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MFL has announced its 9MFY22 result where the company posted a profit after tax of Rs147mn (EPS: Rs1.20) as compared to a profit after tax of Rs15mn (EPS: Rs0.12) in the same period last year, up by 885% YoY.

The company has posted a revenue of Rs8.68bn against Rs8.03bn in SPLY, recording a growth of 8.1% YoY. The gross margin has been increased to 10.2% as compared to 8.6% in SPLY due to lower input costs and higher international prices.

SG&A expenses have increased by 12.1% YoY to Rs402mn as compared to Rs359mn during SPLY whereas, finance cost has increased by 33.2% YoY to Rs266mn. Lastly, exchange losses have decreased by 55.6% to Rs41mn.

The company has shown a good recovery in this quarter owing to better rice exports and higher margins this year. MFL is currently trading at a FY22E P/E of 19.48x. Further, the scrip is also trading at FY22E P/B of 0.57x which offers a discount of 16% relative to its 3-year historical average of 0.68x. We have a **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 40 which provides an upside potential of 28%.

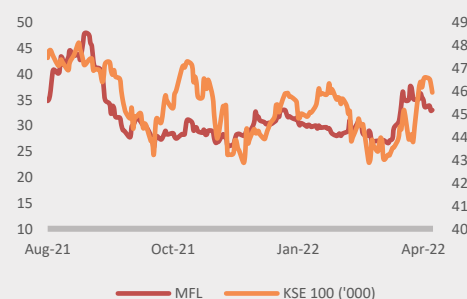
Rupees' millions	3QFY22	3QFY21	YoY	9MFY22	9MFY21	YoY
Net Sales	3,841	2,691	42.7% ▲	8,686	8,032	8.1% ▲
Cost of Sales	-3,502	-2,414	45.1% ▲	-7,802	-7,340	6.3% ▲
Gross Profit	339	277	22.1% ▲	885	692	27.9% ▲
SG&A Expenses	-133	-123	7.9% ▲	-402	-359	12.1% ▲
Operating Profit	206	154	33.3% ▲	483	333	44.8% ▲
Other Income	11	1	882.4% ▲	35	32	7.7% ▲
Exchange Gain / (Loss)	-7	-18	59.6% ▼	-41	-92	55.6% ▼
Finance Cost	-107	-77	38.8% ▲	-266	-199	33.2% ▲
Profit Before Taxation	103	61	69.0% ▲	211	74	184.8% ▲
Taxation	-17	-7	135.9% ▲	-64	-59	8.5% ▲
Profit After Taxation	86	54	60.3% ▲	147	15	885.1% ▲
Earnings Per Share	0.71	0.44	60.3% ▲	1.20	0.12	885.1% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	8.8%	10.3%	1.5% ▼	10.2%	8.6%	1.6% ▲
SG&A Expenses to Sales	-3.5%	-4.6%	1.1% ▼	-4.6%	-4.5%	0.2% ▲
Other Income to Sales	0.3%	0.0%	0.2% ▲	0.4%	0.4%	0.0% ▼
Ex. Gain / (Loss) to Sales	-3.5%	-4.6%	1.1% ▼	-4.6%	-4.5%	0.2% ▲
Effective Taxation	-16.1%	-11.6%	4.6% ▲	-30.4%	-79.9%	49.4% ▼
Net Margin	2.2%	2.0%	0.2% ▲	1.7%	0.2%	1.5% ▲

Source: ACPL Research, Company Financials

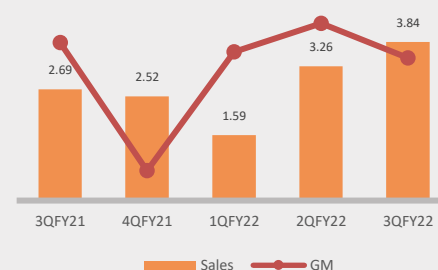
Key Statistics

Symbol	MFL
TP - Dec 22	40.00
LDPCP	32.00
Upside (%)	28
Free Float ('mn)	30
Market Cap. (Rs.'mn)	3,919

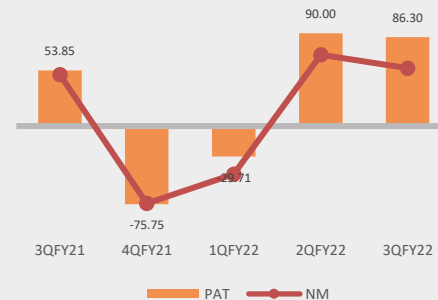
MFL vs KSE 100



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	11,761	13,403	14,479	15,522
Cost of sales	-6,949	-10,274	-9,909	-10,484	-11,822	-12,919	-13,824
Gross profit	915	1,016	647	1,276	1,581	1,561	1,698
Distribution cost	-167	-207	-186	-218	-248	-268	-287
Administrative expenses	-240	-271	-310	-335	-382	-413	-442
Other operating expenses	-31	-19	-1	-1	-1	-1	-1
Profit from operations	476	518	150	722	950	879	967
Other income	260	71	142	59	64	69	75
Finance cost	-276	-350	-273	-428	-355	-292	-234
Profit before income tax	460	239	20	353	660	656	808
Income tax expense	-47	-87	-80	-152	-284	-282	-347
Profit for the year	414	152	-61	201	376	374	460
EPS	3.38	1.24	(0.50)	1.64	3.07	3.05	3.76
EBITDA	648	725	383	1,056	1,303	1,252	1,363

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	14.47%	43.58%	-6.50%	11.40%	13.97%	8.03%	7.20%
Cost of sales	18.53%	47.86%	-3.55%	5.80%	12.76%	9.28%	7.01%
Gross profit	-9.22%	11.10%	-36.30%	97.20%	23.88%	-1.30%	8.82%
Distribution cost	-44.32%	23.88%	-10.16%	16.97%	13.97%	8.03%	7.20%
Administrative expenses	21.32%	12.91%	14.12%	8.23%	13.97%	8.03%	7.20%
Other operating expenses	37.30%	-36.95%	-92.92%	0.00%	0.00%	0.00%	0.00%
Profit from operations	-2.13%	8.79%	-71.03%	380.99%	31.52%	-7.48%	10.09%
Other income	186.18%	-72.83%	101.69%	-58.66%	9.41%	8.03%	7.20%
Finance cost	14.93%	27.14%	-22.11%	56.93%	-17.19%	-17.55%	-19.92%
Profit before income tax	36.33%	-48.21%	-91.80%	1704.23%	86.94%	-0.56%	23.16%
Income tax expense	58.38%	85.56%	-7.12%	88.63%	86.94%	-0.56%	23.16%
Profit for the year	34.22%	-63.29%	-140.06%	-430.38%	86.94%	-0.56%	23.16%
EPS	34.22%	-63.29%	-140.06%	-430.38%	86.94%	-0.56%	23.16%
EBITDA		12.03%	-47.25%	175.98%	23.39%	-3.88%	8.81%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	11.63	9.00	6.13	10.85	11.80	10.78	10.94
NP Margin	%	5.26	1.35	-0.58	1.71	2.80	2.58	2.97
OP Margin	%	6.06	4.59	1.42	6.14	7.09	6.07	6.23
ROE	%	9.18	2.24	-0.92	2.93	5.20	4.92	5.71
ROCE	%	9.60	6.92	2.00	10.37	13.95	13.07	14.10
ROA	%	4.32	1.10	-0.44	1.63	3.20	3.31	4.18
Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.48	1.37	1.37	1.41	1.41	1.42	1.49
Quick	x	0.06	0.07	0.02	-0.06	-0.33	-0.54	-0.70
Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	1.34	1.73	1.43	1.55	1.80	1.87	1.97
Inventory Days		271.68	210.45	254.41	234.83	202.55	195.09	185.02
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	194.83	162.55	155.09	145.02
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	1.41	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	1.64	3.07	3.05	3.76
BVPS		36.82	55.29	54.34	55.98	59.05	62.11	65.87
P/E	x	9.46	25.78	0.00	19.48	10.42	10.48	8.51
Sales per share		64.24	92.24	86.25	96.08	109.50	118.29	126.81
P/BV	x	0.87	0.58	0.59	0.57	0.54	0.52	0.49
P/S	x	0.50	0.35	0.37	0.33	0.29	0.27	0.25
Solvency Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	1.01	0.84	0.95	0.66	0.52	0.41	0.31
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	0.32	0.28	0.23
L.T Debt to Assets	x	0.03	0.04	0.04	0.03	0.02	0.01	0.00
Interest Cover	x	1.73	1.48	0.55	1.69	2.68	3.01	4.13

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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- II. Dividend Discount Model
- III. Relative Valuation Model
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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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