

MFL has announced its 9MFY23 result where the company posted a profit after tax of Rs412mn (EPS: Rs3.36) as compared to a profit after tax of Rs147mn (EPS: Rs1.20) in the same period last year, up by 1.81x YoY amid improved gross margins coupled with foreign exchange gains.

The company has posted a revenue of Rs13.94bn against Rs8.69bn in SPLY, recording a growth of 60.5% YoY. The gross margin has increased to 12.6% as compared to 10.2% in SPLY due to lower input costs and higher international prices.

SG&A expenses have increased by 85.1% YoY to Rs745mn as compared to Rs402mn during SPLY whereas, finance cost surged by 1.89x YoY to Rs767mn on the back of higher interest rates.

Lastly, a surge in exchange gains by 6.48x to Rs224mn supported the bottom line.

MFL is currently trading at a FY23E P/E of 6.89x. Further, the scrip is also trading at FY23E P/B of 0.48x which offers a discount of 10% relative to its 3-year historical average of 0.54x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs35 which provides an upside potential of 17%.

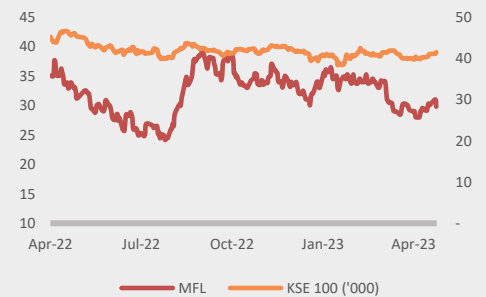
| Rupees' millions | 3QFY23 | 3QFY22 | YoY | 1HFY23 | 1HFY22 | YoY |
|----------------------------|--------|--------|-----------|---------|--------|----------|
| Net Sales | 6,707 | 3,841 | 74.6% ▲ | 13,945 | 8,686 | 60.5% ▲ |
| Cost of Sales | -6,002 | -3,502 | 71.4% ▲ | -12,183 | -7,802 | 56.2% ▲ |
| Gross Profit | 705 | 339 | 108.0% ▲ | 1,762 | 885 | 99.1% ▲ |
| SG&A Expenses | -303 | -133 | 128.2% ▲ | -745 | -402 | 85.1% ▲ |
| Operating Profit | 402 | 206 | 95.0% ▲ | 1,017 | 483 | 110.8% ▲ |
| Other Income | 3 | 11 | 69.3% ▼ | 28 | 35 | 18.5% ▼ |
| Exchange Gain / (Loss) | 73 | -7 | 1115.4% ▲ | 224 | -41 | 648.5% ▲ |
| Finance Cost | -297 | -107 | 178.7% ▲ | -767 | -266 | 188.9% ▲ |
| Profit Before Taxation | 181 | 103 | 76.2% ▲ | 502 | 211 | 138.2% ▲ |
| Taxation | -26 | -17 | 55.9% ▲ | -90 | -64 | 40.9% ▲ |
| Profit After Taxation | 155 | 86 | 80.1% ▲ | 412 | 147 | 180.7% ▲ |
| Earnings Per Share | 1.27 | 0.71 | 80.1% ▲ | 3.36 | 1.20 | 180.7% ▲ |
| Dividend | 0.00 | 0.00 | | 0.00 | 0.00 | |
| Bonus | - | - | | - | - | |
| Gross Margin | 10.5% | 8.8% | 1.7% ▲ | 12.6% | 10.2% | 2.4% ▲ |
| SG&A Expenses to Sales | -4.5% | -3.5% | 1.1% ▲ | -5.3% | -4.6% | 0.7% ▲ |
| Other Income to Sales | 0.0% | 0.3% | 0.2% ▼ | 0.2% | 0.4% | 0.2% ▼ |
| Ex. Gain / (Loss) to Sales | -4.5% | -3.5% | 1.1% ▲ | -5.3% | -4.6% | 0.7% ▲ |
| Effective Taxation | -14.3% | -16.1% | 1.9% ▼ | -18.0% | -30.4% | 12.4% ▼ |
| Net Margin | 2.3% | 2.2% | 0.1% ▲ | 3.0% | 1.7% | 1.3% ▲ |

Source: ACPL Research, Company Financials

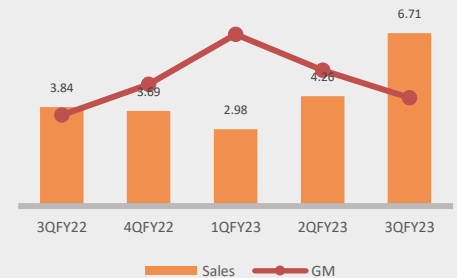
Key Statistics

| Symbol | MFL |
|----------------------|-------|
| TP - Dec 23 | 35 |
| LDCP | 30 |
| Upside (%) | 17 |
| Free Float ('mn) | 31 |
| Market Cap. (Rs.'mn) | 3,672 |

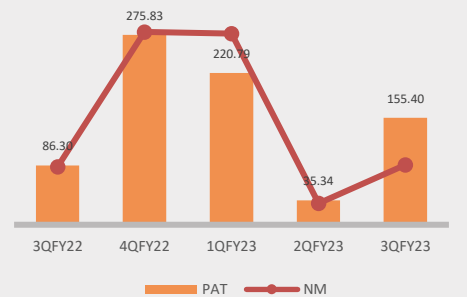
MFL vs KSE 100



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 | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|---------------------------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 11,290 | 10,557 | 12,376 | 18,593 | 19,883 | 21,671 | 23,643 |
| Cost of sales | -10,274 | -9,909 | -11,056 | -16,245 | -17,515 | -19,168 | -20,993 |
| Gross profit | 1,016 | 647 | 1,320 | 2,349 | 2,368 | 2,503 | 2,650 |
| Distribution cost | -207 | -186 | -229 | -339 | -302 | -395 | -501 |
| Administrative expenses | -271 | -310 | -356 | -654 | -619 | -674 | -735 |
| Other operating expenses | -19 | -1 | -37 | -19 | -18 | -18 | -18 |
| Profit from operations | 518 | 150 | 697 | 1,337 | 1,429 | 1,417 | 1,395 |
| Other income | 71 | 142 | 222 | 336 | 255 | 278 | 303 |
| Finance cost | -350 | -273 | -388 | -1,023 | -940 | -809 | -673 |
| Profit before income tax | 239 | 20 | 531 | 650 | 744 | 886 | 1,025 |
| Income tax expense | -87 | -80 | -109 | -117 | -134 | -160 | -185 |
| Profit for the year | 152 | -61 | 422 | 533 | 610 | 726 | 841 |
| EPS | 1.24 | (0.50) | 3.45 | 4.35 | 4.98 | 5.93 | 6.87 |
| EBITDA | 747 | 383 | 924 | 1,571 | 1,666 | 1,656 | 1,636 |

Source: ACPL Research, Company Financials

Horizontal Analysis

| | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|---------------------------------|-------------|--------------|--------------|------------|------------|------------|------------|
| Revenue | 44% | -6% | 17% | 50% | 7% | 9% | 9% |
| Cost of sales | 48% | -4% | 12% | 47% | 8% | 9% | 10% |
| Gross profit | 11% | -36% | 104% | 78% | 1% | 6% | 6% |
| Distribution cost | 24% | -10% | 23% | 48% | -11% | 30% | 27% |
| Administrative expenses | 13% | 14% | 15% | 84% | -5% | 9% | 9% |
| Other operating expenses | -37% | -93% | 2616% | -48% | -7% | 0% | 0% |
| Profit from operations | 9% | -71% | 364% | 92% | 7% | -1% | -2% |
| Other income | -73% | 102% | 56% | 51% | -24% | 9% | 9% |
| Finance cost | 27% | -22% | 42% | 164% | -8% | -14% | -17% |
| Profit before income tax | -48% | -92% | 2616% | 22% | 14% | 19% | 16% |
| Income tax expense | 86% | -7% | 35% | 8% | 14% | 19% | 16% |
| Profit for the year | -63% | -140% | -794% | 26% | 14% | 19% | 16% |
| EPS | -63% | -140% | -794% | 26% | 14% | 19% | 16% |
| EBITDA | - | -49% | 141% | 70% | 6% | -1% | -1% |

Source: ACPL Research, Company Financials

Key Ratios

| Profitability Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
|----------------------|------|--------|--------|--------|--------|--------|--------|--------|
| GP Margin | % | 9.00 | 6.13 | 10.66 | 12.63 | 11.91 | 11.55 | 11.21 |
| NP Margin | % | 1.35 | -0.58 | 3.41 | 2.87 | 3.07 | 3.35 | 3.56 |
| OP Margin | % | 4.59 | 1.42 | 5.63 | 7.19 | 7.19 | 6.54 | 5.90 |
| ROE | % | 2.24 | -0.92 | 5.98 | 7.02 | 7.43 | 8.13 | 9.41 |
| ROCE | % | 6.92 | 2.00 | 7.69 | 15.42 | 16.08 | 15.37 | 15.06 |
| ROA | % | 1.10 | -0.44 | 2.47 | 3.87 | 4.25 | 4.80 | 5.52 |
| Liquidity Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
| Current | x | 1.37 | 1.37 | 1.27 | 1.81 | 1.83 | 1.85 | 1.88 |
| Quick | x | 0.07 | 0.02 | 0.04 | -0.93 | -0.86 | -0.79 | -0.90 |
| Activity Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
| Inventory Turnover | x | 1.73 | 1.43 | 1.49 | 1.74 | 1.54 | 1.59 | 1.62 |
| Inventory Days | | 210.45 | 254.41 | 244.85 | 210.05 | 236.46 | 229.98 | 225.11 |
| Receivables Days | | 5.55 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payables Days | | 36.07 | 19.15 | 22.16 | 27.16 | 32.16 | 37.16 | 42.16 |
| Operating Cycle | | 179.94 | 235.26 | 222.69 | 182.90 | 204.30 | 192.82 | 182.95 |
| Investment Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
| DPS | | 0.45 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Div. Yield | % | 1.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend Cover | x | 2.76 | 0.00 | 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 | | 1.24 | -0.50 | 3.45 | 4.35 | 4.98 | 5.93 | 6.87 |
| BVPS | | 55.29 | 54.34 | 57.67 | 62.05 | 67.03 | 72.96 | 72.97 |
| P/E | x | 24.17 | 0.00 | 8.69 | 6.89 | 6.02 | 5.06 | 4.37 |
| Sales per share | | 92.24 | 86.25 | 101.11 | 151.91 | 162.44 | 177.05 | 193.16 |
| P/BV | x | 0.54 | 0.55 | 0.52 | 0.48 | 0.45 | 0.41 | 0.41 |
| P/S | x | 0.33 | 0.35 | 0.30 | 0.20 | 0.18 | 0.17 | 0.16 |
| Solvency Ratios | | FY20A | FY21A | FY22A | FY23E | FY24E | FY25E | FY26E |
| Total Debt to Equity | x | 0.84 | 0.95 | 1.26 | 0.61 | 0.51 | 0.42 | 0.38 |
| L.T Debt to Equity | x | 0.08 | 0.09 | 0.25 | 0.12 | 0.05 | 0.00 | 0.00 |
| Total Debt to Assets | x | 0.41 | 0.46 | 0.52 | 0.33 | 0.29 | 0.25 | 0.22 |
| L.T Debt to Assets | x | 0.04 | 0.04 | 0.10 | 0.06 | 0.03 | 0.00 | 0.00 |
| Interest Cover | x | 1.48 | 0.55 | 1.80 | 1.31 | 1.52 | 1.75 | 2.07 |

Source: ACPL Research, Company Financials

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DEFINITION OF TERMS

| | | | | | |
|-------------|---------------------------|-------------|-----------------------------|-------------|------------------------|
| 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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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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|--------------|----------------------------|
| BUY | Greater than 15% |
| 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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