## RATING REPORT

## Mughal Iron & Steel Industries Limited

### **REPORT DATE:**

December 8, 2023

#### **RATING ANALYSTS:**

Saeb Muhammad Jafri saeb.jafri@vis.com.pk Muhammad Subhan subhan@vis.com.pk

RATING DETAILS				
	Latest Rating Previous Rating			Rating
Rating Category	Long-	Short-	Long-	Short-
	Term	term	Term	term
Entity	A+	A-1	A+	A-1
Rating Date	December 8, 2023		March 31, 2023	
Rating Outlook	Stable		Rating Watch-Negative	
Rating Action	Maintained		Maintained	
Sukuk	A+		A+	
Rating Date	December 8, 2023		March 31, 2023	
Rating Outlook	Sta	ıble	Rating Watch-Negative	
Rating Action	Maint	ained	Maintained	

COMPANY INFORMATION	
	External auditors:
La company de de 2010	M/s Fazal Mahmood & Company Chartered Accountants
Incorporated in 2010	M/s Muniff Ziauddin & Co. Chartered Accountants
	Chairman of the Board: Mr. Mirza Javed Iqbal
Public Listed Company	Chief Executive Officer: Mr. Khurram Javaid
Key Stakeholders (with stake 10% or more	e):
Director, CEO, Their Spouse & Minor Children –	43.19%
Associated Companies, Undertaking, & Related Pa	urties – 32.15%

## **APPLICABLE METHODOLOGY(IES)**

VIS Entity Rating Criteria Methodology – Corporates (May 2023)

https://docs.vis.com.pk/docs/CorporateMethodology.pdf

VIS Rating the Issue (August 2023)

https://docs.vis.com.pk/docs/Rating-the-Issue-Aug-2023.pdf

## APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:

https://docs.vis.com.pk/docs/VISRatingScales.pdf

## Mughal Iron & Steel Industries Limited

## OVERVIEW OF THE INSTITUTION

#### **RATING RATIONALE**

#### Mughal Iron & Steel Industries Limited (MISIL) was

incorporated as a public limited company on February 16, 2010, under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The principal business activity of the company is manufacturing and sale of long steel products. The manufacturing facility is located at 17-KM Sheikhupura Road, while head office is located at 31-A Shadman I, Lahore.

#### Chairman's Profile: Mr. Mirza Javed Iqbal has been a prominent figure

been a prominent figure of the steel industry of Pakistan in 1976. He has promoted energy efficiency and has advocated tech advancement in the industry.

# CEO's Profile: Mr. Khurram Javaid with an MBA from Coventry University, UK, leads Mughal Steel as CEO. Under his leadership, the Company has gone through modernization, product diversification, and an expanded market

presence.

#### Corporate Profile

Mughal Iron & Steel Industries Limited ("MISIL" or "the Company") was established on February 16, 2010, as a public limited company. MISIL is a public listed company with its shares traded on the Pakistan Stock Exchange Limited (PSX). Operating from its headquarters in Lahore, the company is engaged in both ferrous and non-ferrous business segments. However, the primary focus remains on the manufacturing and sale of mild steel products within the ferrous segment. The Company has manufacturing plants and warehouses on Sheikhupura Road, Lahore, and sales centers in Badami Bagh, Lahore.

#### Sukuk Structure:

MISIL has issued rated, listed, secured and privately placed long-term Sukuk of amount up to Rs. 3bln (inclusive of a green shoe option of Rs. 1bln). Tenor of the Sukuk will be 5 years including 1-year grace period. The instrument will be redeemed in 16 equal quarterly payments starting from 15th month from the date of issuance. Besides conventional security structure, a debt payment account (DPA) will be maintained with the agent bank which will be build up with one third of the installment (principal plus profit) each month by the 25th day such that the entire upcoming installment is deposited in the DPA by the 15th day of 3rd month.

#### **Key Rating Drivers**

Business risk is considered high due to exposure to cyclicality, exposure to foreign exchange rate fluctuation, volatility in international steel prices and challenging competitive environment.

VIS considers the business risk within long steel industry to be 'High'. In FY23, the country's economic landscape was constrained with various factors, including supply disruptions linked to the repercussions from the floods in 1HFY23, surging inflation, the depreciation of the local currency, and dwindling foreign exchange reserves. Seeking to stabilize the economy, the State Bank of Pakistan raised interest rates and letter of credit (LC) restrictions, while the government introduced measures such as energy price hikes and increase in corporate taxes. Resultantly, these fiscal and monetary actions inadvertently disrupted supply chains, leading to a significant contraction of GDP to 0.29% in FY23, a sharp decline from the 5.7% growth reported in FY22. The market size was reduced due to the contraction in construction activities in the country.

Moreover, the long steel sector in Pakistan is highly fragmented and intensely competitive, hosting more than 300 melting and re-rolling mills. However, only a handful of companies are considered top-tier players, with MISIL being one of them. The Pakistan Association of Large Steel Producers (PALSP) comprises approximately 52 members, collectively controlling about 70% of primary steel production in the country. Nevertheless, MISIL, along with other large players, faced challenges in maintaining high-capacity utilization. In FY23, MISIL, along with Agha Steels Industries and Amreli Steels, managed to utilize only 35.7% of their combined billet production capacity, a significant decline from the 56.3% achieved in FY22. Simultaneously, rebar production capacity utilization declined from 55.5% in FY22 to 33.5% in FY23, stressing subdued demand in the sector.

While the high steel prices somewhat mitigated the impact of reduced capacity utilization on revenue, the sector witnessed a significant decline in profitability. The industry's gross margins were constrained by high input costs, and elevated finance costs further constrained the bottom line. The spike in finance costs was attributed to the rise in policy rates of 825-bps during the year.

However, due to these factors persisting in the country many of the smaller players have exited the industry. This provided larger players with greater pricing power, helping them maintain their overall margins.

# Non-ferrous segment diversifies income, supports import needs through exports, providing support to ratings.

The non-ferrous segment contributes approximately 27% to the Company's overall topline, serving as a supplementary income stream that mitigates inherent risks associated with being a player in the long-steel industry of Pakistan. Furthermore, approximately 74% of the revenue from this segment is generated through exports, offering MISIL essential import cover to procure raw materials for its operations.

Going forward, due to recent expansions, management expects an increase in revenue, especially in exports from non-ferrous segment. Management plans to hedge against the USD and provide import cover for raw materials by increasing their exports.

Continued support of the non-ferrous segment in overall performance will be an important consideration for future ratings.

# Topline remained stable with higher selling prices despite contraction in volumes. Although higher input costs, PKR depreciation and rising interest rates kept margins constrained.

The Company's topline remained mostly flat as it recorded sale growth of ~2% during the year with revenue of PKR 67.39 bln (FY22: PKR 66.15 bln) in FY23. MISIL was able to maintain its top line, despite a significant reduction in volumes, on the back of higher selling price. However, the Company was unable to completely pass on the impact of inflationary pressure and currency devaluation resulting in lower gross margins. Mughal reported gross margins of 14.4% (FY22: 15.3%) during the period under review. This trend continued in 1QFY24 with reported gross margin of 12% as inflationary pressure sustained and demand remained subdued.

Net margins also further contracted as a result of heightened operating and financial costs from high interest rates in the country during the period under review.

While gross margin has remained healthy, improvement of the bottom-line as well as net margins will be a key sensitivity for ratings going forward.

#### Capitalization profile is adequate with improvement in metrics in FY23.

In FY23, the Company reported gearing and leverage ratios of 1.2x (FY22: 1.5x) and 1.6x (FY22: 1.8x), respectively. The long-term debt of MISIL was reported at PKR 4.9 bln in FY23, down from PKR 5.3 bln in FY22 as a result of regular debt repayment. However, in 1QFY24 the Company's capitalization deteriorated slightly on account of higher drawdown of short-term debt to meet increasing working capital requirements.

Maintenance of capitalization metrics in line with assigned ratings will remain an important consideration for future ratings.

# Liquidity profile strong with slight improvement in FY23. However, coverage metrics report deterioration and ratings will remain sensitive to improvement going forward.

MISIL's liquidity profile continues to provide sufficient cushion with current ratio of 1.5x (FY23: 1.5x, FY22: 1.4x) and short-term debt coverage of 1.6x (FY23: 1.5x, FY22: 1.4x) in 1QFY24. However, in FY23, coverage profile of the Company reported a deterioration in FY23 to 1.4x (FY22: 2.3x) but remained stable in 1QFY24. This decline was on account of higher financial charges as a result of an 825-bps increase in the country's policy rates during FY23.

Going forward, ratings will remain sensitive to the Company's ability to maintain its liquidity profile and improve its coverage profile to commensurate with assigned ratings.

# VIS Credit Rating Company Limited

## Mughal Iron & Steel Industries Limited

## Appendix I

BALANCE SHEET         FY21         FV22         FV23         QFV24           Property, plant and equipment         15,79.4         16,40.7         19,02.0         19,618.2           Stock in Trade         14,867.9         22,963.0         23,030.3         26,899.1           Trade debts         5,259.1         5,573.6         2,885.1         3,243.2           Cash & Bank Balances         41,799.8         53,085.5         59,832.0         63,130.5           Trade and other payable         1,732.1         2,923.7         3,006.5         4,018.8           Short-Tem Borrowings         16,110.9         20,644.0         21,000.7         22,976.4           Short-Tem Borrowings         16,110.9         20,644.0         21,000.7         22,976.4           Total Debt         20,787.8         25,953.2         25,981.2         27,511.2           Total Liabilities         25,294.9         32,238.4         34,459.5         37,243.0           Issued, Subs, and Paid-Up Capital         29,787.8         25,953.2         25,981.2         27,511.2           Total Liabilities         4,971.8         65,152.8         67,390.2         21,032.1           Requity (excl. Revaluation Surplus)         13,102.5         7,782.2         7,271.1         21	FINANCIAL SUMMARY			(PKF	R Millions)
Stock in Trade         14,867.9         22,963.0         23,030.3         26,991.1           Trade debts         5,259.1         5,573.6         9,283.1         9,236.2           Cash & Bank Balances         2,216.9         5,175.6         2,885.1         3,324.3           Total Assets         41,799.8         53,085.5         59,832.0         63,130.5           Trade and other payable         1,732.1         2,923.7         3,006.5         4,012.8           Long-term Debt (incl. current portion and lease liability)         4,676.9         5,300.2         4,980.5         4,554.8           Short-Term Borrowings         16,110.9         20,644.0         21,000.7         22,976.4           Total Liabilities         25,294.9         32,953.2         25,981.2         27,531.2           Total Liabilities         2,918.6         3,356.3 <th< th=""><th>BALANCE SHEET</th><th>FY21</th><th>FY22</th><th>FY23</th><th>1QFY24</th></th<>	BALANCE SHEET	FY21	FY22	FY23	1QFY24
Trade debts         5,259.1         5,573.6         9,283.1         9,236.2           Cash & Bank Balances         2,216.9         5,175.6         2,885.1         3,324.3           Total Assets         41,799.8         53,085.5         59,832.0         63,130.5           Trade and other payable         1,732.1         2,923.7         3,006.5         4,012.8           Short-Term Borrowings         16,110.9         20,644.0         21,000.7         22,976.8           Short-Term Borrowings         16,110.9         20,644.0         21,000.7         22,975.2           Total Debt         20,787.8         25,953.2         25,981.2         27,531.2           Total Liabilities         25,294.9         32,238.4         34,459.5         37,243.0           Issued, Subs, and Paid-Up Capital         2,918.6         3,356.3         3,356.3         3,356.3         3,356.3         3,356.3         3,356.3         1,303.0         2         1,741.0         2,741.0         2,741.0         2,741.0         2,741.0         2,741.0         2,741.0         2,741.0         2,743.0         3,356.3         3,356.3         3,356.3         3,356.3         3,356.3         2,351.0         2,741.0         2,742.0         2,742.0         2,742.0         2,742.0         2	Property, plant and equipment	15,799.4	16,460.7	19,692.0	19,618.2
Cash & Bank Balances         2,216.9         5,175.6         2,885.1         3,324.3           Total Assets         41,799.8         53,085.5         59,832.0         63,130.5           Trade and other payable         1,732.1         2,923.7         3,006.5         4,012.8           Short-Term Debt (incl. current portion and lease liability)         4,676.9         5,309.2         4,980.5         4,554.8           Short-Term Borrowings         16,110.9         20,644.0         21,000.7         22,976.4           Total Debt         20,787.8         25,953.2         25,981.2         27,531.2           Total Liabilities         25,294.9         32,238.4         34,459.5         37,243.0           Issued, Subs, and Paid-Up Capital         2,918.6         3,356.3         3,356.3         3,356.3         3,356.3         3,356.3         2,374.1         21,913.0           INCOME STATEMENT         FY21         FY22         FY23         1QFY24           Net Sales         44,971.8         66,152.8         67,902.2         21,032.1           Operating Profit         6,691.4         10,127.9         9,671.0         2,517.1           Operating Profit After Tax         4,161.5         6,202.0         4,346.4         7,222.2           Prof	Stock in Trade	14,867.9	22,963.0	23,030.3	26,899.1
Total Assets         41,799.8         53,085.5         59,832.0         63,130.5           Trade and other payable         1,732.1         2,923.7         3,006.5         4,012.8           Long-term Debt (incl. current portion and lease liability)         4,676.9         5,309.2         4,980.5         4,554.8           Short-Term Borrowings         16,110.9         20,644.0         21,000.7         22,976.4           Total Debt         20,787.4         25,953.2         25,981.2         27,531.2           Total Liabilities         25,284.9         33,263.3         3,456.3         3,256.3         3,235.3         3,235.3         3,243.0           Issued, Subs, and Paid-Up Capital         2,918.6         3,356.3         3,356.3         3,356.3         3,356.3         3,356.3         3,356.3         3,356.3         3,256.3         2,420.0         21,913.0           INCOME STATEMENT         FY21         FY22         FY23         1QFY24           Net Sales         44,971.8         66,152.8         67,390.2         21,032.1           Gross Profit         6,691.4         10,127.9         9,671.0         2,517.7           Operating Profit         5,519.9         8,642.2         8,800.0         2,182.5           Finance Costs         <	Trade debts	5,259.1	5,573.6	9,283.1	9,236.2
Trade and other payable         1,732.1         2,23.7         3,006.5         4,012.8           Long-term Debt (incl. current portion and lease liability)         4,676.9         5,309.2         4,980.5         4,554.8           Short-Term Borrowings         16,110.9         20,644.0         21,000.7         22,976.4           Total Debt         20,787.8         25,953.2         25,981.2         27,531.2           Total Liabilities         25,294.9         3,238.4         34,459.5         37,243.0           Issued, Subs, and Paid-Up Capital         2,918.6         3,356.3         3,356.3         3,356.3           Equity (excl. Revaluation Surplus)         FY21         FY22         FY23         1QFY24           Net Sales         44,971.8         66,152.8         67,390.2         21,032.1           Gross Profit         6,691.4         10,127.9         9,671.0         2,517.7           Operating Profit         5,519.9         8,644.2         8,480.0         2,182.5           Finance Costs         1,370.3         2,622.1         4,423.2         1,583.4           Profit After Tax         4,161.5         6,202.0         4,346.4         722.2           Profit After Tax         7,6%         8.2%         5.2%         2.4%	Cash & Bank Balances	2,216.9	5,175.6	2,885.1	3,324.3
Long-term Debt (incl. current portion and lease liability)         4,676.9         5,309.2         4,980.5         4,554.8           Short-Term Borrowings         16,110.9         20,644.0         21,000.7         22,976.4           Total Debt         20,787.8         25,953.2         25,981.2         27,531.2           Total Liabilities         25,294.9         32,238.4         34,459.5         37,243.0           Issued, Subs, and Paid-Up Capital         2,918.6         3,356.3         3,356.3         23,356.3           Equity (excl. Revaluation Surplus)         13,102.5         17,828.9         21,374.1         21,913.0           INCOME STATEMENT         FY21         FY22         FY23         1QFY24           Net Sales         44,971.8         66,152.8         67,390.2         21,032.1           Gross Profit         6,691.4         10,127.9         9,671.0         2,517.7           Operating Profit         5,519.9         8,644.2         8,480.0         2,182.5           Finance Costs         1,370.3         2,622.1         4,423.2         1,583.4           Profit After Tax         4,161.5         6,202.0         4,346.4         722.2           Profit After Tax         FY21         FY22         FY23         1QFY24	Total Assets	41,799.8	53,085.5	59,832.0	63,130.5
Short-Term Borrowings         16,110.9         20,644.0         21,000.7         22,976.4           Total Debt         20,787.8         25,953.2         25,981.2         27,531.2           Total Liabilities         25,294.9         32,238.4         34,459.5         37,243.0           Issued, Subs, and Paid-Up Capital         2,918.6         3,356.3         3,356.3         3,356.3           Equity (excl. Revaluation Surplus)         13,102.5         17,828.9         21,374.1         21,913.0           INCOME STATEMENT         FY21         FY22         FY23         1QFY24           Net Sales         44,971.8         66,152.8         67,390.2         21,032.1           Gross Profit         6,691.4         10,127.9         9,671.0         2,187.7           Operating Profit         5,519.9         8,644.2         8,480.0         2,218.7           Finance Costs         1,370.3         2,622.1         4,423.2         1,583.4           Profit Before Tax         4,161.5         6,202.0         4,346.4         722.2           Profit After Tax         3,429.2         5,411.0         3,480.5         515.1           RATIO ANALYSIS         FY21         FY22         FY23         1QFY24           Gross Margin (%)<	Trade and other payable	1,732.1	2,923.7	3,006.5	4,012.8
Total Debt         20,787.8         25,953.2         25,981.2         27,531.2           Total Liabilities         25,294.9         32,238.4         34,459.5         37,243.0           Issued, Subs, and Paid-Up Capital         2,918.6         3,356.3         3,356.3         3,356.3           Equity (excl. Revaluation Surplus)         13,102.5         17,828.9         21,374.1         21,913.0           INCOME STATEMENT         FY21         FY22         FY23         1QFY24           Net Sales         44,971.8         66,152.8         67,390.2         21,032.1           Gross Profit         6,691.4         10,127.9         9,671.0         2,517.7           Operating Profit         5,519.9         8,644.2         8,480.0         2,182.5           Finance Costs         1,370.3         2,622.1         4,423.2         1,583.4           Profit Before Tax         4,161.5         6,202.0         4,346.4         722.2           Profit After Tax         3,429.2         5,411.0         3,480.5         515.1           RATIO ANALYSIS         FY21         FY22         FY23         1QFY24           Gross Margin (%)         7.6%         8.2%         5.2%         2.4%           FFO to Total	Long-term Debt (incl. current portion and lease liability)	4,676.9	5,309.2	4,980.5	4,554.8
Total Liabilities         25,294.9         32,238.4         34,459.5         37,243.0           Issued, Subs, and Paid-Up Capital         2,918.6         3,356.3         3,356.3         3,356.3           Equity (excl. Revaluation Surplus)         13,102.5         17,828.9         21,374.1         21,913.0           INCOME STATEMENT         FY21         FY22         FY23         1QFY24           Net Sales         44,971.8         66,152.8         67,390.2         21,032.1           Gross Profit         6,691.4         10,127.9         9,671.0         2,517.7           Operating Profit         5,519.9         8,644.2         8,480.0         2,182.5           Finance Costs         1,370.3         2,622.1         4,423.2         1,583.4           Profit Before Tax         4,161.5         6,202.0         4,346.4         722.2           Profit After Tax         7,410.0         3,480.5         515.1           RATIO ANALYSIS         FY21         FY22         FY23         1QFY24           Gross Margin (%)         14.9%         15.3%         14.4%         12.0%           Net Margin (%)         7.6%         8.2%         5.2%         2.4%           FFO to Long Term Debt* (%)         83.1%         11.	Short-Term Borrowings	16,110.9	20,644.0	21,000.7	22,976.4
Sued, Subs, and Paid-Up Capital   2,918.6   3,356.3   3,356.3   2,356.3   Equity (excl. Revaluation Surplus)   13,102.5   17,828.9   21,374.1   21,913.0	Total Debt	20,787.8	25,953.2	25,981.2	27,531.2
RATIO ANALYSIS   FY21   FY22   FY23   QFY24   Profit After Tax   Argin (%)   Argin (%)	Total Liabilities	25,294.9	32,238.4	34,459.5	37,243.0
INCOME STATEMENT	Issued, Subs, and Paid-Up Capital	2,918.6	3,356.3	3,356.3	3,356.3
Net Sales       44,971.8       66,152.8       67,390.2       21,032.1         Gross Profit       6,691.4       10,127.9       9,671.0       2,517.7         Operating Profit       5,519.9       8,644.2       8,480.0       2,182.5         Finance Costs       1,370.3       2,622.1       4,423.2       1,583.4         Profit Before Tax       4,161.5       6,202.0       4,346.4       722.2         Profit After Tax       3,429.2       5,411.0       3,480.5       515.1         RATIO ANALYSIS       FY21       FY22       FY23       1QFY24         Gross Margin (%)       14.9%       15.3%       14.4%       12.0%         Net Margin (%)       7.6%       8.2%       5.2%       2.4%         Funds from Operation (FFO)       3,884.6       6,244.8       4,389.1       1,149.2         FFO to Total Debt* (%)       18.7%       24.1%       16.9%       16.7%         FFO to Long Term Debt* (%)       83.1%       117.6%       88.1%       100.9%         Gearing (x)       1.6       1.5       1.2       1.3         Leverage (x)       1.9       1.8       1.6       1.7         Debt Servicing Coverage Ratio* (x)       2.1       2.3	Equity (excl. Revaluation Surplus)	13,102.5	17,828.9	21,374.1	21,913.0
Net Sales       44,971.8       66,152.8       67,390.2       21,032.1         Gross Profit       6,691.4       10,127.9       9,671.0       2,517.7         Operating Profit       5,519.9       8,644.2       8,480.0       2,182.5         Finance Costs       1,370.3       2,622.1       4,423.2       1,583.4         Profit Before Tax       4,161.5       6,202.0       4,346.4       722.2         Profit After Tax       3,429.2       5,411.0       3,480.5       515.1         RATIO ANALYSIS       FY21       FY22       FY23       1QFY24         Gross Margin (%)       14.9%       15.3%       14.4%       12.0%         Net Margin (%)       7.6%       8.2%       5.2%       2.4%         Funds from Operation (FFO)       3,884.6       6,244.8       4,389.1       1,149.2         FFO to Total Debt* (%)       18.7%       24.1%       16.9%       16.7%         FFO to Long Term Debt* (%)       83.1%       117.6%       88.1%       100.9%         Gearing (x)       1.6       1.5       1.2       1.3         Leverage (x)       1.9       1.8       1.6       1.7         Debt Servicing Coverage Ratio* (x)       2.1       2.3					
Gross Profit         6,691.4         10,127.9         9,671.0         2,517.7           Operating Profit         5,519.9         8,644.2         8,480.0         2,182.5           Finance Costs         1,370.3         2,622.1         4,423.2         1,583.4           Profit Before Tax         4,161.5         6,202.0         4,346.4         722.2           Profit After Tax         3,429.2         5,411.0         3,480.5         515.1           RATIO ANALYSIS         FY21         FY22         FY23         1QFY24           Gross Margin (%)         14.9%         15.3%         14.4%         12.0%           Net Margin (%)         7.6%         8.2%         5.2%         2.4%           Funds from Operation (FFO)         3,884.6         6,244.8         4,389.1         1,149.2           FFO to Total Debt* (%)         18.7%         24.1%         16.9%         16.7%           FFO to Long Term Debt* (%)         83.1%         117.6%         88.1%         100.9%           Gearing (x)         1.6         1.5         1.2         1.3           Leverage (x)         1.9         1.8         1.6         1.7           Debt Servicing Coverage Ratio* (x)         2.1         2.3         1.4	INCOME STATEMENT	FY21	FY22	FY23	1QFY24
Departing Profit   5,519.9   8,644.2   8,480.0   2,182.5	Net Sales	44,971.8	66,152.8	67,390.2	21,032.1
Finance Costs	Gross Profit	6,691.4	10,127.9	9,671.0	2,517.7
Profit Before Tax         4,161.5         6,202.0         4,346.4         722.2           Profit After Tax         3,429.2         5,411.0         3,480.5         515.1           RATIO ANALYSIS         FY21         FY22         FY23         1QFY24           Gross Margin (%)         14.9%         15.3%         14.4%         12.0%           Net Margin (%)         7.6%         8.2%         5.2%         2.4%           Funds from Operation (FFO)         3,884.6         6,244.8         4,389.1         1,149.2           FFO to Total Debt* (%)         18.7%         24.1%         16.9%         16.7%           FFO to Long Term Debt* (%)         83.1%         117.6%         88.1%         100.9%           Gearing (x)         1.6         1.5         1.2         1.3           Leverage (x)         1.9         1.8         1.6         1.7           Debt Servicing Coverage Ratio* (x)         2.1         2.3         1.4         1.4           Current Ratio         1.4         1.4         1.5         1.5           (Stock in trade + trade debts) / STD (x)         10.2%         11.4%         6.2%         3.4%	Operating Profit	5,519.9	8,644.2	8,480.0	2,182.5
Profit After Tax         3,429.2         5,411.0         3,480.5         515.1           RATIO ANALYSIS         FY21         FY22         FY23         1QFY24           Gross Margin (%)         14.9%         15.3%         14.4%         12.0%           Net Margin (%)         7.6%         8.2%         5.2%         2.4%           Funds from Operation (FFO)         3,884.6         6,244.8         4,389.1         1,149.2           FFO to Total Debt* (%)         18.7%         24.1%         16.9%         16.7%           FFO to Long Term Debt* (%)         83.1%         117.6%         88.1%         100.9%           Gearing (x)         1.6         1.5         1.2         1.3           Leverage (x)         1.9         1.8         1.6         1.7           Debt Servicing Coverage Ratio* (x)         2.1         2.3         1.4         1.4           Current Ratio         1.4         1.4         1.5         1.5           (Stock in trade + trade debts) / STD (x)         1.2         1.4         1.5         1.6           Return on Average Assets* (%)         10.2%         11.4%         6.2%         3.4%	Finance Costs	1,370.3	2,622.1	4,423.2	1,583.4
RATIO ANALYSIS         FY21         FY22         FY23         1QFY24           Gross Margin (%)         14.9%         15.3%         14.4%         12.0%           Net Margin (%)         7.6%         8.2%         5.2%         2.4%           Funds from Operation (FFO)         3,884.6         6,244.8         4,389.1         1,149.2           FFO to Total Debt* (%)         18.7%         24.1%         16.9%         16.7%           FFO to Long Term Debt* (%)         83.1%         117.6%         88.1%         100.9%           Gearing (x)         1.6         1.5         1.2         1.3           Leverage (x)         1.9         1.8         1.6         1.7           Debt Servicing Coverage Ratio* (x)         2.1         2.3         1.4         1.4           Current Ratio         1.4         1.4         1.5         1.5           (Stock in trade + trade debts) / STD (x)         1.2         1.4         1.5         1.6           Return on Average Assets* (%)         10.2%         11.4%         6.2%         3.4%	Profit Before Tax	4,161.5	6,202.0	4,346.4	722.2
Gross Margin (%)         14.9%         15.3%         14.4%         12.0%           Net Margin (%)         7.6%         8.2%         5.2%         2.4%           Funds from Operation (FFO)         3,884.6         6,244.8         4,389.1         1,149.2           FFO to Total Debt* (%)         18.7%         24.1%         16.9%         16.7%           FFO to Long Term Debt* (%)         83.1%         117.6%         88.1%         100.9%           Gearing (x)         1.6         1.5         1.2         1.3           Leverage (x)         1.9         1.8         1.6         1.7           Debt Servicing Coverage Ratio* (x)         2.1         2.3         1.4         1.4           Current Ratio         1.4         1.4         1.5         1.5           (Stock in trade + trade debts) / STD (x)         1.2         1.4         1.5         1.6           Return on Average Assets* (%)         10.2%         11.4%         6.2%         3.4%	Profit After Tax	3,429.2	5,411.0	3,480.5	515.1
Gross Margin (%)         14.9%         15.3%         14.4%         12.0%           Net Margin (%)         7.6%         8.2%         5.2%         2.4%           Funds from Operation (FFO)         3,884.6         6,244.8         4,389.1         1,149.2           FFO to Total Debt* (%)         18.7%         24.1%         16.9%         16.7%           FFO to Long Term Debt* (%)         83.1%         117.6%         88.1%         100.9%           Gearing (x)         1.6         1.5         1.2         1.3           Leverage (x)         1.9         1.8         1.6         1.7           Debt Servicing Coverage Ratio* (x)         2.1         2.3         1.4         1.4           Current Ratio         1.4         1.4         1.5         1.5           (Stock in trade + trade debts) / STD (x)         1.2         1.4         1.5         1.6           Return on Average Assets* (%)         10.2%         11.4%         6.2%         3.4%					
Net Margin (%)       7.6%       8.2%       5.2%       2.4%         Funds from Operation (FFO)       3,884.6       6,244.8       4,389.1       1,149.2         FFO to Total Debt* (%)       18.7%       24.1%       16.9%       16.7%         FFO to Long Term Debt* (%)       83.1%       117.6%       88.1%       100.9%         Gearing (x)       1.6       1.5       1.2       1.3         Leverage (x)       1.9       1.8       1.6       1.7         Debt Servicing Coverage Ratio* (x)       2.1       2.3       1.4       1.4         Current Ratio       1.4       1.4       1.5       1.5         (Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%	RATIO ANALYSIS	FY21	FY22	FY23	1QFY24
Funds from Operation (FFO)       3,884.6       6,244.8       4,389.1       1,149.2         FFO to Total Debt* (%)       18.7%       24.1%       16.9%       16.7%         FFO to Long Term Debt* (%)       83.1%       117.6%       88.1%       100.9%         Gearing (x)       1.6       1.5       1.2       1.3         Leverage (x)       1.9       1.8       1.6       1.7         Debt Servicing Coverage Ratio* (x)       2.1       2.3       1.4       1.4         Current Ratio       1.4       1.4       1.5       1.5         (Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%	Gross Margin (%)	14.9%	15.3%	14.4%	12.0%
FFO to Total Debt* (%)       18.7%       24.1%       16.9%       16.7%         FFO to Long Term Debt* (%)       83.1%       117.6%       88.1%       100.9%         Gearing (x)       1.6       1.5       1.2       1.3         Leverage (x)       1.9       1.8       1.6       1.7         Debt Servicing Coverage Ratio* (x)       2.1       2.3       1.4       1.4         Current Ratio       1.4       1.4       1.5       1.5         (Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%		7.6%	8.2%	5.2%	2.4%
FFO to Long Term Debt* (%)       83.1%       117.6%       88.1%       100.9%         Gearing (x)       1.6       1.5       1.2       1.3         Leverage (x)       1.9       1.8       1.6       1.7         Debt Servicing Coverage Ratio* (x)       2.1       2.3       1.4       1.4         Current Ratio       1.4       1.4       1.5       1.5         (Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%	Funds from Operation (FFO)	3,884.6	6,244.8	4,389.1	1,149.2
Gearing (x)       1.6       1.5       1.2       1.3         Leverage (x)       1.9       1.8       1.6       1.7         Debt Servicing Coverage Ratio* (x)       2.1       2.3       1.4       1.4         Current Ratio       1.4       1.4       1.5       1.5         (Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%	FFO to Total Debt* (%)	18.7%	24.1%	16.9%	16.7%
Leverage (x)       1.9       1.8       1.6       1.7         Debt Servicing Coverage Ratio* (x)       2.1       2.3       1.4       1.4         Current Ratio       1.4       1.4       1.5       1.5         (Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%	FFO to Long Term Debt* (%)	83.1%	117.6%	88.1%	100.9%
Debt Servicing Coverage Ratio* (x)       2.1       2.3       1.4       1.4         Current Ratio       1.4       1.4       1.5       1.5         (Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%	Gearing (x)	1.6	1.5	1.2	1.3
Current Ratio       1.4       1.4       1.5       1.5         (Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%	Leverage (x)	1.9	1.8	1.6	1.7
(Stock in trade + trade debts) / STD (x)       1.2       1.4       1.5       1.6         Return on Average Assets* (%)       10.2%       11.4%       6.2%       3.4%	Debt Servicing Coverage Ratio* (x)	2.1	2.3	1.4	1.4
Return on Average Assets* (%)         10.2%         11.4%         6.2%         3.4%	Current Ratio	1.4	1.4	1.5	1.5
	(Stock in trade + trade debts) / STD (x)	1.2	1.4	1.5	1.6
	Return on Average Assets* (%)	10.2%	11.4%	6.2%	3.4%
Return on Average Equity* (%)         32.3%         35.0%         17.8%         9.5%	Return on Average Equity* (%)	32.3%	35.0%	17.8%	9.5%

<sup>\*</sup>Annualized, if required

REGULATORY DISC	CLOSURES			I	Appendix II
Name of Rated Entity	Mughal Iron &	Steel Industries	Limited		
Sector	Steel Industry				
Type of Relationship	Solicited				
Purpose of Rating	Sukuk Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	08-Dec-23	A+	A-1	Stable	Maintained
	31-Mar-23	A+	A-1	Rating Watch – Negative	Maintained
	25-Nov-22	A+	A-1	Stable	Reaffirmed
	28-Dec-21	A+	A-1	Stable	Upgrade
	25-Sep-220	A+	A-2	Stable	Initial
		<u>R</u>	ATING T	YPE: SUKUK	
	08-Dec-23	A+		Stable	Maintained
	31-Mar-22	A+		Rating Watch – Negative	Maintained
	25-Nov-22	A+		Stable	Reaffirmed
	28-Dec-21	A+		Stable	Final
	05-Oct-21	A+		Stable	Preliminary
Instrument Structure	to Rs. 3b (inclusing including 1-year payments starting	ve of a green sho grace period. The g from 15th mo	oe option one instrumenth from	orivately placed long-term Su of Rs. 1b). Tenor of the Suk nent will be redeemed in 1 the date of issuance. Bes	kuk will be 5 years 6 equal quarterly ides conventional
Statement by the Rating Team	to Rs. 3b (inclusi including 1-year payments startin security structure which will be built by the 25th day of 3rd no VIS, the analy committee do	grace period. The grace period of a grace period. The grace payment and the grace payment and the grace payment that the entire month.	pe option in instrumenth from account (ird of the re upcoming the rate conflict of the rate c	of Rs. 1b). Tenor of the Suknent will be redeemed in 1 the date of issuance. Bes. (DPA) will be maintained with installment (principal plus ping installment is deposited in the process and member of interest relating to the	tuk will be 5 years 6 equal quarterly ides conventional ith the agent bank profit) each month in the DPA by the ers of its rating e credit rating(s)
Statement by the Rating Team  Probability of Default	to Rs. 3b (inclusing including 1-year payments starting security structure which will be built by the 25th day of 3rd moved of the analytic committee domentioned here recommendation of the analytic ratings op within a univer quality or as exadebt issue will of the analytic committee of the analytic recommendation of the analytic recommenda	ye of a green shot grace period. The grace period of the grace period of the grace payment and the grace payment and the enting of the grace payment and the grace payment of the	ne option one instrumenth from account (ird of the re upcoming the rate conflict of is an open any secundary secunda	of Rs. 1b). Tenor of the Suknent will be redeemed in 1 the date of issuance. Best (DPA) will be maintained with installment (principal plus ping installment is deposited in the date of interest relating to the point on credit quality of the principal plus principal plus ping installment is deposited in the principal plus process and member of interest relating to the principal plus principal plus process and member of interest relating to the principal plus principal plus process and member of interest relating to the principal plus principal plus process are not intended as guaranteed as guaranteed particular is supported by the principal plus principal plu	cuk will be 5 years 6 equal quarterly ides conventional ith the agent bank profit) each month in the DPA by the ers of its rating e credit rating(s) inly and is not a ligest to weakest, rantees of credit inter or particular
Statement by the Rating Team	to Rs. 3b (inclusing including 1-year payments starting security structure which will be built by the 25th day of 3rd in VIS, the analy committee domentioned here recommendation VIS' ratings op within a univer quality or as exadebt issue will of Information here however, VIS of information and obtained from	grace period. The grace period of a grace period. The grace period of the grace period of the grace payment and the grace payment and the entire point of the grace period of the grace payment of the grace period of the grace p	the rate on some account (a ird of the responsible to an open any secundary	of Rs. 1b). Tenor of the Sukment will be redeemed in 1 the date of issuance. Bes. (DPA) will be maintained with installment (principal plus ping installment is deposited in the date of interest relating to the principal plus process and member of interest relating to the principal plus process and member of interest relating to the principal plus process and member of interest relating to the principal plus process and member of interest relating to the principal plus process and member of interest relating to the principal plus process.	cuk will be 5 years 6 equal quarterly ides conventional ith the agent bank profit) each month in the DPA by the ers of its rating e credit rating(s) inly and is not a ligest to weakest, rantees of credit inuer or particular rate and reliable; pleteness of any or for the results IS Credit Rating
Statement by the Rating Team  Probability of Default	to Rs. 3b (inclusing including 1-year payments starting security structure which will be built by the 25th day of 3rd mover and the security structure which will be built by the 25th day of 3rd mover and the security of th	grace period. The grace period of a grace period. The grace period of the grace period of the grace payment and the grace payment and the entire point of the grace period of the grace payment of the grace period of the grace p	the rate on some account (a ird of the responsible to an open any secundary	of Rs. 1b). Tenor of the Suknent will be redeemed in 1 the date of issuance. Bes (DPA) will be maintained with installment (principal plus ping installment is deposited in the date of interest relating to the point on credit quality of the principal plus ping installment is deposited in the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the principal plus ping process and member of interest relating to the process process and member of interest plus plus ping process and member of interest plus plus process proc	cuk will be 5 years 6 equal quarterly ides conventional ith the agent bank profit) each month in the DPA by the ers of its rating e credit rating(s) inly and is not a ligest to weakest, rantees of credit inuer or particular rate and reliable; pleteness of any or for the results IS Credit Rating
Statement by the Rating Team  Probability of Default  Disclaimer	to Rs. 3b (inclusing including 1-year payments starting security structures which will be built by the 25th day of 3rd in VIS, the analyst committee domentioned here recommendation VIS' ratings op within a univer quality or as exadebt issue will company Limit credit to VIS.  S.No.	ye of a green shot grace period. The grace period. The grace period of the grace period of the grace payment and the grace payment and the entire point of the grace payment and the grace payment and the grace payment of	the rational rate. Ratings the probes defrom setee the action of the rational rate. Ratings the probes defrom setee the action of the rational rate. The probes defrom setee the action of the rational rate. The probes defrom setee the action of the rational rate of the rational rate. The probes defrom setee the action of the rational rate of the rational rational rational rational rate of the rational rati	of Rs. 1b). Tenor of the Sukment will be redeemed in 1 at the date of issuance. Best (DPA) will be maintained with installment (principal plus ping installment is deposited in ing process and member of interest relating to the binion on credit quality of the binion on credit quality of the binion of the binio	cuk will be 5 years 1.6 equal quarterly 1.6 equal quarterly 1.6 equal quarterly 1.6 equal quarterly 1.7 ides conventional 1.6 the agent bank 1.7 or fits rating 1.7 each month 1.8 res of its rating 1.8 credit rating(s) 1.9 nly and is not a 1.9 extended to weakest, 1.9 rate and reliable; 1.9 pleteness of any 1.9 or for the results 1.8 Credit Rating 1.9 news media with
Statement by the Rating Team  Probability of Default  Disclaimer  Due Diligence Meetings	to Rs. 3b (inclusing including 1-year payments starting security structures which will be built by the 25th day of 3rd in VIS, the analyst committee domentioned here recommendation VIS' ratings op within a univer quality or as exadebt issue will company Limit credit to VIS.  S.No.	grace period. The grace period of grace period. The grace period of grace period of the grace payment and the grace payment in the grace period of	the rate conflict of any securordinal rate. Ratings the probability of	of Rs. 1b). Tenor of the Sukment will be redeemed in 1 at the date of issuance. Bes (DPA) will be maintained with installment (principal plus ping installment is deposited in the date of installment is deposited in the date of interest relating to the dinion on credit quality of the date of interest relating to the dinion on credit quality of the date of interest relating to the dinion on credit quality of the date of the	cuk will be 5 years 1.6 equal quarterly 1.6 equal quarterly 1.6 equal quarterly 1.6 equal quarterly 1.7 equal quarterly 1.8 eq