the current low-rate environment could unlock broader, market-driven demand in the sector.

Valuation

Using DCF, we have a 'BUY' rating on MLCF with a Jun-26 target price of PKR 109.2/share offering a ~31% upside from the last closing price of PKR 83.31/share (26-Jun-25).

We have determine our target price using Discounted Cash Flow (DCF) valuations with a Cost of Equity of 18% and a terminal growth rate assumed at 3% based on cash flows projected until FY30. Our calculation includes a risk-free rate of 12%, a beta of 1.0, an equity risk premium of 6%, and a cost of debt of KIBOR +1%.

Financial Summary

Maple Leaf Cement Factory Limited (MLCF)

Current Price: 83.31 | **TP: 109.20** | **Upside: 31%** | **Recommendation: BUY**

PKRmn	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Income Statement							
Net Sales	35,538	48,520	62,075	66,452	66,890	69,163	74,579
Gross Profit	8,499	12,275	16,424	20,964	21,017	22,991	26,922
Finance Costs	1,327	1,658	2,381	4,138	3,120	983	741
Profit Before Tax	4,970	7,176	9,504	8,886	22,287	17,222	19,982
Profit After Tax	3,828	3,589	4,581	5,273	14,932	11,539	13,388
Balance Sheet							
Current Assets	16,923	20,322	22,240	26,868	31,072	42,941	51,817
Non-Current Assets	49,316	61,892	67,468	72,498	73,282	75,118	73,363
Total Assets	66,239	82,214	89,708	99,366	104,354	118,059	125,180
Current Liabilities	11,449	16,193	16,215	18,598	20,239	20,225	19,245
Non-Current Liabilities	17,247	25,462	28,580	28,152	24,744	21,337	18,366
Total Liabilities	28,697	41,655	44,795	46,750	44,983	41,561	37,611
Total Equity	37,543	40,559	44,913	52,616	65,977	75,682	86,451
Key Financial Ratios							
EPS	3.7	3.4	4.4	5.0	14.3	11.0	12.8
DPS	-	-	-	-	2	2	3
Gross Margins	24%	25%	26%	32%	31%	33%	36%
Net Margins	11%	7%	7%	8%	22%	18%	20%
P/E	22.80x	24.31x	19.05x	16.55x	5.84x	7.56x	6.52x
P/S	2.46x	1.80x	1.41x	1.31x	1.30x	1.26x	1.17x
ROE	10%	9%	10%	10%	23%	15%	15%
ROA	6%	4%	5%	5%	14%	10%	11%

Source: PSX, Capital Stake, Company Accounts, Bloomberg, IGI Research

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation Rating System
Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)
Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)
Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Valuation Methodology: To arrive at Target Prices, IGI Finex Securities uses different valuation methodologies including

- Discounted Cash Flow (DCF)
- Reserve Based DCF
- Dividend Discount Model (DDM)
- Justified Price to Book
- Residual Income (RI)
- Relative Valuation (Price to Earning, Price to Sales, Price to Book)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: Target Price: A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009

Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Syeda Mahrukh Hameed	Regional Head (North)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Faraz Naqvi	Branch Manager (Karachi)	Tel: (+92-21) 111 234 234 Ext: 826	faraz.naqvi@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Laraib Nisar	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 974	laraib.nisar@igi.com.pk

IGI Finex Securities Limited
Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |
Corporate member of Pakistan Mercantile Exchange Limited
Website: www.igisecurities.com.pk

Head Office
Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
Fax: (+92-21) 35309169, 35301780

Lahore Office
Shop # G-009, Ground Floor,
Packages Mall
Tel: (+92-42) 38303560-69
Fax: (+92-42) 38303559

Islamabad Office
3rd Floor, Kamran Centre,
Block- B, Jinnah Avenue, Blue Area
Tel: (+92-51) 2604861-2, 2604864, 2273439
Fax: (+92-51) 2273861

Faisalabad Office
Office No. 2, 5 & 8, Ground Floor, The
Regency International 949, The Mall
Faisalabad
Tel: (+92-41) 2540843-45

Rahim Yar Khan Office
Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road
Tel: (+92-68) 5871652-3
Fax: (+92-68) 5871651

Multan Office
Mezzanine Floor, Abdali Tower,
Abdali Road
Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009