



HAYLEYS FABRIC PLC [MGT.N0000]

DOWNGRADE TO HOLD

“RUPEE DEPRECIATION TO NEGATE THE IMPACT OF SURGE IN COTTON PRICES ”

Fair Value: FY22E - LKR 16.5 [+6%]

Total Return with DPS: FY22E - 13% [AER 11.7%]

Previous Report in Nov 2020 – UPGRADE TO BUY

First Capital Research published an earnings update report on 16th Nov 2020 upgrading the share to BUY (with a fair value of LKR 33.0 or LKR 16.5 adjusted for the share split) considering MGT’s recovery in performance post COVID-19 and due to reaching full capacity amidst the strong order book. Since then, share provided a return of 81% while surging past our target price for FY22E and reaching LKR 41.7.

MGT FY22E TP ESTIMATED AT LKR 16.5 (POST SPILT) – DOWNGRADE TO HOLD

Reflecting the recovery, post COVID-19, MGT’s 09M results has recorded a growth of 44% due to the surge in order book mainly from Tier 1 customers while having reached almost full capacity. Considering the expansions in MGT in Knitting and dyeing capacity and considering a further depreciation in LKR we expect the revenue to grow by 20%YoY in FY21E and 28% by FY22E. GP margin has improved to 14.1% in 3QFY21 and we expect margins to hover in the range of 13%-12.5% in FY21E-22E amidst the higher capacity utilization and due to internal knitting capacity although increase in cotton prices (which is currently hovering at 90.0 USD/lb levels compared to 68 USD/lb in previous year) is expected to create a pressure on margins.

With the better-than-expected performance in 3QFY21, we have upgraded our earnings target by 11% for FY21E and by 4% for FY22E while the fair value for FY22E is estimated broadly in line with the previous target price at LKR 16.5 considering the rerating of the market downwards due to a possible rise in interest rates during the 2H2021. Since First Capital Research believe that counter has significantly outperformed our estimated fair value and requires no significant upgrade in earnings, we **DOWNGRADE TO HOLD**.

P/E 31 March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Estimates (LKR 'Mn)							
Revenue	8,333	8,965	11,983	12,225	14,670	18,778	21,032
Gross Profit	974	944	1,429	1,585	1,907	2,347	2,734
EBIT	202	144	470	450	935	1,150	1,340
Net Profit	74	-106	181	231	686	850	1,031
Adjusted EPS (LKR)	0.2	-0.3	0.4	0.6	1.7	2.0	2.5
YoY Growth (%)	-72%	-244%	272%	28%	196%	24%	21%
Valuations							
PER (x)	87.5x	N/A	35.5x	27.8x	9.4x	7.6x	6.2x
PBV (x)	2.4x	2.4x	2.0x	1.8x	1.7x	1.5x	1.3x
DY (%)	-	-	-	3.9%	6.5%	6.5%	6.5%

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KEY DATA

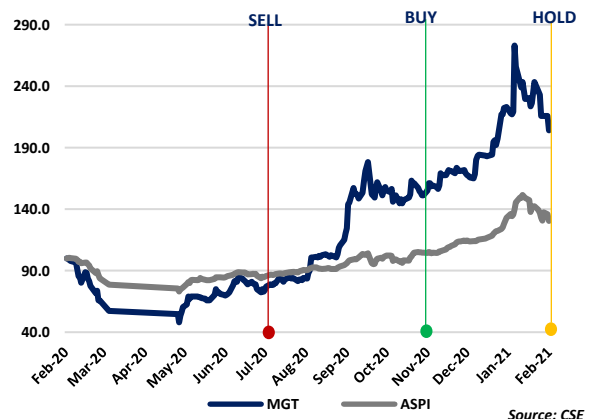
CSE Ticker	MGT.N0000
Bloomberg Ticker	MGT SL
Share Price (LKR)	15.5
52w High (LKR)	20.8
52w Low (LKR)	3.7
Avg. Daily Volume (Shares)*	1,635,620
Avg. Daily Turnover (LKR)*	37,942,768
Issued Share Capital (Shares 'Mn)	415.5
Market Cap (LKR 'Mn)	6,440
Market Cap (USD 'Mn)	33

*1 USD = LKR 196

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

Price Performance (%)	1 mth	3 mths	12mths
MGT	-6%	27%	107%
ASPI	-23%	0%	4%

Price Movement of MGT vs ASPI and Past Recommendations



Source: CSE



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