

MUGHAL

1HFY23 Result Review: BUY Stance Maintained

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MUGHAL has announced its 1HFY23 result where it posted a profit after tax of Rs1.34bn (EPS: Rs4.00) as compared to a profit after tax of Rs3.53bn (EPS: Rs10.52) in the same period last year, down by 62% YoY owing to a decline in volumetric sales due to import restrictions and an increase in finance cost.

The company has posted a revenue of Rs31.24bn against Rs32.08bn in SPLY, recording a decline of 2.6% YoY despite demand recovery in the second quarter. The gross margin has decreased to 10.8% as compared to 17.7% due to high-cost scrap inventory.

Furthermore, SG&A and other expenses went down by 11.1% YoY to Rs396mn and 79.7% to Rs85mn respectively. Lastly, Finance cost has increased by 91.2% YoY to Rs1.89bn on the back of higher short-term borrowings coupled with higher interest rates.

MUGHAL is trading at a FY23E P/E of 8.55x. Moreover, the scrip is also trading at FY23E P/B of 0.72x which offers a discount of 42% relative to its historical 3-year average of 1.24x. We maintain our **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs60 which provides an upside potential of 25%.

Rupees' millions	2QFY23	2QFY22	YoY	1HFY23	1HFY22	YoY
Net Sales	17,167	18,059	4.9% ▼	31,241	32,082	2.6% ▼
Cost of Sales	-15,890	-15,131	5.0% ▲	-27,879	-26,405	5.6% ▲
Gross Profit	1,277	2,928	56.4% ▼	3,362	5,677	40.8% ▼
SG&A Expenses	-188	-228	17.5% ▼	-396	-445	11.1% ▼
Other Expenses	-17	-271	93.7% ▼	-85	-420	79.7% ▼
Operating Profit	1,072	2,430	55.9% ▼	2,881	4,813	40.1% ▼
Other Income	-23	106	122.1% ▼	81	175	53.9% ▼
Finance Cost	-1,005	-541	85.7% ▲	-1,887	-987	91.2% ▲
Profit Before Taxation	44	1,994	97.8% ▼	1,075	4,001	73.1% ▼
Taxation	427	-152	381.6% ▼	268	-470	156.9% ▼
Profit After Taxation	471	1,843	74.4% ▼	1,343	3,531	62.0% ▼
Earnings Per Share	1.40	5.49	74.4% ▼	4.00	10.52	62.0% ▼
Dividend	0.00	3.00	100.0% ▼	0.00	3.00	100.0% ▼
Bonus	0.00	0.00	-	0.00	0.00	-
Right	0.00	0.00	-	0.00	0.00	-
Gross Margin	7.4%	16.2%	8.8% ▼	10.8%	17.7%	6.9% ▼
SG&A Expenses to Sales	-1.1%	-1.3%	0.2% ▼	-1.3%	-1.4%	0.1% ▼
Other Income to Sales	-0.1%	0.6%	0.7% ▼	0.3%	0.5%	0.3% ▼
Ex. Gain / (Loss) to Sales	-1.1%	-1.3%	0.2% ▼	-1.3%	-1.4%	0.1% ▼
Effective Taxation	975.1%	-7.6%	967.4% ▲	24.9%	-11.7%	13.1% ▲
Net Margin	2.7%	10.2%	7.5% ▼	4.3%	11.0%	6.7% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MUGHAL
TP - Dec 23	60
LDCP	47.90
Upside (%)	25
Free Float ('mn)	84
Market Cap. (Rs.'mn)	16,077

MUGHAL vs KSE 100



Sales (Rs'bn) vs Gross Margin



PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	27,305	44,972	66,153	62,488	68,737	76,298	84,784
Cost of sale	24,688	38,280	56,025	55,759	59,428	65,903	73,366
Gross profit	2,617	6,691	10,128	6,729	9,309	10,395	11,418
Selling and promotion expenses	144	254	246	167	328	364	404
Administration expenses	407	538	705	624	687	762	847
Other operating expenses	57	434	567	170	373	533	592
Operating Profit	2,010	5,465	8,611	5,767	7,921	8,736	9,575
Other operating income	59	67	213	161	178	197	219
Finance cost	1,515	1,370	2,622	3,774	3,970	4,024	4,310
Profit before taxation	554	4,161	6,202	2,155	4,128	4,909	5,484
Taxation	-	39	791	275	527	626	699
Profit after taxation	593	3,429	5,411	1,880	3,602	4,283	4,784
EPS	1.77	10.22	16.12	5.60	10.73	12.76	14.25

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-11.4%	64.7%	47.1%	-5.5%	10.0%	11.0%	11.1%
Cost of sale	-10.7%	55.1%	46.4%	-0.5%	6.6%	10.9%	11.3%
Gross profit	-17.9%	155.6%	51.4%	-33.6%	38.3%	11.7%	9.8%
Selling and promotion expenses	-28.6%	76.7%	-3.4%	-32.1%	96.6%	11.0%	11.1%
Administration expenses	11.0%	32.2%	31.1%	-11.4%	10.0%	11.0%	11.1%
Other operating expenses	-55.2%	664.4%	30.5%	-70.0%	119.3%	42.8%	11.1%
Operating Profit	-19.4%	171.9%	57.6%	-33.0%	37.3%	10.3%	9.6%
Other operating income	96.0%	13.7%	219.3%	-24.4%	10.0%	11.0%	11.1%
Finance cost	92.6%	-9.5%	91.4%	43.9%	5.2%	1.3%	7.1%
Profit before taxation	-68.1%	651.5%	49.0%	-65.2%	91.5%	18.9%	11.7%
Taxation	-110.7%	-1970.8%	8.0%	-65.2%	91.5%	18.9%	11.7%
Profit after taxation	-56.8%	478.4%	57.8%	-65.2%	91.5%	18.9%	11.7%
EPS	-56.8%	478.4%	57.8%	-65.2%	91.5%	18.9%	11.7%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	9.59	14.88	15.31	10.77	13.54	13.62	13.47
OP Margin	%	7.58	12.30	13.34	9.49	11.78	11.71	11.55
NP Margin	%	2.17	7.63	8.18	3.01	5.24	5.61	5.64
ROE	%	7.57	27.81	28.97	8.70	15.10	15.84	15.56
ROCE	%	8.57	16.41	18.60	11.69	16.14	16.32	16.15
ROA	%	2.46	33.41	11.41	3.71	7.18	7.83	7.89

Liquidity Ratios		FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Current	x	1.12	1.37	1.45	1.39	1.47	1.58	1.69
Acid-test	x	0.33	0.45	0.43	0.23	0.23	0.24	0.25
Cash to current liab.	x	0.17	0.12	0.20	0.21	0.22	0.23	0.23

Activity Ratios		FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Inventory Turnover		2	2	1	1	1	1	1
Inventory Days		120	142	150	160	170	180	190
Receivables Days		29	29	43	31	31	31	31
Payables Days		18	17	19	19	19	19	19
Operating Cycle		132	168	161	171	181	191	201

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	1.77	10.22	16.12	5.60	10.73	12.76	14.25
DPS	Rs.	0.00	3.00	3.00	1.00	2.00	2.50	2.50
Div. Yield	%	0.00	6.26	6.26	2.09	4.18	5.22	5.22
Dividend Cover	x	0.00	3.41	5.37	5.60	5.37	5.10	5.70
BVPS	Rs.	24.30	49.18	62.11	66.71	75.45	85.71	97.46
Payout	%	0.00	29.36	18.61	18.61	18.61	18.61	18.61
Retention	%	100.00	70.64	81.39	81.39	81.39	81.39	81.39
No. of Shares	'000	335,634	335,634	335,634	335,634	335,634	335,634	335,634
P/E		27.12	4.69	2.97	8.55	4.46	3.75	3.36
Sales per share		81.35	133.99	197.10	186.18	204.80	227.32	252.61
P/BV		1.97	0.97	0.77	0.72	0.63	0.56	0.49
Price to Sales		0.59	0.36	0.24	0.26	0.23	0.21	0.19

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Debt to Equity	x	1.84	1.26	1.24	0.89	0.84	0.79	0.75	
L.T. Debt to Equity	x	0.42	0.28	0.25	0.03	0.01	0.00	0.00	
Interest Cover	x	1.37	4.04	3.37	1.57	2.04	2.22	2.27	

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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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SELL	Less than and equal to -5%

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