

MUGHAL

1QFY22 Result Review: BUY Stance Maintained

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MUGHAL has announced its 1QFY22 result where it posted a profit after tax of Rs1.69bn (EPS: Rs5.03) as compared to a profit after tax of Rs352mn (EPS: Rs1.05) in the same period last year, up by 379% YoY.

The company has posted a revenue of Rs14.0bn against Rs7.7bn in SPLY, recording a growth of 81.3% 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 19.6% as compared to 11.2% during SPLY. SG&A expenses went up by 49% YoY to Rs217mn as compared to Rs146mn during SPLY.

Furthermore, other income has been increased by 123% YoY while finance cost has been increased by 43% YoY amid increase in working capital requirements.

MUGHAL is trading at a FY22E P/E of 5.04x. Moreover, the scrip is also trading at FY22E P/B of 2.24x which offers a discount of 51% relative to its historical 5-year average of 4.56x. We maintain our **BUY** stance on the scrip with a DCF based Jun-22 TP of Rs 150 which provides an upside potential of 42%. Further, the scrip also provides a dividend yield of 3% which makes the total return of 45%.

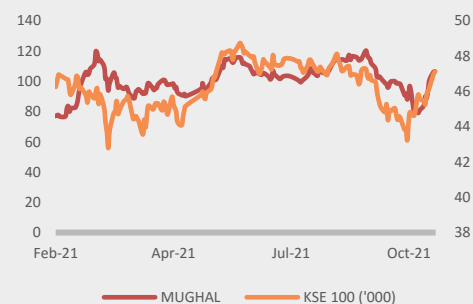
Rupees' millions	1QFY22	1QFY21	YoY	FY21	FY20	YoY
Net Sales	14,023	7,734	81.3% ▲	44,972	27,305	64.7% ▲
Cost of Sales	-11,274	-6,872	64.1% ▲	-38,280	-24,688	55.1% ▲
Gross Profit	2,749	862	218.7% ▲	6,691	2,617	155.6% ▲
SG&A Expenses	-217	-146	49.0% ▲	-792	-551	43.8% ▲
Other Expenses	-149	-30	391.2% ▲	-434	-57	664.4% ▲
Operating Profit	2,383	686	247.1% ▲	5,465	2,010	171.9% ▲
Other Income	69	31	123.0% ▲	67	59	13.7% ▲
Finance Cost	-446	-312	43.0% ▲	-1,370	-1,515	9.5% ▼
Profit Before Taxation	2,006	406	394.4% ▲	4,161	554	651.5% ▲
Taxation	-318	-53	496.2% ▲	-732	39	1770.8% ▲
Profit After Taxation	1,688	352	379.0% ▲	3,429	593	478.4% ▲
Earnings Per Share	5.03	1.05	379.0% ▲	10.22	1.77	478.4% ▲
Dividend	0.00	0.00		3.00	0.00	
Bonus	0.00	0.00		0.15	0.00	
Right	0.00	0.00		16.00	0.00	
Gross Margin	19.6%	11.2%	8.5% ▲	14.9%	9.6%	5.3% ▲
SG&A Expenses to Sales	-1.5%	-1.9%	0.3% ▼	-1.8%	-2.0%	0.3% ▼
Other Income to Sales	0.5%	0.4%	0.1% ▲	0.1%	0.2%	0.1% ▼
Ex. Gain / (Loss) to Sales	-1.5%	-1.9%	0.3% ▼	-1.8%	-2.0%	0.3% ▼
Effective Taxation	-15.9%	-13.2%	2.7% ▲	-17.6%	7.1%	10.5% ▲
Net Margin	12.0%	4.6%	7.5% ▲	7.6%	2.2%	5.5% ▲

Source: ACPL Research, Company Financials

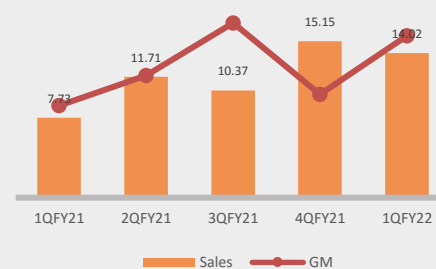
Key Statistics

Symbol	MUGHAL
TP - Jun 22	150.00
LDPC	106.4
Upside (%)	42
Free Float ('mn)	83
Market Cap. (Rs.'mn)	35,225

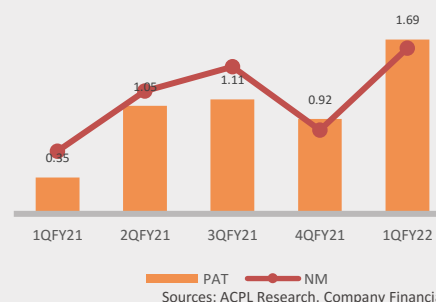
MUGHAL vs KSE 100



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	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	30,828	27,305	39,870	58,056	60,959	63,398	65,933
Cost of sale	27,639	24,688	33,558	46,800	49,669	52,724	55,977
Gross profit	3,189	2,617	6,312	11,257	11,290	10,673	9,956
Selling and promotion expenses	202	144	283	232	244	254	264
Administration expenses	367	407	530	697	732	761	791
Other operating expenses	127	57	470	639	671	697	725
Operating Profit	2,494	2,010	5,029	9,689	9,644	8,962	8,176
Other operating income	30	59	140	203	213	222	231
Finance cost	786	1,515	1,602	1,656	1,629	1,605	1,612
Profit before taxation	1,737	554	3,566	8,236	8,229	7,579	6,795
Taxation	364	-	499	1,153	1,152	1,061	951
Profit after taxation	1,373	593	3,067	7,083	7,077	6,518	5,844
EPS	4.09	1.77	9.14	21.10	21.08	19.42	17.41

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Net sales	38.7%	-11.4%	46.0%	45.6%	5.0%	4.0%	4.0%
Cost of sale	42.2%	-10.7%	35.9%	39.5%	6.1%	6.2%	6.2%
Gross profit	14.1%	-17.9%	141.2%	78.3%	0.3%	-5.5%	-6.7%
Selling and promotion expenses	-18.2%	-28.6%	96.7%	-18.0%	5.0%	4.0%	4.0%
Administration expenses	17.2%	11.0%	30.3%	31.4%	5.0%	4.0%	4.0%
Other operating expenses	9.9%	-55.2%	728.2%	35.7%	5.0%	4.0%	4.0%
Operating Profit	17.6%	-19.4%	150.2%	92.7%	-0.5%	-7.1%	-8.8%
Other operating income	-17.5%	96.0%	137.4%	45.6%	5.0%	4.0%	4.0%
Finance cost	42.3%	92.6%	5.8%	3.4%	-1.7%	-1.5%	0.4%
Profit before taxation	8.3%	-68.1%	544.0%	131.0%	-0.1%	-7.9%	-10.3%
Taxation	16.3%	-110.7%	-1375.3%	131.0%	-0.1%	-7.9%	-10.3%
Profit after taxation	6.4%	-56.8%	417.2%	131.0%	-0.1%	-7.9%	-10.3%
EPS	6.4%	-56.8%	417.2%	131.0%	-0.1%	-7.9%	-10.3%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
GP Margin	%	10.34	9.59	15.83	19.39	18.52	16.84	15.10
OP Margin	%	8.19	7.58	12.96	17.04	16.17	14.49	12.75
NP Margin	%	4.45	2.17	7.69	12.20	11.61	10.28	8.86
ROE	%	18.34	7.57	33.38	54.12	37.93	27.61	21.17
ROCE	%	12.58	8.57	19.30	32.78	29.86	26.84	23.72
ROA	%	6.84	2.46	11.45	23.47	21.44	19.05	16.49

Liquidity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Current	x	1.23	1.12	1.18	1.28	1.31	1.35	1.36
Acid-test	x	0.58	0.33	0.29	0.33	0.34	0.35	0.34
Cash to current liab.	x	0.28	0.17	0.23	0.29	0.29	0.30	0.30

Activity Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Inventory Turnover	x	2	2	2	2	2	2	2
Inventory Days		74	120	106	100	100	100	100
Receivables Days		39	29	25	15	15	15	15
Payables Days		7	18	46	25	25	25	25
Operating Cycle		107	132	84	90	90	90	90

Investment Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
EPS	Rs.	4.09	1.77	9.14	21.10	21.08	19.42	17.41
DPS	Rs.	1.20	0.00	3.00	4.00	5.00	6.00	7.00
Div. Yield	%	0.80	0.00	1.99	2.65	3.32	3.98	4.64
Dividend Cover	x	3.41	0.00	3.05	5.28	4.22	3.24	2.49
BVPS	Rs.	22.36	24.30	30.44	47.55	63.63	77.05	87.46
Payout	%	29.34	0.00	32.83	18.95	23.71	30.90	40.20
Retention	%	70.66	100.00	67.17	81.05	76.29	69.10	59.80
No. of Shares	'000	335,634	335,634	335,634	335,634	335,634	335,634	335,634
P/E		26.02	60.26	11.65	5.04	5.05	5.48	6.11
Sales per share		91.85	81.35	118.79	172.98	181.62	188.89	196.44
P/BV		4.76	4.38	3.50	2.24	1.67	1.38	1.22
Price to Sales		1.16	1.31	0.90	0.62	0.59	0.56	0.54

Gearing Ratios		FY19A	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E
Debt to Equity	x	1.67	1.84	1.20	0.92	0.68	0.56	0.52
L.T. Debt to Equity	x	0.45	0.42	0.26	0.11	0.04	0.01	0.00
Interest Cover	x	3.21	1.37	3.23	5.97	6.05	5.72	5.22

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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