

MUGHAL

FY22 Result Review: BUY Stance Maintained

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MUGHAL has announced its FY22 result where it posted profit after tax of Rs5.411bn (EPS: Rs16.12) as compared to a profit after tax of Rs3.43bn (EPS: Rs10.22) in the same period last year, up by 57.8% YoY.

The company has posted a revenue of Rs66.15bn against Rs44.97bn in SPLY, recording a growth of 47.1% YoY. We note that this growth is attributed to the increase in volumetric sales and higher retention prices.

The gross margin has been increased to 15.3% as compared to 14.9% during SPLY. SG&A expenses went up by 20% YoY to Rs951mn as compared to Rs792mn during SPLY.

Furthermore, other income has been increased by 219% YoY. Lastly, finance cost has been increased by 91.4% YoY amid an increase in working capital requirements.

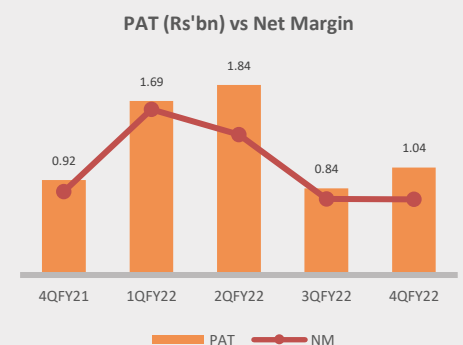
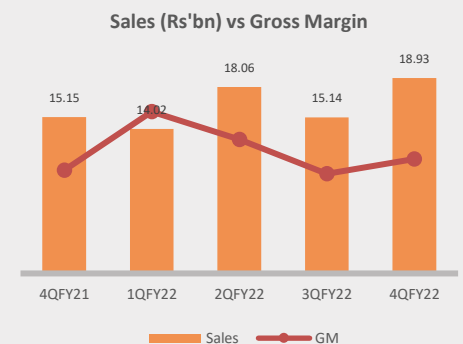
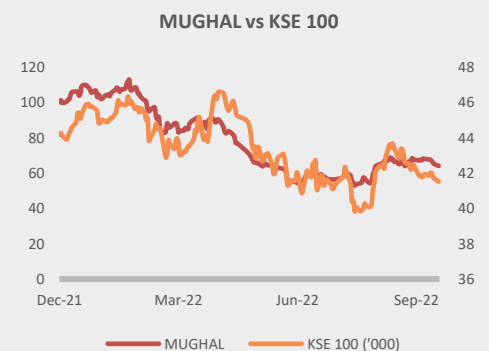
MUGHAL is trading at a FY23E P/E of 4.32x. Moreover, the scrip is also trading at FY23E P/B of 0.86x which offers a discount of 47% relative to its historical 3-year average of 1.63x. We maintain our **BUY** stance on the scrip with a DCF-based Jun-23 TP of Rs 80 which provides an upside potential of 27%. Further, the scrip also provides a dividend yield of 5.5% which makes the total return of 32.5%.

Rupees' millions	4QFY22	4QFY21	YoY	FY22	FY21	YoY
Net Sales	18,931	15,154	24.9% ▲	66,153	44,972	47.1% ▲
Cost of Sales	-16,308	-13,256	23.0% ▲	-56,025	-38,280	46.4% ▲
Gross Profit	2,623	1,898	38.2% ▲	10,128	6,691	51.4% ▲
SG&A Expenses	-235	-183	28.5% ▲	-951	-792	20.0% ▲
Other Expenses	-115	-82	39.8% ▲	-567	-434	30.5% ▲
Operating Profit	2,273	1,633	39.2% ▲	8,611	5,465	57.6% ▲
Other Income	41	7	504.9% ▲	213	67	219.3% ▲
Finance Cost	-854	-408	109.2% ▲	-2,622	-1,370	91.4% ▲
Profit Before Taxation	1,460	1,231	18.6% ▲	6,202	4,161	49.0% ▲
Taxation	-419	-310	35.0% ▲	-791	-732	8.0% ▲
Profit After Taxation	1,041	921	13.1% ▲	5,411	3,429	57.8% ▲
Earnings Per Share	3.10	2.74	13.1% ▲	16.12	10.22	57.8% ▲
Dividend	0.00	0.00		3.00	3.00	-
Bonus	0.00	0.15	100.0% ▼	0.00	0.15	100.0% ▼
Right	0.00	0.00		0.00	16.00	100.0% ▼
Gross Margin	13.9%	12.5%	1.3% ▲	15.3%	14.9%	0.4% ▲
SG&A Expenses to Sales	-1.2%	-1.2%	0.0% ▲	-1.4%	-1.8%	0.3% ▼
Other Income to Sales	0.2%	0.0%	0.2% ▲	0.3%	0.1%	0.2% ▲
Ex. Gain / (Loss) to Sales	-1.2%	-1.2%	0.0% ▲	-1.4%	-1.8%	0.3% ▼
Effective Taxation	-28.7%	-25.2%	3.5% ▲	-12.8%	-17.6%	4.8% ▼
Net Margin	5.5%	6.1%	0.6% ▼	8.2%	7.6%	0.6% ▲

Source: ACPL Research, Company Financials

Key Statistics

Symbol	MUGHAL
TP - Jun 23	80
LDCP	63.2
Upside (%)	27
Free Float ('mn)	84
Market Cap. (Rs.'mn)	21,178



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	30,828	27,305	44,972	66,153	75,867	83,453	91,799
Cost of sale	27,639	24,688	38,280	56,025	65,259	73,238	79,384
Gross profit	3,189	2,617	6,691	10,128	10,607	10,216	12,415
Selling and promotion expenses	202	144	254	246	220	242	584
Administration expenses	367	407	538	705	721	793	1,117
Other operating expenses	127	57	434	567	463	509	744
Operating Profit	2,494	2,010	5,465	8,611	9,204	8,672	9,970
Other operating income	30	59	67	213	167	184	202
Finance cost	786	1,515	1,370	2,622	3,469	3,243	3,018
Profit before taxation	1,737	554	4,161	6,202	5,902	5,612	7,154
Taxation	364	-	39	791	989	940	1,199
Profit after taxation	1,373	593	3,429	5,411	4,913	4,672	5,955
EPS	4.09	1.77	10.22	16.12	14.64	13.92	17.74

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net sales	38.7%	-11.4%	64.7%	47.1%	14.7%	10.0%	10.0%
Cost of sale	42.2%	-10.7%	55.1%	46.4%	16.5%	12.2%	8.4%
Gross profit	14.1%	-17.9%	155.6%	51.4%	4.7%	-3.7%	21.5%
Selling and promotion expenses	-18.2%	-28.6%	76.7%	-3.4%	-10.4%	10.0%	141.2%
Administration expenses	17.2%	11.0%	32.2%	31.1%	2.2%	10.0%	40.9%
Other operating expenses	9.9%	-55.2%	664.4%	30.5%	-18.3%	10.0%	46.2%
Operating Profit	17.6%	-19.4%	171.9%	57.6%	6.9%	-5.8%	15.0%
Other operating income	-17.5%	96.0%	13.7%	219.3%	-21.8%	10.0%	10.0%
Finance cost	42.3%	92.6%	-9.5%	91.4%	32.3%	-6.5%	-6.9%
Profit before taxation	8.3%	-68.1%	651.5%	49.0%	-4.8%	-4.9%	27.5%
Taxation	16.3%	-110.7%	-1970.8%	8.0%	25.0%	-4.9%	27.5%
Profit after taxation	6.4%	-56.8%	478.4%	57.8%	-9.2%	-4.9%	27.5%
EPS	6.4%	-56.8%	478.4%	57.8%	-9.2%	-4.9%	27.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
GP Margin	%	10.34	9.59	14.88	15.31	13.98	12.24	13.52
OP Margin	%	8.19	7.58	12.30	13.34	12.35	10.61	11.08
NP Margin	%	4.45	2.17	7.63	8.18	6.48	5.60	6.49
ROE	%	18.34	7.57	27.81	28.92	21.57	17.70	19.61
ROCE	%	12.58	8.57	16.41	19.93	18.99	16.38	17.50
ROA	%	6.84	2.46	33.41	12.22	9.96	8.64	10.25

Liquidity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Current	x	1.23	1.12	1.37	1.37	1.50	1.60	1.66
Acid-test	x	0.58	0.33	0.45	0.24	0.27	0.28	0.30
Cash to current liab.	x	0.28	0.17	0.12	0.18	0.20	0.22	0.24

Activity Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	2	2	1	1
Inventory Days		74	120	106	130	130	130	130
Receivables Days		39	29	25	25	25	25	25
Payables Days		7	18	46	25	25	25	25
Operating Cycle		107	132	84	130	130	130	130

Investment Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EPS	Rs.	4.09	1.77	10.22	16.12	14.64	13.92	17.74
DPS	Rs.	1.20	0.00	3.00	3.00	3.50	3.50	4.50
Div. Yield	%	1.90	0.00	4.75	4.75	5.54	5.54	7.12
Dividend Cover	x	3.41	0.00	3.41	5.37	4.18	3.98	3.94
BVPS	Rs.	22.36	24.30	49.18	62.30	73.43	83.85	97.10
Payout	%	29.34	0.00	29.36	18.61	23.99	23.99	23.99
Retention	%	70.66	100.00	70.64	81.39	76.01	76.01	76.01
No. of Shares	'000	335,634	335,634	335,634	335,634	335,634	335,634	335,634
P/E		15.45	35.78	6.19	3.92	4.32	4.54	3.56
Sales per share		91.85	81.35	133.99	197.10	226.04	248.64	273.51
P/BV		2.83	2.60	1.29	1.01	0.86	0.75	0.65
Price to Sales		0.69	0.78	0.47	0.32	0.28	0.25	0.23

Gearing Ratios		FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Debt to Equity	x	1.67	1.84	1.26	0.91	0.79	0.72	0.64
L.T. Debt to Equity	x	0.45	0.42	0.28	0.05	0.03	0.01	0.01
Interest Cover	x	3.21	1.37	4.04	3.37	2.70	2.73	3.37

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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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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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