

MFL has announced its 4QFY20 result where it posted profit after tax of Rs152mn (EPS: Rs1.24) in FY20 as compared to a profit after tax of Rs414mn (EPS: Rs3.38) in the same period last year, down by 63.3% YoY.

The company has posted the revenue of Rs11.3bn against Rs7.9bn in SPLY, recording a growth of 43.6% YoY. We note that this growth is attributed to the increase in the international prices of basmati rice during the period.

The gross margin has been squeezed to 9% in FY20 as compared to 11.6% in FY19 due to higher input costs.

SG&A expenses have increased by 17.4% YoY to Rs478mn in FY20 as compared to Rs407mn during SPLY.

Decline in other income by 47% YoY, increased finance cost by 27.1% YoY and higher effective taxation of 36.3% as compared to 10.1% 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. MFL is trading at a FY21E P/B of 0.65x which offers a discount of 28% relative to its historical 5-year average of 0.89x. We have a HOLD stance on the script with a DCF based Jun-21 TP of Rs 28.

Rupees' millions	4QFY20	4QFY19	YoY	FY20	FY19	YoY
Net Sales	4,568	1,777	157.1% ▲	11,290	7,863	43.6% ▲
Cost of Sales	-4,246	-1,643	158.4% ▲	-10,274	-6,949	47.9% ▲
Gross Profit	322	134	140.5% ▲	1,016	915	11.1% ▲
SG&A Expenses	-133	-22	494.6% ▲	-478	-407	17.4% ▲
Operating Profit	170	81	109.7% ▲	518	476	8.8% ▲
Other Income	31	-48	165.4% ▼	57	107	47.0% ▼
Exchange Gain / (Loss)	-23	144	116.0% ▼	14	153	90.8% ▼
Finance Cost	-81	-78	3.9% ▲	-350	-276	27.1% ▲
Profit Before Taxation	97	99	1.4% ▼	239	460	48.2% ▼
Taxation	-43	16	372.5% ▼	-87	-47	85.6% ▲
Profit After Taxation	54	114	52.5% ▼	152	414	63.3% ▼
Earnings Per Share	0.44	0.93	52.5% ▼	1.24	3.38	63.3% ▼
Dividend	0.45	0.70		0.45	0.70	
Bonus	-	-		-	-	
Gross Margin	7.1%	7.5%	0.5% ▼	9.0%	11.6%	2.6% ▼
SG&A Expenses to Sales	-2.9%	-1.3%	1.7% ▲	-4.2%	-5.2%	0.9% ▼
Other Income to Sales	0.7%	-2.7%	3.4% ▲	0.5%	1.4%	0.9% ▼
Ex. Gain / (Loss) to Sales	-2.9%	-1.3%	1.7% ▲	-4.2%	-5.2%	0.9% ▼
Effective Taxation	-44.1%	16.0%	28.1% ▲	-36.3%	-10.1%	26.2% ▲
Net Margin	1.2%	6.4%	5.2% ▼	1.3%	5.3%	3.9% ▼

Source: ACPL Research, Company Financials

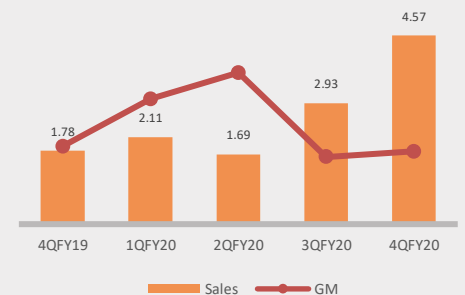
Key Statistics

Symbol	MFL
TP - Jun 21	28.00
LDPCP	25.01
Upside (%)	11.96
Free Float ('mn)	31
Market Cap. (Rs.'mn)	3,061

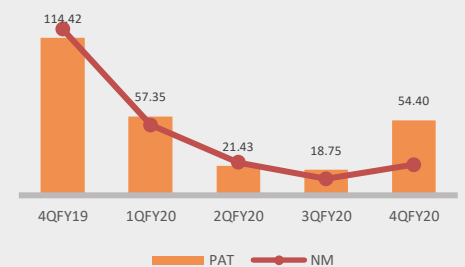
MFL vs KSE 100



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	-10,640	-11,420
Gross profit	895	639	965	1,007	915	1,016	861	1,298	1,482
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
Profit from operations	450	191	482	487	476	518	391	770	913
Other income	3	51	72	91	260	71	66	75	81
Finance cost	-294	-204	-212	-240	-276	-350	-325	-302	-260
Profit before income tax	160	38	342	338	460	239	132	543	734
Income tax expense	-62	-34	-73	-29	-47	-87	-48	-197	-266
Profit for the year	98	4	269	308	414	152	84	346	468
EPS	0.80	0.03	2.20	2.52	3.38	1.24	0.68	2.82	3.82
EBITDA	604	336	620	649	648	725	610	1,002	1,159

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%	9.44%	7.33%
Gross profit	1.62%	-28.62%	51.12%	4.35%	-9.22%	11.10%	-15.27%	50.77%	14.15%
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%
Profit from operations	11.47%	-57.58%	152.41%	0.92%	-2.13%	8.79%	-24.59%	97.14%	18.54%
Other income	-98.09%	1350.71%	41.52%	26.66%	186.18%	-72.83%	-6.26%	12.80%	8.07%
Finance cost	-11.61%	-30.71%	4.00%	13.12%	14.93%	27.14%	-7.11%	-7.08%	-14.02%
Profit before income tax	-37.16%	-76.26%	801.35%	-1.24%	36.33%	-48.21%	-44.84%	312.51%	35.25%
Income tax expense	-19.74%	-45.20%	114.73%	-59.69%	58.38%	85.56%	-44.84%	312.51%	35.25%
Profit for the year	-44.78%	-96.00%	6768.91%	14.63%	34.22%	-63.29%	-44.84%	312.51%	35.25%
EPS	-44.78%	-96.00%	6768.91%	14.63%	34.22%	-63.29%	-44.84%	312.51%	35.25%
EBITDA	16.65%	-44.43%	84.62%	4.70%	-0.24%	12.03%	-15.91%	64.32%	15.60%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	14.70	11.45	15.74	14.66	11.63	9.00	8.13	10.87	11.48
NP Margin	%	1.61	0.07	4.38	4.49	5.26	1.35	0.79	2.90	3.62
OP Margin	%	7.40	3.43	7.86	7.09	6.06	4.59	3.69	6.45	7.08
ROE	%	3.24	0.14	8.56	7.47	9.18	3.26	1.77	6.79	8.41
ROCE	%	13.83	5.97	13.24	10.70	9.60	11.09	8.95	17.74	20.27
ROA	%	1.31	0.06	3.27	3.41	4.32	1.32	0.77	3.24	4.63
Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.32	1.37	1.32	1.52	1.48	1.28	1.24	1.25	1.30
Quick	x	0.04	0.04	0.04	0.20	0.06	-0.08	-0.09	-0.23	-0.43
Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Inventory Turnover	x	1.09	1.06	1.06	1.13	1.34	1.59	1.30	1.42	1.46
Inventory Days		334.48	344.94	344.10	323.14	271.68	229.16	281.18	256.62	249.41
Receivables Days		2.63	3.35	5.04	4.54	8.77	6.11	6.51	5.77	5.34
Payables Days		22.98	14.42	23.49	14.07	13.03	13.03	13.03	13.03	13.03
Operating Cycle		314.13	333.87	325.66	313.61	267.41	222.24	274.66	249.36	241.73
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	0.68	2.82	3.82
BVPS		24.66	23.57	25.68	33.73	36.82	38.06	38.75	41.57	45.39
P/E	x	31.31	781.78	11.38	9.93	7.40	20.15	36.53	8.86	6.55
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	0.66	0.65	0.60	0.55
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	FY20E	FY21E	FY22E	FY23E
Total Debt to Equity	x	1.24	1.18	1.38	1.08	1.01	1.40	1.31	1.15	0.91
L.T Debt to Equity	x	0.07	0.05	0.11	0.07	0.07	0.05	0.03	0.02	0.01
Total Debt to Assets	x	0.50	0.49	0.53	0.49	0.47	0.57	0.57	0.55	0.50
L.T Debt to Assets	x	0.03	0.02	0.04	0.03	0.03	0.02	0.01	0.01	0.00
Interest Cover	x	1.53	0.94	2.28	2.03	1.73	1.48	1.20	2.55	3.51

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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