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

Shahmir Ahmed Malik
shahmir.malik@imsecurities.com.pk
+92-111-467-000 (Ext.307)

I, Shahmir Ahmed Malik, certify that the views expressed in the report reflect my personal views about the subject securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations made in this report. I further certify that I do not have any beneficial holding of the specific securities that I have recommendations on in this report.

Ratings Guide*	Criteria
Buy	Total return expectation of ≥ 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.

RESEARCH DISCLOSURES

Third Party Research

This is third party research. It was prepared by Intermarket Securities Limited (IMS), with headquarters in Karachi, Pakistan. Intermarket Securities Limited (IMS) is authorized to engage in securities activities according to its domestic legislation. Intermarket Securities Limited (IMS) has sole control over the contents of this research report.

Intermarket Securities Limited (IMS) is the employer of the research analyst(s) responsible for the content of this report and research analysts preparing this report are resident outside the U.S. and are not associated persons of any U.S. regulated broker-dealer. The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

None of the materials provided in this report may be used, reproduced, or transmitted, in any form or by any means, electronic or mechanical, including recording or the use of any information storage and retrieval system, without written permission.

Disclaimers

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Frontier and Emerging Market laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Frontier and Emerging Market securities are often not issued in physical form and registration of ownership may not be subject to a centralized system. Registration of ownership of certain types of securities may not be subject to standardized procedures and may even be effected on an ad hoc basis. The value of investments in Frontier and Emerging Market securities may also be affected by fluctuations in available currency rates and exchange control regulations. Not all of these or other risks associated with the relevant company, market or instrument which are the subject matter of the report are necessarily considered.

Intermarket Securities Limited (IMS) is not registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and other "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Distribution outside US

This report is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Tellimer. Tellimer shall accept no liability whatsoever for the actions of third parties in this respect. This report is for distribution only under such circumstances as may be permitted by applicable law.

This report may not be used to create any financial instruments or products or any indices. Neither Tellimer, nor its members, directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information herein.

United Kingdom: Distributed by Exotix Partners LLP only to Eligible Counterparties or Professional Clients (as defined in the FCA Handbook). The information herein does not apply to, and should not be relied upon by, Retail Clients (as defined in the FCA Handbook); neither the FCA's protection rules nor compensation scheme may be applied.

UAE: Distributed in the Dubai International Financial Centre by Exotix Partners LLP (Dubai) which is regulated by the Dubai Financial Services Authority ("DFSA"). Material is intended only for persons who meet the criteria for Professional Clients under the Rules of the DFSA and no other person should act upon it.

Other distribution: The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction