

Mughal Iron & Steel Industries Limited

Annual Report Key Takeaways

REP-300

MUGHAL published its FY26 Annual Report today. Below are the key takeaways:

Steel Industry Overview

- Pakistan's long-steel demand remains structurally supported by population growth, urbanization, housing shortages and infrastructure development, with additional demand coming from rural housing, agricultural infrastructure and distributed solar installations.
- FY2026 saw a gradual recovery in steel demand amid improving macroeconomic stability; however, elevated energy costs, taxation, subdued investment and volatile raw-material prices continued to pressure industry profitability.
- Geopolitical tensions, particularly in the Middle East, added uncertainty through their impact on energy prices, freight costs, supply chains and inflation.
- Despite near-term challenges, the sector's long-term outlook remains resilient due to Pakistan's continuing housing and infrastructure requirements.

Copper Industry Overview

- The global copper market remained highly volatile during FY26 due to geopolitical developments, US-China trade dynamics and uncertainty in international trade policies, resulting in significantly higher copper prices.
- The increase in copper prices was not matched by the value of the ferrous component of recyclable scrap, materially increasing the risk profile of the recycling business.
- As copper is the principal value component of imported motor and compressor scrap, price volatility affected procurement costs, recoverable values, inventory valuation and trading margins, particularly because of the time lag between procurement and sale.
- In response to these risks, the Group adopted a more selective approach toward non-ferrous operations and emphasized disciplined risk management.

Business, Financial & Operational Review

Consolidated Performance

- Consolidated gross sales declined due to lower average selling prices and reduced export volumes, while ferrous sales volumes increased as the Group strengthened its domestic-market focus; non-ferrous volumes declined due to a more selective approach amid market volatility.
- Despite lower revenue, gross margins improved due to a favorable sales mix, enhanced operational efficiencies and disciplined inventory management, supporting the Group's focus on sustainable and value accretive growth.

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- The Group's 36.50 MW captive hybrid power project progressed during the year, with the main 31.50 MW turbine commissioned and achieving COD on 31st Aug'26.
- The consolidated asset base increased by PKR 24.73bn, resulting in net worth of PKR 36.62bn as at 30th Jun'26 including PKR 36.25bn attributable to equity holders.

Standalone Financial Performance

- Gross sales declined to PKR 90.92bn from PKR 102.79bn, while profit increased significantly to PKR 2.49bn from PKR 0.97bn, supported by higher ferrous volumes, improved sales mix, operational efficiencies and disciplined inventory management. Finance costs declined due to lower benchmark interest rates, while administrative expenses increased due to higher employee-related costs and debt-instrument fees.
- Asset base increased by PKR 18.40bn, with net worth rising to PKR 36.22bn from PKR 28.82bn. Long-term borrowings increased by PKR 10.00bn from UBL for working capital and PKR 1.96bn from Bank of Punjab for BMR CAPEX, while inventories declined and trade receivables increased. A PKR 2.50bn loan was provided to Mughal Energy, of which PKR 1.86bn was repaid.

Operational Performance

- Ferrous production increased across both melting and rolling operations, with melting production rising 15.46% to 347,140 MT and rolling mill production increasing 6.44% to 325,171 MT, reflecting the Group's stronger focus on its core steel business.
- Copper ingot production increased to 1,662 MT from 975 MT, while the recycling plant remained non-operational compared with 38,773 MT of feedstock processed in the previous year, consistent with the Group's cautious approach toward non-ferrous operations.

Dividends and Appropriations

- The Board, at its meeting held on 15th Sep'26, proposed a final cash dividend of PKR 2.00/share.

Future Outlook and Key Trends

- Improving macroeconomic conditions, housing and infrastructure initiatives, and structural demand drivers are expected to support long-steel demand, while the Group's focus on rebars, girders and value-added products, supported by the BMR project, is expected to strengthen its ferrous segment.
- The Group will remain cautious on non-ferrous operations, with commodity volatility, geopolitical tensions, energy and freight costs posing key risks.

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