

December 12, 2023

Sector**FOOD & PERSONAL  
CARE PRODUCTS**Chase Researchresearch@chasesecurities.com  
+92-21-35293054-60Symbol: **MFFL**Current Price: **PKR 184.44**Market Cap (PKR bn): **4.22**Total Shares (mn): **22.88**Free Float (mn): **6.86**52 Week Low: **PKR 72.00**52 Week High: **PKR 283.50****Mitchells Fruit Farms Limited  
(MFFL)**

In 1QFY24, Mitchells Fruit Farms Limited (MFFL) disclosed a net profit of PKR 11.11 million (EPS: PKR 0.49), marking a substantial improvement from the net loss of PKR 98.08 million (LPS: PKR 4.29) in the corresponding period of the previous year.

The net revenue exhibited a robust 49% YoY growth, reaching PKR 698.36 million in 1QFY24, compared to PKR 468.99 million in the corresponding period last year. Simultaneously, the gross profit witnessed a noteworthy 71% YoY increase, reaching PKR 173.87 million in 1QFY24, up from PKR 101.47 million in the same period last year.

Cost of sales experienced a 43% YoY surge, reaching PKR 524.49 million in 1QFY24, compared to PKR 367.52 million in the corresponding period last year. Similarly, finance costs escalated by 91% YoY to PKR 29.91 million, while other income increased by 78% YoY to PKR 7.91 million in 1QFY24.

In FY23, MFFL recorded a 9% YoY growth in revenue, amounting to PKR 2.72 billion compared to PKR 2.49 billion in SPLY, driven by a revised pricing strategy. Gross profit surged to PKR 648.12 million in FY23 from PKR 193.82 million in the SPLY, reflecting a 24% improvement in gross profit margins.

The net loss narrowed to PKR 59.20 million (LPS: PKR 2.59) in FY23 against PKR 621.98 million (LPS: PKR 27.19) in SPLY. The company effectively recovered losses from previous years by optimizing operations, reducing administration expenses by 18% YoY to PKR 187.80 million, and cutting marketing costs by 19% YoY in FY23.

During FY23, MFFL secured fresh loans of PKR 91 million from two sponsors to address cash flow challenges. The finance cost increased to PKR 85.08 million in FY23 from PKR 36.98 million in SPLY due to higher KIBOR rates and a scarcity of Export Refinance facility.

The discontinuation of the mayonnaise category aligns with the company's strategy to invest in high-margin products. The current debt-to-equity ratio stands at 90:10, and MFFL holds the highest market share in Jams and Jellies. With 10% of raw materials imported, primarily packaging material, MFFL increased procurement of raw material from local sources in FY23.

Going forward, the food company intends to shift its focus towards product efficiencies, quality improvements, and enhanced operational efficiencies rather than pursuing volumetric growth. The management's goals include achieving higher exports, increasing B2B sales by utilizing excess pulping capacity, and relaunching products with improved formulations.

Financial Highlights			
PKR million	1QFY24	1QFY23	YoY Change
Sales - net	698	469	49%
Cost of Sales	524	368	43%
Gross Profit	174	101	71%
Administrative Expenses	49	43	13%
Distribution Expenses	81	139	-41%
Other Operating Expenses	2	0.21	793%
Other Income	8	4	78%
Finance Cost	30	16	91%
Profit before taxation	20	(92)	-121%
Taxation	9	6	51%
Profit for the Period	11	(98)	-111%
Earnings/Loss per share - basic and diluted (Rupees)	0.49	(4.29)	
*Source: Mitchells Fruit Farms Limited, PSX			

## Important Disclosures

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