AHL Alert | 15-Sep-2026

Engineering: Mughal Iron and Steel Industries Limited

Result Review: Mughal FY26 arrived at PKR 7.41/share

ARIF HABIB LIMITED

REP-300

Mughal Iron and Steel Industries Limited announced its FY26 financial results today, reporting a 2.6x YoY increase in profit to PKR 2,487mn (EPS: PKR 7.41), compared to PKR 966mn (EPS: PKR 2.88) in SPLY. The strong earnings growth was primarily driven by improved gross margins, lower finance costs, and higher other income. However, 4QFY26 EPS stood at PKR 1.08, down 29% YoY, reflecting a weaker quarterly performance compared to SPLY. After a two year gap, the company also announced a DPS of PKR 2, in line with its historical payout ratio of 27%.

Result Highlights

- FY26 revenue declined 13% YoY to PKR 77,958mn, while cost of sales fell 15% YoY to PKR 69,301mn, supporting gross margin expansion to 11% from 9%. The improvement was driven by a 5% YoY decline in electricity tariffs and stable utilization, despite a 3% YoY increase in international scrap prices and a 1% decline in rebar prices, which compressed the scrap-to-rebar spread by 15%.
- Other income increased 2.7x YoY to PKR 549mn, mainly driven by markup income on the loan extended to the subsidiary at 3M KIBOR + 2.25%.
- Finance costs declined sharply by 33% YoY to PKR 3,821mn in FY26, compared to PKR 5,723mn in FY25, primarily driven by lower borrowing costs during the year.
- Total debt rose 36% YoY and 16% QoQ to PKR 38,066mn in 4QFY26, while cash and equivalents increased to PKR 7,692mn from PKR 3,331mn in 4QFY25 and PKR 3,623mn in 3QFY26, partly offsetting the higher debt burden.
- The effective tax rate of FY26 arrived at 31% as compared to 29% in FY25.

Recommendation

- The stock is trading at FY27e/FY28f PE of 11x/8.5x.

Exhibit: Financial Highlights

(PKR mn)	FY26	FY25	YoY	4QFY26	4QFY25	QoQ
Net Revenue	77,958	89,414	-13%	17,849	23,246	-3%
Cost of Sales	69,302	81,276	-15%	16,247	20,976	-3%
Gross Profit	8,657	8,138	6%	1,602	2,269	-1%
Admin Exp.	1,176	904	30%	406	246	63%
Distribution Exp.	239	228	5%	71	48	188%
Other Exp.	375	149	151%	107	107	124%
Other Income	549	223	146%	119	108	-14%
Finance Cost	3,821	5,723	-33%	1,070	1,132	24%
PBT	3,594	1,357	165%	68	859	-88%
Taxation	1,106	392	182%	-296	306	nm
PAT	2,487	966	158%	364	513	-21%
EPS (PKR)*	7.41	2.88		1.08	1.53	
DPS (PKR)*	2	-		2	-	
Ratio Analysis						
Gross Margins	11.10%	9.10%		9.00%	9.80%	
Net Margins	3.20%	1.10%		2.00%	2.40%	
Return on Equity	7.60%	3.50%		7.60%	3.50%	
Return on Assets	3.20%	1.40%		3.20%	1.40%	
Effective Tax Rate	30.80%	28.90%		nm	35.60%	

Source (s): Company Financials, AHL Research, *@ current no. of shares.

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