



Mughal Energy Ltd (GEMMEL) - Analyst Briefing takeaways



AKD Securities Limited

Mughal Energy Ltd (GEMMEL) held its analyst briefing earlier today to brief investors about the upcoming hybrid power project and future outlook. Following are the key points discussed:

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- Mughal Energy Ltd (MEL) is installing a hybrid 36.5MW coal + biofuel power plant using European boiler and turbine technology, where boiler testing is complete, and full commissioning is expected by end-CY25.
- The plant supports multiple fuels including RB-1, local, and Afghan coal. Management guided that energy cost is expected at PkR21–22/kWh, along with capacity cost of PkR7/kWh. Management does not plan to use local coal in the initial phases, as the plant is configured to utilize 30–35% biomass as well.
- Plant's generation efficiency is set at 34.5%. Management anticipates reduction in generation costs due to decline in commodity prices, finance costs, and inclusion of biofuel usage.
- The steel plant has a connected grid 90MW grid capacity, with 32–33MW net generation from MEL to be internally consumed by Mughal Steel. Working capital arrangements are being negotiated with banks.
- Company was initially financed by parent due to steel sector-wide liquidity stress in recent years. Management stated that working capital requirement would be ~PkR1bn to cover three months of imported coal inventory. Furthermore, short-term Sukuk is also a viable option to manage working capital lines.
- Management expects savings of PkR300–350mn annually for the parent from internal power generation of 2.0mn units, which constitutes ~30% of parent's power consumption.
- Management clarified that banks have remained supportive in extending credit lines to the company unlike peers. Furthermore, management pointed out that liquidity woes of the steel sector are in the past now, and expects positive things ahead.
- The scrip is not under our formal coverage



25.95
Price
(PkR/sh)



194.10
Shares (mn)



5,036.98
Market
Capitalization
(PkRmn)



17.80
Market
Capitalization
(USDmn)



0.01
3M Avg
Turnover (°000)



0.02
3M Avg DT Value
(PkR°000)

Price Performance

28.55 8.68% **23.65**
HIGH 1 Month LOW



28.55 29.77% **18.45**
HIGH 52 week LOW



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- Discounted Cash Flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

New Rating Definitions

Buy > 15% expected total return

Neutral > 0% to < 15% expected total return

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