

Flash Note

Friday, 19 February 2021

Engineering

MUGHAL Iron & Steel Industries Limited (MUGHAL)

Volumes recovery, inclusion of copper ingots and reduced finance cost lifts 2QFY21 EPS to PKR 4.15

- Mughal Iron & Steel Industries Limited (MUGHAL) announced its financial result for 2QFY21 wherein it reported a net profit of PKR 1,044mn (EPS: PKR 4.15), as against a net profit of PKR 102mn (EPS: PKR 0.41) in 2QFY20. This takes total 1HFY21 profitability to PKR 1,398mn (EPS: PKR 5.56) as against net profit of PKR 366mn (EPS: PKR 1.46) in the same period last year.
- In conjunction with the result, the company announced an interim cash dividend of PKR 3/share.
- Net Sales of the Company during 2QFY21, as against 2QFY20 improved by a notable 58% y/y. This was largely driven by recovery in sales volumes amid higher development activities, higher prices of rebars and exports of copper ingots to china.
- Gross margins of the Company also jacked up to 15% during 2QFY21 compared to 7% in the same period last year due to swift pass over of cost burden to consumers via price increases, better utilization of fixed costs amid improved volumes and inventory gains on scrap.
- Finance charge of the Company declined by 14% y/y, largely due to series of rate cuts in benchmark interest rate.
- Alongside, the company announced issuance of 16% right share at a price of PKR 68/share (inclusive of premium of PKR 58/share) on account of retiring debt obligation. In addition, target completion date for already announced BMR of re-rolling mill has been revised to 2QCY21 with a revised total cost of expansion ~PKR 3.8bn (PKR 0.76bn funded through issuance of right offer in 2017 and remaining was bridged finance through debt).

| Exhibit: MUGHAL 2QFY21 Result Highlights | | | | | | | | |
|---|--------|--------|-------|--------|------|----------------------|--------|------|
| Period end (Jun) - PKRmn | 2QFY21 | 2QFY20 | Y/Y | 1QFY21 | Q/Q | 1HFY21 | 1HFY20 | Y/Y |
| Net Sales | 11,711 | 7,401 | 58% | 7,341 | 60% | 19,446 | 14,079 | 38% |
| Gross Profit | 1,733 | 516 | 236% | 862 | 101% | 2,598 | 1,352 | 92% |
| Sell. / Dist. & Admin | 164 | 143 | 14% | 146 | 12% | 309 | 261 | 19% |
| Other Operating expense | 91 | 5 | 18.8x | 30 | 200% | 121 | 28 | 333% |
| Other Income | 37 | 12 | 207% | 31 | 18% | 68 | 25 | 171% |
| EBIT | 1,515 | 380 | 299% | 718 | 111% | 2,235 | 1,089 | 105% |
| Financial Charges | 297 | 344 | -14% | 312 | -5% | 608 | 747 | -19% |
| Pre-tax Profits | 1,219 | 36 | 32.8x | 406 | 200% | 1,627 | 342 | 375% |
| Taxation | 175 | (66) | n/a | 53 | 228% | 228 | (24) | n/a |
| Post-tax Profits | 1,044 | 102 | 921% | 352 | 196% | 1,398 | 366 | 282% |
| EPS | 4.15 | 0.41 | | 1.40 | | 5.56 | 1.46 | |
| DPS | 3.00 | - | | - | | 3.00 | - | |
| Key Ratios | | | | | | | | |
| Gross Margin (%) | 15% | 7% | | 5% | | 7% | 3% | |
| Net Margin (%) | 9% | 1% | | 5% | | 7% | 3% | |
| Source: IGI Research, Company Accounts, PSX | | | | | | No. of Shares: 252mn | | |

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