

MUGHAL

1QFY23 Result Review: BUY Stance Maintained

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MUGHAL has announced its 1QFY23 result where it posted a profit after tax of Rs872bn (EPS: Rs2.60) as compared to a profit after tax of Rs1.69bn (EPS: Rs5.03) in the same period last year, down by 48.4% YoY owing to a decline in volumetric sales and an increase in finance cost.

The company has posted a revenue of Rs14.07bn against Rs14.02bn in SPLY, recording a growth of 0.4% YoY. The gross margin has decreased to 14.8% as compared to 19.6% despite lower-than-expected scrap cost.

Furthermore, SG&A expenses went down by 4.3% YoY to Rs208mn as compared to Rs217mn during SPLY. A surge in other income by 81.8% YoY to Rs126mn supported the bottom-line. Moreover, finance cost has increased by 97.8% YoY due to higher interest rates in addition to higher short-term borrowings. Lastly, effective taxation fell to 15.5% as compared to 15.9% during the same period last year.

MUGHAL is trading at a FY23E P/E of 5.36x. Moreover, the scrip is also trading at FY23E P/B of 0.89x which offers a discount of 45% 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 Rs85 which provides an upside potential of 36%. Further, the scrip also provides a dividend yield of 5.56% which makes the total return of 42%.

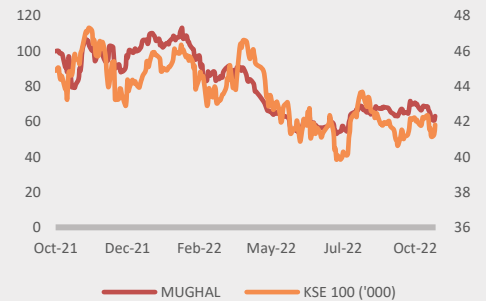
Rupees' millions	1QFY23	1QFY22	YoY	FY22	FY21	YoY
Net Sales	14,073	14,023	0.4% ▲	66,153	44,972	47.1% ▲
Cost of Sales	-11,989	-11,274	6.3% ▲	-56,025	-38,280	46.4% ▲
Gross Profit	2,084	2,749	24.2% ▼	10,128	6,691	51.4% ▲
SG&A Expenses	-208	-217	4.3% ▼	-951	-792	20.0% ▲
Other Expenses	-90	-149	39.5% ▼	-567	-434	30.5% ▲
Operating Profit	1,787	2,383	25.0% ▼	8,611	5,465	57.6% ▲
Other Income	126	69	81.8% ▲	213	67	219.3% ▲
Finance Cost	-882	-446	97.8% ▲	-2,622	-1,370	91.4% ▲
Profit Before Taxation	1,031	2,006	48.6% ▼	6,202	4,161	49.0% ▲
Taxation	-160	-318	49.8% ▼	-791	-732	8.0% ▲
Profit After Taxation	872	1,688	48.4% ▼	5,411	3,429	57.8% ▲
Earnings Per Share	2.60	5.03	48.4% ▼	16.12	10.22	57.8% ▲
Dividend	0.00	0.00		3.00	3.00	-
Bonus	0%	0%		0%	15%	100.0% ▼
Right	0%	0%		0%	16%	100.0% ▼
Gross Margin	14.8%	19.6%	4.8% ▼	15.3%	14.9%	0.4% ▲
SG&A Expenses to Sales	-1.5%	-1.5%	0.1% ▼	-1.4%	-1.8%	0.3% ▼
Other Income to Sales	0.9%	0.5%	0.4% ▲	0.3%	0.1%	0.2% ▲
Ex. Gain / (Loss) to Sales	-1.5%	-1.5%	0.1% ▼	-1.4%	-1.8%	0.3% ▼
Effective Taxation	-15.5%	-15.9%	0.4% ▼	-12.8%	-17.6%	4.8% ▼
Net Margin	6.2%	12.0%	5.8% ▼	8.2%	7.6%	0.6% ▲

Source: ACPL Research, Company Financials

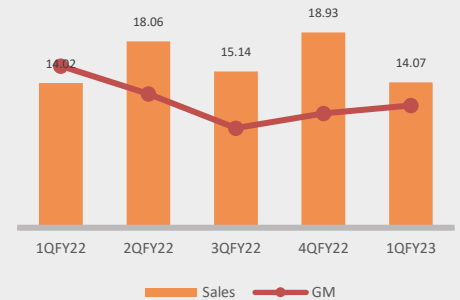
Key Statistics

Symbol	MUGHAL
TP - Jun 23	85
LDCP	63.0
Upside (%)	36
Free Float ('mn)	84
Market Cap. (Rs.'mn)	21,145

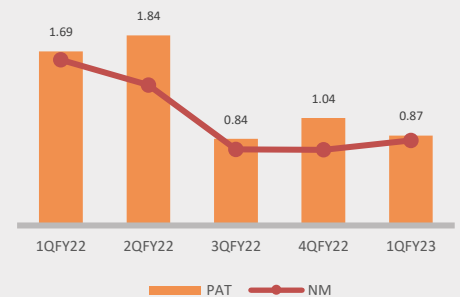
MUGHAL vs KSE 100



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	75,742	84,831	93,314	97,979
Cost of sale	24,688	38,280	56,025	65,208	73,238	79,370	83,151
Gross profit	2,617	6,691	10,128	10,534	11,593	13,944	14,828
Selling and promotion expenses	144	254	246	218	245	593	623
Administration expenses	407	538	705	723	810	1,136	1,193
Other operating expenses	57	434	567	460	515	756	793
Operating Profit	2,010	5,465	8,611	9,133	10,023	11,459	12,219
Other operating income	59	67	213	167	187	205	216
Finance cost	1,515	1,370	2,622	3,417	3,186	3,087	3,215
Profit before taxation	554	4,161	6,202	5,883	7,023	8,577	9,220
Taxation	-	39	791	1,941	2,318	2,830	3,043
Profit after taxation	593	3,429	5,411	3,941	4,706	5,747	6,177
EPS	1.77	10.22	16.12	11.74	14.02	17.12	18.41

Source: ACPL Research, Company Financials

Horizontal Analysis

	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
Net sales	-11.4%	64.7%	47.1%	14.5%	12.0%	10.0%	5.0%
Cost of sale	-10.7%	55.1%	46.4%	16.4%	12.3%	8.4%	4.8%
Gross profit	-17.9%	155.6%	51.4%	4.0%	10.1%	20.3%	6.3%
Selling and promotion expenses	-28.6%	76.7%	-3.4%	-11.0%	12.0%	142.4%	5.0%
Administration expenses	11.0%	32.2%	31.1%	2.5%	12.0%	40.3%	5.0%
Other operating expenses	-55.2%	664.4%	30.5%	-18.8%	12.0%	46.6%	5.0%
Operating Profit	-19.4%	171.9%	57.6%	6.1%	9.8%	14.3%	6.6%
Other operating income	96.0%	13.7%	219.3%	-21.9%	12.0%	10.0%	5.0%
Finance cost	92.6%	-9.5%	91.4%	30.3%	-6.7%	-3.1%	4.1%
Profit before taxation	-68.1%	651.5%	49.0%	-5.1%	19.4%	22.1%	7.5%
Taxation	-110.7%	-1970.8%	8.0%	145.4%	19.4%	22.1%	7.5%
Profit after taxation	-56.8%	478.4%	57.8%	-27.2%	19.4%	22.1%	7.5%
EPS	-56.8%	478.4%	57.8%	-27.2%	19.4%	22.1%	7.5%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
GP Margin	%	9.59	14.88	15.31	13.91	13.67	14.94	15.13
OP Margin	%	7.58	12.30	13.34	12.28	12.04	12.50	12.69
NP Margin	%	2.17	7.63	8.18	5.20	5.55	6.16	6.30
ROE	%	7.57	27.81	28.97	17.66	18.42	19.47	18.14
ROCE	%	8.57	16.41	18.52	17.34	18.27	19.53	19.93
ROA	%	2.46	33.41	11.36	7.35	8.42	9.62	9.90

Liquidity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Current	x	1.12	1.37	1.46	1.53	1.64	1.63	1.63	1.63
Acid-test	x	0.33	0.45	0.45	0.32	0.34	0.34	0.34	0.34
Cash to current liab.	x	0.17	0.12	0.22	0.26	0.28	0.28	0.28	0.28

Activity Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Inventory Turnover		2	2	1	1	1	1	1	1
Inventory Days		120	106	130	130	130	130	130	130
Receivables Days		29	29	25	25	25	25	25	25
Payables Days		18	46	25	25	25	25	25	25
Operating Cycle		132	84	130	130	130	130	130	130

Investment Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E
EPS	Rs.	1.77	10.22	16.12	11.74	14.02	17.12	18.41
DPS	Rs.	0.00	3.00	3.00	3.00	3.50	4.00	4.50
Div. Yield	%	0.00	4.76	4.76	4.76	5.56	6.35	7.14
Dividend Cover	x	0.00	3.41	5.37	3.91	4.01	4.28	4.09
BVPS	Rs.	24.30	49.18	62.11	70.86	81.38	94.50	108.40
Payout	%	0.00	29.36	18.61	23.99	23.99	23.99	23.99
Retention	%	100.00	70.64	81.39	76.01	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		35.67	6.17	3.91	5.36	4.49	3.68	3.42
Sales per share		81.35	133.99	197.10	225.67	252.75	278.02	291.92
P/BV		2.59	1.28	1.01	0.89	0.77	0.67	0.58
Price to Sales		0.77	0.47	0.32	0.28	0.25	0.23	0.22

Gearing Ratios		FY20A	FY21A	FY22A	FY23E	FY24E	FY25E	FY26E	FY25E
Debt to Equity	x	1.84	1.26	1.24	0.84	0.75	0.70	0.64	0.64
L.T. Debt to Equity	x	0.42	0.28	0.25	0.03	0.01	0.00	0.00	0.00
Interest Cover	x	1.37	4.04	3.37	2.72	3.20	3.78	3.87	3.87

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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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