

MUGHAL

1HFY21 Result Review: BUY Stance Maintained

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MUGHAL has announced its 1HFY21 result where it posted a profit after tax of Rs1.4bn (EPS: Rs5.56) as compared to a profit after tax of Rs366mn (EPS: Rs1.46) in the same period last year, up by 282% YoY.

The company has posted a revenue of Rs19.4bn against Rs14bn in SPLY, recording a growth of 38% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices amid revival of construction activities.

The gross margin has been expanded to 13.4% as compared to 9.6% during SPLY. SG&A expenses went up by 18.7% YoY to Rs309mn as compared to Rs261mn during SPLY. Furthermore, an increase in the other income by 171% YoY and the decrease in the finance cost 18.5% YoY contributed in the up-surge of bottom-line.

MUGHAL has also issued a 16% right at a price of Rs 68. The proceeds would be invested in the ongoing expansion of the company. We recommend to subscribe the right at Rs 68. Furthermore, MUGHAL is trading at a FY21E P/E of 8.95x. Moreover, the scrip is also trading at FY21 P/B of 2.35x which offers a discount of 36% relative to its historical 5-year average of 3.67x. We maintain our **BUY** stance on the scrip with a DCF based Dec-21 TP of Rs 125 which provides an upside potential of 33%.

Rupees' millions	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Net Sales	11,711	7,401	58.2% ▲	19,446	14,079	38.1% ▲
Cost of Sales	-9,976	-6,885	44.9% ▲	-16,848	-12,726	32.4% ▲
Gross Profit	1,735	516	236.4% ▲	2,598	1,352	92.1% ▲
SG&A Expenses	-164	-143	14.5% ▲	-309	-261	18.7% ▲
Other Expenses	-91	-5	1889.1% ▲	-121	-28	333.2% ▲
Operating Profit	1,481	368	302.2% ▲	2,167	1,064	103.7% ▲
Other Income	37	12	206.8% ▲	68	25	170.7% ▲
Finance Cost	-297	-344	13.8% ▼	-608	-747	18.5% ▼
Profit Before Taxation	1,221	36	3294.4% ▲	1,627	342	375.2% ▲
Taxation	-175	66	364.0% ▼	-228	24	1042.5% ▼
Profit After Taxation	1,046	102	923.4% ▲	1,398	366	281.6% ▲
Earnings Per Share	4.16	0.41	923.4% ▲	5.56	1.46	281.6% ▲
Dividend	3.00	0.00		3.00	0.00	
Bonus	0.00	0.00		0.00	0.00	
Right	16.00	0.00		16.00	0.00	

Closing Period: 14 Mar 21 - 21 Mar 21

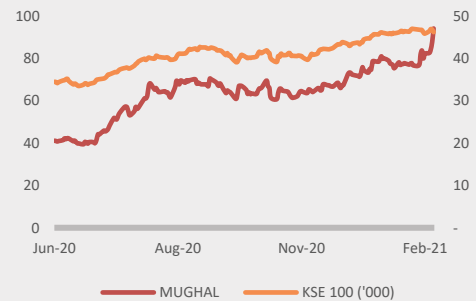
	2QFY21	2QFY20	YoY	1HFY21	1HFY20	YoY
Gross Margin	14.8%	7.0%	7.8% ▲	13.4%	9.6%	3.8% ▲
SG&A Expenses to Sales	-1.4%	-1.9%	0.5% ▼	-1.6%	-1.9%	0.3% ▼
Other Income to Sales	0.3%	0.2%	0.2% ▲	0.3%	0.2%	0.2% ▲
Ex. Gain / (Loss) to Sales	-1.4%	-1.9%	0.5% ▼	-1.6%	-1.9%	0.3% ▼
Effective Taxation	-14.3%	184.2%	169.8% ▼	-14.0%	7.1%	7.0% ▲
Net Margin	8.9%	1.4%	7.6% ▲	7.2%	2.6%	4.6% ▲

Source: ACPL Research, Company Financials

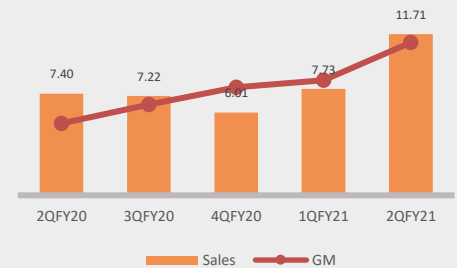
Key Statistics

Symbol	MUGHAL
TP - Dec 21	125.00
LDCP	94.00
Upside (%)	33
Free Float ('mn)	63
Market Cap. (Rs.'mn)	23,650

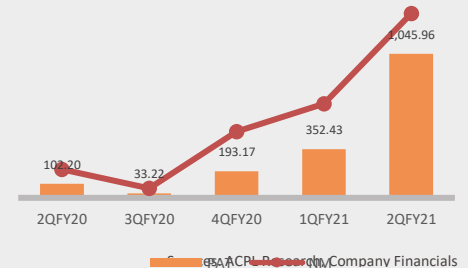
MUGHAL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'mn) vs Net Margin



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Financial Projections

Rupees' millions	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	12,241	18,983	18,803	22,226	30,828	27,305	38,471	44,067	50,126
Cost of sale	10,915	16,925	16,861	19,431	27,639	24,688	33,276	37,861	42,782
Gross profit	1,326	2,059	1,942	2,794	3,189	2,617	5,195	6,205	7,344
Selling and promotion expenses	62	95	164	246	202	144	135	154	175
Administration expenses	160	208	241	313	367	407	481	551	627
Other operating expenses	45	87	91	115	127	57	239	273	311
Operating Profit	1,059	1,670	1,445	2,120	2,494	2,010	4,341	5,227	6,231
Other operating income	15	47	34	36	30	59	135	154	175
Finance cost	440	425	257	552	786	1,515	1,404	1,108	995
Profit before taxation	634	1,292	1,222	1,604	1,737	554	3,071	4,273	5,411
Taxation	-	399	232	314	364	39	430	598	758
Profit after taxation	659	893	991	1,290	1,373	593	2,641	3,675	4,653
EPS	2.62	3.55	3.94	5.13	5.46	2.36	10.50	14.61	18.50

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Net sales	109.0%	55.1%	-1.0%	18.2%	38.7%	-11.4%	40.9%	14.5%	13.8%
Cost of sale	112.7%	55.1%	-0.4%	15.2%	42.2%	-10.7%	34.8%	13.8%	13.0%
Gross profit	82.8%	55.2%	-5.7%	43.9%	14.1%	-17.9%	98.5%	19.5%	18.3%
Selling and promotion expenses	479.2%	53.2%	73.2%	50.2%	-18.2%	-28.6%	-6.4%	14.5%	13.8%
Administration expenses	96.4%	29.4%	16.4%	29.6%	17.2%	11.0%	18.1%	14.5%	13.8%
Other operating expenses	110.3%	91.8%	5.5%	26.1%	9.9%	-55.2%	319.9%	14.5%	13.8%
Operating Profit	73.2%	57.7%	-13.5%	46.7%	17.6%	-19.4%	116.0%	20.4%	19.2%
Other operating income	303.4%	220.5%	-28.3%	7.0%	-17.5%	96.0%	129.0%	14.5%	13.8%
Finance cost	102.1%	-3.3%	-39.6%	115.3%	42.3%	92.6%	-7.3%	-21.1%	-10.2%
Profit before taxation	59.5%	103.8%	-5.4%	31.2%	8.3%	-68.1%	454.7%	39.1%	26.6%
Taxation	-470.3%	-1690.9%	-41.9%	35.4%	16.3%	-110.7%	-1198.5%	39.1%	26.6%
Profit after taxation	68.6%	35.5%	10.9%	30.2%	6.4%	-56.8%	345.5%	39.1%	26.6%
EPS	-45.0%	35.5%	10.9%	30.2%	6.4%	-56.8%	345.5%	39.1%	26.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
GP Margin	%	10.84	10.85	10.33	12.57	10.34	9.59	13.50	14.08	14.65
OP Margin	%	8.77	9.05	7.87	9.70	8.19	7.58	11.63	12.21	12.78
NP Margin	%	5.38	4.71	5.27	5.81	4.45	2.17	6.87	8.34	9.28
ROE	%	19.36	23.39	18.23	18.30	18.34	7.57	29.02	32.30	32.29
ROCE	%	9.36	14.77	10.64	12.87	12.58	8.57	16.82	18.64	20.35
ROA	%	5.75	7.69	7.13	7.70	6.84	2.46	9.93	12.73	14.78

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Current	x	1.19	1.34	1.34	1.32	1.23	1.12	1.17	1.27	1.44
Acid-test	x	0.28	0.29	0.43	0.30	0.58	0.33	0.28	0.31	0.35
Cash to current liab.	x	0.14	0.12	0.27	0.15	0.28	0.17	0.22	0.24	0.27

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	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	FY21E	FY22E	FY23E
EPS	Rs.	2.62	3.55	3.94	5.13	5.46	2.36	10.50	14.61	18.50
DPS	Rs.	0.50	3.00	2.60	2.20	1.20	0.00	3.00	4.00	5.00
Div. Yield	%	0.40	2.40	2.08	1.76	0.96	0.00	2.40	3.21	4.01
Dividend Cover	x	5.24	1.18	1.51	2.33	4.55	0.00	3.50	3.65	3.70
BVPS	Rs.	13.53	16.83	26.38	29.68	29.82	32.42	39.92	50.53	64.02
Payout	%	19.08	84.49	66.03	42.90	21.99	0.00	28.58	27.38	27.03
Retention	%	80.92	15.51	33.97	57.10	78.01	100.00	71.42	72.62	72.97
No. of Shares	'000	251,600	251,600	251,600	251,600	251,600	251,600	251,600	251,600	251,600
P/E		35.88	26.47	23.87	18.33	17.23	39.89	8.95	6.44	5.08
Sales per share		48.65	75.45	74.73	88.34	122.53	108.53	152.91	175.15	199.23
P/BV		6.95	5.58	3.56	3.17	3.15	2.90	2.35	1.86	1.47
Price to Sales		1.93	1.25	1.26	1.06	0.77	0.87	0.61	0.54	0.47

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20E	FY21E	FY22E	FY23E
Debt to Equity	x	0.92	1.07	1.01	1.12	1.67	1.84	1.21	0.90	0.63
L.T. Debt to Equity	x	0.32	0.25	0.00	0.11	0.45	0.42	0.26	0.13	0.05
Interest Cover	x	2.44	4.04	5.76	3.90	3.21	1.37	3.19	4.86	6.44

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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%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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