

April 14, 2021



## Mughal Steel Story

## Mughal Steel Story FY21...

MUGHAL is into non-ferrous copper ingots export sales which has changed earning dynamics during 1HFY21.

LME copper prices increased to \$9,000/ton or above in 3Q. Copper ingots is adding ~Rs 7.5bn in FY21 alone taking export sales of 6,000 tons as a proxy.

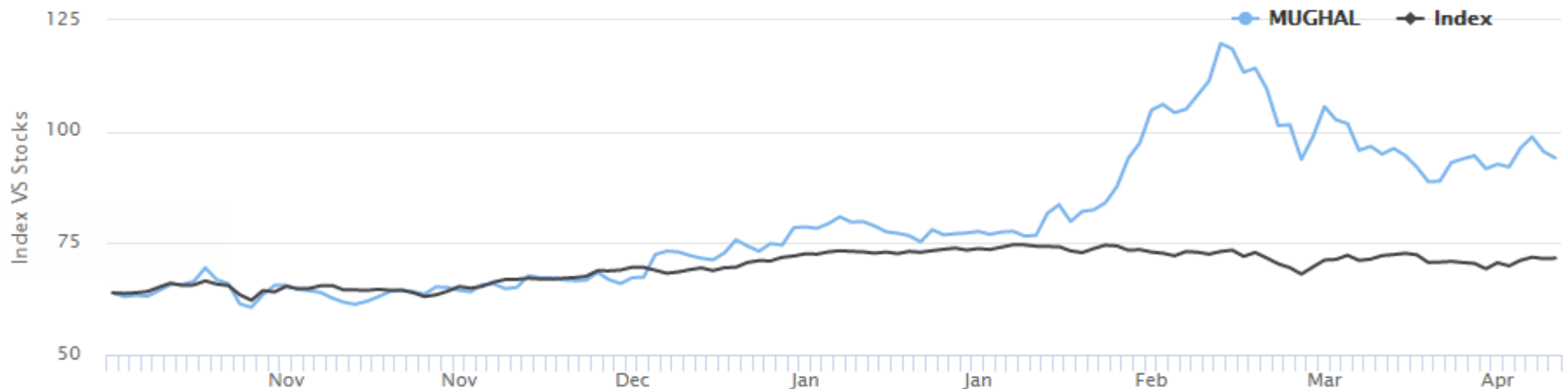
We see total cumulative sales (rebar + ingots) likely to be Rs42 - 44bn in FY21. We see March export of ingots may be highest - given order from China in this category as per books.

### Sanguine reported 1HFY21...

MUGHAL reported 1HFY21 EPS of Rs5.56/sh and of DPS of Rs3/sh. Also gave small right issue @16% at a price of Rs68/sh.

Ticker	MUGHAL
Price	95.00
52 week hi	124.60
52 week lo	37.60
Avg Vol.	1.48mn
Beta	1.51
Shares	251.6mn
Market Cap.	Rs23.9bn
BV exp.	Rs 49.80
EV/share	Rs108.34

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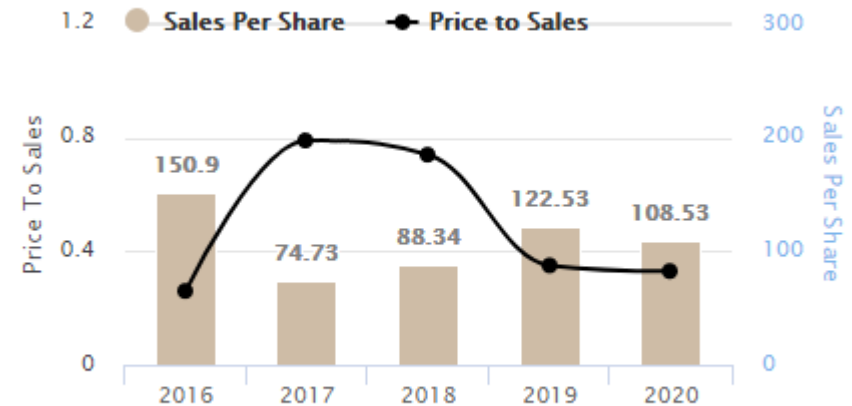
### Rebar rates increasing...

Also long steel prices increased to Rs130k/ton in 3Q – which will boost revenue.  
We expect MUGHAL yearly long steel sales could be 315k tons/ annum or above.  
MUGHAL adj. EPS range could be Rs9.45 - 10/sh in FY21 depending upon export continuation.

### Valuations...

MUGHAL offers FY21 PE of 10x but also deciphers *Sales per share* of Rs153/sh (P/S of 0.6x). We recommend Hold.

Rs 000	FY19	FY20	FY21E
Turnover	30,828,089	27,304,991	44,594,295
COGS	27,639,095	24,687,543	38,351,094
GP	3,188,994	2,617,449	6,243,201
EBIT	2,620,550	2,066,531	5,440,504
PBT	1,737,423	553,727	3,943,146
PAT	1,372,931	592,872	2,760,202
EPS	5.46	2.36	9.46
DPS	1.20	-	4.00
SCS Research			



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*- (Target Price, if any/Current Price - 1) > 10% Positive*

*- (Target Price, if any/Current Price - 1) < -10% Negative*

*- less than 10% (Target Price, if any/Current Price -1) Hold*

*- The time duration is the financial reporting period of Subject Company.*

### *Valuation method*

*Following research techniques adopted to calculate target price/recommendation*

*Price to earnings & Price to Book, EV-EBITDA multiple*

*Discounted Cash flows or Dividend Discount Model or Enterprise Value*