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Mughal Steel posted 9MFY21 results...ingots and rebar prices giving edge in sales

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MUGHAL shown 40% yearly growth in sales so far during 9MFY21. The sales figure reached Rs29.8bn during 9M. The 3Q sales alone reached Rs10.37bn in lieu of copper ingots exports to China – as company mentioned in preceding reports. This is in addition to rebar sales.

As of day before yesterday London Metal Exchange (LME) rates reached ~\$9909.5/ton – which is to supplement 4Q sales figure. During 2Q & 3Q we have taken exactly 2000tons exports sales each. We expect similar pattern may continue in 4Q also. In that vicinity, only MUGHAL is exporting ingots. During the said quarters LME copper rates also increased.

Ticker	MUGHAL
Price	90.63
52 week hi	124.60
52 week lo	38.30
Avg Vol.	1.48mn
Shares	291.8mn
BV exp.	Rs 49.80
EV/share	Rs103.46

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Rs	3QFY21	3QFY20	9MFY21	9MFY20
Turnover - net	10,372,286,565	7,218,042,531	29,817,865,943	21,296,708,271
COS	8,176,430,336	6,582,756,520	25,024,434,774	19,308,991,215
GP	2,195,856,229	635,286,011	4,793,431,169	1,987,717,056
Sales & marketing	144,401,507	40,490,482	211,978,960	104,762,688
Admin costs	155,432,073	112,440,879	397,177,652	308,821,902
EBIT	1,896,022,649	482,354,650	4,184,274,557	1,574,132,466
Other Charges	230,740,001	1,286,229	351,920,602	29,257,105
Other income	(7,917,177)	7,272,036	59,983,845	32,355,090
Finance cost	353,754,054	504,791,917	962,099,359	1,251,410,018
PBT	1,303,611,417	-13,879,002	2,930,238,441	325,820,433
Tax	193,620,791	47,096,126	421,854,642	155,352,766
PAT	1,109,990,626	33,217,124	2,508,383,799	399,703,683
EPS Rs/sh	4.41	0.13	9.97	1.59
Adj. EPS			8.59	

Mughal Steel...Revenue may reach Rs45bn – Rs47bn

Earlier we mentioned this non-ferrous copper ingots export sales has changed sales & earning dynamics of the company. As for FY21 we see total cumulative sales (rebar + ingots) likely to be Rs45bn - 47bn in FY21 as per our model. Already rebar prices were firmed up at ~Rs130k tons now reaching Rs140k tons.

Sanguine reporting 9MFY21...

MUGHAL reported 9MFY21 basic EPS of Rs9.97/sh (adj. EPS of Rs8.59/sh). Earlier MUGHAL also gave small right issue @16% at a price of Rs68/sh.

Rebar rates increasing & also company enjoying good margins in ingots sales...

Also long steel prices increased ~ Rs140k/ton in 4Q – we were earlier took impact of Rs130k tons in our estimations. We see further increase in revenue.

1 Month Range

Rs. 90.63 Rs. 100.87



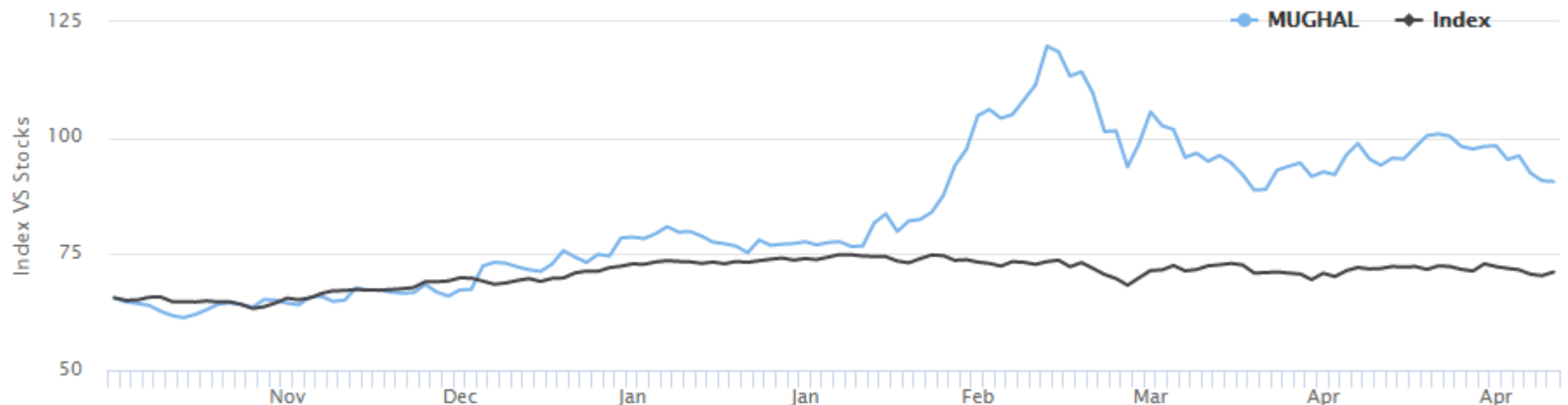
6 Month Range

Rs. 61.29 Rs. 119.75



52 Week's Range

Rs. 38.30 Rs. 124.60



Mughal Steel: FY22 story emerging...

We still expect MUGHAL yearly long steel sales could be 300k tons/ annum or above. MUGHAL EPS could be Rs11.3/sh in FY21 also depending upon export continuation of ingots (we have estimated 11% net margin in that business).

Rs	FY19	FY20	FY21E
Turnover - net	30,828,088,786	27,304,991,323	47,403,900,000
Cost of sales	27,639,095,197	24,687,542,736	40,767,354,000
Gross profit	3,188,993,589	2,617,448,587	6,636,546,000
Sales, marketing	201,591,683	143,886,023	379,231,200
Admin costs	366,851,773	407,031,747	554,625,630
EBIT	2,620,550,133	2,066,530,817	5,702,689,170
Other Exp	123,486,662	53,449,687	402,933,150
Other Income	29,998,500	58,788,294	80,000,000
Operating profit	2,523,751,750	2,068,512,875	5,379,756,020
Finance costs	786,328,489	1,514,785,880	1,390,839,725
PBT	1,737,423,261	553,726,995	3,988,916,295
Tax	364,492,082	39,145,070	1,156,785,726
PAT	1,372,931,179	592,872,065	2,832,130,570
EPS	5.46	2.36	11.26
EPS adj.	4.70	2.03	9.70
DPS	1.20	-	4.00

Valuations...

MUGHAL offers FY21 PE of 8x – 9.3x. Company paid interim dividend of Rs3/sh.

Also it yields FY22 PE of 5x – 6x. We are positive on MUGHAL as per our methodology.

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- 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