Maple Leaf Cement Factory Ltd. (MLCF)

Fueling Future Growth with a Diversified Revenue Model

Wednesday, May 21, 2025

We reiterate our **BUY** stance on Maple Leaf Cement (MLCF) with a revised **June 2026 Target Price (TP) of PkR 126/share,** offering a **potential upside of 66%.**

We believe MLCF will reap the benefits of (i) improving local demand outlook, (ii) market share increase driven by timely expansion, (iii) monetary easing cycle (iv) margin improvement led by an efficient energy mix (v) pricing discipline within the cement industry (vi) reduced debt levels and (v) strong cash flows .

An improving local demand outlook: We anticipate a 3% growth in domestic sales in FY26 and a 5% growth in FY27. An improved growth outlook stems from a backlog of demand, stable construction input costs, and an expedited monetary easing cycle. Moreover, FY25's figures have outperformed out expectations, likely recording a decline of 5% YoY compared to initial estimates of a 10% decline.

Timely expansion may support market share expansion: MLCF entered Pakistan's fourth expansion cycle with a capacity of 2.1mn tons, enhancing its annualized production capacity to 8.0mn tons. As a result, MLCF's market share in total capacity (South and North) of the sector increased to 9.6% from 8.2%, making MLCF the fourth largest cement plant.

Monetary easing cycle to support construction activities: The prevalent monetary easing cycle will likely benefit Maple Leaf Cement through an increase in construction activity. Falling interest rates may also induce demand from large-scale public sector projects as a lower debt servicing burden may create fiscal space to fund these projects.

Efficient fuel and power mix to improve margins: We expect MLCF's gross margins to improve from 32% in FY24 to 33-37% over FY25-FY27 because of declining coal prices and improved retention prices. MCLF utilizes lower-cost local coal benefits and from a favorable power mix, including a coal-fired power plant, WHR (Waste Heat Recovery), and a solar plant.

Industry pricing discipline bodes well for the company: Despite low utilization rates, we believe that domestic cement prices will not come under pressure. The industry is expected to keep margins at sustainable levels to ensure its debt servicing capacity. It is evident from the recent price hikes prioritizing margin retention.

Deleveraging amid strong cash generation: Since FY23, MLCF has repaid PkR 7.6bn in debt, reducing its interest-bearing debt reduced to PkR 15.3bn as of March 2025.. We believe this deleveraging trend will continue due to strong cash generation, substantially reducing financial charges.

MLCF	FY23	FY24	FY25E	FY26F	FY27F
EPS	4.3	5.0	13.8	10.1	13.0
EPS Growth	24%	17%	174%	-27%	28%
DPS	0	0	0	2.0	2.5
DY	0%	0%	0%	3%	3%
P/E	6.2	7.3	5.5	7.5	5.8
EV/EBITDA	2.5	2.7	4.2	3.9	3.3
ROE	10%	10%	21%	13%	15%

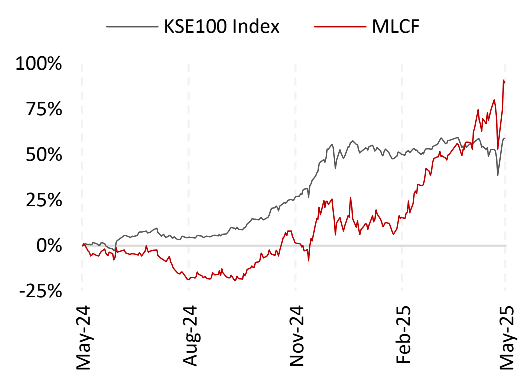
Source: Company Accounts, APCMA, BMA Research

MLCF investment overview

KATS Code	MLCF
Bloomberg Code	MLCF PA
Market Price	PkR 76.36
Target Price	PkR 126
Upside	66%
1-Yr High/ Low	PkR 77.70/31.50
Estimated free float	45%
Share outstanding (mn)	1,048

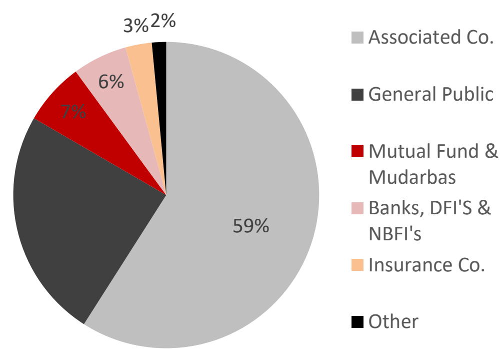
Source: PSX, BMA Research

KSE100 Index vs MLCF



Source: PSX, BMA Research

MLCF Shareholding



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Strong cash flows to support on multiple avenues: With improving profitability, MLCF's operating cash flow has increased as well. Strong cash flows have the potential to support the company's capacity expansion projects, energy efficiency projects, buybacks, investment to diversify business exposure and enhance cash yield potential.

Valuation: MLCF offers a potential upside of **66% to our June 2026 TP of PkR 126/share**. The stock is currently trading at FY26E PE of 5.9x and an FY27F PE of 4.8x, as compared to its 5-year average PE (Ex. FY20 Covid Year) of 7.8x, representing a discount of 24% and 38% respectively, and its 10-year average PE (Ex. FY20 Covid year) of 9.0x, representing a discount of 34% and 46%, respectively.

On EV/ton, MLCF is trading at USD 39 per ton, compared to USD 43 per ton for its last brownfield expansion of 2.1mn tons, and a replacement cost of around USD 77 per ton. MLCF is also cheaper than the sector, which has an average EV per ton of USD 45 per ton. MLCF is trading at EV/EBITDA of 4.2x vs last 10 years average EV/EBITDA of 5.2x.

Key Risks: (i) Lower than estimated sales, (ii) decline in cement prices due to lower capacity utilization, and (iii) higher than expected increase in coal prices.

Local demand outlook has improved

Initially, we were expecting 8-10% decline in FY25 after 5% fall in FY24. However, citing 10MFY25 sales numbers and industry feedback, we have revised our local sales assumption to 5% decline for FY25. Moreover, we have assumed 3% and 5% growth in local sales for FY26 and FY27 amid expectation of economic stability in the country.

Our industry channel checks suggest an anticipation of 3-5% growth in local sales in FY26 due to economic stabilization, lower inflation and lower interest rate.

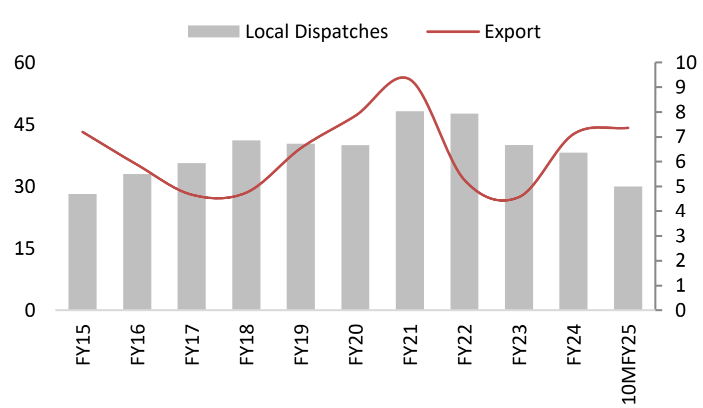
Local cement sales in 10MFY25 have clocked in at 29.9mn tons, compared to 31.7mn tons, down by 6% YoY. The reason behind the decline in sales is the higher construction cost, muted government spending and poor farm economics.

Furthermore, last floods damaged over 800k houses in the country and the rehabilitation of these houses is still to be done. This would also support local cement demand especially in southern region of Pakistan.

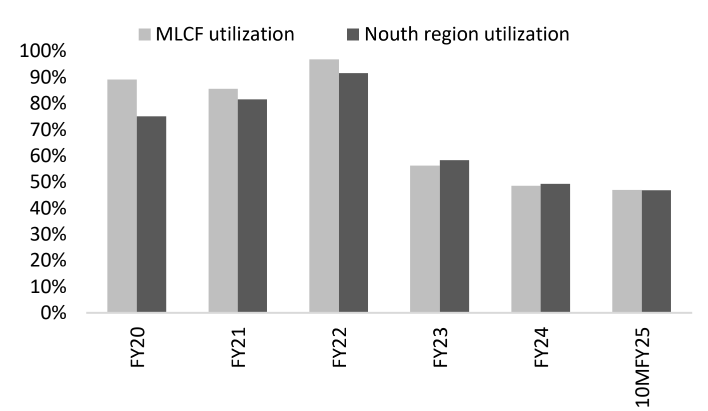
On the exports front, total cement exports are expected to increase by 5% YoY in FY26 and FY27, thanks to PKR devaluation has improved competitiveness in the market. With gradual improvement in industry sales, capacity utilization is projected to inch up to 53%, 55%, and 58% in FY25, FY26 and FY27, respectively.

Additionally, our channel checks suggest that there is a capacity of close to 10mn tons that will not be in used due to inefficiencies. So effective capacity utilization excluding this 10mn tons is higher than reported.

Local cement dispatches vs exports



MLCF capacity utilization vs North region utilization



Source: Company Accounts, APCMA, BMA Research

Market share increased because of timely expansion

MLCF was one of the few cement companies that entered Pakistan's fourth cement expansionary cycle ahead of others with a capacity of 2.1mn tons. With the addition of this, MLCF's capacity increased from 5.7mn tons to 7.8mn tons.

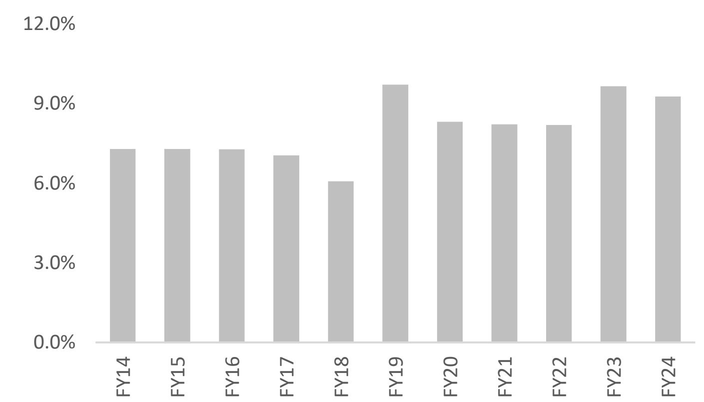
As a result, MLCF's market share in total capacity (South and North) of the sector has increased to 9.6% from 8.2%, making MLCF the fourth largest plant. MLCF is also the fourth largest player in the North region with market share of 12% post expansion.

To recall, in FY20, MCLF added third line with capacity of 2.34mn tons at cost of PkR 26bn, that in turn increased local market share to 14.2% in North. Later, in FY21 its market share reduced to 11.2% due to capacity addition of KOHC by 2.4mn tons.

In Pakistan, out of 30mn tons sales in local market in 10MFY25, 83% of sales comes from North region and rest 17% from South region.

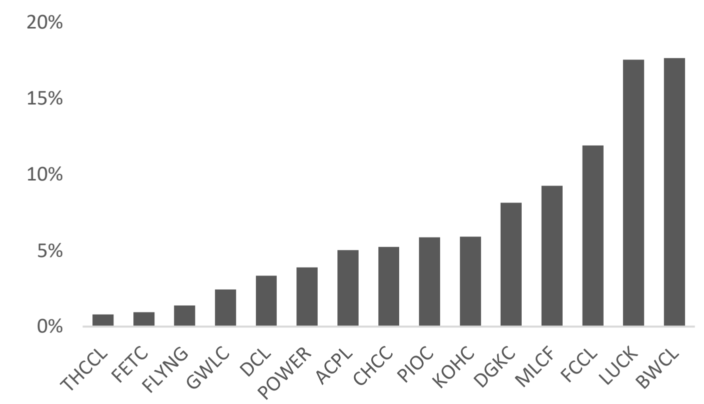
Furthermore, cost of recent MLCF's expansion was around PkR 22bn, which is relatively lower on a per ton basis compared to others who also expanded their production capacity. Details related to the cost of expansion of other players are provided in the table. This timely and low-cost expansion will be beneficial for MLCF in coming years.

MLCF capacity-based share over the years



Source: APCMA, BMA Research

MLCF 4th largest player



Source: APCMA, BMA Research

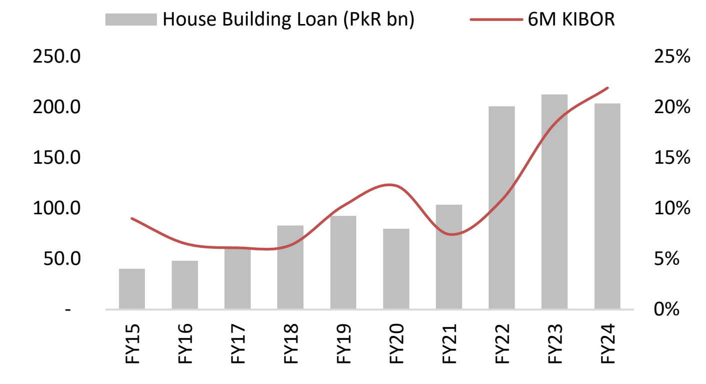
Monetary easing cycle to support construction activities

Easing inflationary pressures have allowed the State Bank of Pakistan (SBP) to begin its monetary easing cycle. Notably, inflation peaked at 38% in May 2023 before declining to a low of 0.3% by April 2025. In response, the SBP has reduced the policy rate by 1,100 basis points to 11% over the past 1 year. Furthermore, this monetary easing is likely to serve as a precursor to the recovery of Pakistan's economic cycle, which could benefit various industries, including construction.

An analysis of borrowing trends for house construction in relation to the 6-month KIBOR indicates that borrowing increased during periods of low interest rates, supporting both house construction and purchases. However, in FY22 and FY23, borrowing surged significantly despite high interest rates. This unusual trend was driven by the government's decision to offer housing loans at rates between 3% and 9%, a policy aimed at stimulating the economy.

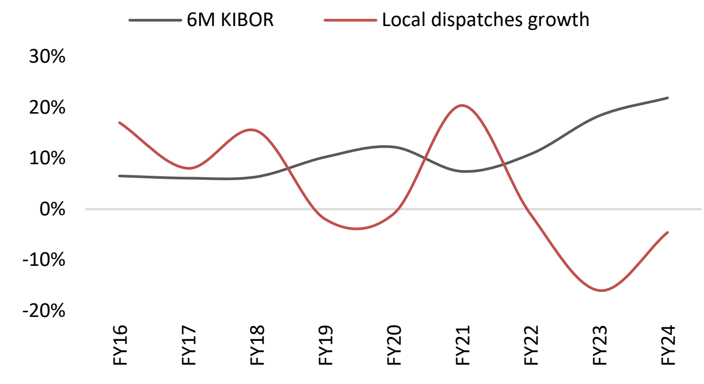
Source: Company Accounts, APCMA, BMA Research

KIBOR vs house building loan



Source: SBP, BMA Research

KIBOR vs local dispatches growth



Source: SBP, BMA Research

Efficient fuel and power mix to enhance margins

We expect MLCF gross margins to improve from 32% in FY24 to 33-37% over FY25-FY27. Similarly, EBITDA margins are expected to improve from 27% in FY24 to 31-35% over FY25-27. The improvement in margins is on account of decline in coal prices, improved retention process and efficient fuel and power efficiency.

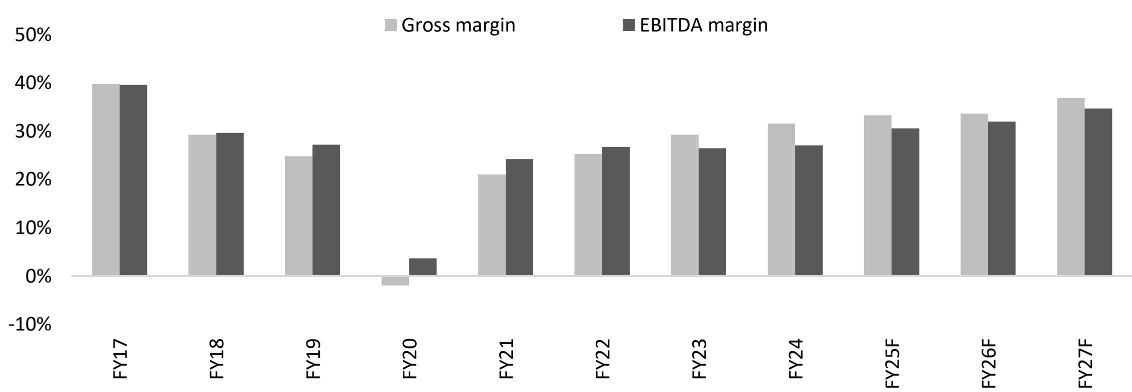
Richards Bay coal prices have declined from FY24 average of USD 107/ton to USD 89/ton in April 2025, down 20%. Following the decline in international coal prices, local and Afghan coal prices have also declined. We expect international coal prices of USD 100/ton in FY26 and USD 90/ton in remaining years based on our discussions with industry players. In PKR terms we have assumed average coal price of PkR 38k/ton and PkR 37k/ton for FY26 and FY27, respectively.

MLCF is one of the efficient player in the sector. MCLF can utilize local coal with a higher sulfur content. The ability to maximize the use of low-cost local coal in the fuel mix provides a cost advantage to MLCF compared to other available alternatives of local coal, offering a sizable discount compared to available sources. MLCF also benefits from a favorable power mix, including a coal-fired power plant, WHR (Waste Heat Recovery), and a solar plant with capacities of 40MW, 19.8MW, and 7.5MW, respectively.

Other available power sources include an FO (Furnace Oil) based captive power plant with a generation capacity of 24MW, along with a gas based captive power plant with a nameplate capacity of 16MW. As per channel check, current Power mix of the company is composed of 56/34/6/4% from Coal/WHR/Solar/Grid. Average power cost per kWh for the company is PkR 14.77.

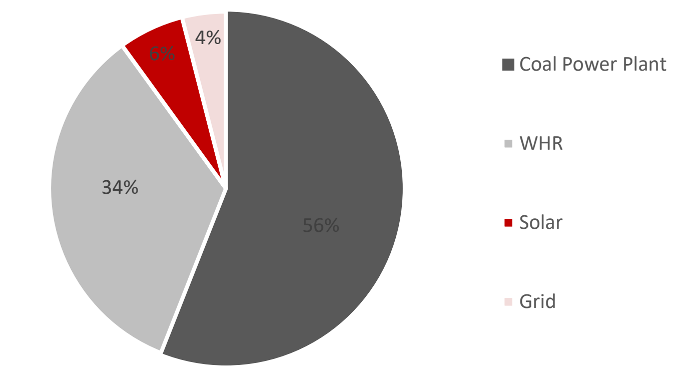
Moreover, current coal costs for the company are PkR 43k/ton for Pet Coke, PkR 50k/ton for Afghan coal and PkR 41k/ton for local coal. Biomass cost for 9MFY25 for the company is PkR 20k/ton and contribution to fuel mix was 28%. Plan is to increase biomass contribution to 40%.

Margins approaching the levels last seen in FY17



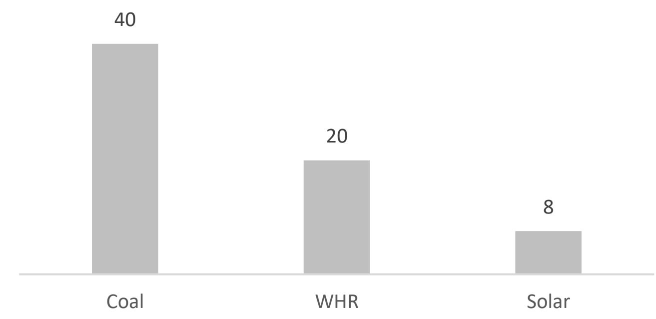
Source: Company Accounts, APCMA, BMA Research

MLCF Power Mix (FY25TD)



Source: Company Accounts, BMA Research

Available Power Sources (MW)



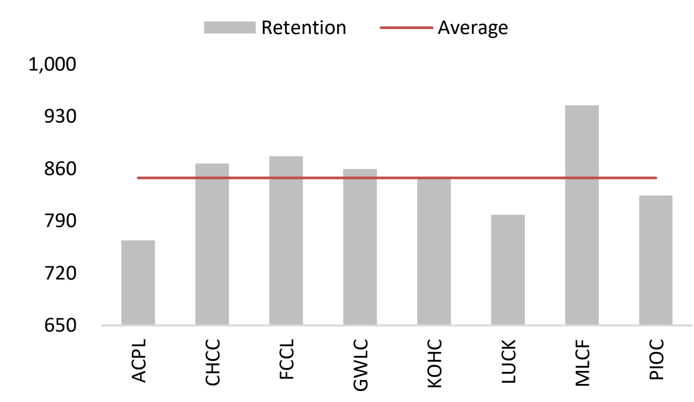
Source: APCMA, BMA Research

Industry pricing discipline bodes well for the company

Despite low utilization rates, we believe that domestic cement prices will not come under pressure. The industry is expected to keep margins at sustainable levels to ensure its debt servicing capacity. It is evident from the recent multiple price hikes as well. We have assumed a 4% increase in retail cement prices for FY26 and FY27. We believe strong pricing power will enable the sector to sustain its profitability despite low operating rates.

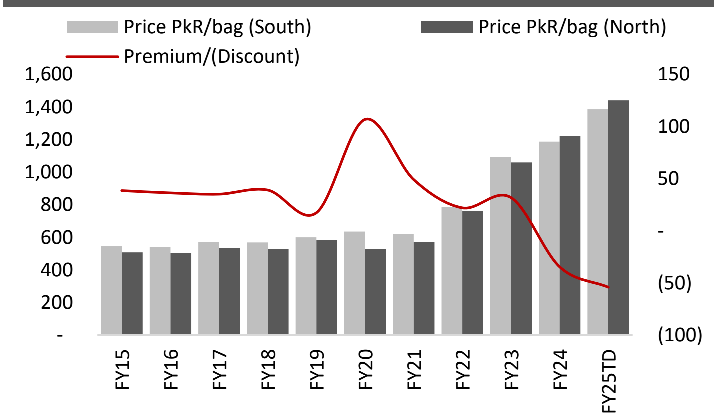
Even in an unlikely case of a price war, Maple leaf cement would be in a better position as it has one of the higher retention price of PkR 945/ton of grey cement due to its superior product compared to average of our universe of PkR 850/ton in FY25. We, however, do not expect any price war among the players given that the industry exhibited heightened discipline despite a tough economic cycle.

Highest retention price



Source: PBS, BMA Research

Price convergence



Source: PBS, BMA Research

MLCF commands over 90% market share in white cement

MLCF has separate plants for grey and white cement, each with dedicated production lines within the same facility. MLCF has an annual production capacity of 165K tons of white cement, contributing around 3.8% to sales as per FY24 annual accounts.

As per our sources, total market size of white cement in Pakistan is ranging from 100K to 125K tons with an annual turnover of PkR 7-9bn. MLCF stands as the foremost producer of white cement in Pakistan with market share of over 90%. Moreover, MLCF sells its white cement at a premium to other players due to its superior quality.

Traditionally, white cement was primarily employed in applications related to tiles and sanitary work. However, in the past 2-3 years, there has been a notable surge in the use of white cement, particularly in urban areas of Pakistan due to changing consumers preference towards decorative and architectural purpose.

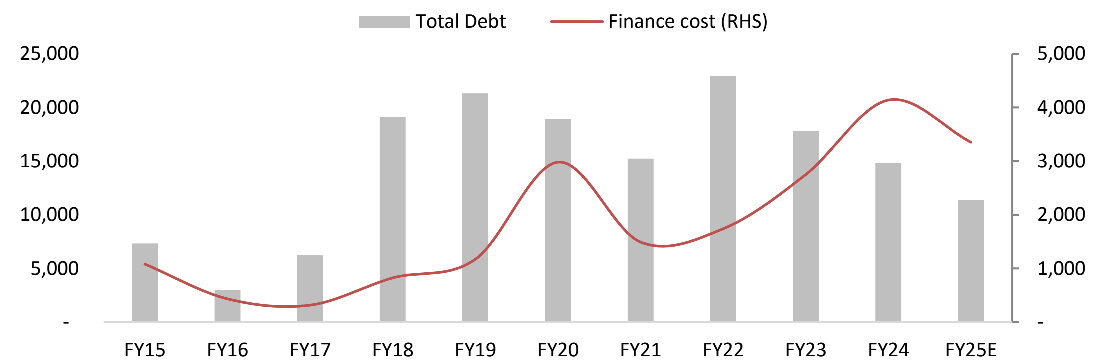
Growth in white cement is further fueled by its newfound application in products provided by the paint industry, where it serves as a surface primer on grey cement prior to painting, indicating a promising and enduring trend.

Deleveraging amid robust cash generation

In FY23 MLCF repaid PkR 7.6bn in debt because of which total interest-bearing debt reduced from PkR 22.9bn in June 2022 to PkR 15.3bn in March 2025 of which PkR 3bn is low-cost debt. Reduced debt level along with the sizable reduction in borrowing rate to has brought of PkR 1.8/sh in the bottom line.

We believe this deleveraging will continue due to strong cash generation and this will reduce financial charges going forward. Same trend was seen earlier when MLCF reduces its interest-bearing debt from PkR 17.5bn in FY11 to PkR 3bn in FY16 representing a fall of 82%.

Falling debt levels are helping to keep financing costs low



Source: Company Accounts, BMA Research

Strong cash flows to support on multiple avenues

With improving profitability, MLCF's operating cash flow has increased as well. Strong cash flows have the potential to support the company's capacity expansion projects, energy efficiency projects, buybacks, investment to diversify business exposure and enhance cash yield potential. Strong cash generation has enabled the company to complete two buybacks, make strategic investment in undervalued listed Cement Company, entering stable fertilizer business and company and health care industry via construction premium hospital at prime location of the country. The details of the few notable investments are given below;

Two buybacks led by strong cash generation

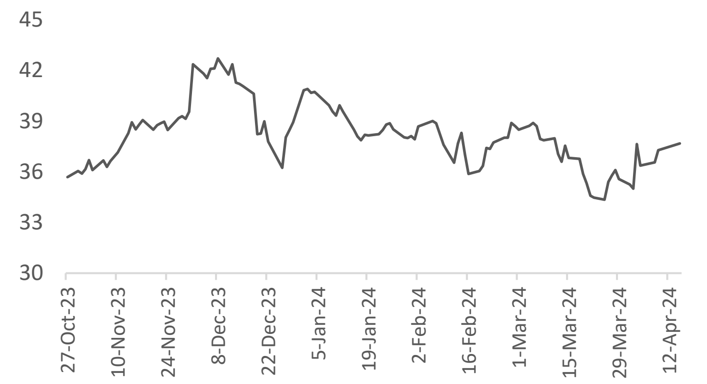
MLCF, on Sep 06, 2023, announced its second buyback of 100mn shares (around Rs3bn) which is 9.3% of the paid-up capital and 20.7% of the free float with intention to cancel shares. However, buyback of 25.7mn shares was completed at an average price of PkR 38.6 per share.

In 2022, MLCF completed its first buy back of 25mn shares. The company completed its first buyback during May 27, 2022, to July 15, 2022, and that time stock surged by 2%. Buyback was completed at an average price of PkR 26.7 per share.

Buybacks typically improve shareholder value by reducing number of shares and increased ownership for those who chose to hold.

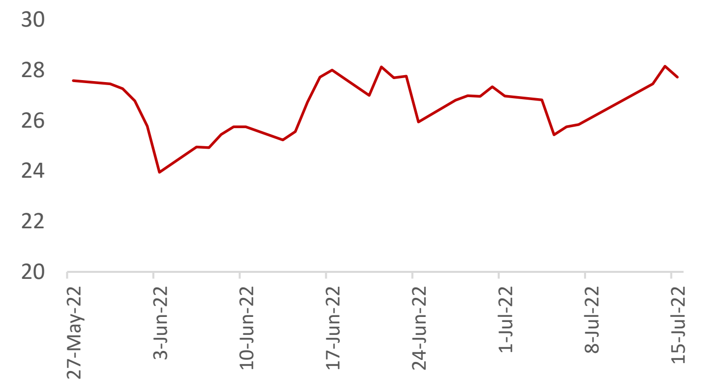
Source: Company Accounts, APCMA, BMA Research

Price movement during second buyback



Source: PSX, BMA Research

Price movement during first buyback



Source: PSX, BMA Research

Investment in undervalued listed cement company

MLCF also holds 17.3mn shares (7.6% and 15.2% of shares issued by the company and free float) of Pioneer Cement (PIOC) at an average price of PkR 71.42 per share (Current price is PkR 215/share). PIOC is the 6th largest cement plant in Pakistan and 5th largest in North in terms of capacity.

PIOC is geographically located to cater the demand of Central and South Punjab. PIOC has annual production capacity of 5.2mn tons with market share of 7.5% in North region.

PIOC is an affiliate of Mega group. The group owns 47% stake in Pioneer through Vision Holding Middle East Limited. The group, led by Mr. Habibullah Khan, has key interest in shipping and logistics business, in addition to exposure in real estate, ports (terminal), food, and energy sectors.

PIOC's sales and profit have grown at a 10-year (FY22A-FY25E) CAGR of 14% and 8%, respectively.

PIOC	FY22	FY23	FY24	FY25F	FY26F
EPS (PkR)	4.62	11.5	22.8	22.1	24.6
DPS (PkR)	0	0	15.0	15.0	15.0
PE (x)	46.5	18.7	9.4	9.8	8.7
PB (x)	1.6	1.2	1.1	1.0	1.0
Yield (%)	0%	0%	7%	7%	7%
ROE (%)	4%	6%	11%	11%	11%

Source: Company Accounts, BMA Research

Taping into stable fertilizer business

Cement demand tends to be volatile as it closely follows economic cycles and is affected by periodic uncertainties. In contrast, fertilizer offtake is generally more stable and is expected to grow, particularly with the Special Investment Facilitation Council (SIFC) promoting corporate farming in Pakistan.

MLCF has acquired 34.4% shares of Agritech Limited (AGL) and its associated company Maple Leaf Capital has acquired 9.11% shares of AGL, taking total shareholding to 43.51%. MLCF plan is to increase the acquisition to 70-75% with negotiations underway. Reconstituted board of the acquired company is now composed of 3 members from MLCF, 3 from Fauji Fertilizer (FFC) and 3 independent board members.

Source: Company Accounts, APCMA, BMA Research

Entering healthcare business

MLCF is currently venturing into hospital business with Novacare Hospitals. The plan is to build and operate three hospitals in major cities. This first hospital will have 250 beds (extendable to 450 beds) at DHA; it is already under construction with operations expected to start at the end of 2026.

Total expected cost of the **first hospital is USD 100mn**. This will have a 50/50 Debt/Equity component. MLCF has already invested PkR 4.7bn in equity with PkR 8.0bn further expected. MLCF currently owns 99.59% equity in Novacare with plans to include a foreign equity partner at 20% share. Management estimates a **dollarized IRR of 15% for the project.**

Globally, hospital businesses command premium valuations due to their stable revenues and consistent cash flows. In Pakistan, Shifa International (SHFA), the only listed hospital on the PSX, is currently trading at a trailing P/E of 11.2 and rallied 215%, driven by strong revenues and healthy gross margins. Positioned as a super-premium facility with cutting-edge services, Nova Care is expected to achieve even higher margins. As per channel check, pricing would be higher than Shifa International and slightly lower than Agha Khan hospital.

SHFA	FY21	FY22	FY23	FY24	FY25E
EPS (PkR)	11.07	18.39	18.7	21.6	39.7
DPS (PkR)	0	3	1.5	4.0	8.0
PE (x)	40.3	24.3	23.9	20.7	11.2
PB (x)	3.3	2.9	2.6	2.4	2.0
Yield (%)	0.0%	0.7%	0.3%	0.9%	1.8%
ROE (%)	8%	12%	11%	11%	18%

Source: Company Accounts, BMA Research

Maple Leaf Power Limited (MLPL) - Subsidiary

In 2016 MLCF established its wholly owned subsidiary, MLPL, for establishment and commissioning of 40MW coal fired power plant. MLPL started commercial operation in 2018.

MLPL has contributed by around 23% in consolidated profitability of MLCF in last two years. We estimate MLCF to generate PAT of PkR 2,714mn in FY26 (20% of bottom line of FY26). Moreover, Maple Leaf Power which is tax exempt also reduces the effective tax rate of the company.

Valuation – a potential return of 66%

MLCF trades at an FY26F PE of 5.9x and an FY27F PE of 4.8x, as compared to its 5-year average PE (Ex. FY20 Covid Year) of 7.8x, representing a discount of 24% and 38% respectively, and its 10-year average PE (Ex. FY20 Covid year) of 9.0x, representing a discount of 34% and 46%, respectively.

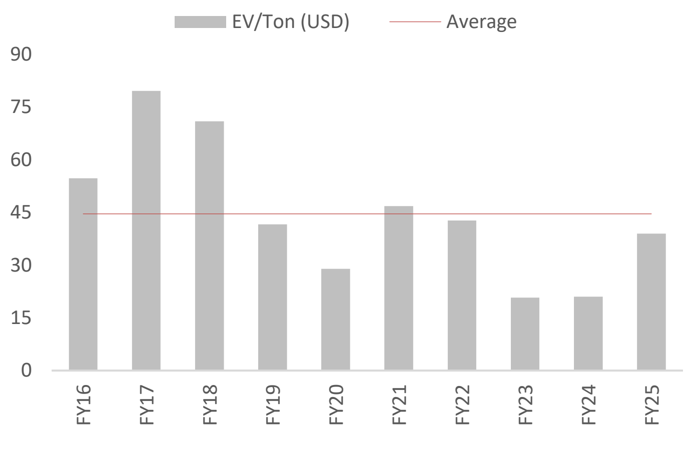
MLCF is currently trading at a price of PkR 75/share, offering a **potential upside of 66%** to our June-2026 TP of PkR 126/share.

Valuation – MLCF well placed in the industry

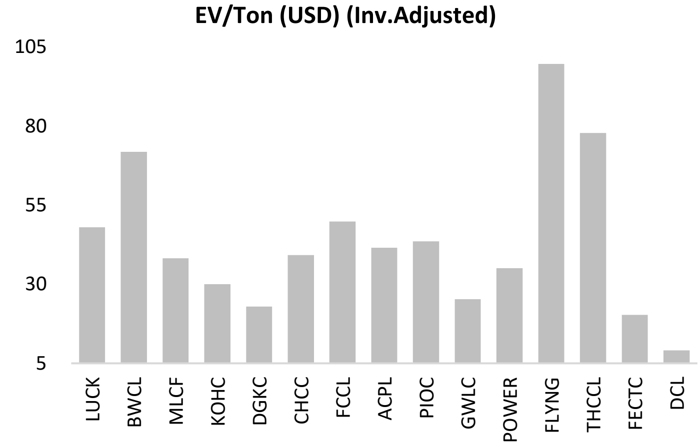
The stock is trading at an attractive Enterprise Value per ton (EV/ton) of USD 39/ton. This compares to its cost of the last brownfield expansion of 2.1mn tons, which was approximately USD 43/ton, and a replacement cost of around USD 77/ton.

MLCF is trading at EV/EBITDA of 4.2x vs last 10 years average EV/EBITDA of 5.2x.

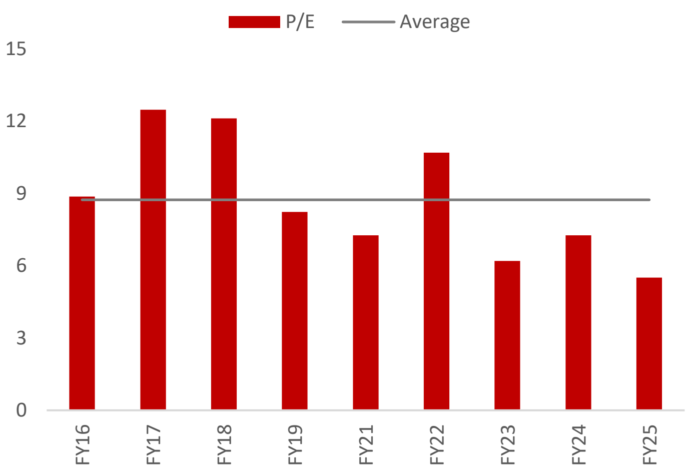
Trading at EV/Ton USD 39 vs 10-Year average P/E of 45



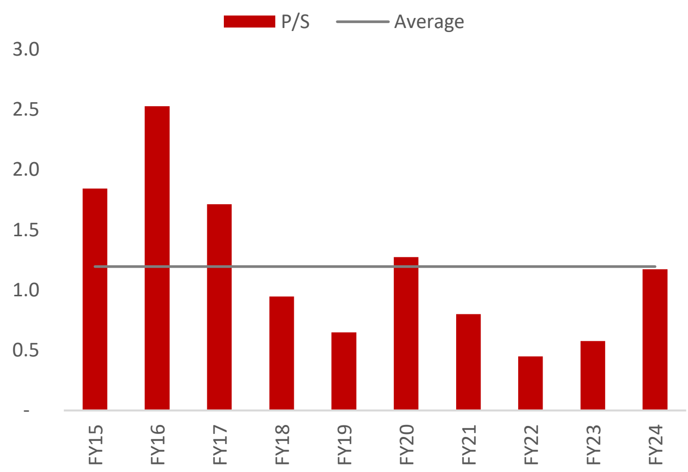
Trading at EV/Ton USD 39 vs 10-Year Ind. average of USD 45



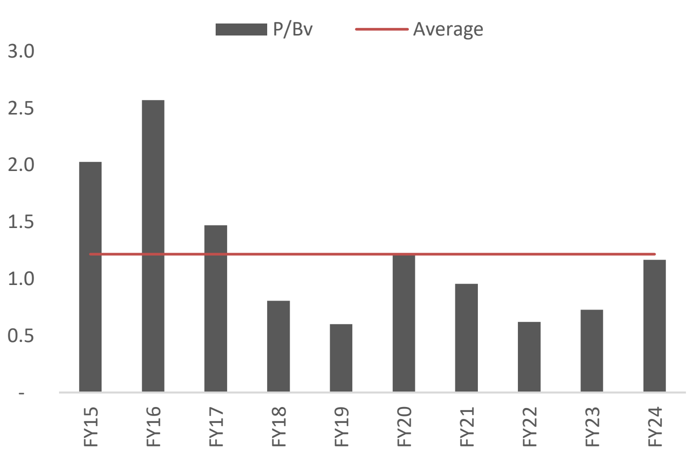
Trading at FY25E P/E of 5.5x vs 10-Year average P/E of 9.0x



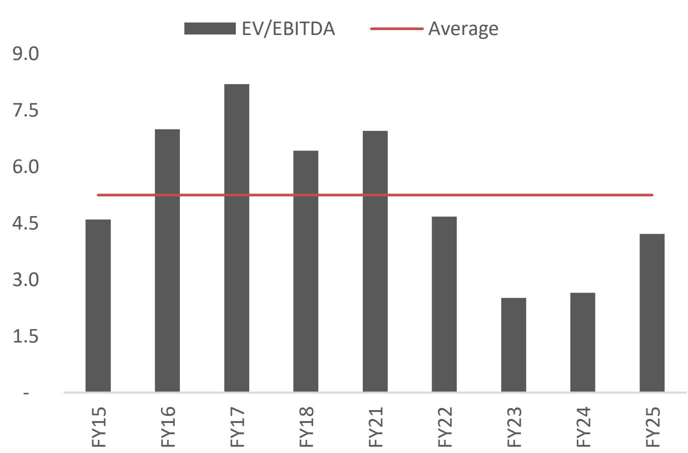
Trading at FY25E P/S of 1.2x vs 10-Year average P/S of 1.2x



Trading at FY25E P/S of 1.2x vs 10-Year average P/S of 1.2x



Trading at FY25E EV/EBITDA of 4.2x vs 10-Year average of 5.2x



Source: Company Accounts, APCMA, BMA Research

MLCF: Financial Projections

Income Statement	FY23A	FY24A	FY25E	FY26F	FY27F
Net Sales	62,075	66,452	67,752	70,099	77,203
Cost of Sales	43,902	45,488	45,189	46,487	48,701
Gross Profit	18,173	20,964	22,563	23,612	28,502
Distribution cost	3,751	5,472	3,918	3,245	3,574
Administrative Expenses	1,381	1,852	2,144	2,374	2,628
Other Income	147	356	7,083	1,521	1,995
Other Charges	1,187	927	1,498	1,701	2,108
Finance Cost	2,751	4,138	3,352	1,015	681
Profit before taxation	9,251	8,931	18,734	16,798	21,507
Taxation	4,759	3,659	4,284	6,186	7,909
Profit After Taxation	4,492	5,273	14,450	10,612	13,598
EPS	**4.29**	**5.03**	**13.79**	**10.13**	**12.98**
EPS (Cons.)	**5.51**	**6.61**	**10.37**	**12.72**	**15.49**
Balance Sheet	**FY23A**	**FY24A**	**FY25E**	**FY26F**	**FY27F**
Non-Current Asset	67,468	72,498	76,007	73,810	71,564
Current Asset	22,240	26,868	34,943	44,756	59,732
Total Assets	**89,708**	**99,366**	**110,951**	**118,565**	**131,296**
Equity	44,913	52,616	68,125	78,737	92,335
Non-Current Liabilities	28,580	28,152	21,378	17,997	17,392
Current Liabilities	16,215	18,598	21,447	21,831	21,569
Total Equity & Liabilities	**89,708**	**99,366**	**110,951**	**118,565**	**131,296**
Ratios	**FY23A**	**FY24A**	**FY25E**	**FY26F**	**FY27F**
Gross Margin	29%	32%	33%	34%	37%
EBITDA Margin	26%	27%	31%	32%	35%
Net Margin	7%	8%	21%	15%	18%
ROE	10%	10%	21%	13%	15%
ROA	5%	5%	13%	9%	10%
P/E	6.2	7.3	5.5	7.5	5.8
P/S	0.4	0.6	1.2	1.1	1.0
EV/EBITDA	2.5	2.7	4.2	3.9	3.3

Source: Company Accounts, BMA Research

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Old rating system

Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)