

# MUGHAL

## 1HFY22 Result Review: BUY Stance Maintained

Equity Research | Engineering | Thursday, 17 February, 2022

MUGHAL has announced its 1HFY22 result where it posted a profit after tax of Rs3.53bn (EPS: Rs10.52) as compared to a profit after tax of Rs1.39bn (EPS: Rs4.17) in the same period last year, up by 152.5% YoY.

The company has posted a revenue of Rs32.08bn against Rs19.45bn in SPLY, recording a growth of 65% 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 17.7% as compared to 13.4% during SPLY. SG&A expenses went up by 43.7% YoY to Rs445mn as compared to Rs309mn during SPLY.

Furthermore, other income has been increased by 158% YoY while finance cost has been increased by 62% YoY amid increase in working capital requirements.

MUGHAL is trading at a FY22E P/E of 4.38x. Moreover, the scrip is also trading at FY22E P/B of 1.41x which offers a discount of 56% relative to its historical 3-year average of 3.19x. We maintain our **BUY** stance on the scrip with a DCF based Dec-22 TP of Rs 160 which provides an upside potential of 48%. Further, the scrip also provides a dividend yield of 6% which makes the total return of 54%.

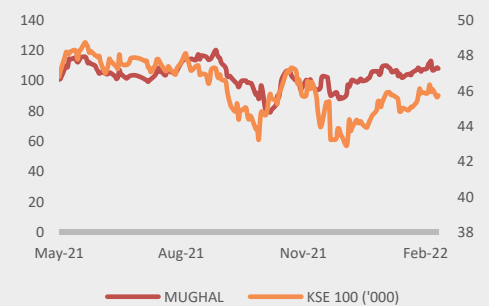
Rupees' millions	2QFY22	2QFY21	YoY	1HFY22	1HFY21	YoY
Net Sales	18,059	11,711	54.2% ▲	32,082	19,446	65.0% ▲
Cost of Sales	-15,131	-9,976	51.7% ▲	-26,405	-16,848	56.7% ▲
<b>Gross Profit</b>	<b>2,928</b>	<b>1,735</b>	<b>68.8% ▲</b>	<b>5,677</b>	<b>2,598</b>	<b>118.6% ▲</b>
SG&A Expenses	-228	-164	39.1% ▲	-445	-309	43.7% ▲
Other Expenses	-271	-91	198.0% ▲	-420	-121	246.4% ▲
<b>Operating Profit</b>	<b>2,430</b>	<b>1,481</b>	<b>64.1% ▲</b>	<b>4,813</b>	<b>2,167</b>	<b>122.1% ▲</b>
Other Income	106	37	187.5% ▲	175	68	158.0% ▲
Finance Cost	-541	-297	82.5% ▲	-987	-608	62.3% ▲
Profit Before Taxation	1,994	1,221	63.4% ▲	4,001	1,627	146.0% ▲
Taxation	-152	-175	13.2% ▼	-470	-228	305.9% ▼
<b>Profit After Taxation</b>	<b>1,843</b>	<b>1,046</b>	<b>76.2% ▲</b>	<b>3,531</b>	<b>1,398</b>	<b>152.5% ▲</b>
<b>Earnings Per Share</b>	<b>5.49</b>	<b>3.12</b>	<b>76.2% ▲</b>	<b>10.52</b>	<b>4.17</b>	<b>152.5% ▲</b>
<b>Dividend</b>	<b>3.00</b>	<b>3.00</b>		<b>3.00</b>	<b>3.00</b>	
<b>Bonus</b>	<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>	
<b>Right</b>	<b>0.00</b>	<b>16.00</b>		<b>0.00</b>	<b>16.00</b>	
Closing Period: 04 Mar 2022 – 08 Mar 2022						
Gross Margin	16.2%	14.8%	1.4% ▲	17.7%	13.4%	4.3% ▲
SG&A Expenses to Sales	-1.3%	-1.4%	0.1% ▼	-1.4%	-1.6%	0.2% ▼
Other Income to Sales	0.6%	0.3%	0.3% ▲	0.5%	0.3%	0.2% ▲
Ex. Gain / (Loss) to Sales	-1.3%	-1.4%	0.1% ▼	-1.4%	-1.6%	0.2% ▼
Effective Taxation	-7.6%	-14.3%	6.7% ▼	-11.7%	-14.0%	2.3% ▼
<b>Net Margin</b>	<b>10.2%</b>	<b>8.9%</b>	<b>1.3% ▲</b>	<b>11.0%</b>	<b>7.2%</b>	<b>3.8% ▲</b>

Source: ACPL Research, Company Financials

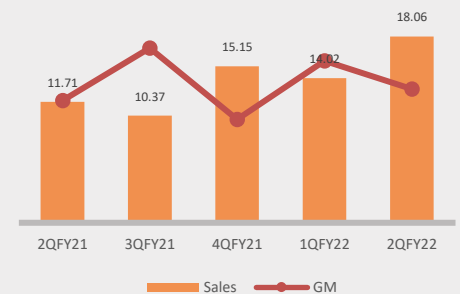
### Key Statistics

Symbol	MUGHAL
TP - Dec 22	160.00
LDPCP	107.97
Upside (%)	48
Free Float ('mn)	83
Market Cap. (Rs.'mn)	35,241

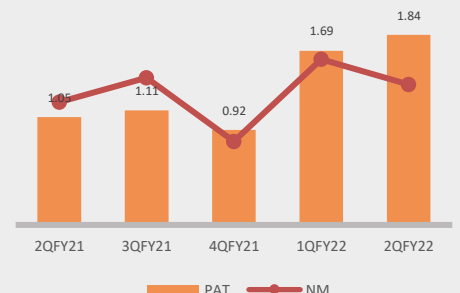
### MUGHAL vs KSE 100



### Sales (Rs'bn) vs Gross Margin



### PAT (Rs'bn) vs Net Margin



Sources: ACPL Research, Company Financials

**M. Fawad Naveed**

Phone: (+92) 42 38302028; Ext: 117  
Email: fawad@abbasiandcompany.com

## Financial Projections

Rupees' millions	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	
Net sales	30,828	27,305	44,972	64,641	67,873	71,267	74,831	
Cost of sale	27,639	24,688	38,280	53,279	56,685	59,790	63,098	
<b>Gross profit</b>	<b>3,189</b>	<b>2,617</b>	<b>6,691</b>	<b>11,362</b>	<b>11,189</b>	<b>11,477</b>	<b>11,733</b>	
Selling and promotion expenses	202	144	254	194	204	214	224	
Administration expenses	367	407	538	692	726	763	801	
Other operating expenses	127	57	434	711	747	784	823	
<b>Operating Profit</b>	<b>2,494</b>	<b>2,010</b>	<b>5,465</b>	<b>9,765</b>	<b>9,512</b>	<b>9,717</b>	<b>9,885</b>	
Other operating income	30	59	67	388	407	428	449	
Finance cost	786	1,515	1,370	2,492	2,543	2,601	2,674	
Profit before taxation	1,737	554	4,161	7,661	7,376	7,543	7,660	
Taxation	364	-	39	766	-	533	-	541
<b>Profit after taxation</b>	<b>1,373</b>	<b>593</b>	<b>3,429</b>	<b>6,895</b>	<b>7,898</b>	<b>8,077</b>	<b>8,201</b>	
EPS	<b>4.09</b>	<b>1.77</b>	<b>10.22</b>	<b>20.54</b>	<b>23.53</b>	<b>24.06</b>	<b>24.44</b>	

Source: ACPL Research, Company Financials

## Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	38.7%	-11.4%	64.7%	43.7%	5.0%	5.0%	5.0%
Cost of sale	42.2%	-10.7%	55.1%	39.2%	6.4%	5.5%	5.5%
<b>Gross profit</b>	<b>14.1%</b>	<b>-17.9%</b>	<b>155.6%</b>	<b>69.8%</b>	<b>-1.5%</b>	<b>2.6%</b>	<b>2.2%</b>
Selling and promotion expenses	-18.2%	-28.6%	76.7%	-23.7%	5.0%	5.0%	5.0%
Administration expenses	17.2%	11.0%	32.2%	28.6%	5.0%	5.0%	5.0%
Other operating expenses	9.9%	-55.2%	664.4%	63.8%	5.0%	5.0%	5.0%
<b>Operating Profit</b>	<b>17.6%</b>	<b>-19.4%</b>	<b>171.9%</b>	<b>78.7%</b>	<b>-2.6%</b>	<b>2.2%</b>	<b>1.7%</b>
Other operating income	-17.5%	96.0%	13.7%	480.4%	5.0%	5.0%	5.0%
Finance cost	42.3%	92.6%	-9.5%	81.9%	2.0%	2.3%	2.8%
Profit before taxation	8.3%	-68.1%	651.5%	84.1%	-3.7%	2.3%	1.5%
Taxation	16.3%	-110.7%	-1970.8%	4.6%	-168.1%	2.3%	1.5%
<b>Profit after taxation</b>	<b>6.4%</b>	<b>-56.8%</b>	<b>478.4%</b>	<b>101.1%</b>	<b>14.5%</b>	<b>2.3%</b>	<b>1.5%</b>
EPS	<b>6.4%</b>	<b>-56.8%</b>	<b>478.4%</b>	<b>101.1%</b>	<b>14.5%</b>	<b>2.3%</b>	<b>1.5%</b>

Source: ACPL Research, Company Financials

## Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	10.34	9.59	14.88	17.58	16.48	16.10	15.68
OP Margin	%	8.19	7.58	12.30	15.71	14.61	14.23	13.81
NP Margin	%	4.45	2.17	7.63	10.67	11.64	11.33	10.96
ROE	%	18.34	7.57	27.81	36.39	32.69	27.10	23.05
ROCE	%	12.58	8.57	16.41	23.26	21.37	21.04	20.65
ROA	%	6.84	2.46	10.17	15.80	17.01	16.75	16.39

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.23	1.12	1.37	1.33	1.35	1.37	1.38
Acid-test	x	0.58	0.33	0.45	0.23	0.24	0.24	0.25
Cash to current liab.	x	0.28	0.17	0.12	0.18	0.18	0.19	0.19

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	2	1	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	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	4.09	1.77	10.22	20.54	23.53	24.06	24.44
DPS	Rs.	1.20	0.00	3.00	6.00	7.00	7.00	7.00
Div. Yield	%	1.11	0.00	2.78	5.56	6.48	6.48	6.48
Dividend Cover	x	3.41	0.00	3.41	3.42	3.36	3.44	3.49
BVPS	Rs.	22.36	24.30	49.18	63.72	80.25	97.31	114.75
Payout	%	29.34	0.00	29.36	29.36	29.36	29.36	29.36
Retention	%	70.66	100.00	70.64	70.64	70.64	70.64	70.64
No. of Shares	'000	335,634	335,634	335,634	335,634	335,634	335,634	335,634
P/E		26.39	61.12	10.57	5.26	4.59	4.49	4.42
Sales per share		91.85	81.35	133.99	192.59	202.22	212.34	222.95
P/BV		4.83	4.44	2.20	1.69	1.35	1.11	0.94
Price to Sales		1.18	1.33	0.81	0.56	0.53	0.51	0.48

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.67	1.84	1.26	0.89	0.73	0.62	0.54
L.T. Debt to Equity	x	0.45	0.42	0.28	0.05	0.03	0.01	0.00
Interest Cover	x	3.21	1.37	4.04	4.07	3.90	3.90	3.86

Source: ACPL Research, Company Financials

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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#### RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

#### HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

#### BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com