

MUGHAL

1QFY21 Result Review: BUY Stance Maintained

Equity Research | Engineering | Tuesday, 27 October, 2020

MUGHAL has announced its 1QFY21 result where it posted a profit after tax of Rs352mn (EPS: Rs1.40) in 1QFY21 as compared to a profit after tax of Rs264mn (EPS: Rs1.05) in the same period last year, up by 33.4% YoY.

The company has posted a revenue of Rs7.7bn against Rs6.7n in SPLY, recording a growth of 15.8% YoY. We note that this growth is attributed to an increase in the quantity of re-rolled products sold and an increase in exports of copper ingots.

The gross margin has been squeezed to 11.2% in 1QFY21 as compared to 12.5% in 1QFY20 due to a decrease in sale prices. SG&A expenses went up by 23.8% YoY to Rs146mn in 1QFY21 as compared to Rs118mn during SPLY.

An increase in other income by 137.6% YoY and the decrease in finance cost to Rs312mn in 1QFY21 as compared to Rs402mn in SPLY backed the bottom-line.

Going forward, we expect the off-take to improve amid a positive outlook for the construction industry. MUGHAL is trading at a FY21E P/B of 1.95x which offers a discount of 28% relative to its historical 5-year average of 2.71x. We maintain our **BUY** stance on the scrip with a DCF based Jun-21 TP of Rs 80 which provides an upside potential of 15%.

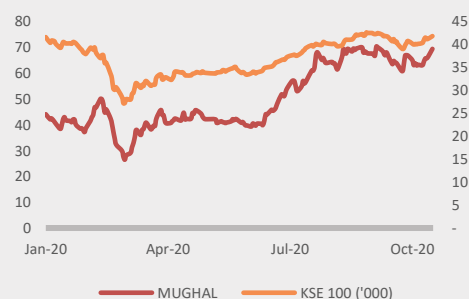
Rupees' millions	1QFY21	1QFY20	YoY	FY20	FY19	YoY
Net Sales	7,734	6,678	15.8% ▲	27,305	30,828	11.4% ▼
Cost of Sales	-6,872	-5,841	17.6% ▲	-24,688	-27,639	10.7% ▼
Gross Profit	862	837	3.1% ▲	2,617	3,189	17.9% ▼
SG&A Expenses	-146	-118	23.8% ▲	-551	-568	3.1% ▼
Other Expenses	-30	-23	29.6% ▲	-57	-127	55.2% ▼
Operating Profit	686	696	1.3% ▼	2,010	2,494	19.4% ▼
Other Income	31	13	137.6% ▲	59	30	96.0% ▲
Finance Cost	-312	-402	22.5% ▼	-1,515	-786	92.6% ▲
Profit Before Taxation	406	306	32.5% ▲	554	1,737	68.1% ▼
Taxation	-53	-42	27.0% ▲	39	-364	110.7% ▼
Profit After Taxation	352	264	33.4% ▲	593	1,373	56.8% ▼
Earnings Per Share	1.40	1.05	33.4% ▲	2.36	5.46	56.8% ▼
Dividend	0.00	0.00		0.00	0.00	
Bonus	-	-		-	-	
Gross Margin	11.2%	12.5%	1.4% ▼	9.6%	10.3%	0.8% ▼
SG&A Expenses to Sales	-1.9%	-1.8%	0.1% ▲	-2.0%	-1.8%	0.2% ▲
Other Income to Sales	0.4%	0.2%	0.2% ▲	0.2%	0.1%	0.1% ▲
Ex. Gain / (Loss) to Sales	-1.9%	-1.8%	0.1% ▲	-2.0%	-1.8%	0.2% ▲
Effective Taxation	-13.2%	-13.7%	0.6% ▼	7.1%	-21.0%	13.9% ▼
Net Margin	4.6%	4.0%	0.6% ▲	2.2%	4.5%	2.3% ▼

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MUGHAL
TP - Jun 21	80.00
LDCP	69.45
Upside (%)	15
Free Float ('mn)	63
Market Cap. (Rs.'mn)	17,474

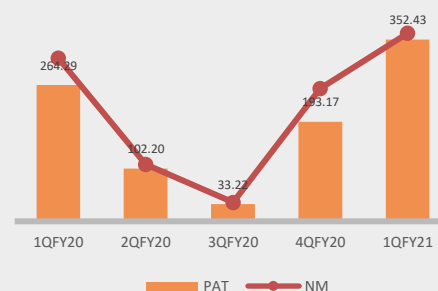
MUGHAL vs KSE 100



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	FY21E	FY22E	FY23E
Net sales	12,241	18,983	18,803	22,226	30,828	27,305	30,602	35,702	41,236
Cost of sale	10,915	16,925	16,861	19,431	27,639	24,688	27,134	31,467	36,123
Gross profit	1,326	2,059	1,942	2,794	3,189	2,617	3,468	4,235	5,113
Selling and promotion expenses	62	95	164	246	202	144	161	188	217
Administration expenses	160	208	241	313	367	407	456	532	615
Other operating expenses	45	87	91	115	127	57	64	74	86
Operating Profit	1,059	1,670	1,445	2,120	2,494	2,010	2,787	3,440	4,195
Other operating income	15	47	34	36	30	59	66	77	89
Finance cost	440	425	257	552	786	1,515	1,404	992	976
Profit before taxation	634	1,292	1,222	1,604	1,737	554	1,449	2,526	3,308
Taxation	-	399	232	314	364	39	290	505	662
Profit after taxation	659	893	991	1,290	1,373	593	1,159	2,021	2,646
EPS	2.62	3.55	3.94	5.13	5.46	2.36	4.61	8.03	10.52

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%	12.1%	16.7%	15.5%
Cost of sale	112.7%	55.1%	-0.4%	15.2%	42.2%	-10.7%	9.9%	16.0%	14.8%
Gross profit	82.8%	55.2%	-5.7%	43.9%	14.1%	-17.9%	32.5%	22.1%	20.7%
Selling and promotion expenses	479.2%	53.2%	73.2%	50.2%	-18.2%	-28.6%	12.1%	16.7%	15.5%
Administration expenses	96.4%	29.4%	16.4%	29.6%	17.2%	11.0%	12.1%	16.7%	15.5%
Other operating expenses	110.3%	91.8%	5.5%	26.1%	9.9%	-55.2%	12.1%	16.7%	15.5%
Operating Profit	73.2%	57.7%	-13.5%	46.7%	17.6%	-19.4%	38.7%	23.4%	21.9%
Other operating income	303.4%	220.5%	-28.3%	7.0%	-17.5%	96.0%	12.1%	16.7%	15.5%
Finance cost	102.1%	-3.3%	-39.6%	115.3%	42.3%	92.6%	-7.3%	-29.4%	-1.6%
Profit before taxation	59.5%	103.8%	-5.4%	31.2%	8.3%	-68.1%	161.6%	74.3%	31.0%
Taxation	-470.3%	-1690.9%	-41.9%	35.4%	16.3%	-110.7%	-840.2%	74.3%	31.0%
Profit after taxation	68.6%	35.5%	10.9%	30.2%	6.4%	-56.8%	95.5%	74.3%	31.0%
EPS	-45.0%	35.5%	10.9%	30.2%	6.4%	-56.8%	95.5%	74.3%	31.0%

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	11.33	11.86	12.40
OP Margin	%	8.77	9.05	7.87	9.70	8.19	7.58	9.32	9.85	10.39
NP Margin	%	5.38	4.71	5.27	5.81	4.45	2.17	3.79	5.66	6.42
ROE	%	19.36	23.39	18.23	18.30	18.34	7.57	13.56	21.11	24.00
ROCE	%	9.36	14.77	10.64	12.87	12.58	8.57	11.45	13.86	15.41
ROA	%	5.75	7.69	7.13	7.70	6.84	2.46	4.65	7.96	9.52

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	1.11	1.12	1.16
Acid-test	x	0.28	0.29	0.43	0.30	0.58	0.33	0.26	0.27	0.28
Cash to current liab.	x	0.14	0.12	0.27	0.15	0.28	0.17	0.21	0.21	0.22

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	4.61	8.03	10.52
DPS	Rs.	0.50	3.00	2.60	2.20	1.20	0.00	1.50	3.00	4.00
Div. Yield	%	0.62	3.72	3.22	2.73	1.49	0.00	1.86	3.72	4.96
Dividend Cover	x	5.24	1.18	1.51	2.33	4.55	0.00	3.07	2.68	2.63
BVPS	Rs.	13.53	16.83	26.38	29.68	29.82	32.42	35.53	40.56	47.08
Payout	%	19.08	84.49	66.03	42.90	21.99	0.00	32.56	37.36	38.03
Retention	%	80.92	15.51	33.97	57.10	78.01	100.00	67.44	62.64	61.97
No. of Shares	'000	251,600	251,600	251,600	251,600	251,600	251,600	251,600	251,600	251,600
P/E		26.51	19.56	17.64	13.54	12.73	29.47	15.08	8.65	6.60
Sales per share		48.65	75.45	74.73	88.34	122.53	108.53	121.63	141.90	163.90
P/BV		5.13	4.13	2.63	2.34	2.33	2.14	1.95	1.71	1.48
Price to Sales		1.43	0.92	0.93	0.79	0.57	0.64	0.57	0.49	0.42

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	1.19	1.09	0.96
L.T. Debt to Equity	x	0.32	0.25	0.00	0.11	0.45	0.42	0.29	0.17	0.06
Interest Cover	x	2.44	4.04	5.76	3.90	3.21	1.37	2.03	3.55	4.39

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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