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MUGHAL — FY26 Analyst Briefing takeaways

AKD Securities Limited

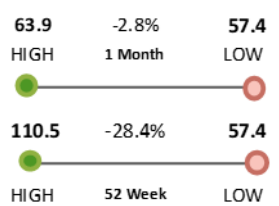
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Mughal Iron and Steel Industries Ltd (MUGHAL) held its analyst briefing earlier today to brief investors about the FY26 financial Results and future outlook:

- To recall, MUGHAL posted FY26 standalone earnings of PkR2.5bn (EPS: PkR6.8), up 158%YoY from PkR966mn (EPS: PkR2.8) in SPLY, alongside a final cash dividend of PkR2.0/sh.
- Ferrous volumes saw modest growth in FY26, led by girders (132k vs. 118k MT) and rebar (193k vs. 191k MT) while billet declined (11k vs. 20k MT). Non-ferrous volumes continued to contract sharply across both copper ingots (2.8k vs. 5.2k MT) and waste products (2.8k vs. 13.7k MT).
- Average selling prices declined across both segments in FY26, with ferrous prices softening across Rebar (PkR211k vs. PkR226k/MT), Girders (PkR220k vs. PkR237k/MT), and Billet (PkR118k vs. PkR200k/MT), alongside a steeper drop in non-ferrous copper realized prices (PkR2.1mn vs. PkR2.8mn/MT).
- Management stated that FY27 order books are overbooked, led by infrastructure demand (bridges, dams, and connectivity roads) via long-term contracts, while retail/homeowner demand to grow post-Ramadan as new SBP and commercial bank low-cost housing schemes gain traction.
- Round-trip Karachi-to-Lahore currently cost Mughal PkR8k–9k/MT (via rail), representing a significant cost advantage over prevailing road transport cost of PkR15k–16k/MT.
- 1.5–2.0mn MT of domestic steel demand remains in the undocumented sector, where management believes that documented players can benefit if authorities enforces into the tax net, similar to the recent FATA/PATA tax documentation.
- Company's subsidiary Mughal Energy Ltd commissioned its 31.5MW main turbine and has also approved a 25MW solar project earlier this month.
- Power demand is met via 18–19MW from Mughal Energy's coal-hybrid captive plant with the balance drawn from the national grid, where coal generation offers a PkR1.5–2.0/kwh cost advantage over grid tariffs. The newly approved 25MW solar project at Mughal Energy Ltd is earmarked to offset internal auxiliary consumption at the generation facility.
- Under the five-year National Tariff Policy, tariff reductions are being phased in gradually over five years and the industry has ample time to adapt to it as per management.
- Resumption of copper exports remains on hold due to volatility in international prices alongside thin margins of under 10% as per management.
- Management confirmed that a post-war stabilization of copper prices within the USD10.0k–12.0k/MT band alongside reduced logistical issues would restore commercial feasibility of the segment.
- Management also flagged a proposed May'27 European/Basel export ban on non-ferrous scrap to non-OECD countries like Pakistan is a key risk.
- Motor scrap is imported from the US and Europe, with average scrap-to-finished yield is 14–15%.
- 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 suspension of non-ferrous operations reported by management, PSDP disbursement delays, and price volatility of finished goods.

61.0	335.6
Price (PkR/sh)	Shares (mn)
20,477.0	74.0
Market Capitalization (PkRmn)	Market Capitalization (USDmn)
0.539	36.3
3M Avg Turnover (mn)	3M Avg DT Value(PkRmn)

Price Performance



Source: PSX & AKD Research

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