AKD Securities Limited

MEHT — FY25 Analyst Briefing Takeaways

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Mehmood Textile Mills Ltd. (MEHT) held its analyst briefing today to discuss their FY25 results and future outlook. Key highlights are as follows:

- To recall, company's profitability increased by 3.9x YoY to PkR978mn (EPS: PkR32.6) in FY25, compared to PkR250mn (EPS: PkR8.3) in SPLY, primarily led by lower finance cost and a shift back to normal tax regime amid improved profitability.
- Revenue declined by 14%YoY to PkR57.1bn during FY25, mainly due to 68%YoY drop in exports as the company shifted its focus to value-added segments amid the global slowdown and rising competitive pressures.
- In 1QFY26, profitability surged by 2.7x YoY to PkR250mn (EPS: PkR8.3) in 1QFY25, compared to PkR92mn (EPS: PkR2.7) in SPLY, supported by easing finance cost and improved operating margins.
- Improvement in gross margins during 1QFY25 was primarily attributed to shift in product mix towards higher-margin products.
- Management informed that 70% of company's cotton procurement is imported.
- Company's total power requirement stands at 22MW, of which 17.6MW is sourced from in-house renewable energy, while the remainder is met through gas and grid.
- Management guided that company has accelerated work on eco-innovative textiles and EU certifications to command premium pricing and counter increased competition from China following trade diversion to EU post U.S. tariffs.
- Company is diversifying its export markets to Europe and UK, leveraging GSP+ status and focusing on high-value products. Moreover, company is also shifting its product mix toward finer yarns, which offer more stable demand.
- Management is targeting to generate early revenue from MG Apparel to offset the ramp-up cost associated with ongoing expansion.
- Going forward, management intends to continue expanding solar and biomass capacities and aims to reduce energy costs to below US¢10/kWh.
- Company plans to expand its weaving segment into specialized technical textile fabric production over the next two years. Moreover, energy-related BMR is planned in spinning segment to optimize energy consumption.
- On the ESG front, company has initiated traceable organic cotton procurement, with 100% traceability, and aims to become carbon-neutral by FY50.
- The scrip is not under our formal coverage.

296.9
Price (PkR/sh)

30.0
Shares (mn)

8,907.6
Market Capitalization (PkRmn)

31.7
Market Capitalization (USDmn)

0.00
3M Avg Turnover (mn)

0.5
3M Avg DT Value(PkRmn)

Price Performance

HIGH		LOW
300.0	1.8% (1 Month)	274.8
709.8	-44.7% (52 Week)	274.8

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