

MFL has announced its FY21 result where the company posted a loss after tax of Rs61mn (LPS: Rs0.5) as compared to a profit after tax of Rs152mn (EPS: Rs1.24) in the same period last year, down by 140% YoY.

The company has posted a revenue of Rs10.6bn against Rs11.3bn in SPLY, recording a decline of 6.5% YoY. We note that this decline is attributed to the decrease in volumetric sales. The gross margin has been squeezed to 6.1% as compared to 9.0% in SPLY due to higher input costs and lower international prices.

SG&A expenses have increased by 3.6% YoY to Rs496mn as compared to Rs478mn during SPLY. Further, finance cost has decreased by 22% YoY to Rs273mn, whereas exchange gain has increased by 365% to Rs65mn.

MFL is currently trading at a FY22E P/B of 0.64. We have a **SELL** stance on the script with a DCF based Jun-22 TP of Rs 28 which provides a downside potential of 25%.

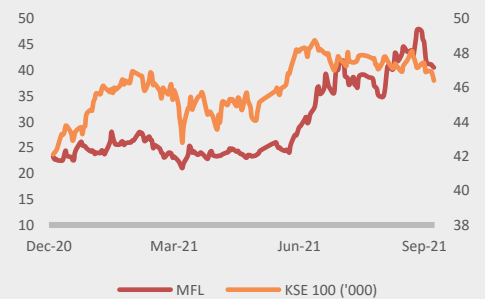
| Rupees' millions | 4QFY21 | 4QFY20 | YoY | FY21 | FY20 | YoY |
|----------------------------|--------|--------|----------|---------|---------|----------|
| Net Sales | 2,524 | 4,568 | 44.7% ▼ | 10,557 | 11,290 | 6.5% ▼ |
| Cost of Sales | -2,578 | -4,246 | 39.3% ▼ | -9,909 | -10,274 | 3.5% ▼ |
| Gross Profit | -53 | 322 | 116.5% ▼ | 647 | 1,016 | 36.3% ▼ |
| SG&A Expenses | -137 | -133 | 2.9% ▲ | -496 | -478 | 3.6% ▲ |
| Operating Profit | -192 | 170 | 212.9% ▼ | 150 | 518 | 71.0% ▼ |
| Other Income | 45 | 31 | 43.4% ▲ | 77 | 57 | 36.3% ▲ |
| Exchange Gain / (Loss) | 157 | -23 | 785.3% ▲ | 65 | 14 | 365.3% ▲ |
| Finance Cost | -65 | -81 | 20.1% ▼ | -273 | -350 | 22.1% ▼ |
| Profit Before Taxation | -54 | 97 | 155.9% ▼ | 20 | 239 | 91.8% ▼ |
| Taxation | -21 | -43 | 50.4% ▼ | -80 | -87 | 7.1% ▼ |
| Profit After Taxation | -76 | 54 | 239.2% ▼ | -61 | 152 | 140.1% ▼ |
| Earnings Per Share | -0.62 | 0.44 | 239.2% ▼ | -0.50 | 1.24 | 140.1% ▼ |
| Dividend | 0.00 | 0.45 | | 0.00 | 0.45 | |
| Bonus | - | - | | - | - | |
| Gross Margin | -2.1% | 7.1% | 9.2% ▼ | 6.1% | 9.0% | 2.9% ▼ |
| SG&A Expenses to Sales | -5.4% | -2.9% | 2.5% ▲ | -4.7% | -4.2% | 0.5% ▲ |
| Other Income to Sales | 1.8% | 0.7% | 1.1% ▲ | 0.7% | 0.5% | 0.2% ▲ |
| Ex. Gain / (Loss) to Sales | -5.4% | -2.9% | 2.5% ▲ | -4.7% | -4.2% | 0.5% ▲ |
| Effective Taxation | 39.1% | -44.1% | 5.0% ▼ | -411.3% | -36.3% | 375.0% ▲ |
| Net Margin | -3.0% | 1.2% | 4.2% ▼ | -0.6% | 1.3% | 1.9% ▼ |

Source: ACPL Research, Company Financials

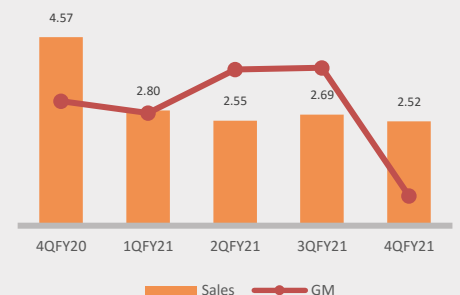
Key Statistics

| Symbol | MFL |
|----------------------|-------|
| TP - Jun 22 | 28.00 |
| LDCP | 40.52 |
| Upside (%) | (25) |
| Free Float ('mn) | 31 |
| Market Cap. (Rs.'mn) | 4,589 |

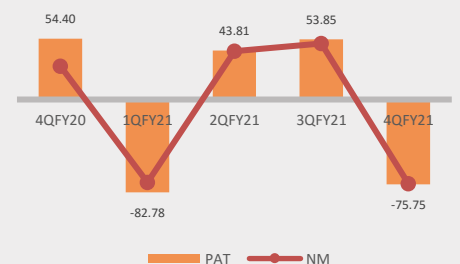
MFL vs KSE 100



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 | FY21A | FY22E | FY23E |
|---------------------------------|-------------|-------------|-------------|--------------|-------------|--------------|---------------|-------------|--------------|
| Revenue | 6,089 | 5,578 | 6,134 | 6,869 | 7,863 | 11,290 | 10,557 | 11,807 | 12,873 |
| Cost of sales | -5,194 | -4,939 | -5,169 | -5,862 | -6,949 | -10,274 | -9,909 | -10,845 | -11,831 |
| Gross profit | 895 | 639 | 965 | 1,007 | 915 | 1,016 | 647 | 962 | 1,042 |
| Distribution cost | -274 | -284 | -292 | -300 | -167 | -207 | -186 | -177 | -193 |
| Administrative expenses | -166 | -159 | -175 | -198 | -240 | -271 | -310 | -471 | -514 |
| Other operating expenses | -5 | -5 | -16 | -22 | -31 | -19 | -1 | -1 | -1 |
| Profit from operations | 450 | 191 | 482 | 487 | 476 | 518 | 150 | 312 | 334 |
| Other income | 3 | 51 | 72 | 91 | 260 | 71 | 142 | 531 | 579 |
| Finance cost | -294 | -204 | -212 | -240 | -276 | -350 | -273 | -236 | -203 |
| Profit before income tax | 160 | 38 | 342 | 338 | 460 | 239 | 20 | 607 | 710 |
| Income tax expense | -62 | -34 | -73 | -29 | -47 | -87 | -80 | -182 | -213 |
| Profit for the year | 98 | 4 | 269 | 308 | 414 | 152 | -61 | 425 | 497 |
| EPS | 0.80 | 0.03 | 2.20 | 2.52 | 3.38 | 1.24 | (0.50) | 3.47 | 4.06 |
| EBITDA | 604 | 336 | 620 | 649 | 648 | 725 | 369 | 544 | 579 |

Source: ACPL Research, Company Financials

Horizontal Analysis

| | FY15A | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E |
|---------------------------------|----------------|----------------|-----------------|---------------|---------------|----------------|-----------------|-----------------|---------------|
| Revenue | -25.38% | -8.39% | 9.98% | 11.98% | 14.47% | 43.58% | -6.50% | 11.85% | 9.03% |
| Cost of sales | -28.65% | -4.91% | 4.66% | 13.41% | 18.53% | 47.86% | -3.55% | 9.44% | 9.09% |
| Gross profit | 1.62% | -28.62% | 51.12% | 4.35% | -9.22% | 11.10% | -36.30% | 48.62% | 8.33% |
| Distribution cost | -19.09% | 3.80% | 2.69% | 2.83% | -44.32% | 23.88% | -10.16% | -4.78% | 9.03% |
| Administrative expenses | 26.03% | -4.15% | 10.28% | 13.05% | 21.32% | 12.91% | 14.12% | 52.12% | 9.03% |
| Other operating expenses | -26.20% | -6.58% | 247.21% | 40.35% | 37.30% | -36.95% | -92.92% | 0.00% | 0.00% |
| Profit from operations | 11.47% | -57.58% | 152.41% | 0.92% | -2.13% | 8.79% | -71.03% | 107.99% | 6.92% |
| Other income | -98.09% | 1350.71% | 41.52% | 26.66% | 186.18% | -72.83% | 101.69% | 273.53% | 9.03% |
| Finance cost | -11.61% | -30.71% | 4.00% | 13.12% | 14.93% | 27.14% | -22.11% | -13.34% | -14.19% |
| Profit before income tax | -37.16% | -76.26% | 801.35% | -1.24% | 36.33% | -48.21% | -91.80% | 3005.15% | 16.99% |
| Income tax expense | -19.74% | -45.20% | 114.73% | -59.69% | 58.38% | 85.56% | -7.12% | 126.50% | 16.99% |
| Profit for the year | -44.78% | -96.00% | 6768.91% | 14.63% | 34.22% | -63.29% | -140.06% | -798.27% | 16.99% |
| EPS | -44.78% | -96.00% | 6768.91% | 14.63% | 34.22% | -63.29% | -140.06% | -798.27% | 16.99% |
| EBITDA | 16.65% | -44.43% | 84.62% | 4.70% | -0.24% | 12.03% | -49.09% | 47.35% | 6.45% |

Source: ACPL Research, Company Financials

Key Ratios

| Profitability Ratios | | FY15A | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E |
|----------------------|------|--------|---------|--------|--------|--------|--------|--------|--------|--------|
| GP Margin | % | 14.70 | 11.45 | 15.74 | 14.66 | 11.63 | 9.00 | 6.13 | 8.15 | 8.09 |
| NP Margin | % | 1.61 | 0.07 | 4.38 | 4.49 | 5.26 | 1.35 | -0.58 | 3.60 | 3.86 |
| OP Margin | % | 7.40 | 3.43 | 7.86 | 7.09 | 6.06 | 4.59 | 1.42 | 2.64 | 2.59 |
| ROE | % | 3.24 | 0.14 | 8.56 | 7.47 | 9.18 | 2.24 | -0.91 | 5.96 | 6.52 |
| ROCE | % | 13.83 | 5.97 | 13.24 | 10.70 | 9.60 | 6.92 | 2.34 | 4.77 | 4.91 |
| ROA | % | 1.31 | 0.06 | 3.27 | 3.41 | 4.32 | 1.10 | -0.49 | 3.44 | 4.10 |
| | | | | | | | | | | |
| Liquidity Ratios | | FY15A | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E |
| Current | x | 1.32 | 1.37 | 1.32 | 1.52 | 1.48 | 1.37 | 1.61 | 1.64 | 1.74 |
| Quick | x | 0.04 | 0.04 | 0.04 | 0.20 | 0.06 | 0.07 | 0.31 | 0.24 | 0.14 |
| | | | | | | | | | | |
| Activity Ratios | | FY15A | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E |
| Inventory Turnover | x | 1.09 | 1.06 | 1.06 | 1.13 | 1.34 | 1.73 | 1.54 | 1.70 | 1.77 |
| Inventory Days | | 334.48 | 344.94 | 344.10 | 323.14 | 271.68 | 210.45 | 237.33 | 215.08 | 205.83 |
| Receivables Days | | 2.63 | 3.35 | 5.04 | 4.54 | 8.77 | 5.55 | 5.94 | 5.31 | 4.87 |
| Payables Days | | 22.98 | 14.42 | 23.49 | 14.07 | 13.03 | 36.07 | 40.00 | 40.00 | 40.00 |
| Operating Cycle | | 314.13 | 333.87 | 325.66 | 313.61 | 267.41 | 179.94 | 203.27 | 180.38 | 170.70 |
| | | | | | | | | | | |
| Investment Ratios | | FY15A | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | 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 | 1.87 | 0.00 | 1.20 | 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 | -0.50 | 3.47 | 4.06 |
| BVPS | | 24.66 | 23.57 | 25.68 | 33.73 | 36.82 | 55.29 | 54.80 | 58.27 | 62.33 |
| P/E | x | 46.93 | 1171.89 | 17.06 | 14.88 | 11.09 | 30.20 | 0.00 | 10.80 | 9.23 |
| Sales per share | | 49.75 | 45.57 | 50.12 | 56.12 | 64.24 | 92.24 | 86.25 | 96.46 | 105.17 |
| P/BV | x | 1.52 | 1.59 | 1.46 | 1.11 | 1.02 | 0.68 | 0.68 | 0.64 | 0.60 |
| P/S | x | 0.75 | 0.82 | 0.75 | 0.67 | 0.58 | 0.41 | 0.43 | 0.39 | 0.36 |
| | | | | | | | | | | |
| Solvency Ratios | | FY15A | FY16A | FY17A | FY18A | FY19A | FY20A | FY21A | FY22E | FY23E |
| Total Debt to Equity | x | 1.24 | 1.18 | 1.38 | 1.08 | 1.01 | 0.84 | 0.73 | 0.64 | 0.52 |
| 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 | 0.32 |
| 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 | 0.55 | 1.32 | 1.65 |

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

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|--------------|----------------------------|
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| HOLD | Between -5% to 15% |
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| Sector Rating | Sector Outlook |
|---------------|----------------|
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| Market Weight | Neutral |
| Underweight | Negative |

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