

Higher Sales to drive profitability

- We expect TSL Steel Universe to post a PAT of ~PKR 1.3Bn in 1QFY27, on the back of growth in sales by ~3%QoQ (due to higher construction demand) along with improving cost efficiencies i.e. Gross margin went up by 3pptsQoQ to 13% in 1QFY27; mainly due to decline in the raw material prices and increase in CRC-HRC spread. On the Company front, AGHA announced a Bilateral Restructuring Agreement ("RA") with BAHIL for a tenor of up to 10 years - effective Jul'26 onwards. However, we have not assumed any material impact of the same on the upcoming quarterly result. We expect drop in the finance cost in the coming quarters.
- Nevertheless, we expect construction activities to revive during FY27, reflecting favorable budgetary measures i.e. Higher PSDP amounting to PKR 1Trn for the year, allocated PKR 16.4Bn for the housing sector, increase in GST on FATA/PATA to 12% and accelerating "Apna Ghar program", benefiting MUGHAL, ASTL, AGHA & INIL in the TSL Universe. However, flat steel players (ISL in TSL Universe) is expected to remain under pressure due to lower CRC-HRC spreads as trading activities across the region plummeted on the back of the US-Iran war which is currently putting pressure on the Chinese industrial sectors (lower demand to narrow CRC-HRC margins).

ISL: 1QFY27 EPS to clock-in at PKR 3.0

ISL: Result Preview - 1QFY27E

PKR (Mn)	1QFY27E	1QFY26A	YoY	4QFY26A	QoQ
Sales	25,114	20,919	20%	26,073	-4%
Cost of sales	(21,347)	(18,566)	15%	(22,532)	-5%
Gross profit	3,767	2,353	60%	3,541	6%
Finance cost	(251)	(274)	-8%	(240)	5%
Other income	38	18	1.1x	38	-1%
Profit after tax	1,316	620	1.1x	1,265	4%
EPS	3.0	1.4		2.9	
DPS	NIL	NIL		3.0	

Source: Company Accounts & TSL Research

- Net sales are expected to clock-in at ~PKR 25Bn in 1QFY27, down 4%QoQ on the back of ~10%QoQ decrease in automobile sales. Although, construction activities surged during the quarter, increasing ISL's contribution of Galvanized steel sales, overall. Gross margins to hover at 15% in 1QFY27, up 1pptsQoQ on account of higher CRC-HRC spreads i.e. up 9%QoQ to USD 70/ton. Lastly, PAT is expected to arrive at PKR 1.3Bn in 1QFY27, up 4%QoQ (1QFY27 EPS to clock-in at PKR 3.0).

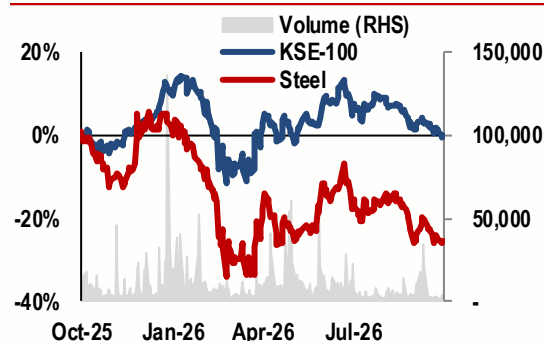
TSL Steel Universe - 1QFY27E

PKR	EPS
ISL	3.0
MUGHAL	0.4
INIL	2.4
INIL*	7.3
ASTL	0.4
AGHA	(1.2)

Source: Company Accounts & TSL Research

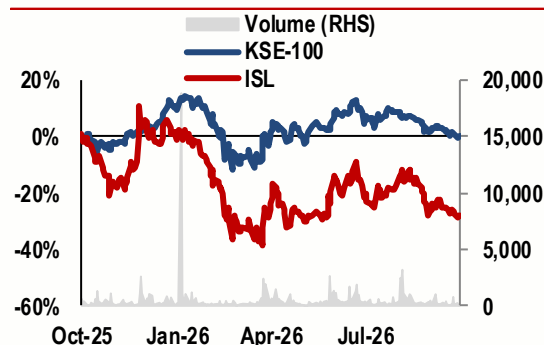
*Consolidated

12 Month Relative Performance of Steel



Source: PSX and TSL Research

12 Month Relative Performance of ISL



Source: PSX and TSL Research

Taurus Research

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INIL: 1QFY27 EPS to clock-in at PKR 7.3

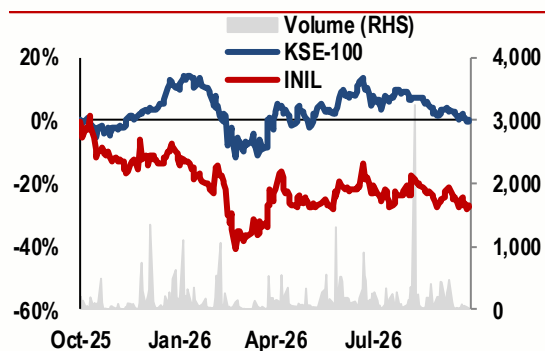
INIL(Consolidated): Result Preview - 1QFY27E

PKR (Mn)	1QFY27E	1QFY26A	YoY	4QFY26A	QoQ
Sales	31,192	27,881	12%	33,026	-6%
Cost of sales	(26,186)	(24,490)	7%	(27,953)	-6%
Gross profit	5,006	3,391	48%	5,073	-1%
Finance cost	(389)	(418)	-7%	(380)	2%
Other income	99	12	7.5x	178	-45%
Share of profit from associates etc.	(24)	(3)	6.0x	(123)	-81%
Profit after tax	1,442	609	1.4x	1,913	-25%
Profit Attributed to Owners	959	338		1,360	
EPS	7.3	2.6		10.3	
DPS	NIL	NIL		5.0	

Source: Company Accounts & TSL Research

- Net sales to clock-in at ~PKR 31.2Bn in 1QFY27, down 6%QoQ mainly due to decline in sales from Steel Coil and Pipe segments by ~4%QoQ and ~11%QoQ, respectively.
- This decline is likely to be attributed to lower automobile sales and sluggish PSDP utilization in 1QFY27 i.e. ~PKR 61Bn utilized against authorized funds of ~PKR 221Bn (~22% utilization in the quarter) - Steel Pipe sales is mostly aligned with the ongoing large public sector projects. On the other side, Polymer Pipe segment to post a sales growth of ~3%QoQ in 1QFY27; driven by increase in construction activities.

12 Month Relative Performance of INIL



Source: PSX and TSL Research

INIL (Standalone): Result Preview - 1QFY27E

PKR (Mn)	1QFY27E	1QFY26A	YoY	4QFY26A	QoQ
Sales	7,082	7,302	-3%	7,420	-5%
Cost of sales	(5,693)	(6,388)	-11%	(5,981)	-5%
Gross profit	1,390	914	52%	1,439	-3%
Finance cost	(129)	(142)	-9%	(139)	-7%
Other income	60	609	-90%	43	39%
Profit after tax	316	597	-47%	393	-20%
EPS	2.4	4.5		3.0	

Source: Company Accounts & TSL Research

- Gross margin is likely to increase by 1pptsQoQ to 16% in 1QFY27 on account of decline in the raw material prices i.e. Ehylene and PVC prices dropped by ~19%QoQ and ~13%QoQ, respectively. Further supported by improvement in CRC-HRC spreads. Moreover, 1QFY27 PAT is expected to arrive at PKR 959Mn, down 25%QoQ due to lower sales volume along with higher taxation (EPS of PKR 7.3).

ASTL: 1QFY27 EPS to arrive at PKR 0.4

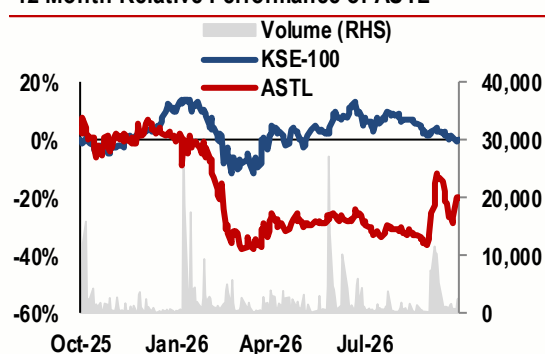
ASTL: Result Preview - 1QFY27E

PKR (Mn)	1QFY27E	1QFY26A	YoY	4QFY26A	QoQ
Sales	9,571	2,793	2.4x	8,304	15%
Cost of sales	(8,327)	(2,774)	2.0x	(7,259)	15%
Gross profit	1,244	19	N/M	1,045	19%
Finance cost	(134)	(873)	-85%	(118)	13%
Other income	48	70	-32%	(448)	N/M
Profit/(Loss) after tax	121	(790)	N/M	(320)	N/M
EPS / (LPS)	0.4	(2.7)		(1.0)	
DPS	NIL	NIL		NIL	

Source: Company Accounts & TSL Research

- ASTL's topline to clock-in at ~PKR 9.6Bn, up 15%QoQ; driven by increase in the long steel volumes due to uptick in construction demand mainly in the South Region. Therefore, we expect construction activities to revive during FY27 due to favorable budgetary measures i.e. allocated PKR 16.4Bn for the housing sector under Federal PSDP along with accelerating 'Apna Ghar Program'. Gross margin is expected to arrive at ~13% during 1QFY27. Finally, PAT is expected to record at PKR 121Mn in 1QFY27 (EPS of PKR 0.4).

12 Month Relative Performance of ASTL



Source: PSX and TSL Research

AGHA: 1QFY27 LPS to clock-in at PKR 1.2

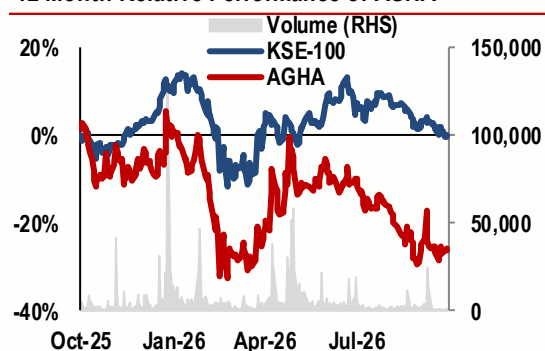
AGHA: Result Preview - 1QFY27E

PKR (Mn)	1QFY27E	1QFY26A	YoY	4QFY26A	QoQ
Sales	1,759	2,162	-19%	1,066	65%
Cost of sales	(1,724)	(2,493)	-31%	(2,331)	-26%
Gross profit	35	(331)	N/M	(1,265)	N/M
Finance cost	(528)	(731)	-28%	(520)	1%
Other income	9	18	-51%	(4)	N/M
Profit/(Loss) after tax	(726)	(1,169)	-38%	(2,010)	-64%
LPS	(1.2)	(1.9)		(3.1)	
DPS	NIL	NIL		NIL	

Source: Company Accounts & TSL Research

- Sales are expected to arrive at ~PKR 1.8Bn, up significantly by 65%QoQ due to increase in construction activities. Gross margin to hover at 2% in 1QFY27. Albeit, higher cost of production and lower capacity utilization will keep the margins under pressure, going forward. Further, AGHA has announced a Bi-lateral Restructuring Agreement ("RA") with BAHF for a tenor of up to 10 years—representing ~30% of the aggregate exposure in the lender pool. This will help AGHA to reduce its finance cost burden and improve overall profitability, going forward. Although, we have not incorporated the impact of restructuring in 1QFY27 (reflected in Jul'26) due to uncertain conditions for the treatment - we await further clarity on this.

12 Month Relative Performance of AGHA



Source: PSX and TSL Research

MUGHAL: 1QFY27 EPS to clock-in at PKR 0.4

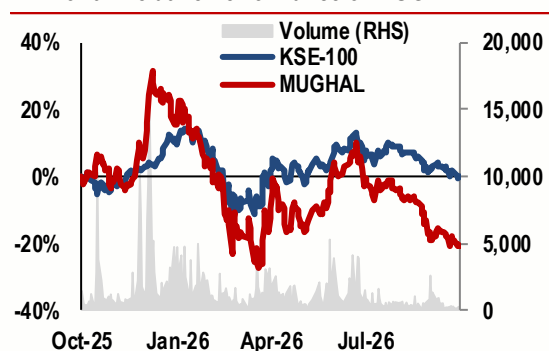
MUGHAL: Result Preview - 1QFY27E

PKR (Mn)	1QFY27E	1QFY26A	YoY	4QFY26A	QoQ
Sales	19,080	20,092	-5%	17,849	7%
Cost of sales	(17,363)	(16,645)	4%	(16,247)	7%
Gross profit	1,717	3,446	-50%	1,602	7%
Finance cost	(1,011)	(969)	4%	(1,070)	-5%
Other income	86	128	-33%	88	-3%
Profit after tax	141	997	-86%	364	-61%
EPS	0.4	2.7		1.0	
DPS	NIL	NIL		2.0	

Source: Company Accounts & TSL Research

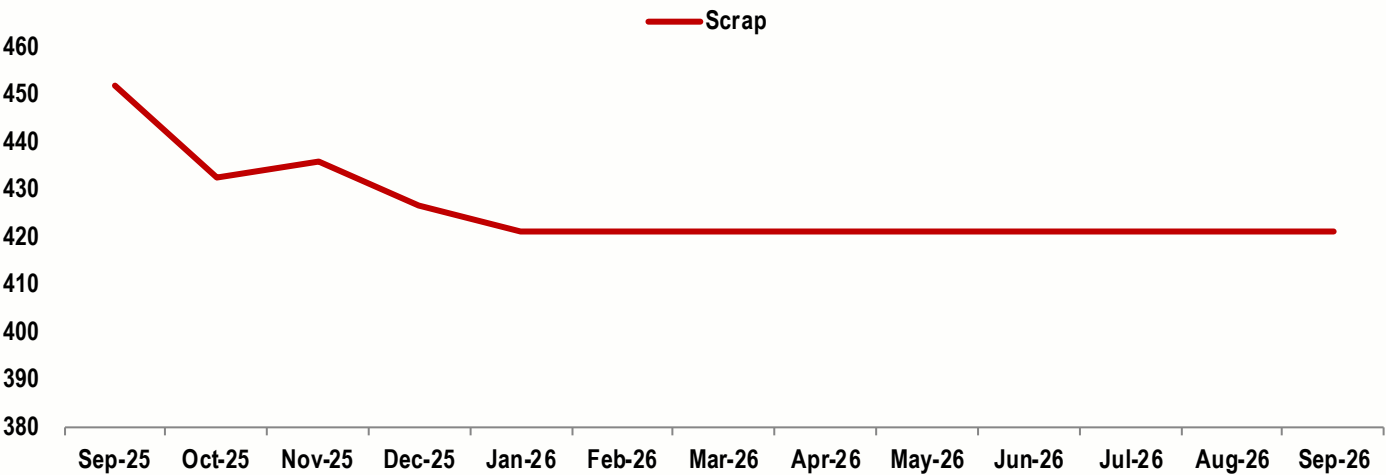
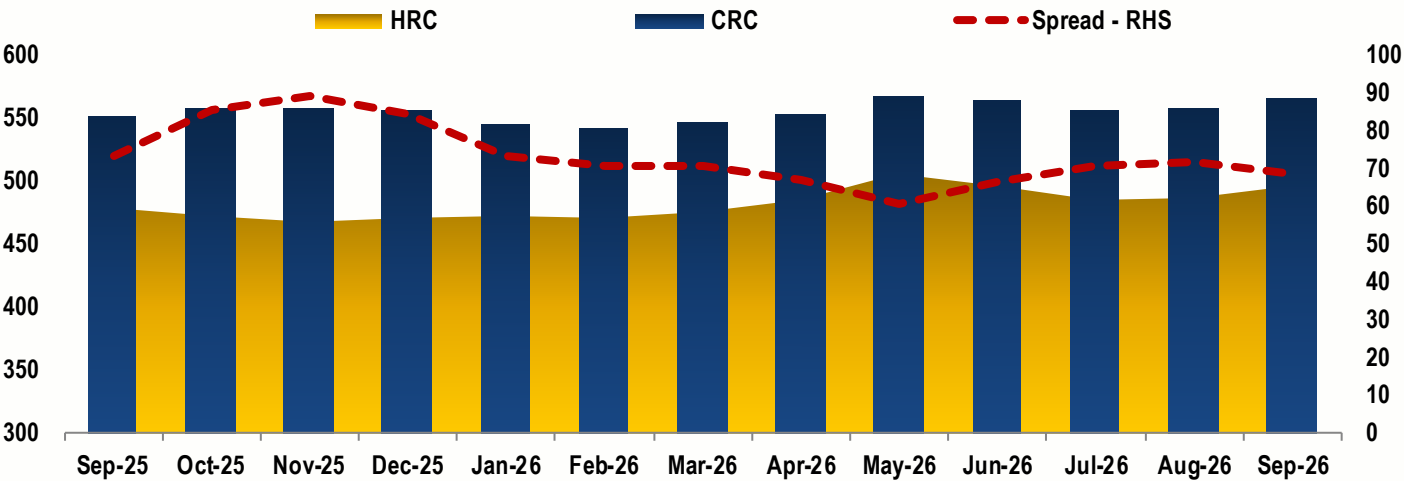
- Net sales are expected to clock-in at ~PKR 19Bn in 1QFY27, up 7%QoQ mainly due to increase in volumes specifically in the ferrous category on account of higher demand from the construction sector. Gross margins to hover ~9% in 1QFY27. Further, PAT is expected to arrive at PKR 141Mn in 1QFY27 (EPS of PKR 0.4), down 61%QoQ due to higher taxation i.e. DTL adjustment in 4QFY26.
- In the Ferrous segment, we anticipate gradual demand recovery during FY27; supported by various ongoing housing schemes i.e. 'Apna Ghar Program' scheme, 'National Housing Policy' along with favorable budgetary measures announced in the Federal Budget FY27 i.e. increase in sales tax on FATA/PATA from 10% to 12% along with allocation of funds to the housing sector. This will help MUGHAL increase overall sales volume. Further, commencement of 36.5MW hybrid power plant will also reduce overall cost of production and improve gross margins, going forward.
- On the other hand, we anticipate limited growth from non-ferrous business due to ongoing geopolitical conflicts i.e. US-Iran escalation, and slowdown of industrial demand in China – major importer of copper & ingots.

12 Month Relative Performance of MUGHAL



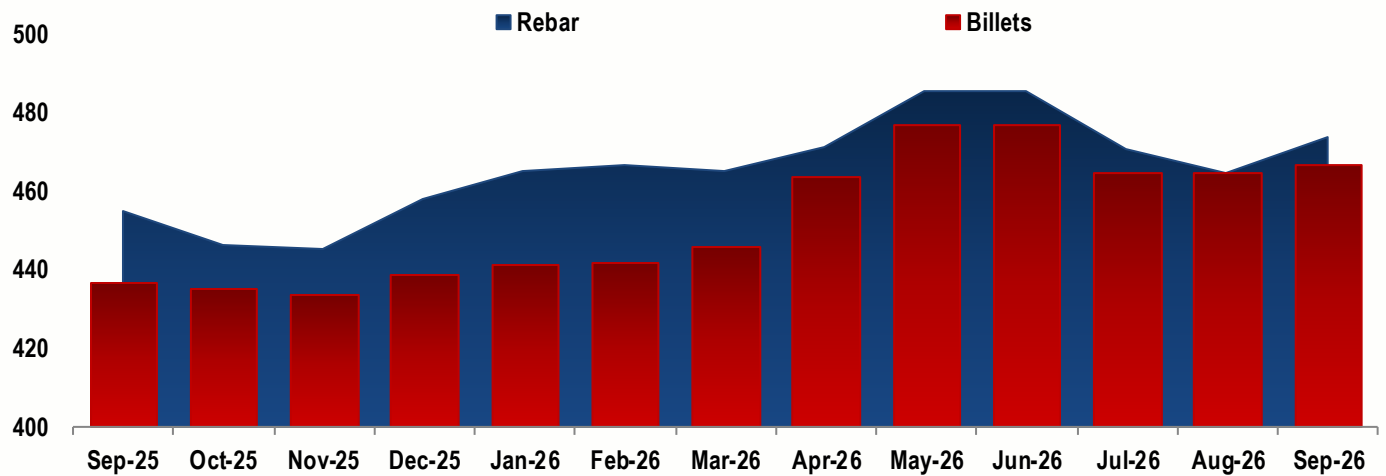
Source: PSX and TSL Research

HRC, CRC & Scrap Prices - USD per ton



Soruce: Bloomberg & TSL Research

Rebar & Billet Prices - USD per ton



Soruce: Bloomberg & TSL Research

SECP Research Entity Notification Number: REP-040

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Valuation Methodology

To arrive at our period end target prices, TSL uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: <https://jamapunji.pk/>

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/BVPS	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	JPB	Justified Price to Book