



HAYLEYS FABRIC PLC [MGT.N0000]

BOOK PROFITS & DISCONTINUE COVERAGE

“TIME TO BOOK PROFITS!!!”

Fair Value: FY22E - LKR 32.0 [-11%]

Total Return with DPS: FY22E - 10% [AER -16%]

FY23E - LKR 35.0 [-3%]

FY23E -0% [AER 0%]

Previous Report in Jun 2021 – MAINTAIN HOLD

First Capital Research published an earnings update report on 22nd Feb 2021 downgrading the share to HOLD considering the fact that the counter has significantly outperformed the market and no significant adjustments in earnings were required. Following the acquisition of SAT, we expected a short-term gloomy outlook on MGT assuming profitability will get affected due to possible decline in margins considering the losses incurred by SAT during 1Q-3QFY21 and increase in finance costs in the combined entity. Accordingly, we placed the counter under review and maintained the fair value at previous level pending further details pertaining to the announcement.

MGT FY22E and FY23E TP ESTIMATED AT LKR 32.0 and LKR 35.0 – BOOK PROFITS & DISCONTINUE COVERAGE

Post COVID-19, MGT combined entity's earnings recorded at LKR 298.8Mn for 1QFY22 while the bottom line of the individual company recorded at LKR 182.9Mn (+76.1%YoY) compared to LKR 103.9Mn in 1QFY21. Profit growth of the individual company was mainly driven by the improvement in revenue by 39.2%YoY to LKR 4.2Bn amidst the full order book and reduction in Net Finance cost by 74.7%YoY to LKR 17.6Mn. However, GP margin recorded a decline of 146bps to 13.4% in 1QFY22 compared to 14.9% in 1QFY21 attributed to the upward trend in the cotton prices. GP margin of the combined entity recorded at 14.3% in 1QFY22 higher than the individual company GP margin of 13.4% due to the synergetic effect. Considering the strong order book of MGT and further depreciation in LKR, we expect revenue to grow by 87%YoY in FY22E and 25% by FY23E. GP margin is estimated at 14.2% for FY22E and 15.2% for FY23E amidst the higher capacity utilisation which will negate the rise in cotton prices.

Considering the better-than-expected performance in 1QFY22 and substantial depreciation in LKR benefitting MGT, we have upgraded our earnings targets for FY22E and for FY23E while fair values have been upgraded to LKR 32.0 and LKR 35.0 respectively. We believe that stock price may move further on the back of sentiment; however, growth potential of the company post acquisition has been already reflected in the share price. Accordingly, First Capital Research believes that counter has outperformed and is almost near to our upgraded fair values for FY22E and FY23E.

BOOK PROFITS & DISCONTINUE COVERAGE

P/E 31 March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Estimates (LKR 'Mn)							
Revenue	8,965	11,983	12,225	14,769	27,666	34,583	41,499
Gross Profit	944	1,429	1,585	2,019	3,929	5,257	6,308
EBIT	144	470	450	890	1,812	2,436	2,920
Net Profit	-106	181	231	736	1,221	1,580	1,826
Adjusted EPS (LKR)	-0.3	0.4	0.6	1.8	2.9	3.8	4.4
YoY Growth (%)	-244%	272%	28%	218%	66%	29%	16%
Valuations							
PER (x)	N/A	82.5x	64.6x	20.3x	12.2x	9.5x	8.2x
PBV (x)	5.6x	4.7x	4.2x	3.5x	2.9x	2.3x	1.8x
DY (%)	-	-	1.7%	1.7%	1.4%	1.4%	1.4%

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KEY DATA

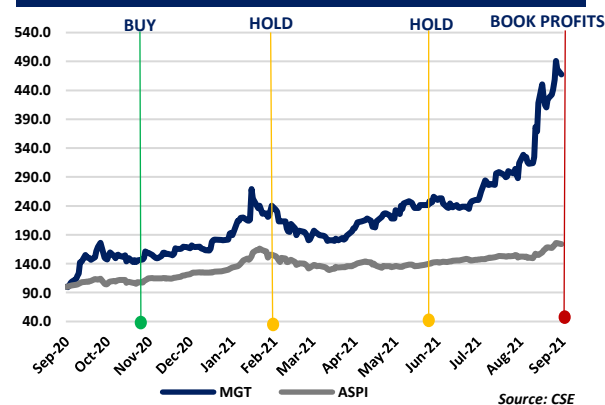
CSE Ticker	MGT.N0000
Bloomberg Ticker	MGT SL
Share Price (LKR)	36.0
52w High (LKR)	37.8
52w Low (LKR)	7.7
Avg. Daily Volume (Shares)*	2,202,891
Avg. Daily Turnover (LKR)*	54,502,439
Issued Share Capital (Shares 'Mn)	415.5
Market Cap (LKR 'Mn)	14,957
Market Cap (USD 'Mn)	72

*1 USD = LKR 207

*Please note that Average Daily Volume and Average Turnover has not been adjusted for the split.

Price Performance (%)	1 mth	3 mths	12mths
MGT	49%	85%	371%
ASPI	14%	22%	74%

Price Movement of MGT vs ASPI and Past Recommendations



Disclosure on Shareholding:

First Capital Group or the covering analyst did not hold 1% or more of the total outstanding share capital of MGT during the five trading days prior to the issuance of this document.

Source: CSE



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