

AHL Brief Note: Cement

Maple Leaf Cement Factory Limited (MLCF) Analyst Briefing Takeaways

The management of Maple Leaf Cement Factory Ltd (MLCF) held a corporate briefing today to discuss the financial performance and future outlook.

Brief Takeaways:

- **Capacity Utilization:** Capacity utilization dropped to 45% in FY24, compared to 62% in FY23, due to a decline in overall domestic demand.
- **Finance Cost:** Finance costs for FY24 rose by 48% YoY, driven by finance cost related to Line-4 and higher interest rates.
- **Coal-fired Power Plant:** The company primarily uses imported coal with high GCV but switches to Afghan coal when it is relatively more cost-effective.
- **Retention Price:** The average retention price rose by 11% YoY in FY24, reaching PKR 14,887/ton compared to PKR 13,464/ton. The average export price of cement remained USD 45/ton.
- **Hd Putty:** The company sold 10.5K tons of Hd Putty in FY24 and plans to sell 13.0K ton in FY25. The margins of Hd Putty are PKR 60K/ton.
- **Coal Mix and Prices:** During FY24, the company's coal mix comprised of 22% local coal, 61% imported coal, and 17% alternative fuel. In 1QFY25, the shares of imported coal and alternative fuel rose to 71% and 29%, respectively. The company aims to increase the share of alternative fuel to 45%. Currently the prices of imported coal are at PKR 34.8K/ton, and alternative fuel at PKR 18.5K/ton (GCV adjusted cost: PKR 35.0K/ton).
- **Power Mix and Costs:** The company met 95% of its power requirements through in-house generation and sourced the remaining 5% from the national grid. Its in-house generation include a 40 MW coal-fired power plant, a 25 MW WHRP, and a 12.5 MW solar power plant. The utilization rates were 62% for the coal plant and 25% for the WHRP. Both WHRP and solar power had an average cost of PKR 2/KWh and for national grid its is PKR 48.6/KWh. Overall, the company's average power cost was PKR 18.9/KWh.
- **Royalty:** The royalty case is currently in court, with management expecting decision within 2-3 hearings. The Punjab Govt raised the royalty on cement from PKR 250/ton to 6% of the ex-factory price, resulting in an additional PKR 60-70/bag added to the cement price.
- **Expansion in Hospital Business:** The total CAPEX for Novacare Hospitals is ~PKR 30bn, to be funded by 50% equity and 50% debt. MLCF holds a 67% stake in the project, which has a dollar-based IRR of 15%, management revealed.
- **Investment in AGL:** In response to the question, the management emphasized their commitment to taking control of Agritech and resolving its gas issues.

Maple Leaf Cement Factory Limited (MLCF)

Analyst Briefing Takeaways

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