

MUGHAL

3QFY23 Result Review: BUY Stance Maintained

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MUGHAL has announced its 3QFY23 result where it posted a profit after tax of Rs1.30bn (EPS: Rs3.89) as compared to a profit after tax of Rs0.84bn (EPS: Rs2.50) in the same period last year, up by 55.5% YoY amid better margins and an increase in other income.

The company has posted a revenue of Rs17.24bn against Rs15.14bn in SPLY, recording a growth of 13.9% YoY. The gross margin has improved to 18.9% as compared to 12.1% during SPLY.

Furthermore, SG&A expenses went down by 7.7% YoY to Rs250mn while other operating expenses surged by 7.69x to Rs277mn respectively. Lastly, Finance cost has increased by 30.5% YoY to Rs1.02bn on the back of higher short-term borrowings coupled with higher interest rates.

MUGHAL is trading at a FY23E P/E of 4.64x. Moreover, the scrip is also trading at FY23E P/B of 0.71x which offers a discount of 46% relative to its historical 3-year average of 1.33x. We maintain our **BUY** stance on the scrip with a DCF-based Dec-23 TP of Rs65 which provides an upside potential of 27%.

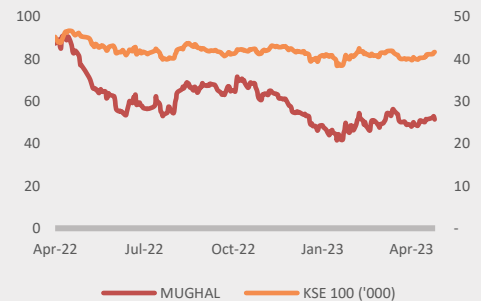
Rupees' millions	3QFY23	3QFY22	YoY	9MFY23	9MFY22	YoY
Net Sales	17,239	15,139	13.9% ▲	48,479	47,221	2.7% ▲
Cost of Sales	-13,986	-13,312	5.1% ▲	-41,865	-39,716	5.4% ▲
Gross Profit	3,253	1,828	78.0% ▲	6,614	7,505	11.9% ▼
SG&A Expenses	-250	-271	7.7% ▼	-645	-715	9.8% ▼
Other Expenses	-277	-32	769.1% ▲	-362	-452	19.9% ▼
Operating Profit	2,726	1,525	78.7% ▲	5,607	6,338	11.5% ▼
Other Income	198	-3	6157.0% ▲	279	172	62.0% ▲
Finance Cost	-1,019	-781	30.5% ▲	-2,906	-1,768	64.4% ▲
Profit Before Taxation	1,905	741	157.0% ▲	2,980	4,742	37.2% ▼
Taxation	-600	98	712.0% ▲	-332	-372	10.7% ▼
Profit After Taxation	1,305	839	55.5% ▲	2,647	4,370	39.4% ▼
Earnings Per Share	3.89	2.50	55.5% ▲	7.89	13.02	39.4% ▼
Dividend	0.00	0.00	-	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	18.9%	12.1%	6.8% ▲	13.6%	15.9%	2.2% ▼
SG&A Expenses to Sales	-1.4%	-1.8%	0.3% ▼	-1.3%	-1.5%	0.2% ▼
Other Income to Sales	1.1%	0.0%	1.2% ▲	0.6%	0.4%	0.2% ▲
Ex. Gain / (Loss) to Sales	-1.4%	-1.8%	0.3% ▼	-1.3%	-1.5%	0.2% ▼
Effective Taxation	-31.5%	13.2%	18.3% ▲	-11.1%	-7.8%	3.3% ▲
Net Margin	7.6%	5.5%	2.0% ▲	5.5%	9.3%	3.8% ▼

Source: ACPL Research, Company Financials

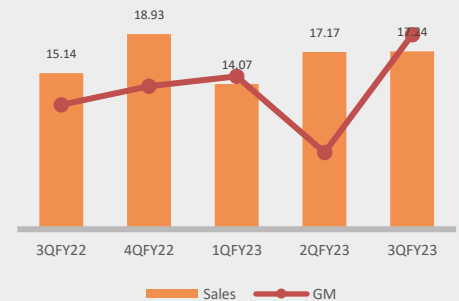
Key Statistics

Symbol	MUGHAL
TP - Dec 23	65
LDPC	51.34
Upside (%)	27
Free Float ('mn)	84
Market Cap. (Rs.'mn)	17,231

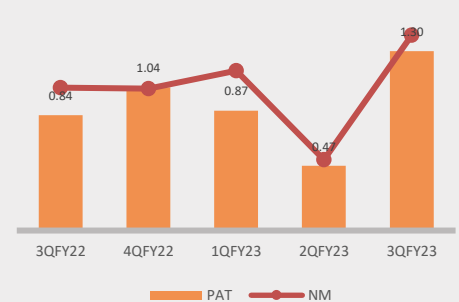
MUGHAL vs KSE 100



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	64,641	71,105	79,954	87,949
Cost of sale	24,688	38,280	56,025	55,822	61,792	69,254	75,866
Gross profit	2,617	6,691	10,128	8,819	9,313	10,699	12,083
Selling and promotion expenses	144	254	246	182	200	225	467
Administration expenses	407	538	705	679	747	1,136	1,237
Other operating expenses	57	434	567	483	453	685	753
Operating Profit	2,010	5,465	8,611	7,476	7,913	8,654	9,626
Other operating income	59	67	213	372	409	460	506
Finance cost	1,515	1,370	2,622	3,664	3,704	3,759	3,875
Profit before taxation	554	4,161	6,202	4,183	4,618	5,355	6,257
Taxation	-	39	732	466	639	741	865
Profit after taxation	593	3,429	5,411	3,717	3,979	4,614	5,391
EPS	1.77	10.22	16.12	11.07	11.86	13.75	16.06

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-11.4%	64.7%	47.1%	-2.3%	10.0%	12.4%	10.0%
Cost of sale	-10.7%	55.1%	46.4%	-0.4%	10.7%	12.1%	9.5%
Gross profit	-17.9%	155.6%	51.4%	-12.9%	5.6%	14.9%	12.9%
Selling and promotion expenses	-28.6%	76.7%	-3.4%	-26.0%	10.0%	12.4%	107.8%
Administration expenses	11.0%	32.2%	31.1%	-3.7%	10.0%	52.1%	8.9%
Other operating expenses	-55.2%	664.4%	30.5%	-14.8%	-6.0%	51.0%	10.0%
Operating Profit	-19.4%	171.9%	57.6%	-13.2%	5.9%	9.4%	11.2%
Other operating income	96.0%	13.7%	219.3%	74.1%	10.0%	12.4%	10.0%
Finance cost	92.6%	-9.5%	91.4%	39.7%	1.1%	1.5%	3.1%
Profit before taxation	-68.1%	651.5%	49.0%	-32.6%	10.4%	16.0%	16.8%
Taxation	-110.7%	-1970.8%	8.0%	-41.1%	37.0%	16.0%	16.8%
Profit after taxation	-56.8%	478.4%	57.8%	-31.3%	7.1%	16.0%	16.8%
EPS	-56.8%	478.4%	57.8%	-31.3%	7.1%	16.0%	16.8%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	9.59	14.88	15.31	13.64	13.10	13.38	13.74
OP Margin	%	7.58	12.30	13.34	12.14	11.70	11.40	11.52
NP Margin	%	2.17	7.63	8.18	5.75	5.60	5.77	6.13
ROE	%	7.57	27.81	28.97	16.49	15.37	15.68	16.09
ROCE	%	8.57	16.41	18.60	15.18	16.40	17.01	17.36
ROA	%	2.46	33.41	11.41	7.19	7.84	8.61	9.24

Liquidity Ratios		FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Current	x	1.12	1.37	1.45	1.81	1.76	1.87	1.94
Acid-test	x	0.33	0.45	0.43	0.42	0.27	0.28	0.28
Cash to current liab.	x	0.17	0.12	0.20	0.40	0.25	0.26	0.26

Activity Ratios		FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Inventory Turnover		2	2	1	1	1	1	1
Inventory Days		120	142	150	155	160	165	170
Receivables Days		29	29	43	31	31	31	31
Payables Days		18	17	19	19	19	19	19
Operating Cycle		132	168	161	166	171	176	181

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	1.77	10.22	16.12	11.07	11.86	13.75	16.06
DPS	Rs.	0.00	3.00	3.00	1.00	2.00	2.50	3.00
Div. Yield	%	0.00	5.84	5.84	1.95	3.90	4.87	5.84
Dividend Cover	x	0.00	3.41	5.37	11.07	5.93	5.50	5.35
BVPS	Rs.	24.30	49.18	62.11	72.19	82.04	93.29	106.35
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		29.06	5.02	3.18	4.64	4.33	3.73	3.20
Sales per share		81.35	133.99	197.10	192.59	211.85	238.22	262.04
P/BV		2.11	1.04	0.83	0.71	0.63	0.55	0.48
Price to Sales		0.63	0.38	0.26	0.27	0.24	0.22	0.20

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Debt to Equity	x	1.84	1.26	1.24	0.65	0.60	0.57	0.53	
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	2.14	2.25	2.42	2.61	

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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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