

MFL has announced its 1QFY23 result where the company posted a profit after tax of Rs221mn (EPS: Rs1.8) as compared to a loss after tax of Rs30mn (LPS: Rs0.24) in the same period last year, up by 843% YoY amid improved gross margins.

The company has posted a revenue of Rs2.98bn against Rs1.59bn in SPLY, recording a growth of 87.6% YoY. The gross margin has increased to 16.7% as compared to 9.4% in SPLY due to lower input costs and higher international prices.

SG&A expenses have increased by 46.8% YoY to Rs152mn as compared to Rs104mn during SPLY whereas, finance cost has increased by 154.5% YoY to Rs199mn. Lastly, exchange gains increased by 644.7% to 88mn as compared to 12mn SPLY.

Going forward, MFL is currently trading at a FY23E P/E of 8.21x. Further, the scrip is also trading at FY23E P/B of 0.56x which offers a discount of 10% relative to its 3-year historical average of 0.62x. We have a **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs.40 which provides an upside potential of 17%.

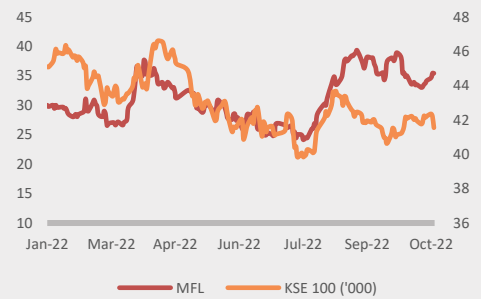
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	2,981	1,589	87.6% ▲	12,376	10,557	17.2% ▲
Cost of Sales	-2,485	-1,440	72.6% ▲	-11,056	-9,909	11.6% ▲
Gross Profit	496	150	231.9% ▼	1,320	647	103.9% ▲
SG&A Expenses	-152	-104	46.8% ▲	-586	-496	18.2% ▲
Operating Profit	344	46	651.3% ▼	697	150	364.2% ▲
Other Income	10	6	81.3% ▲	20	77	74.3% ▼
Exchange Gain / (Loss)	88	12	644.7% ▲	202	65	210.3% ▲
Finance Cost	-199	-78	154.5% ▲	-388	-273	42.2% ▲
Profit Before Taxation	243	-15	1721.6% ▲	531	20	2616.2% ▲
Taxation	-23	-15	53.3% ▲	-109	-80	35.2% ▲
Profit After Taxation	221	-30	843.2% ▲	422	-61	794.0% ▲
Earnings Per Share	1.80	-0.24	843.2% ▲	3.45	-0.50	794.0% ▲
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	16.7%	9.4%	7.2% ▲	10.7%	6.1%	4.5% ▲
SG&A Expenses to Sales	-5.1%	-6.5%	1.4% ▼	-4.7%	-4.7%	0.0% ▲
Other Income to Sales	0.3%	0.3%	0.0% ▼	0.2%	0.7%	0.6% ▼
Ex. Gain / (Loss) to Sales	-5.1%	-6.5%	1.4% ▼	-4.7%	-4.7%	0.0% ▲
Effective Taxation	-9.3%	98.0%	88.7% ▼	-20.5%	-411.3%	390.8% ▼
Net Margin	7.4%	-1.9%	9.3% ▲	3.4%	-0.6%	4.0% ▲

Source: ACPL Research, Company Financials

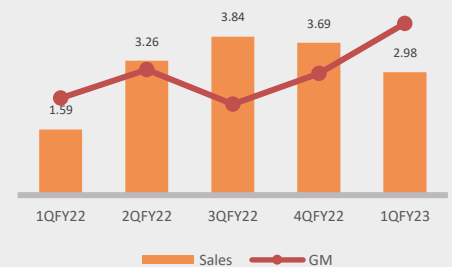
Key Statistics

Symbol	MFL
TP - Jun 23	40.00
LDCP	34.45
Upside (%)	17
Free Float ('mn)	31
Market Cap. (Rs.'mn)	4,321

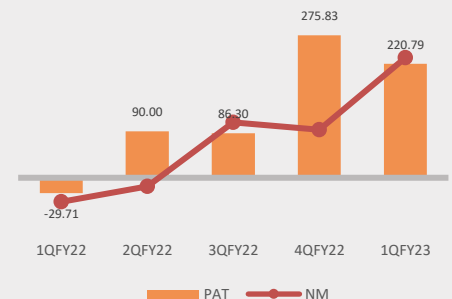
MFL vs KSE 100



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	12,075	13,005	13,970	15,023
Cost of sales	-10,274	-9,909	-11,056	-10,346	-11,196	-12,129	-13,153
Gross profit	1,016	647	1,320	1,729	1,809	1,841	1,870
Distribution cost	-207	-186	-229	-213	-229	-246	-264
Administrative expenses	-271	-310	-356	-404	-435	-467	-503
Other operating expenses	-19	-1	-37	-20	-20	-20	-20
Profit from operations	518	150	697	1,092	1,125	1,107	1,083
Other income	71	142	222	312	183	197	212
Finance cost	-350	-273	-388	-833	-751	-638	-547
Profit before income tax	239	20	531	570	558	666	748
Income tax expense	-87	-80	-109	-57	-56	-67	-75
Profit for the year	152	-61	422	513	502	600	674
EPS	1.24	(0.50)	3.45	4.19	4.10	4.90	5.50
EBITDA	747	383	924	1,327	1,362	1,347	1,325

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Revenue	44%	-6%	17%	-2%	8%	7%	8%
Cost of sales	48%	-4%	12%	-6%	8%	8%	8%
Gross profit	11%	-36%	104%	31%	5%	2%	2%
Distribution cost	24%	-10%	23%	-7%	8%	7%	8%
Administrative expenses	13%	14%	15%	13%	8%	7%	8%
Other operating expenses	-37%	-93%	2616%	-47%	0%	0%	0%
Profit from operations	9%	-71%	364%	57%	3%	-2%	-2%
Other income	-73%	102%	56%	40%	-41%	7%	8%
Finance cost	27%	-22%	42%	115%	-10%	-15%	-14%
Profit before income tax	-48%	-92%	2616%	7%	-2%	19%	12%
Income tax expense	86%	-7%	35%	-48%	-2%	19%	12%
Profit for the year	-63%	-140%	-794%	22%	-2%	19%	12%
EPS	-63%	-140%	-794%	22%	-2%	19%	12%
EBITDA	-	-49%	141%	44%	3%	-1%	-2%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	9.00	6.13	10.66	14.32	13.91	13.18	12.45
NP Margin	%	1.35	-0.58	3.41	4.25	3.86	4.29	4.48
OP Margin	%	4.59	1.42	5.63	9.05	8.65	7.93	7.21
ROE	%	2.24	-0.92	5.98	6.78	6.21	6.91	7.76
ROCE	%	6.92	2.00	7.69	12.63	12.85	12.36	12.03
ROA	%	1.10	-0.44	2.47	3.61	3.45	3.99	4.51
Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Current	x	1.37	1.37	1.27	1.74	1.76	1.79	1.84
Quick	x	0.07	0.02	0.04	0.13	0.13	0.15	0.09
Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Inventory Turnover	x	1.73	1.43	1.49	1.41	1.55	1.58	1.61
Inventory Days		210.45	254.41	244.85	259.13	236.03	231.11	226.19
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	231.98	203.88	193.95	184.03
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	%	1.31	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	4.19	4.10	4.90	5.50
BVPS		55.29	54.34	57.67	61.89	65.99	70.89	70.89
P/E	x	27.75	0.00	9.98	8.21	8.40	7.03	6.26
Sales per share		92.24	86.25	101.11	98.65	106.25	114.13	122.74
P/BV	x	0.62	0.63	0.60	0.56	0.52	0.49	0.49
P/S	x	0.37	0.40	0.34	0.35	0.32	0.30	0.28
Solvency Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Total Debt to Equity	x	0.84	0.95	1.26	0.73	0.63	0.54	0.49
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	0.39	0.35	0.31	0.28
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	1.31	1.50	1.73	1.98

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%

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