



## MUGHAL: 2QFY26 Result Review — Lower finance income aids bottomline



AKD Securities Limited

Mughal Iron & Steel Industries Ltd (MUGHAL) announced its financial results earlier today, where the company posted NPAT of PkR665mn (EPS: PkR1.80) for the quarter, up by 3.2x YoY. However, the result is below our expectations due to lower than anticipated gross margins. This takes half-year profitability to PkR1.67bn (EPS: PkR4.51), up 7.7x YoY.

- Net revenue clocked in at PkR21.7bn during the quarter, down 14%YoY. The decline is majorly attributable to weaker ferrous volumes alongside decline in long-steel prices, which averaged at PkR220k/ton during the quarter (vs. PkR230k/ton in SPLY).
- Gross margins clocked in at 9.2%, compared to 8.8% during the period. The slight incline is possibly due to higher copper export prices and lower effective grid tariffs during the period.
- Operating expenses amounted to PkR304mn during the period, up 16%YoY, possibly linked to admin cost adjustments during the period.
- Finance cost provided the most respite, dropping by 40%YoY to PkR924mn, amid lower interest rates and deleveraging during the period. Notably, company's total debt position ended the period at PkR27.5bn, down by 18%YoY.
- Effective tax for the company is estimated at 29% during 2QFY26, compared to 55%/51% in 2QFY26/SPLY.
- Alongside the results, the company disclosed through material information that steam blowing of the boiler and main steam lines for its 36.5MW hybrid power plant has been completed. The plant is currently in the final testing phase and is expected to commence generation and commercial billing by Mar'26.
- We have a 'BUY' stance on MUGHAL with a Dec'26 TP of PkR142/sh.

### MUGHAL: Income Statement (Unconsol)

PkRmn	2QFY26	2QFY25	YoY	1QFY26	QoQ	1HFY26	1HFY25	YoY
Net sales	21,655	25,241	-14%	20,092	8%	41,747	46,825	-11%
Cost of sales	19,657	23,031	-15%	16,645	18%	36,303	42,626	-15%
Gross profit	1,998	2,210	-10%	3,446	-42%	5,444	4,199	30%
Gross margins	9.2%	8.8%		17.2%		26.4%	18.0%	
Opex	304	262	16%	362	-16%	666	513	30%
Finance Costs	924	1,549	-40%	969	-5%	1,892	3,453	-45%
Tax	270	256	6%	1,023	-74%	1,294	172	653%
NPAT	665	210	217%	997	-33%	1,663	217	666%
EPS	1.80	0.57	217%	2.70	-33%	4.51	0.59	666%
DPS	-	-		-		-	-	

Source: PSX &amp; AKD Research

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## Valuation Methodology

To arrive at our period end target prices, AKDS uses different valuation techniques including:

- 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

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NEUTRAL > 0% to < 15% expected total return  
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