

MFL has announced its 1QFY22 result where the company posted a loss after tax of Rs30mn (LPS: Rs0.24) as compared to a loss after tax of Rs83mn (LPS: Rs0.68) in the same period last year, down by 64% YoY.

The company has posted a revenue of Rs1.59bn against Rs2.80bn in SPLY, recording a decline of 43% YoY. We note that this decline is attributed to the decrease in volumetric sales. The gross margin has been increased to 9.4% as compared to 5.9% in SPLY due to lower input costs and higher international prices.

SG&A expenses have decreased by 10.7% YoY to Rs104mn as compared to Rs116mn during SPLY whereas, finance cost has increased by 23.6% YoY to Rs78mn. Lastly, exchange gain has increased by 121.8% to Rs12mn.

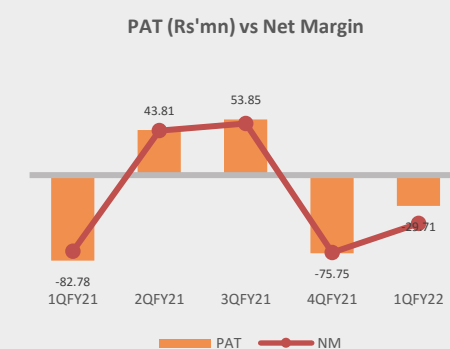
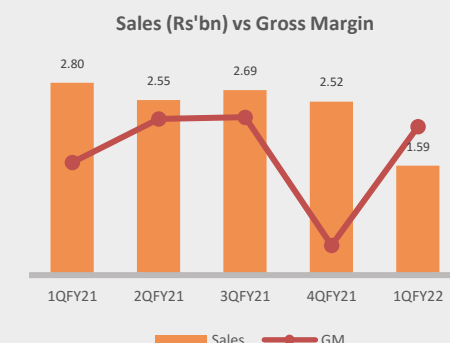
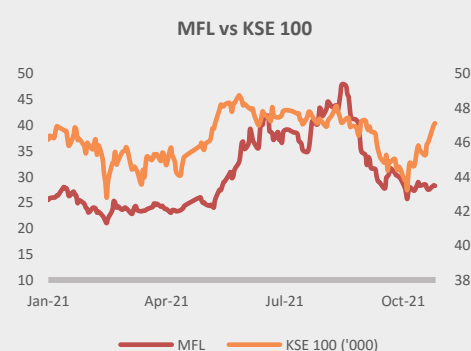
MFL is currently trading at a FY22E P/B of 0.51x which offers a discount of 32% relative to its 5-year historical average of 0.75x. We have a **BUY** stance on the script with a DCF based Jun-22 TP of Rs 34 which provides an upside potential of 20%.

Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	1,589	2,796	43.2% ▼	10,557	11,290	6.5% ▼
Cost of Sales	-1,440	-2,630	45.3% ▼	-9,909	-10,274	3.5% ▼
Gross Profit	150	165	9.5% ▼	647	1,016	36.3% ▼
SG&A Expenses	-104	-116	10.7% ▼	-496	-478	3.6% ▲
Operating Profit	46	49	6.8% ▼	150	518	71.0% ▼
Other Income	6	7	16.0% ▼	77	57	36.3% ▲
Exchange Gain / (Loss)	12	-54	121.8% ▲	65	14	365.3% ▲
Finance Cost	-78	-63	23.6% ▲	-273	-350	22.1% ▼
Profit Before Taxation	-15	-62	75.8% ▼	20	239	91.8% ▼
Taxation	-15	-21	29.6% ▼	-80	-87	7.1% ▼
Profit After Taxation	-30	-83	64.1% ▼	-61	152	140.1% ▼
Earnings Per Share	-0.24	-0.68	64.1% ▼	-0.50	1.24	140.1% ▼
Dividend	0.00	0.00		0.00	0.45	
Bonus	-	-		-	-	
Gross Margin	9.4%	5.9%	3.5% ▲	6.1%	9.0%	2.9% ▼
SG&A Expenses to Sales	-6.5%	-4.2%	2.4% ▲	-4.7%	-4.2%	0.5% ▲
Other Income to Sales	0.3%	0.2%	0.1% ▲	0.7%	0.5%	0.2% ▲
Ex. Gain / (Loss) to Sales	-6.5%	-4.2%	2.4% ▲	-4.7%	-4.2%	0.5% ▲
Effective Taxation	98.0%	33.7%	64.2% ▲	-411.3%	-36.3%	375.0% ▲
Net Margin	-1.9%	-3.0%	1.1% ▲	-0.6%	1.3%	1.9% ▼

Source: ACPL Research, Company Financials

## Key Statistics

Symbol	MFL
TP - Jun 22	34.00
LDPC	28.49
Upside (%)	20
Free Float ('mn)	31
Market Cap. (Rs.'mn)	3,488



Sources: ACPL Research, Company Financials

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## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	7,863	11,290	10,557	6,336	8,222	8,717	9,254
Cost of sales	-6,949	-10,274	-9,909	-5,742	-7,251	-7,734	-8,117
<b>Gross profit</b>	<b>915</b>	<b>1,016</b>	<b>647</b>	<b>594</b>	<b>971</b>	<b>984</b>	<b>1,137</b>
Distribution cost	-167	-207	-186	-147	-191	-202	-215
Administrative expenses	-240	-271	-310	-266	-345	-366	-389
Other operating expenses	-31	-19	-1	-1	-1	-1	-1
<b>Profit from operations</b>	<b>476</b>	<b>518</b>	<b>150</b>	<b>179</b>	<b>434</b>	<b>414</b>	<b>532</b>
Other income	260	71	142	158	206	218	231
Finance cost	-276	-350	-273	-237	-204	-162	-126
<b>Profit before income tax</b>	<b>460</b>	<b>239</b>	<b>20</b>	<b>100</b>	<b>435</b>	<b>470</b>	<b>637</b>
Income tax expense	-47	-87	-80	-30	-131	-141	-191
<b>Profit for the year</b>	<b>414</b>	<b>152</b>	<b>-61</b>	<b>70</b>	<b>305</b>	<b>329</b>	<b>446</b>
EPS	<b>3.38</b>	<b>1.24</b>	<b>(0.50)</b>	<b>0.57</b>	<b>2.49</b>	<b>2.69</b>	<b>3.64</b>
EBITDA	<b>648</b>	<b>725</b>	<b>369</b>	<b>411</b>	<b>679</b>	<b>673</b>	<b>807</b>

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Revenue	14.47%	43.58%	-6.50%	-39.98%	29.78%	6.02%	6.15%
Cost of sales	18.53%	47.86%	-3.55%	-42.05%	26.28%	6.66%	4.95%
<b>Gross profit</b>	<b>-9.22%</b>	<b>11.10%</b>	<b>-36.30%</b>	<b>-8.29%</b>	<b>63.62%</b>	<b>1.28%</b>	<b>15.56%</b>
Distribution cost	-44.32%	23.88%	-10.16%	-20.97%	29.78%	6.02%	6.15%
Administrative expenses	21.32%	12.91%	14.12%	-14.08%	29.78%	6.02%	6.15%
Other operating expenses	37.30%	-36.95%	-92.92%	0.00%	0.00%	0.00%	0.00%
<b>Profit from operations</b>	<b>-2.13%</b>	<b>8.79%</b>	<b>-71.03%</b>	<b>19.29%</b>	<b>142.15%</b>	<b>-4.58%</b>	<b>28.52%</b>
Other income	186.18%	-72.83%	101.69%	11.35%	29.78%	6.02%	6.15%
Finance cost	14.93%	27.14%	-22.11%	-12.97%	-14.02%	-20.63%	-22.04%
<b>Profit before income tax</b>	<b>36.33%</b>	<b>-48.21%</b>	<b>-91.80%</b>	<b>411.71%</b>	<b>334.86%</b>	<b>7.96%</b>	<b>35.59%</b>
Income tax expense	58.38%	85.56%	-7.12%	-62.67%	334.86%	7.96%	35.59%
<b>Profit for the year</b>	<b>34.22%</b>	<b>-63.29%</b>	<b>-140.06%</b>	<b>-215.07%</b>	<b>334.86%</b>	<b>7.96%</b>	<b>35.59%</b>
EPS	<b>34.22%</b>	<b>-63.29%</b>	<b>-140.06%</b>	<b>-215.07%</b>	<b>334.86%</b>	<b>7.96%</b>	<b>35.59%</b>
EBITDA		<b>12.03%</b>	<b>-49.09%</b>	<b>11.29%</b>	<b>65.22%</b>	<b>-0.83%</b>	<b>19.77%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
GP Margin	%	11.63	9.00	6.13	9.37	11.81	11.28	12.28
NP Margin	%	5.26	1.35	-0.58	1.11	3.70	3.77	4.82
OP Margin	%	6.06	4.59	1.42	2.83	5.27	4.75	5.75
ROE	%	9.18	2.24	-0.91	1.03	4.30	4.44	5.67
ROCE	%	9.60	6.92	2.34	2.89	6.94	6.47	7.92
ROA	%	4.32	1.10	-0.49	0.61	2.75	3.14	4.39
Liquidity Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
Current	x	1.48	1.37	1.61	1.65	1.71	1.87	2.11
Quick	x	0.06	0.07	0.31	0.81	0.61	0.54	0.55
Activity Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	1.34	1.73	1.54	1.18	1.90	1.85	1.95
Inventory Days		271.68	210.45	237.33	308.46	192.11	197.45	186.83
Receivables Days		8.77	5.55	5.94	9.89	7.62	7.19	6.77
Payables Days		13.03	36.07	40.00	40.00	40.00	40.00	40.00
Operating Cycle		267.41	179.94	203.27	278.35	159.73	164.63	153.60
Investment Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
DPS		0.00	0.45	0.00	0.00	0.00	0.00	0.00
Div. Yield	%	0.00	1.58	0.00	0.00	0.00	0.00	0.00
Dividend Cover	x	0.00	2.76	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		3.38	1.24	-0.50	0.57	2.49	2.69	3.64
BVPS		36.82	55.29	54.80	55.37	57.86	60.54	64.19
P/E	x	8.43	22.95	0.00	49.79	11.45	10.61	7.82
Sales per share		64.24	92.24	86.25	51.76	67.17	71.22	75.60
P/BV	x	0.77	0.52	0.52	0.51	0.49	0.47	0.44
P/S	x	0.44	0.31	0.33	0.55	0.42	0.40	0.38
Solvency Ratios		FY19A	FY20A	FY21a	FY22E	FY23E	FY24E	FY25E
Total Debt to Equity	x	1.01	0.84	0.73	0.67	0.56	0.42	0.31
L.T Debt to Equity	x	0.07	0.08	0.02	0.01	0.01	0.00	0.00
Total Debt to Assets	x	0.47	0.41	0.39	0.40	0.36	0.30	0.24
L.T Debt to Assets	x	0.03	0.04	0.01	0.01	0.00	0.00	0.00
Interest Cover	x	1.73	1.48	0.55	0.75	2.12	2.55	4.21

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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SELL	Less than and equal to -5%

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Overweight	Positive
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