

MFL has announced its 9MFY21 result where the company posted profit after tax of Rs15mn (EPS: Rs0.12) as compared to a profit after tax of Rs98mn (EPS: Rs0.80) in the same period last year, down by 84.7% YoY.

The company has posted the revenue of Rs8bn against Rs6.7bn in SPLY, recording a growth of 19.5% YoY. We note that this growth is attributed to the increase in the volumetric sales.

The gross margin has been squeezed to 8.7% as compared to 10.3% in SPLY due to higher input costs and lower international prices.

SG&A expenses have increased by 3.9% YoY to Rs359mn as compared to Rs345mn during SPLY.

Lastly, higher effective taxation and higher exchange losses caused the bottom-line to plunge despite growth in revenues.

MFL is trading at a FY21E P/B of 0.42x which provides a discount of 50% relative to its 5-year average of 0.84x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs 28 which provides an upside potential of 19%.

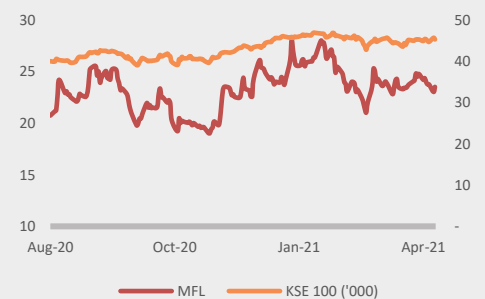
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	2,691	2,929	8.1% ▼	8,032	6,722	19.5% ▲
Cost of Sales	-2,414	-2,738	11.8% ▼	-7,332	-6,028	21.6% ▲
Gross Profit	277	191	45.6% ▲	701	694	1.0% ▲
SG&A Expenses	-123	-107	14.7% ▲	-359	-345	3.9% ▲
Operating Profit	154	83	85.6% ▲	342	348	1.9% ▼
Other Income	1	8	85.5% ▼	32	25	27.5% ▲
Exchange Gain / (Loss)	-18	50	135.8% ▼	-92	37	348.7% ▼
Finance Cost	-77	-115	33.5% ▼	-208	-269	22.7% ▼
Profit Before Taxation	61	25	140.1% ▲	74	141	47.6% ▼
Taxation	-7	-7	6.6% ▲	-59	-44	35.4% ▲
Profit After Taxation	54	19	187.1% ▲	15	98	84.7% ▼
Earnings Per Share	0.44	0.15	187.1% ▲	0.12	0.80	84.7% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	10.3%	6.5%	3.8% ▲	8.7%	10.3%	1.6% ▼
SG&A Expenses to Sales	-4.6%	-3.7%	0.9% ▲	-4.5%	-5.1%	0.7% ▼
Other Income to Sales	0.0%	0.3%	0.2% ▼	0.4%	0.4%	0.0% ▲
Ex. Gain / (Loss) to Sales	-4.6%	-3.7%	0.9% ▲	-4.5%	-5.1%	0.7% ▼
Effective Taxation	-11.6%	-26.1%	14.5% ▼	-79.9%	-30.9%	49.0% ▲
Net Margin	2.0%	0.6%	1.4% ▲	0.2%	1.5%	1.3% ▼

Source: ACPL Research, Company Financials

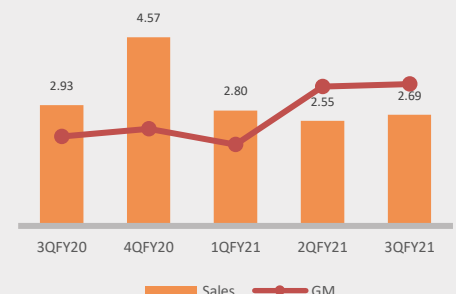
Key Statistics

Symbol	MFL
TP - Dec 21	28.00
LDGP	23.50
Upside (%)	19
Free Float ('mn)	31
Market Cap. (Rs.'mn)	2,876

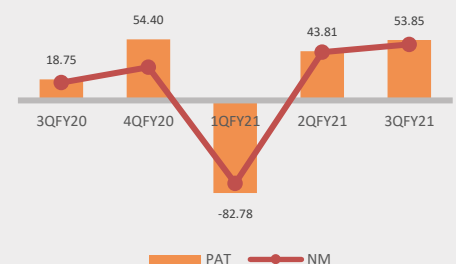
MFL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	6,089	5,578	6,134	6,869	7,863	11,290	10,736	11,938	12,902
Cost of sales	-5,194	-4,939	-5,169	-5,862	-6,949	-10,274	-9,780	-10,837	-11,633
Gross profit	895	639	965	1,007	915	1,016	957	1,101	1,269
Distribution cost	-274	-284	-292	-300	-167	-207	-188	-209	-226
Administrative expenses	-166	-159	-175	-198	-240	-271	-288	-320	-346
Other operating expenses	-5	-5	-16	-22	-31	-19	-22	-22	-22
Profit from operations	450	191	482	487	476	518	459	551	675
Other income	3	51	72	91	260	71	-45	84	90
Finance cost	-294	-204	-212	-240	-276	-350	-256	-236	-203
Profit before income tax	160	38	342	338	460	239	159	398	563
Income tax expense	-62	-34	-73	-29	-47	-87	-127	-119	-169
Profit for the year	98	4	269	308	414	152	32	278	394
EPS	0.80	0.03	2.20	2.52	3.38	1.24	0.26	2.27	3.22
EBITDA	604	336	620	649	648	725	679	782	921

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	-25.38%	-8.39%	9.98%	11.98%	14.47%	43.58%	-4.91%	11.19%	8.07%
Cost of sales	-28.65%	-4.91%	4.66%	13.41%	18.53%	47.86%	-4.81%	10.81%	7.35%
Gross profit	1.62%	-28.62%	51.12%	4.35%	-9.22%	11.10%	-5.84%	15.09%	15.23%
Distribution cost	-19.09%	3.80%	2.69%	2.83%	-44.32%	23.88%	-9.24%	11.19%	8.07%
Administrative expenses	26.03%	-4.15%	10.28%	13.05%	21.32%	12.91%	6.03%	11.19%	8.07%
Other operating expenses	-26.20%	-6.58%	247.21%	40.35%	37.30%	-36.95%	11.91%	0.00%	0.00%
Profit from operations	11.47%	-57.58%	152.41%	0.92%	-2.13%	8.79%	-11.36%	19.84%	22.70%
Other income	-98.09%	1350.71%	41.52%	26.66%	186.18%	-72.83%	-163.93%	-285.32%	8.07%
Finance cost	-11.61%	-30.71%	4.00%	13.12%	14.93%	27.14%	-27.01%	-7.53%	-14.19%
Profit before income tax	-37.16%	-76.26%	801.35%	-1.24%	36.33%	-48.21%	-33.51%	150.73%	41.56%
Income tax expense	-19.74%	-45.20%	114.73%	-59.69%	58.38%	85.56%	46.34%	-5.85%	41.56%
Profit for the year	-44.78%	-96.00%	6768.91%	14.63%	34.22%	-63.29%	-79.01%	772.76%	41.56%
EPS	-44.78%	-96.00%	6768.91%	14.63%	34.22%	-63.29%	-79.01%	772.76%	41.56%
EBITDA	16.65%	-44.43%	84.62%	4.70%	-0.24%	12.03%	-6.46%	15.31%	17.69%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	14.70	11.45	15.74	14.66	11.63	9.00	8.91	9.22	9.83
NP Margin	%	1.61	0.07	4.38	4.49	5.26	1.35	0.30	2.33	3.05
OP Margin	%	7.40	3.43	7.86	7.09	6.06	4.59	4.28	4.61	5.24
ROE	%	3.24	0.14	8.56	7.47	9.18	2.24	0.47	3.93	5.27
ROCE	%	13.83	5.97	13.24	10.70	9.60	6.92	7.02	8.45	10.14
ROA	%	1.31	0.06	3.27	3.41	4.32	1.10	0.26	2.28	3.32
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	1.32	1.37	1.32	1.52	1.48	1.37	1.64	1.65	1.74
Quick	x	0.04	0.04	0.04	0.20	0.06	0.07	0.30	0.18	0.07
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Inventory Turnover	x	1.09	1.06	1.06	1.13	1.34	1.73	1.51	1.66	1.71
Inventory Days		334.48	344.94	344.10	323.14	271.68	210.45	241.95	219.48	213.25
Receivables Days		2.63	3.35	5.04	4.54	8.77	5.55	5.84	5.25	4.86
Payables Days		22.98	14.42	23.49	14.07	13.03	36.07	36.07	36.07	36.07
Operating Cycle		314.13	333.87	325.66	313.61	267.41	179.94	211.72	188.66	182.04
Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
DPS		0.00	0.00	0.00	0.70	0.00	0.45	0.00	0.00	0.00
Div. Yield	%	0.00	0.00	0.00	2.98	0.00	1.91	0.00	0.00	0.00
Dividend Cover	x	0.00	0.00	0.00	3.60	0.00	2.76	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	72.21	100.00	100.00	100.00	100.00	100.00
Payout	%	0.00	0.00	0.00	27.79	0.00	0.00	0.00	0.00	0.00
No. of Shares	('m)	122.40	122.40	122.40	122.40	122.40	122.40	122.40	122.40	122.40
EPS		0.80	0.03	2.20	2.52	3.38	1.24	0.26	2.27	3.22
BVPS		24.66	23.57	25.68	33.73	36.82	55.29	55.55	57.83	61.05
P/E	x	29.42	734.58	10.69	9.33	6.95	18.93	0.00	10.33	7.30
Sales per share		49.75	45.57	50.12	56.12	64.24	92.24	87.71	97.53	105.41
P/BV	x	0.95	1.00	0.92	0.70	0.64	0.42	0.42	0.41	0.38
P/S	x	0.47	0.52	0.47	0.42	0.37	0.25	0.27	0.24	0.22
Solvency Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Total Debt to Equity	x	1.24	1.18	1.38	1.08	1.01	0.84	0.72	0.65	0.53
L.T Debt to Equity	x	0.07	0.05	0.11	0.07	0.07	0.08	0.02	0.01	0.01
Total Debt to Assets	x	0.50	0.49	0.53	0.49	0.47	0.41	0.39	0.37	0.33
L.T Debt to Assets	x	0.03	0.02	0.04	0.03	0.03	0.04	0.01	0.01	0.00
Interest Cover	x	1.53	0.94	2.28	2.03	1.73	1.48	1.80	2.33	3.33

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- III. Relative Valuation Model
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Market Weight	Neutral
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