

MFL has announced its 1HFY23 result where the company posted a profit after tax of Rs256mn (EPS: Rs2.09) as compared to a profit after tax of Rs60mn (EPS: Rs0.49) in the same period last year, up by 324.9% YoY amid improved gross margins coupled with foreign exchange gains.

The company has posted a revenue of Rs7.24bn against Rs4.85bn in SPLY, recording a growth of 49.4% YoY. The gross margin has increased to 14.6% as compared to 11.3% in SPLY due to lower input costs and higher international prices.

SG&A expenses have increased by 63.9% YoY to Rs442mn as compared to Rs269mn during SPLY whereas, finance cost has increased by 195.8% YoY to Rs470mn on the back of higher interest rates. Lastly, a surge in exchange gains by 548% to Rs150mn supported the bottom line as compared to a loss of Rs34mn in SPLY.

MFL is currently trading at a FY23E P/E of 7.56x. Further, the scrip is also trading at FY23E P/B of 0.50x which offers a discount of 10% relative to its 3-year historical average of 0.56x. We have a **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs.36 which provides an upside potential of 16%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	4,258	3,256	30.8% ▲	7,239	4,846	49.4% ▲
Cost of Sales	-3,697	-2,860	29.3% ▲	-6,181	-4,300	43.8% ▲
Gross Profit	561	397	41.5% ▲	1,057	546	93.6% ▲
SG&A Expenses	-289	-166	74.6% ▲	-442	-269	63.9% ▲
Operating Profit	272	231	17.7% ▲	616	277	122.6% ▲
Other Income	15	18	18.7% ▼	25	24	4.5% ▲
Exchange Gain / (Loss)	62	-45	237.0% ▲	150	-34	548.0% ▲
Finance Cost	-271	-81	235.7% ▲	-470	-159	195.8% ▲
Profit Before Taxation	77	123	37.1% ▼	321	108	197.3% ▲
Taxation	-42	-33	27.7% ▲	-64	-48	35.6% ▲
Profit After Taxation	35	90	60.7% ▼	256	60	324.9% ▲
Earnings Per Share	0.29	0.74	60.7% ▼	2.09	0.49	324.9% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	13.2%	12.2%	1.0% ▲	14.6%	11.3%	3.3% ▲
SG&A Expenses to Sales	-6.8%	-5.1%	1.7% ▲	-6.1%	-5.6%	0.5% ▲
Other Income to Sales	0.3%	0.6%	0.2% ▼	0.3%	0.5%	0.1% ▼
Ex. Gain / (Loss) to Sales	-6.8%	-5.1%	1.7% ▲	-6.1%	-5.6%	0.5% ▲
Effective Taxation	-54.3%	-26.7%	27.5% ▲	-20.1%	-44.1%	24.0% ▼
Net Margin	0.8%	2.8%	1.9% ▼	3.5%	1.2%	2.3% ▲

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	MFL
TP - Dec 23	36
LDCP	31
Upside (%)	16
Free Float ('mn)	31
Market Cap. (Rs.'mn)	3,794

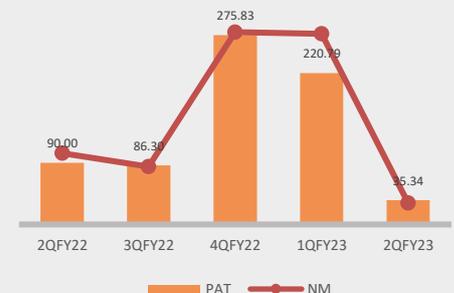
## MFL vs KSE 100



## 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	14,477	15,731	16,997	18,386
Cost of sales	-10,274	-9,909	-11,056	-12,363	-13,491	-14,634	-15,887
<b>Gross profit</b>	<b>1,016</b>	<b>647</b>	<b>1,320</b>	<b>2,115</b>	<b>2,240</b>	<b>2,364</b>	<b>2,499</b>
Distribution cost	-207	-186	-229	-296	-322	-348	-376
Administrative expenses	-271	-310	-356	-587	-638	-689	-746
Other operating expenses	-19	-1	-37	-20	-20	-20	-20
<b>Profit from operations</b>	<b>518</b>	<b>150</b>	<b>697</b>	<b>1,212</b>	<b>1,260</b>	<b>1,307</b>	<b>1,358</b>
Other income	71	142	222	286	224	242	262
Finance cost	-350	-273	-388	-940	-856	-733	-624
<b>Profit before income tax</b>	<b>239</b>	<b>20</b>	<b>531</b>	<b>558</b>	<b>628</b>	<b>816</b>	<b>995</b>
Income tax expense	-87	-80	-109	-56	-63	-82	-100
<b>Profit for the year</b>	<b>152</b>	<b>-61</b>	<b>422</b>	<b>502</b>	<b>566</b>	<b>734</b>	<b>896</b>
EPS	1.24	(0.50)	3.45	4.10	4.62	6.00	7.32
EBITDA	747	383	924	1,446	1,497	1,546	1,599

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	44%	-6%	17%	17%	9%	8%	8%
Cost of sales	48%	-4%	12%	12%	9%	8%	9%
<b>Gross profit</b>	<b>11%</b>	<b>-36%</b>	<b>104%</b>	<b>60%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
Distribution cost	24%	-10%	23%	29%	9%	8%	8%
Administrative expenses	13%	14%	15%	65%	9%	8%	8%
Other operating expenses	-37%	-93%	2616%	-47%	0%	0%	0%
<b>Profit from operations</b>	<b>9%</b>	<b>-71%</b>	<b>364%</b>	<b>74%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
Other income	-73%	102%	56%	29%	-22%	8%	8%
Finance cost	27%	-22%	42%	142%	-9%	-14%	-15%
<b>Profit before income tax</b>	<b>-48%</b>	<b>-92%</b>	<b>2616%</b>	<b>5%</b>	<b>13%</b>	<b>30%</b>	<b>22%</b>
Income tax expense	86%	-7%	35%	-49%	13%	30%	22%
<b>Profit for the year</b>	<b>-63%</b>	<b>-140%</b>	<b>-794%</b>	<b>19%</b>	<b>13%</b>	<b>30%</b>	<b>22%</b>
EPS	-63%	-140%	-794%	19%	13%	30%	22%
EBITDA	-	-49%	141%	56%	4%	3%	3%

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	9.00	6.13	10.66	14.61	14.24	13.91	13.59
NP Margin	%	1.35	-0.58	3.41	3.47	3.60	4.32	4.87
OP Margin	%	4.59	1.42	5.63	8.37	8.01	7.69	7.38
ROE	%	2.24	-0.92	5.98	6.64	6.96	8.28	10.11
ROCE	%	6.92	2.00	7.69	14.02	14.30	14.28	14.77
ROA	%	1.10	-0.44	2.47	3.58	3.91	4.85	5.93
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.37	1.37	1.27	1.76	1.79	1.83	1.87
Quick	x	0.07	0.02	0.04	-0.22	-0.22	-0.17	-0.25
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	1.73	1.43	1.49	1.54	1.55	1.58	1.61
Inventory Days		210.45	254.41	244.85	237.09	235.08	230.96	226.07
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	209.93	202.92	193.81	183.91
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	%	1.45	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	4.10	4.62	6.00	7.32
BVPS		55.29	54.34	57.67	61.80	66.42	72.41	72.42
P/E	x	24.98	0.00	8.98	7.56	6.71	5.17	4.24
Sales per share		92.24	86.25	101.11	118.28	128.52	138.87	150.21
P/BV	x	0.56	0.57	0.54	0.50	0.47	0.43	0.43
P/S	x	0.34	0.36	0.31	0.26	0.24	0.22	0.21
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.84	0.95	1.26	0.68	0.58	0.49	0.44
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	0.37	0.33	0.29	0.26
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	1.29	1.47	1.78	2.18

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

## VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- 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
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Market Weight	Neutral
Underweight	Negative

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