

MUGHAL

FY21 Result Review: BUY Stance Maintained

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MUGHAL has announced its FY21 result where it posted profit after tax of Rs3.4bn (EPS: Rs11.75) as compared to a profit after tax of Rs593mn (EPS: Rs2.03) in the same period last year, up by 478% YoY.

The company has posted a revenue of Rs45bn against Rs27n in SPLY, recording a growth of 65% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices amid the revival of construction activities.

The gross margin has been expanded to 14.9% as compared to 9.6% during SPLY. SG&A expenses went up by 43.8% YoY to Rs792mn as compared to Rs551mn during SPLY.

Furthermore, an increase in the other income by 13.7% YoY and the decrease in the finance cost 9.5% YoY contributed to the upsurge of the bottom line.

MUGHAL is trading at a FY22E P/E of 9.4x. Moreover, the scrip is also trading at FY22 P/B of 2.40x which offers a discount of 35% relative to its historical 5-year average of 3.7x. We maintain our **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 150 which provides an upside potential of 32%.

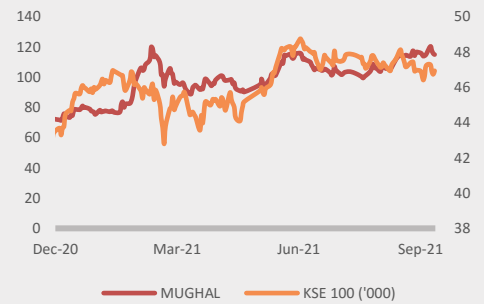
Rupees' millions	4QFY21	4QFY20	YoY	FY21	FY20	YoY
Net Sales	15,154	6,008	152.2% ▲	44,972	27,305	64.7% ▲
Cost of Sales	-13,256	-5,379	146.5% ▲	-38,280	-24,688	55.1% ▲
Gross Profit	1,898	630	201.4% ▲	6,691	2,617	155.6% ▲
SG&A Expenses	-183	-137	33.3% ▲	-792	-551	43.8% ▲
Other Expenses	-82	-30	173.2% ▲	-434	-57	664.4% ▲
Operating Profit	1,633	462	253.2% ▲	5,465	2,010	171.9% ▲
Other Income	7	26	74.1% ▼	67	59	13.7% ▲
Finance Cost	-408	-263	55.0% ▲	-1,370	-1,515	9.5% ▼
Profit Before Taxation	1,231	225	446.4% ▲	4,161	554	651.5% ▲
Taxation	-310	-32	865.3% ▼	-732	39	1970.8% ▼
Profit After Taxation	921	193	376.7% ▲	3,429	593	478.4% ▲
Earnings Per Share	3.15	0.66	376.7% ▲	11.75	2.03	478.4% ▲
Dividend	0.00	0.00		3.00	0.00	
Bonus	15%	0.00		15%	0.00	
Right	0.00	0.00		16.00	0.00	
Closing Period: 21-Oct-2021 – 28 Oct 2021						
Gross Margin	12.5%	10.5%	2.0% ▲	14.9%	9.6%	5.3% ▲
SG&A Expenses to Sales	-1.2%	-2.3%	1.1% ▼	-1.8%	-2.0%	0.3% ▼
Other Income to Sales	0.0%	0.4%	0.4% ▼	0.1%	0.2%	0.1% ▼
Ex. Gain / (Loss) to Sales	-1.2%	-2.3%	1.1% ▼	-1.8%	-2.0%	0.3% ▼
Effective Taxation	-25.2%	-14.3%	10.9% ▲	-17.6%	7.1%	10.5% ▲
Net Margin	6.1%	3.2%	2.9% ▲	7.6%	2.2%	5.5% ▲

Source: ACPL Research, Company Financials

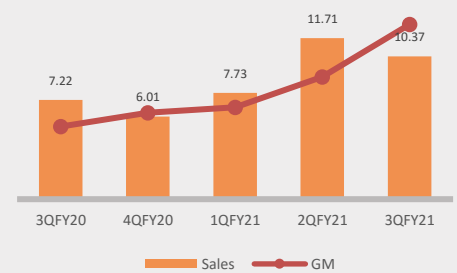
Key Statistics

Symbol	MUGHAL
TP – Jun 22	150.00
LDCP	114.78
Upside (%)	32
Free Float ('mn)	63
Market Cap. (Rs.'mn)	23,147

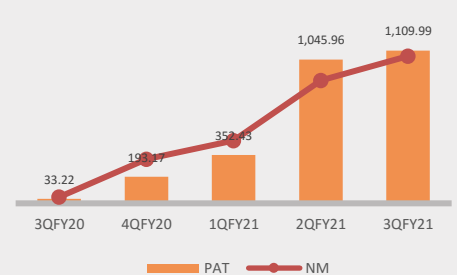
MUGHAL vs KSE 100



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	FY21A	FY22E	FY23E
Net sales	12,241	18,983	18,803	22,226	30,828	27,305	44,972	62,894	71,119
Cost of sale	10,915	16,925	16,861	19,431	27,639	24,688	38,280	55,990	63,007
Gross profit	1,326	2,059	1,942	2,794	3,189	2,617	6,691	6,904	8,112
Selling and promotion expenses	62	95	164	246	202	144	254	176	199
Administration expenses	160	208	241	313	367	407	538	585	661
Other operating expenses	45	87	91	115	127	57	434	340	384
Operating Profit	1,059	1,670	1,445	2,120	2,494	2,010	5,465	5,804	6,867
Other operating income	15	47	34	36	30	59	67	31	36
Finance cost	440	425	257	552	786	1,515	1,370	1,541	1,386
Profit before taxation	634	1,292	1,222	1,604	1,737	554	4,161	4,294	5,517
Taxation	-	399	232	314	364	39	732	756	971
Profit after taxation	659	893	991	1,290	1,373	593	3,429	3,538	4,546
EPS	2.26	3.06	3.39	4.42	4.70	2.03	11.75	12.12	15.58

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Net sales	109.0%	55.1%	-1.0%	18.2%	38.7%	-11.4%	64.7%	39.9%	13.1%
Cost of sale	112.7%	55.1%	-0.4%	15.2%	42.2%	-10.7%	55.1%	46.3%	12.5%
Gross profit	82.8%	55.2%	-5.7%	43.9%	14.1%	-17.9%	155.6%	3.2%	17.5%
Selling and promotion expenses	479.2%	53.2%	73.2%	50.2%	-18.2%	-28.6%	76.7%	-30.8%	13.1%
Administration expenses	96.4%	29.4%	16.4%	29.6%	17.2%	11.0%	32.2%	8.7%	13.1%
Other operating expenses	110.3%	91.8%	5.5%	26.1%	9.9%	-55.2%	664.4%	-21.8%	13.1%
Operating Profit	73.2%	57.7%	-13.5%	46.7%	17.6%	-19.4%	171.9%	6.2%	18.3%
Other operating income	303.4%	220.5%	-28.3%	7.0%	-17.5%	96.0%	13.7%	-52.9%	13.1%
Finance cost	102.1%	-3.3%	-39.6%	115.3%	42.3%	92.6%	-9.5%	12.4%	-10.1%
Profit before taxation	59.5%	103.8%	-5.4%	31.2%	8.3%	-68.1%	651.5%	3.2%	28.5%
Taxation	-470.3%	-1690.9%	-41.9%	35.4%	16.3%	-110.7%	-1970.8%	3.2%	28.5%
Profit after taxation	68.6%	35.5%	10.9%	30.2%	6.4%	-56.8%	478.4%	3.2%	28.5%
EPS	-52.6%	35.5%	10.9%	30.2%	6.4%	-56.8%	478.4%	3.2%	28.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
GP Margin	%	10.84	10.85	10.33	12.57	10.34	9.59	14.88	10.98	11.41
OP Margin	%	8.77	9.05	7.87	9.70	8.19	7.58	12.30	9.28	9.71
NP Margin	%	5.38	4.71	5.27	5.81	4.45	2.17	7.63	5.63	6.39
ROE	%	19.36	23.39	18.23	18.30	18.34	7.57	34.74	27.70	29.33
ROCE	%	9.36	14.77	10.64	12.87	12.58	8.57	19.75	16.74	16.77
ROA	%	5.75	7.69	7.13	7.70	6.84	2.46	12.24	10.15	11.04

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Current	x	1.19	1.34	1.34	1.32	1.23	1.12	1.25	1.24	1.36
Acid-test	x	0.28	0.29	0.43	0.30	0.58	0.33	0.30	0.29	0.32
Cash to current liab.	x	0.14	0.12	0.27	0.15	0.28	0.17	0.24	0.23	0.25

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Inventory Turnover	x	2	2	2	2	2	2	2	2	2
Inventory Days		169	97	127	111	74	120	106	106	106
Receivables Days		14	18	26	21	39	29	25	25	25
Payables Days		153	49	43	9	7	18	46	46	46
Operating Cycle		30	67	110	123	107	132	84	84	84

Investment Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
EPS	Rs.	2.26	3.06	3.39	4.42	4.70	2.03	11.75	12.12	15.58
DPS	Rs.	0.50	3.00	2.60	2.20	1.20	0.00	0.00	4.00	5.00
Div. Yield	%	0.33	1.98	1.72	1.45	0.79	0.00	0.00	2.64	3.30
Dividend Cover	x	4.52	1.02	1.31	2.01	3.92	0.00	0.00	3.03	3.12
BVPS	Rs.	11.67	14.51	22.74	25.58	25.71	27.95	39.70	47.82	58.40
Payout	%	22.14	98.00	76.59	49.77	25.51	0.00	0.00	32.99	32.10
Retention	%	77.86	2.00	23.41	50.23	74.49	100.00	100.00	67.01	67.90
No. of Shares	'000	291,856	291,856	291,856	291,856	291,856	291,856	291,856	291,856	291,856
P/E		50.82	37.50	33.81	25.96	24.40	56.50	9.77	9.47	7.37
Sales per share		41.94	65.04	64.43	76.15	105.63	93.56	154.09	215.50	243.68
P/BV		9.84	7.91	5.05	4.49	4.46	4.11	2.89	2.40	1.97
Price to Sales		2.74	1.76	1.78	1.51	1.09	1.23	0.74	0.53	0.47

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E
Debt to Equity	x	0.92	1.07	1.01	1.12	1.67	1.84	1.10	1.21	0.94
L.T. Debt to Equity	x	0.32	0.25	0.00	0.11	0.45	0.42	0.23	0.12	0.04
Interest Cover	x	2.44	4.04	5.76	3.90	3.21	1.37	4.04	3.79	4.98

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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