

Pakistan Cements

15 September 2026

Mughal Iron & Steel Industries Ltd. (MUGHAL PA)

4QFY26 Result Review: Earnings under pressure amid rising leverage

Mughal Iron and Industries Ltd. (MUGHAL) reported consolidated NPAT of PKR312mn for 4QFY26 (EPS: PKR0.84), down 26% QoQ and 29% YoY. Earnings came in lower than our expected EPS of PKR1.23, with the deviation stemming mainly from higher than expected operating and finance costs. This brings FY26 NPAT to PKR2.2bn, up 2.6x YoY. The company announced a final cash dividend of PKR2/sh.

Key Highlights of 4QFY26 result:

- Net sales clocked in at PKR17.8bn, down 22% YoY, despite improved construction activity (domestic cement sales up 6.6% YoY during the quarter), the company experienced heightened competitive pressures, in addition to the absence of copper exports, which had contributed to sales in the same period last year.
- Gross margins were recorded at c.9%, down 1ppt YoY where absence of high margin copper exports dampened margins.
- Total operating expenses were recorded at PKR564mn, up 34% YoY, which squeezed operating profit to PKR1.1bn down 41% YoY as the company focused more on expanding its ferrous sales in the domestic market.
- Finance Cost was recorded at PKR1.1bn flat on a YoY basis but up 29% sequentially on account of a hike in the policy rate by the SBP and a 23% QoQ increase in total borrowings.
- The company booked a tax reversal of PKR296mn, compared to an ETR of 41% SPLY, which helped bolster the meager PBT of PKR16mn (down 98% YoY).

Mughal delivered a weak quarter, with PAT near breakeven excluding the tax reversal. Elevated borrowings of c.PKR45bn remain a key concern and are likely to continue weighing on earnings. We remain optimistic on the government's efforts to curb smuggling from FATA/PATA through higher sales taxes and electricity-bill-based tax collection, which should benefit formal sector players. The commissioning of Mughal's 31.5MW captive power plant should also support energy savings, although higher coal prices may limit near-term benefits. We maintain our Buy stance with a TP of PKR105/sh.

MUGHAL 4QFY26 Result - Consolidated

(PKRmn)	4QFY26	4QFY25	YoY	QoQ	FY26	FY25	YoY
Sales	17,849	22,811	-22%	-3%	77,958	88,979	-12%
Cost of sales	16,231	20,588	-21%	-3%	69,261	80,887	-14%
Gross Profit	1,618	2,223	-27%	0%	8,697	8,092	7%
Sales & Marketing Expense	71	48	49%	188%	239	228	5%
Adming & Gen. Expense	415	258	61%	61%	1,217	930	31%
Other Expense	76	136	-44%	60%	375	173	117%
Operating Profit	1,056	1,782	-41%	-18%	6,865	6,762	2%
Other Income	17	21	-20%	-72%	189	107	76%
Finance Cost	1,056	1,057	0%	29%	3,754	5,648	-34%
Profit Before Taxation & Levies	16	746	-98%	-97%	3,300	1,244	165%
Taxation & Levies	(296)	306	n.m.	n.m.	1,106	392	182%
Profit After Taxation	312	440	-29%	-26%	2,194	852	157%
Profit (attributable to equity holders)	312	441	-29%	-26%	2,193	854	157%
EPS (PKR)	0.84	1.20	-29%	-26%	5.95	2.32	157%
DPS (PKR)	2.00	-			2.00	-	

Source: Company Accounts, IMS Research

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Ratings Guide*	Criteria
Buy	Total return expectation of $\geq 15\%$ or expected to outperform the KSE-100 index
Neutral	Total return expectation of $> -5\%$ or expected to match the return of KSE-100 index
Sell	Expected downside of more than 5% or expected to underperform the KSE-100 index

*Based on 12 month horizon unless stated otherwise in the report.

Valuation Methodology: We use multiple valuation methodologies in arriving at a Target Price including, but not limited to, Discounted Cash Flow (DCF), Dividend Discount Model (DDM) and relative multiples based valuations.

Risks: i) Extended period of weak construction activity in Pakistan, (ii) increase in interest rates, and (iii) sudden surge in global steel scrap prices.

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