

MFL has announced its 1HFY22 result where the company posted a profit after tax of Rs60Bn (EPS: Rs0.49) as compared to a loss after tax of Rs39bn (LPS: Rs0.32) in the same period last year, up by 55% YoY.

The company has posted a revenue of Rs4.846bn against Rs5.341bn in SPLY, recording a decline of 9.3% YoY. The gross margin has been increased to 11.3% as compared to 7.9% in SPLY due to lower input costs and higher international prices.

SG&A expenses have increased by 14.3% YoY to Rs269mn as compared to Rs236mn during SPLY whereas, finance cost has increased by 21% YoY to Rs159mn. Lastly, exchange losses have decreased by 55% to Rs34mn.

The company has shown good recovery in this quarter which we expect to continue in coming quarters as well owing to better rice exports and higher margins this year. MFL is currently trading at a FY22E P/B of 0.56x which offers a discount of 15% relative to its 5-year historical average of 0.66x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 40 which provides an upside potential of 29%.

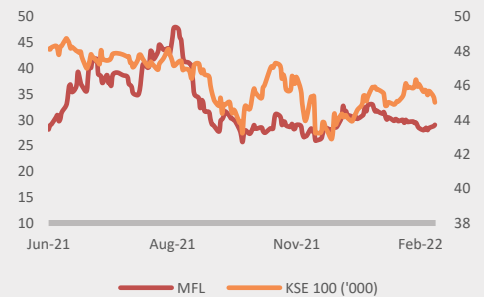
Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	3,256	2,545	27.9% ▲	4,846	5,341	9.3% ▼
Cost of Sales	-2,860	-2,287	25.0% ▲	-4,300	-4,918	12.6% ▼
Gross Profit	397	258	53.8% ▲	546	423	29.1% ▲
SG&A Expenses	-166	-120	38.6% ▲	-269	-236	14.3% ▲
Operating Profit	231	138	66.9% ▲	277	187	47.6% ▲
Other Income	18	24	25.2% ▼	24	31	23.3% ▼
Exchange Gain / (Loss)	-45	-20	131.2% ▲	-34	-74	54.7% ▼
Finance Cost	-81	-68	18.7% ▲	-159	-131	21.1% ▲
Profit Before Taxation	123	75	63.8% ▲	108	13	722.9% ▲
Taxation	-33	-31	5.3% ▲	-48	-52	8.7% ▼
Profit After Taxation	90	44	105.4% ▲	60	-39	54.7% ▲
Earnings Per Share	0.74	0.36	105.4% ▲	0.49	-0.32	54.7% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	12.2%	10.1%	2.0% ▲	11.3%	7.9%	3.3% ▲
SG&A Expenses to Sales	-5.1%	-4.7%	0.4% ▲	-5.6%	-4.4%	1.1% ▲
Other Income to Sales	0.6%	1.0%	0.4% ▼	0.5%	0.6%	0.1% ▼
Ex. Gain / (Loss) to Sales	-5.1%	-4.7%	0.4% ▲	-5.6%	-4.4%	1.1% ▲
Effective Taxation	-26.7%	-41.6%	14.8% ▼	-44.1%	-397.4%	353.3% ▼
Net Margin	2.8%	1.7%	1.0% ▲	1.2%	-0.7%	2.0% ▲

Source: ACPL Research, Company Financials

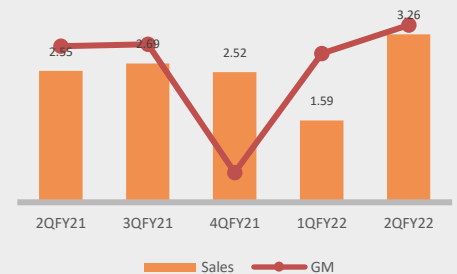
## Key Statistics

Symbol	MFL
TP - Dec 22	40.00
LDPCP	31.05
Upside (%)	29
Free Float ('mn)	31
Market Cap. (Rs.'mn)	3,801

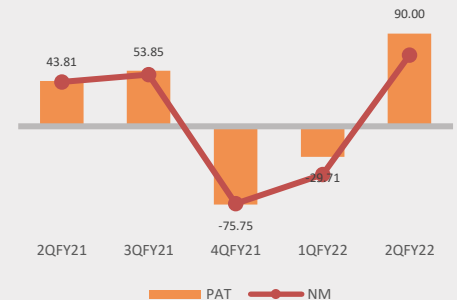
## MFL vs KSE 100



## 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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	7,863	11,290	10,557	10,889	12,406	13,264	14,195
Cost of sales	-6,949	-10,274	-9,909	-9,607	-10,834	-11,807	-12,572
<b>Gross profit</b>	<b>915</b>	<b>1,016</b>	<b>647</b>	<b>1,283</b>	<b>1,572</b>	<b>1,457</b>	<b>1,623</b>
Distribution cost	-167	-207	-186	-253	-288	-308	-329
Administrative expenses	-240	-271	-310	-319	-364	-389	-416
Other operating expenses	-31	-19	-1	-1	-1	-1	-1
<b>Profit from operations</b>	<b>476</b>	<b>518</b>	<b>150</b>	<b>709</b>	<b>919</b>	<b>759</b>	<b>876</b>
Other income	260	71	142	54	62	66	71
Finance cost	-276	-350	-273	-428	-355	-292	-234
<b>Profit before income tax</b>	<b>460</b>	<b>239</b>	<b>20</b>	<b>335</b>	<b>626</b>	<b>533</b>	<b>713</b>
Income tax expense	-47	-87	-80	-144	-269	-229	-307
<b>Profit for the year</b>	<b>414</b>	<b>152</b>	<b>-61</b>	<b>191</b>	<b>357</b>	<b>304</b>	<b>406</b>
EPS	<b>3.38</b>	<b>1.24</b>	<b>(0.50)</b>	<b>1.56</b>	<b>2.92</b>	<b>2.48</b>	<b>3.32</b>
EBITDA	<b>648</b>	<b>725</b>	<b>383</b>	<b>1,043</b>	<b>1,272</b>	<b>1,133</b>	<b>1,272</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	14.47%	43.58%	-6.50%	3.15%	13.93%	6.91%	7.02%
Cost of sales	18.53%	47.86%	-3.55%	-3.06%	12.78%	8.98%	6.48%
<b>Gross profit</b>	<b>-9.22%</b>	<b>11.10%</b>	<b>-36.30%</b>	<b>98.17%</b>	<b>22.55%</b>	<b>-7.29%</b>	<b>11.40%</b>
Distribution cost	-44.32%	23.88%	-10.16%	35.82%	13.93%	6.91%	7.02%
Administrative expenses	21.32%	12.91%	14.12%	3.15%	13.93%	6.91%	7.02%
Other operating expenses	37.30%	-36.95%	-92.92%	0.00%	0.00%	0.00%	0.00%
<b>Profit from operations</b>	<b>-2.13%</b>	<b>8.79%</b>	<b>-71.03%</b>	<b>372.30%</b>	<b>29.54%</b>	<b>-17.39%</b>	<b>15.45%</b>
Other income	186.18%	-72.83%	101.69%	-61.72%	13.93%	6.91%	7.02%
Finance cost	14.93%	27.14%	-22.11%	56.93%	-17.19%	-17.55%	-19.92%
<b>Profit before income tax</b>	<b>36.33%</b>	<b>-48.21%</b>	<b>-91.80%</b>	<b>1615.27%</b>	<b>86.66%</b>	<b>-14.89%</b>	<b>33.81%</b>
Income tax expense	58.38%	85.56%	-7.12%	79.33%	86.66%	-14.89%	33.81%
<b>Profit for the year</b>	<b>34.22%</b>	<b>-63.29%</b>	<b>-140.06%</b>	<b>-414.09%</b>	<b>86.66%</b>	<b>-14.89%</b>	<b>33.81%</b>
EPS	<b>34.22%</b>	<b>-63.29%</b>	<b>-140.06%</b>	<b>-414.09%</b>	<b>86.66%</b>	<b>-14.89%</b>	<b>33.81%</b>
EBITDA		<b>12.03%</b>	<b>-47.25%</b>	<b>172.57%</b>	<b>21.94%</b>	<b>-10.94%</b>	<b>12.27%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
GP Margin	%	11.63	9.00	6.13	11.78	12.67	10.99	11.44
NP Margin	%	5.26	1.35	-0.58	1.76	2.88	2.29	2.86
OP Margin	%	6.06	4.59	1.42	6.51	7.40	5.72	6.17
ROE	%	9.18	2.24	-0.92	2.79	4.96	4.05	5.14
ROCE	%	9.60	6.92	2.00	10.20	13.55	11.46	13.06
ROA	%	4.32	1.10	-0.44	1.56	3.07	2.75	3.79
Liquidity Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
Current	x	1.48	1.37	1.37	1.42	1.41	1.41	1.47
Quick	x	0.06	0.07	0.02	0.04	-0.22	-0.44	-0.60
Activity Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	1.34	1.73	1.43	1.48	1.80	1.87	1.97
Inventory Days		271.68	210.45	254.41	246.24	202.53	195.35	185.48
Receivables Days		8.77	5.55	0.00	0.00	0.00	0.00	0.00
Payables Days		13.03	36.07	19.15	40.00	40.00	40.00	40.00
Operating Cycle		267.41	179.94	235.26	206.24	162.53	155.35	145.48
Investment Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
DPS		0.00	0.45	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	1.45	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	0.00	2.76	0.00	0.00	0.00	0.00	0.00
Retention	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Payout	%	0.00	0.00	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
EPS		3.38	1.24	-0.50	1.56	2.92	2.48	3.32
BVPS		36.82	55.29	54.34	55.90	58.82	61.30	64.62
P/E	x	9.18	25.02	0.00	19.88	10.65	12.51	9.35
Sales per share		64.24	92.24	86.25	88.96	101.36	108.36	115.97
P/BV	x	0.84	0.56	0.57	0.56	0.53	0.51	0.48
P/S	x	0.48	0.34	0.36	0.35	0.31	0.29	0.27
Solvency Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	1.01	0.84	0.95	0.67	0.53	0.42	0.32
L.T Debt to Equity	x	0.07	0.08	0.09	0.06	0.04	0.01	0.00
Total Debt to Assets	x	0.47	0.41	0.46	0.37	0.33	0.28	0.23
L.T Debt to Assets	x	0.03	0.04	0.04	0.04	0.02	0.01	0.00
Interest Cover	x	1.73	1.48	0.55	1.66	2.59	2.60	3.74

Source: ACPL Research, Company Financials

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

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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