

MLCF: Well positioned to navigate challenges; Buy

- We reiterate our Buy rating for Maple Leaf Cement (MLCF) with a Jun-2027 TP of Rs135, offering 49% upside potential. Our investment thesis rests on resilient margins supported by premium pricing and cost efficiencies, incremental earnings impact from PIOC acquisition, and company's diversification strategy.
- MLCF management apprised in its recently held analyst briefing that fuel prices have surged 40-50%, with local coal prices now at Rs62k-63k/ton. While the company has around four months of coal inventory and is partly mitigating costs through cheaper alternative fuels, recent cement price hikes remain insufficient to fully offset higher fuel costs.
- Management apprised that civil works on the Novacare hospital project are underway, with completion expected in CY27, following a 3-6 month delay due to equipment shipment issues amid geopolitical tensions. Company expects domestic cement dispatch growth of 7.5% in FY27, with Apna Ghar scheme acting as a catalyst for demand during the year.

MLCF: Earnings trimmed on higher coal; Buy maintained

We revise our FY27F-FY28F earnings estimates by 10% for MLCF to incorporate the impact of sudden rise in coal prices (+20% FYTD) and increased freight. Despite the earnings revision, the stock trades at an attractive FY27F P/E of 6.7x given the 23% CY26 TD correction in the stock price, while our DCF-based TP of Rs135 implies an upside potential of 49%. **We see additional upside potential of 3% from PIOC's full merger into MLCF.**

Our investment thesis remains intact, supported by: 1) a rebound in domestic cement dispatches, 2) Healthy margins sustained through premium pricing and cost efficiencies, 3) positive incremental impact from PIOC acquisition and 4) upside potential from the restructuring of Agritech Ltd (AGL) and Novacare hospitals Ltd.

MLCF – Estimates change

Rs	FY27F EPS	FY28F EPS	TP
Previous Estimates	14.83	18.93	150.00
Revised Estimates	13.55	17.18	135.00
% Change	-9%	-9%	-10%

Source: JS estimates

Relative resilience amid rising fuel costs

MLCF management apprised at its recently held analyst briefing that fuel prices have surged 40–50% amid the Middle East conflict, with local coal prices now at Rs62k–63k/ton (6,200–6,500 GCV). The spike in local coal prices is also due to supply shortages following disruptions to mining operations in KPK.

While the company has four months of coal inventory according to management, and is partly mitigating the cost impact through cheaper alternative fuels, which account for ~30% of its fuel mix (average cost of Rs18k–19k/ton at 3,000 GCV), recent cement price hikes remain insufficient to fully offset higher fuel costs.

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Bloomberg Code: MLCF PA

Target Price: Rs135.00

Market Price: Rs90.63

Market Cap: Rs95bn, US\$343mn

1-yr ADTO: 10mn shares, Rs1,029mn, US\$3.7mn

1-yr High / Low: Rs130.38 / 72.87

Estimated free float: 471mn shares (45%)

MLCF: Key statistics

(Rs mn)	FY25	FY26	FY27F
Sales	68,654	85,146	127,751
YoY Growth	3%	24%	50%
Gross Margin	37%	37%	33%
PAT	11,503	11,884	14,192
YoY Growth	67%	3%	19%
EPS (Rs)	10.98	11.34	13.55
P/E (x)	4.47	8.61	6.69

Source: Company Accounts, JS Research

FY25 & FY26 PE multiples on avg prices

Power cost: In FY26, MLCF's power mix comprised WHR (26%), CFB (62%), solar (7%) and grid (5%), with an average power cost of Rs18.85/kWh against a total requirement of 44.19MWh. Management noted that coal-based power generation is currently only marginally cheaper than grid electricity at Rs35/kWh and will continue to monitor the economics, switching to grid power if it becomes more viable. At subsidiary PIOC, management highlighted that its more efficient coal-fired power plant has enabled it to shift incremental power requirements to the grid to benefit from lower costs.

Inland freight: The company benefits from being the only player with railway access, historically providing a US\$10–12/ton cost advantage over peers relying on truck transport. However, management apprised that this advantage has narrowed to ~US\$5/ton as rail deliveries are being prioritized for national needs, including the Sahiwal Power Plant, amid the prevailing energy uncertainty.

Novacare progressing with a slight delay

Management apprised that civil work on the Novacare Hospital (100% owned subsidiary) project is underway, with completion expected in CY27 following a 3–6 month delay due to equipment shipment issues amid the geopolitical situation. The company remains committed to its plan of constructing three hospitals and has acquired 100 kanal of land in Lahore, though its current priority is to complete the Islamabad project first.

White cement contributes 10% to topline

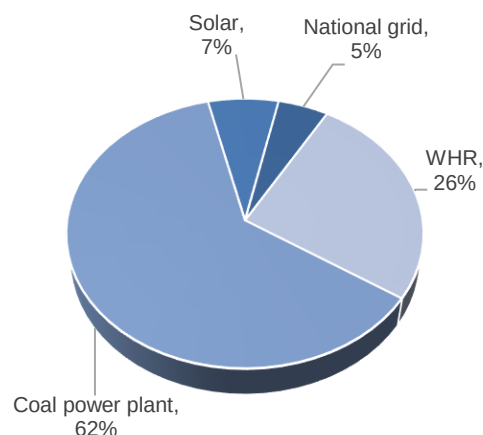
The company holds a 90% share of Pakistan's white cement market and remains confident that new competition, particularly Bestway Cement, poses no immediate threat given its longstanding presence in the segment. Management also highlighted 2% YoY growth in white cement during FY26, which contributes 10% to both topline and bottom-line.

Tax shield on inter corporate dividends no more

Management apprised that the higher effective tax rate in 4QFY26 (52.7% in standalone financials) was largely due to a court ruling confirming the applicability of intercorporate dividend tax on dividends received from Maple Leaf Power Ltd, requiring the company to pay tax on dividends received during FY21–FY25. Consequently, further dividends from Maple Leaf Power are not expected, though management believes operating the captive power plant as a separate entity remains more beneficial.

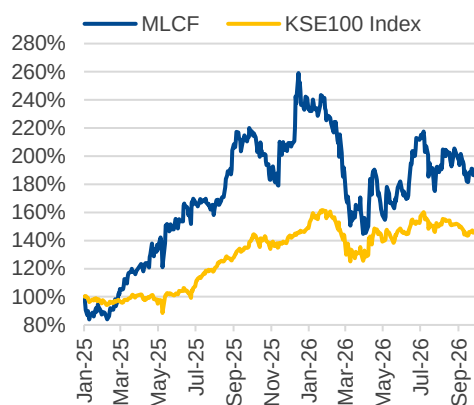
On cement demand, the company expects domestic dispatch growth of 7.5% in FY27, with the Apna Ghar scheme acting as a catalyst for domestic demand during the year.

MLCF: Power mix



Source: Company presentation, JS Research

MLCF performance relative to KSE100



Source: PSX, JS Research

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