

MFL has announced its 1QFY21 result where it posted loss after tax of Rs83mn (LPS: Rs0.68) as compared to a profit after tax of Rs57mn (EPS: Rs0.47) in the same period last year, down by 244% YoY.

The company has posted the revenue of Rs2.8bn against Rs2.1bn in SPLY, recording a growth of 32.7% YoY. We note that this growth is attributed to the increase in the volumetric sales.

The gross margin has been squeezed to 5.9% as compared to 12.1% in SPLY due to higher input costs and lower international prices.

SG&A expenses have increased by 8.9% YoY to Rs116mn as compared to Rs107mn during SPLY.

Decline in other income by 1.1% YoY, and higher effective taxation of 33.7% as compared to 24.4% during SPLY, caused the bottom-line to plunge despite growth in revenues.

Going forward, we expect the future will bring some challenges i.e. lower production of rice owing to the recent locust attack and lower international prices. MFL is trading at a FY21E P/B of 0.39x. We have a **SELL** stance on the script with a DCF based Jun-21 TP of Rs 18 which provides a downside potential of 16%.

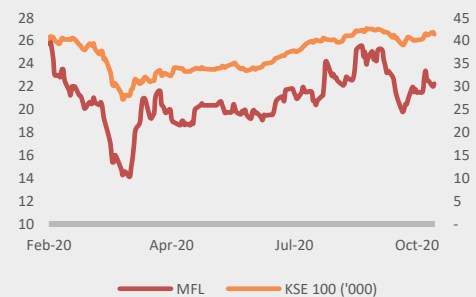
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	2,796	2,107	32.7% ▲	11,290	7,863	43.6% ▲
Cost of Sales	-2,630	-1,852	42.1% ▲	-10,274	-6,949	47.9% ▲
Gross Profit	165	255	35.3% ▼	1,016	915	11.1% ▲
SG&A Expenses	-116	-107	8.9% ▲	-478	-407	17.4% ▲
Operating Profit	49	149	67.0% ▼	518	476	8.8% ▲
Other Income	7	7	1.1% ▼	57	107	47.0% ▼
Exchange Gain / (Loss)	-54	-12	347.7% ▲	14	153	90.8% ▼
Finance Cost	-63	-68	6.3% ▼	-350	-276	27.1% ▲
Profit Before Taxation	-62	76	181.6% ▼	239	460	48.2% ▼
Taxation	-21	-19	12.8% ▲	-87	-47	85.6% ▲
Profit After Taxation	-83	57	244.3% ▼	152	414	63.3% ▼
Earnings Per Share	-0.68	0.47	244.3% ▼	1.24	3.38	63.3% ▼
Dividend	0.00	0.00		0.45	0.70	
Bonus	-	-		-	-	
Gross Margin	5.9%	12.1%	6.2% ▼	9.0%	11.6%	2.6% ▼
SG&A Expenses to Sales	-4.2%	-5.1%	0.9% ▼	-4.2%	-5.2%	0.9% ▼
Other Income to Sales	0.2%	0.3%	0.1% ▼	0.5%	1.4%	0.9% ▼
Ex. Gain / (Loss) to Sales	-4.2%	-5.1%	0.9% ▼	-4.2%	-5.2%	0.9% ▼
Effective Taxation	33.7%	-24.4%	9.3% ▲	-36.3%	-10.1%	26.2% ▲
Net Margin	-3.0%	2.7%	5.7% ▼	1.3%	5.3%	3.9% ▼

Source: ACPL Research, Company Financials

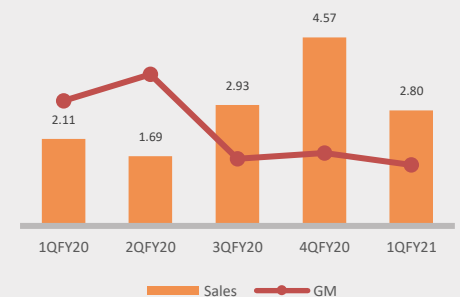
## Key Statistics

Symbol	MFL
TP - Jun 21	18.00
LDPCP	21.40
Upside (%)	(16)
Free Float ('mn)	31
Market Cap. (Rs.'mn)	2,619

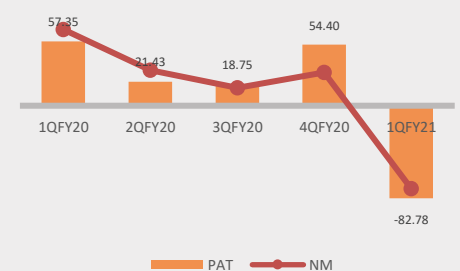
## MFL vs KSE 100



## 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	-9,953	-10,889	-11,690
<b>Gross profit</b>	<b>895</b>	<b>639</b>	<b>965</b>	<b>1,007</b>	<b>915</b>	<b>1,016</b>	<b>630</b>	<b>1,048</b>	<b>1,212</b>
Distribution cost	-274	-284	-292	-300	-167	-207	-194	-219	-237
Administrative expenses	-166	-159	-175	-198	-240	-271	-254	-287	-310
Other operating expenses	-5	-5	-16	-22	-31	-19	-22	-22	-22
<b>Profit from operations</b>	<b>450</b>	<b>191</b>	<b>482</b>	<b>487</b>	<b>476</b>	<b>518</b>	<b>160</b>	<b>521</b>	<b>643</b>
Other income	3	51	72	91	260	71	37	42	46
Finance cost	-294	-204	-212	-240	-276	-350	-256	-236	-203
<b>Profit before income tax</b>	<b>160</b>	<b>38</b>	<b>342</b>	<b>338</b>	<b>460</b>	<b>239</b>	<b>-58</b>	<b>327</b>	<b>486</b>
Income tax expense	-62	-34	-73	-29	-47	-87	21	-119	-176
<b>Profit for the year</b>	<b>98</b>	<b>4</b>	<b>269</b>	<b>308</b>	<b>414</b>	<b>152</b>	<b>-37</b>	<b>208</b>	<b>310</b>
EPS	<b>0.80</b>	<b>0.03</b>	<b>2.20</b>	<b>2.52</b>	<b>3.38</b>	<b>1.24</b>	<b>(0.30)</b>	<b>1.70</b>	<b>2.53</b>
EBITDA	<b>604</b>	<b>336</b>	<b>620</b>	<b>649</b>	<b>648</b>	<b>725</b>	<b>379</b>	<b>753</b>	<b>889</b>

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%	-3.13%	9.41%	7.35%
<b>Gross profit</b>	<b>1.62%</b>	<b>-28.62%</b>	<b>51.12%</b>	<b>4.35%</b>	<b>-9.22%</b>	<b>11.10%</b>	<b>-37.99%</b>	<b>66.38%</b>	<b>15.58%</b>
Distribution cost	-19.09%	3.80%	2.69%	2.83%	-44.32%	23.88%	-6.26%	12.80%	8.07%
Administrative expenses	26.03%	-4.15%	10.28%	13.05%	21.32%	12.91%	-6.26%	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%
<b>Profit from operations</b>	<b>11.47%</b>	<b>-57.58%</b>	<b>152.41%</b>	<b>0.92%</b>	<b>-2.13%</b>	<b>8.79%</b>	<b>-69.13%</b>	<b>225.51%</b>	<b>23.53%</b>
Other income	-98.09%	1350.71%	41.52%	26.66%	186.18%	-72.83%	-46.86%	12.80%	8.07%
Finance cost	-11.61%	-30.71%	4.00%	13.12%	14.93%	27.14%	-27.01%	-7.53%	-14.19%
<b>Profit before income tax</b>	<b>-37.16%</b>	<b>-76.26%</b>	<b>801.35%</b>	<b>-1.24%</b>	<b>36.33%</b>	<b>-48.21%</b>	<b>-124.41%</b>	<b>-661.12%</b>	<b>48.83%</b>
Income tax expense	-19.74%	-45.20%	114.73%	-59.69%	58.38%	85.56%	-75.59%	461.12%	48.83%
<b>Profit for the year</b>	<b>-44.78%</b>	<b>-96.00%</b>	<b>6768.91%</b>	<b>14.63%</b>	<b>34.22%</b>	<b>-63.29%</b>	<b>-124.41%</b>	<b>-661.12%</b>	<b>48.83%</b>
EPS	<b>-44.78%</b>	<b>-96.00%</b>	<b>6768.91%</b>	<b>14.63%</b>	<b>34.22%</b>	<b>-63.29%</b>	<b>-124.41%</b>	<b>-661.12%</b>	<b>48.83%</b>
EBITDA	<b>16.65%</b>	<b>-44.43%</b>	<b>84.62%</b>	<b>4.70%</b>	<b>-0.24%</b>	<b>12.03%</b>	<b>-47.73%</b>	<b>98.51%</b>	<b>18.07%</b>

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	5.95	8.78	9.39
NP Margin	%	1.61	0.07	4.38	4.49	5.26	1.35	-0.35	1.74	2.40
OP Margin	%	7.40	3.43	7.86	7.09	6.06	4.59	1.51	4.36	4.99
ROE	%	3.24	0.14	8.56	7.47	9.18	2.24	-0.55	3.00	4.27
ROCE	%	13.83	5.97	13.24	10.70	9.60	6.92	2.47	8.17	9.99
ROA	%	1.31	0.06	3.27	3.41	4.32	1.10	-0.30	1.72	2.66
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	1.63	1.62	1.69
Quick	x	0.04	0.04	0.04	0.20	0.06	0.07	0.27	0.15	0.02
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	1.52	1.65	1.71
Inventory Days		334.48	344.94	344.10	323.14	271.68	210.45	239.80	220.84	213.25
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	209.65	190.02	182.04
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	3.27	0.00	2.10	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	-0.30	1.70	2.53
BVPS		24.66	23.57	25.68	33.73	36.82	55.29	54.99	56.69	59.22
P/E	x	26.79	668.93	9.74	8.50	6.33	17.24	0.00	12.59	8.46
Sales per share		49.75	45.57	50.12	56.12	64.24	92.24	86.46	97.53	105.41
P/BV	x	0.87	0.91	0.83	0.63	0.58	0.39	0.39	0.38	0.36
P/S	x	0.43	0.47	0.43	0.38	0.33	0.23	0.25	0.22	0.20
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	0.72	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	0.63	2.20	3.17

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

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