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REP 019

MUGHAL 1QFY27 Result Review — Margin compression drags profitability

AKD Securities Limited

Mughal Iron & Steel Industries Ltd (MUGHAL) reported its 1QFY27 financial results today, posting a NPAT of PkR224.0mn (EPS: PkR0.6), down 78%YoY compared to PkR997mn (EPS: PkR2.7) in SPLY. The result is below our expectations due to drop in gross margins compared to estimate.

- Net sales declined 15%YoY to PkR17.1bn (vs PkR20.1bn in 1QFY26), mainly impacted by sluggish export offtakes from the non-ferrous segment, while ferrous sales volumes grew during the period as per company transmission.
- Gross profit dropped 58%YoY to PkR1.4bn (vs PkR3.4bn in SPLY), with gross margins contracting significantly to 8.4% (vs 17.2% in 1QFY26) due to suspension of non-ferrous offtakes during the period.
- Lower margins was also due to the commencement of Mughal Energy Ltd 31.5MW hybrid power plant on Aug 31st, with plant factor standing at 68% during the first month of operation.
- Company's inventory levels increased to PkR17.7bn (vs PkR11.9bn in previous quarter), while trade debts stood clocked in at PkR21.6bn (up 31%YoY). The increase in inventory is in-line with growth in local ferrous offtakes required to maintain optimal working capital levels.
- Company's total debt stood at PkR36.9bn (up 32%YoY) as of quarter end, with company issuing PkR2.0bn of long-term Sukuk during the period.
- Operating expenses fell 8%YoY to PkR333mn (vs PkR362mn in 1QFY26) while finance cost declined 16%YoY to PkR815mn (vs PkR969mn in 1QFY26).
- Effective taxation stood at 35% during 1QFY27 (vs. 51% in SPLY).
- We maintain our 'BUY' stance on MUGHAL which is supported by captive power cost efficiency, leading market share in rebar/girders, and growth in construction demand moving forward. However, key risks include the temporary suspension of non-ferrous operations reported by management, PSDP disbursement delays, and price volatility of finished goods.

MUGHAL: Income Statement

PkRmn	1QFY27	1QFY26	YoY	4QFY26	QoQ
Net sales	17,149	20,092	-15%	17,849	-4%
Gross profit	1,449	3,446	-58%	1,602	-10%
Gross margins	8.4%	17.2%	-	9.0%	-
Opex	333	362	-8%	477	-30%
Finance Costs	815	969	-16%	1,070	-24%
Tax	119	1,023	-88%	-296	-140%
NPAT	224	997	-78%	364	-39%
EPS	0.61	2.70	-78%	0.99	-39%
DPS	-	-	-	2.0	-

Source: PSX & AKD Research

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- Relative Valuation (P/E, P/B, P/S etc.)
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