

MUGHAL 2QFY22 Result Preview

Tuesday, February 15, 2022

MUGHAL to post 2QFY22 EPS of PKR6.45/-(1.07x↑): Mughal Iron & Steel Industries Limited is going to announce its 2QFY22 financial result on 03-Feb-22. Company profitability remain elevated due to higher copper prices and offtakes we expect MUGHAL to post a NPAT of PKR2,165mn (EPS: PKR6.45) a whopping increase of 1.67x YoY as compare to SPLY. For the 1HFY22 we expect that company will post PAT of PKR3,853mn (EPS: PKR11.48) as compare to PAT of PKR1,398mn in SPLY.

Key Highlights:

- Sales revenue expected to clocked in at PKR20bn up 75% YoY, for the 1HFY22 the revenue increased by 78% YoY, the reason would the higher offtakes level of ferrous segment (rebar/gridders) +25% increased QoQ while the nonferrous segment copper ingots prices are also on upward trend.
- Company gross margins is expected to arrive at 18% for 2QFY22 due to high growth in offtakes. For the 1HFY21 the GM's are hovering at 15%. The surge in rebar prices is due to uptrend in global scrap prices (average \$476/ton) in this quarter. Further the spread between rebar and scrap on average was USD322/ton for the second quarter of FY22.
- Moreover we estimate company will post other income for 2Q at PKR13mn fall of 64% YoY taking the operation profit to PKR3,303mn (↑1.56x on YoY). Finance cost is like to clocked in at PKR267mn (-10% YoY).

Income Statement (PKR in mn)	2QFY22E	2QFY21A	YoY	1HFY22E	1HFY21A	YoY
Net Sales	20,514	11,711	75%	34,537	19,446	78%
Cost of Sales	-16,793	-9,976	68%	-28,067	-16,848	67%
Gross Profit/ (Loss)	3,721	1,735	114%	6,470	2,598	149%
Selling and Distribution Cost	-81	-39	108%	-136	-68	102%
Administration Expenses	-163	-125	31%	-325	-242	34%
Finance Cost	-267	-297	-10%	-713	-608	17%
Other Operating Expenses	-174	-91	91%	-323	-121	166%
Operating Profit/ (Loss)	3,036	1,184	156%	4,973	1,559	219%
Other Income	13	37	-64%	82	68	21%
Profit/ (Loss) before Tax	3,049	1,221	150%	5,055	1,627	211%
Taxation	-884	-175	406%	-1,202	-228	427%
Profit/ (Loss) after Tax	2,165	1,046	107%	3,853	1,398	176%
EPS/ (LPS)	6.45	3.12		11.48	4.17	
Gross Margin	18%	15%		19%	13%	

Source: Co.Financials, Darson Research

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Rating System:

If;

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| • Expected return >15% | - Buy Call |
| • Expected Return is in between 0% to 15% | - Neutral/Hold Call |
| • Expected Return <0% | - Sell Call |

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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