

MUGHAL

9MFY21 Result Review: BUY Stance Maintained

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MUGHAL has announced its 9MFY21 result where it posted profit after tax of Rs2.5bn (EPS: Rs9.97) as compared to a profit after tax of Rs400mn (EPS: Rs1.59) in the same period last year, up by 527.6% YoY.

The company has posted a revenue of Rs29.8bn against Rs21.3bn in SPLY, recording a growth of 40% 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 16.1% as compared to 9.3% during SPLY. SG&A expenses went up by 47.3% YoY to Rs609mn as compared to Rs414mn during SPLY.

Furthermore, an increase in the other income by 85.4% YoY and the decrease in the finance cost 23.1% YoY contributed in the up-surge of bottom-line.

MUGHAL is trading at a FY21E P/E of 8.06x. Moreover, the scrip is also trading at FY21 P/B of 2.17x which offers a discount of 40% relative to its historical 5-year average of 3.60x. We maintain our **BUY** stance on the scrip with a DCF based Dec-21 TP of Rs 120 which provides an upside potential of 30%.

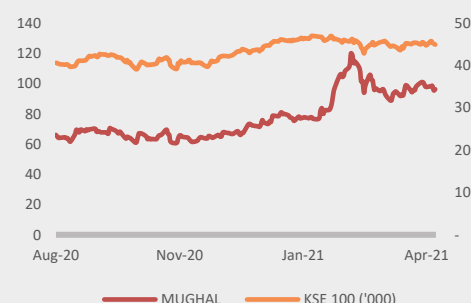
Rupees' millions	3QFY21	3QFY20	YoY	9MFY21	9MFY20	YoY
Net Sales	10,372	7,218	43.7% ▲	29,818	21,297	40.0% ▲
Cost of Sales	-8,176	-6,583	24.2% ▲	-25,024	-19,309	29.6% ▲
Gross Profit	2,196	635	245.6% ▲	4,793	1,988	141.2% ▲
SG&A Expenses	-300	-153	96.1% ▲	-609	-414	47.3% ▲
Other Expenses	-231	1		-352	-27	1218.8% ▲
Operating Profit	1,665	484	244.3% ▲	3,832	1,547	147.7% ▲
Other Income	-8	7	208.9% ▼	60	32	85.4% ▲
Finance Cost	-354	-505	29.9% ▼	-962	-1,251	23.1% ▼
Profit Before Taxation	1,304	-14	9492.7% ▲	2,930	328	792.3% ▲
Taxation	-194	47		-422	71	
Profit After Taxation	1,110	33	3241.6% ▲	2,508	400	527.6% ▲
Earnings Per Share	4.41	0.13	3241.6% ▲	9.97	1.59	527.6% ▲
Dividend	0.00	0.00		3.00	0.00	
Bonus	0.00	0.00		0.00	0.00	
Right	0.00	0.00		16.00	0.00	
Gross Margin	21.2%	8.8%	12.4% ▲	16.1%	9.3%	6.7% ▲
SG&A Expenses to Sales	-2.9%	-2.1%	0.8% ▲	-2.0%	-1.9%	0.1% ▲
Other Income to Sales	-0.1%	0.1%	0.2% ▼	0.2%	0.2%	0.0% ▲
Ex. Gain / (Loss) to Sales	-2.9%	-2.1%	0.8% ▲	-2.0%	-1.9%	0.1% ▲
Effective Taxation	-14.9%	-339.3%	324.5% ▼	-14.4%	21.7%	7.3% ▼
Net Margin	10.7%	0.5%	10.2% ▲	8.4%	1.9%	6.5% ▲

Source: ACPL Research, Company Financials

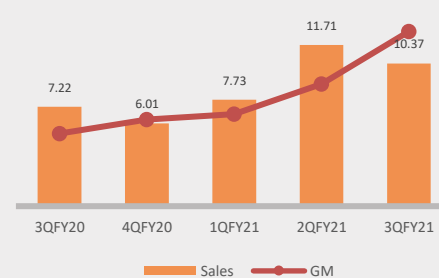
Key Statistics

Symbol	MUGHAL
TP - Dec 21	120.00
LDCP	92.00
Upside (%)	30
Free Float ('mn)	63
Market Cap. (Rs.'mn)	23,147

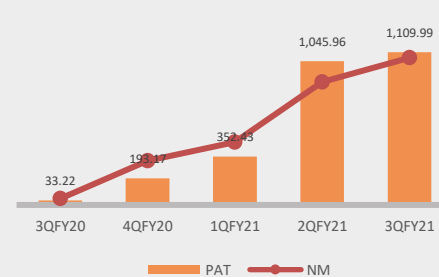
MUGHAL vs KSE 100



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	39,870	45,536	51,668
Cost of sale	10,915	16,925	16,861	19,431	27,639	24,688	33,511	38,006	42,827
Gross profit	1,326	2,059	1,942	2,794	3,189	2,617	6,359	7,530	8,842
Selling and promotion expenses	62	95	164	246	202	144	283	323	367
Administration expenses	160	208	241	313	367	407	530	606	687
Other operating expenses	45	87	91	115	127	57	470	537	610
Operating Profit	1,059	1,670	1,445	2,120	2,494	2,010	5,075	6,064	7,178
Other operating income	15	47	34	36	30	59	140	159	181
Finance cost	440	425	257	552	786	1,515	1,404	1,085	921
Profit before taxation	634	1,292	1,222	1,604	1,737	554	3,810	5,138	6,438
Taxation	-	399	232	314	364	39	533	719	901
Profit after taxation	659	893	991	1,290	1,373	593	3,277	4,419	5,537
EPS	2.62	3.55	3.94	5.13	5.46	2.36	13.02	17.56	22.01

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%	46.0%	14.2%	13.5%
Cost of sale	112.7%	55.1%	-0.4%	15.2%	42.2%	-10.7%	35.7%	13.4%	12.7%
Gross profit	82.8%	55.2%	-5.7%	43.9%	14.1%	-17.9%	142.9%	18.4%	17.4%
Selling and promotion expenses	479.2%	53.2%	73.2%	50.2%	-18.2%	-28.6%	96.7%	14.2%	13.5%
Administration expenses	96.4%	29.4%	16.4%	29.6%	17.2%	11.0%	30.3%	14.2%	13.5%
Other operating expenses	110.3%	91.8%	5.5%	26.1%	9.9%	-55.2%	728.2%	14.2%	13.5%
Operating Profit	73.2%	57.7%	-13.5%	46.7%	17.6%	-19.4%	152.5%	19.5%	18.4%
Other operating income	303.4%	220.5%	-28.3%	7.0%	-17.5%	96.0%	137.4%	14.2%	13.5%
Finance cost	102.1%	-3.3%	-39.6%	115.3%	42.3%	92.6%	-7.3%	-22.7%	-15.1%
Profit before taxation	59.5%	103.8%	-5.4%	31.2%	8.3%	-68.1%	588.1%	34.9%	25.3%
Taxation	-470.3%	-1690.9%	-41.9%	35.4%	16.3%	-110.7%	-1462.8%	34.9%	25.3%
Profit after taxation	68.6%	35.5%	10.9%	30.2%	6.4%	-56.8%	452.7%	34.9%	25.3%
EPS	-45.0%	35.5%	10.9%	30.2%	6.4%	-56.8%	452.7%	34.9%	25.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
GP Margin	%	10.84	10.85	10.33	12.57	10.34	9.59	15.95	16.54	17.11
OP Margin	%	8.77	9.05	7.87	9.70	8.19	7.58	13.08	13.67	14.24
NP Margin	%	5.38	4.71	5.27	5.81	4.45	2.17	8.22	9.70	10.72
ROE	%	19.36	23.39	18.23	18.30	18.34	7.57	34.79	35.68	34.11
ROCE	%	9.36	14.77	10.64	12.87	12.58	8.57	19.46	21.29	23.13
ROA	%	5.75	7.69	7.13	7.70	6.84	2.46	12.23	15.12	17.40

Liquidity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Current	x	1.19	1.34	1.34	1.32	1.23	1.12	1.21	1.38	1.66
Acid-test	x	0.28	0.29	0.43	0.30	0.58	0.33	0.30	0.34	0.41
Cash to current liab.	x	0.14	0.12	0.27	0.15	0.28	0.17	0.23	0.27	0.32

Activity Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	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	13.02	17.56	22.01
DPS	Rs.	0.50	3.00	2.60	2.20	1.20	0.00	3.00	4.00	5.00
Div. Yield	%	0.42	2.50	2.17	1.83	1.00	0.00	2.50	3.34	4.17
Dividend Cover	x	5.24	1.18	1.51	2.33	4.55	0.00	4.34	4.39	4.40
BVPS	Rs.	13.53	16.83	26.38	29.68	29.82	32.42	42.45	56.01	73.02
Payout	%	19.08	84.49	66.03	42.90	21.99	0.00	23.03	22.77	22.72
Retention	%	80.92	15.51	33.97	57.10	78.01	100.00	76.97	77.23	77.28
No. of Shares	'000	251,600	251,600	251,600	251,600	251,600	251,600	251,600	251,600	251,600
P/E		35.12	25.91	23.36	17.94	16.86	39.04	7.06	5.24	4.18
Sales per share		48.65	75.45	74.73	88.34	122.53	108.53	158.47	180.98	205.36
P/BV		6.80	5.47	3.49	3.10	3.08	2.84	2.17	1.64	1.26
Price to Sales		1.89	1.22	1.23	1.04	0.75	0.85	0.58	0.51	0.45

Gearing Ratios		FY15A	FY16A	FY17A	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Debt to Equity	x	0.92	1.07	1.01	1.12	1.67	1.84	1.11	0.74	0.44
L.T. Debt to Equity	x	0.32	0.25	0.00	0.11	0.45	0.42	0.25	0.12	0.04
Interest Cover	x	2.44	4.04	5.76	3.90	3.21	1.37	3.71	5.74	7.99

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%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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