

MFL

1HFY21 Result Review: Stance Upgraded to BUY

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MFL has announced its 1HFY21 result where the bottom line has been increased by 105% YoY in 2QFY21. However, the company posted loss after tax of Rs39mn (LPS: Rs0.32) in 1HFY21 as compared to a profit after tax of Rs79mn (EPS: Rs0.64) in the same period last year, down by 150% YoY.

The company has posted the revenue of Rs5.3bn against Rs3.8bn in SPLY, recording a growth of 40.8% YoY. We note that this growth is attributed to the increase in the volumetric sales.

The gross margin has been squeezed to 7.9% as compared to 13.3% in SPLY due to higher input costs and lower international prices.

SG&A expenses have declined by 1% YoY to Rs236mn as compared to Rs238mn 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 0.47x which provides a discount of 48% relative to its 5-year average of 0.89x. We have a **BUY** stance on the script with a DCF based Dec-21 TP of Rs 30 which provides an upside potential of 20%.

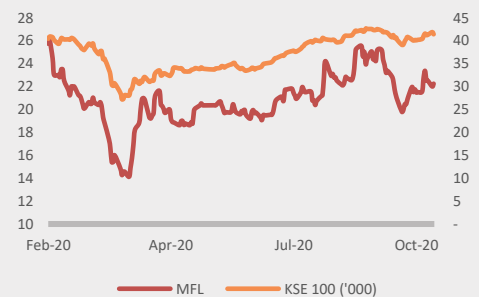
Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	2,545	1,686	51.0% ▲	5,341	3,793	40.8% ▲
Cost of Sales	-2,287	-1,438	59.1% ▲	-4,918	-3,290	49.5% ▲
Gross Profit	258	248	4.1% ▲	423	503	15.9% ▼
SG&A Expenses	-120	-131	9.0% ▼	-236	-238	1.0% ▼
Operating Profit	138	116	19.0% ▲	187	265	29.3% ▼
Other Income	24	11	122.5% ▲	31	18	75.9% ▲
Exchange Gain / (Loss)	-20	-1	2024.2% ▲	-74	-13	466.3% ▲
Finance Cost	-68	-86	21.2% ▼	-131	-154	14.7% ▼
Profit Before Taxation	75	40	87.8% ▲	13	116	88.7% ▼
Taxation	-31	-19	68.4% ▲	-52	-37	40.6% ▲
Profit After Taxation	44	21	104.5% ▲	-39	79	149.5% ▼
Earnings Per Share	0.36	0.18	104.5% ▲	-0.32	0.64	149.5% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	10.1%	14.7%	4.6% ▼	7.9%	13.3%	5.3% ▼
SG&A Expenses to Sales	-4.7%	-7.8%	3.1% ▼	-4.4%	-6.3%	1.9% ▼
Other Income to Sales	1.0%	0.7%	0.3% ▲	0.6%	0.5%	0.1% ▲
Ex. Gain / (Loss) to Sales	-4.7%	-7.8%	3.1% ▼	-4.4%	-6.3%	1.9% ▼
Effective Taxation	-41.6%	-46.4%	4.8% ▼	-397.4%	-32.0%	365.4% ▲
Net Margin	1.7%	1.3%	0.5% ▲	-0.7%	2.1%	2.8% ▼

Source: ACPL Research, Company Financials

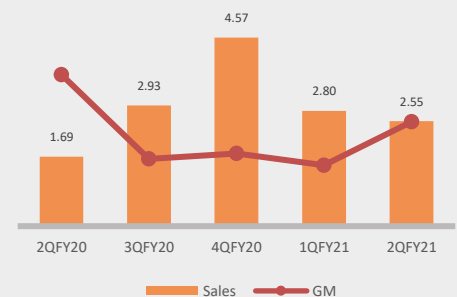
Key Statistics

Symbol	MFL
TP - Dec 21	30.00
LDCP	25.00
Upside (%)	20
Free Float ('mn)	31
Market Cap. (Rs.'mn)	3,060

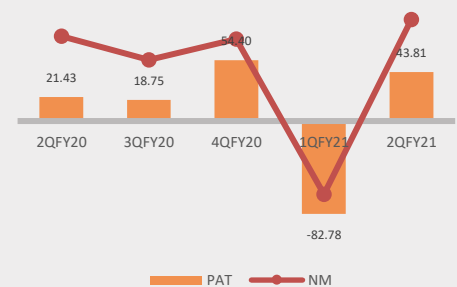
MFL vs KSE 100



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	10,583	11,938	12,902
Cost of sales	-5,194	-4,939	-5,169	-5,862	-6,949	-10,274	-9,722	-10,773	-11,564
Gross profit	895	639	965	1,007	915	1,016	861	1,165	1,337
Distribution cost	-274	-284	-292	-300	-167	-207	-185	-209	-226
Administrative expenses	-166	-159	-175	-198	-240	-271	-284	-320	-346
Other operating expenses	-5	-5	-16	-22	-31	-19	-22	-22	-22
Profit from operations	450	191	482	487	476	518	370	614	744
Other income	3	51	72	91	260	71	-44	84	90
Finance cost	-294	-204	-212	-240	-276	-350	-256	-236	-203
Profit before income tax	160	38	342	338	460	239	70	461	632
Income tax expense	-62	-34	-73	-29	-47	-87	-279	-138	-190
Profit for the year	98	4	269	308	414	152	-209	323	442
EPS	0.80	0.03	2.20	2.52	3.38	1.24	(1.71)	2.64	3.61
EBITDA	604	336	620	649	648	725	590	846	990

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%	-6.26%	12.80%	8.07%
Cost of sales	-28.65%	-4.91%	4.66%	13.41%	18.53%	47.86%	-5.37%	10.81%	7.34%
Gross profit	1.62%	-28.62%	51.12%	4.35%	-9.22%	11.10%	-15.27%	35.28%	14.84%
Distribution cost	-19.09%	3.80%	2.69%	2.83%	-44.32%	23.88%	-10.54%	12.80%	8.07%
Administrative expenses	26.03%	-4.15%	10.28%	13.05%	21.32%	12.91%	4.51%	12.80%	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%	-28.53%	65.79%	21.19%
Other income	-98.09%	1350.71%	41.52%	26.66%	186.18%	-72.83%	-163.02%	-288.01%	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%	-70.53%	556.29%	36.95%
Income tax expense	-19.74%	-45.20%	114.73%	-59.69%	58.38%	85.56%	222.59%	-50.45%	36.95%
Profit for the year	-44.78%	-96.00%	6768.91%	14.63%	34.22%	-63.29%	-237.57%	-254.48%	36.95%
EPS	-44.78%	-96.00%	6768.91%	14.63%	34.22%	-63.29%	-237.57%	-254.48%	36.95%
EBITDA	16.65%	-44.43%	84.62%	4.70%	-0.24%	12.03%	-18.72%	43.49%	16.98%

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	8.13	9.76	10.37
NP Margin	%	1.61	0.07	4.38	4.49	5.26	1.35	-1.98	2.70	3.43
OP Margin	%	7.40	3.43	7.86	7.09	6.06	4.59	3.50	5.14	5.77
ROE	%	3.24	0.14	8.56	7.47	9.18	2.24	-3.19	4.69	6.04
ROCE	%	13.83	5.97	13.24	10.70	9.60	6.92	5.88	9.72	11.42
ROA	%	1.31	0.06	3.27	3.41	4.32	1.10	-1.73	2.69	3.78
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	1.60	1.62	1.71
Quick	x	0.04	0.04	0.04	0.20	0.06	0.07	0.27	0.15	0.05
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	1.50	1.66	1.71
Inventory Days		334.48	344.94	344.10	323.14	271.68	210.45	242.69	219.47	213.26
Receivables Days		2.63	3.35	5.04	4.54	8.77	5.55	5.92	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	212.54	188.66	182.05
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	2.80	0.00	1.80	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	-1.71	2.64	3.61
BVPS		24.66	23.57	25.68	33.73	36.82	55.29	53.59	56.22	59.84
P/E	x	31.30	781.47	11.38	9.92	7.39	20.14	0.00	9.48	6.92
Sales per share		49.75	45.57	50.12	56.12	64.24	92.24	86.46	97.53	105.41
P/BV	x	1.01	1.06	0.97	0.74	0.68	0.45	0.47	0.44	0.42
P/S	x	0.50	0.55	0.50	0.45	0.39	0.27	0.29	0.26	0.24
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	0.74	0.66	0.54
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	0.40	0.38	0.34
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	1.45	2.60	3.67

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

Sector Rating	Sector Outlook
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Market Weight	Neutral
Underweight	Negative

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