VIS
Credit Rating Company Limited

MUGHAL IRON AND STEEL INDUSTRIES LIMITED

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RATING DETAILS				
Ratings Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	A+	A1	A+	A1
Ratings category	Sukuk Rating (Long Term)		Sukuk Rating (Long Term)	
Sukuk 1	A+		A+	
Rating Outlook/ Watch	Stable		Stable	
Rating Action	Reaffirmed		Reaffirmed	
Rating Date	January 23, 2026		November 18, 2024	

Shareholding (5% or More)	Other Information
Associated Companies, Undertaking and Related Parties ~ 44.03%	Incorporated in 2010
	Public Listed Company
Director, Chief Exe. Officer, and their Spouse and Minor Children ~ 30.98%	Chief Executive: Mr. Khurram Javaid
	External Auditor: M/s Fazal Mahmood & Company Chartered Accountants & M/s Muniff Ziauddin & Co. Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

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

Rating Rationale

The assigned ratings reflect Mughal Iron and Steel Industries Limited's (MISIL or "the Company") established position in Pakistan's steel sector, supported by its operating track record and a diversified product portfolio spanning ferrous and non-ferrous steel products. The ratings incorporate the Company's stable business profile, long-standing relationships in domestic and export markets, and continued focus on operational efficiency. Integrated operations across key production stages support cost optimization, while ongoing investments in captive and sustainable energy initiatives are expected to lower power costs and support margins over the medium term.

MISIL has issued rated, listed, secured, and privately placed long-term Sukuk of Rs. 3 billion with a 5-year tenor, including a 1-year grace period. The instrument carries a profit rate of 3-Month KIBOR + 1.3% p.a. and will be redeemed through 16 equal quarterly payments starting from the 15th month. A Debt Payment Account (DPA) maintained with the agent bank ensures timely installment accumulation, enhancing the instrument's repayment security alongside the conventional security structure.

Company Profile

Mughal Iron & Steel Industries Limited ("MISIL" or "the Company") was incorporated in Pakistan on February 16, 2010, as a public limited company. The Company's operations comprise both ferrous and non-ferrous business segments. However, the principal activity of the Company is the manufacturing and sale of mild steel products within the ferrous segment. The Company is listed on the Pakistan Stock Exchange Limited ("PSX") and is domiciled in Lahore. MISIL operates manufacturing plants and warehouses located at 17-KM Sheikhupura Road, Lahore, with additional facilities at Badami Bagh, Lahore, and Jummah Goth, Karachi, alongside sales centers at Badami Bagh, Lahore.

The Company's sole investment is in Mughal Energy Limited ("MEL"), a subsidiary in which MISIL holds 90% of ordinary shares and 100% of Class-B shares. MEL is currently engaged in the development of a 36.50 MW hybrid captive power plant dedicated to supply electricity to MISIL. As of September 30, 2025, hydro testing of the project has been completed, electrification is underway, and commercial operations are expected to commence in FY26.

Management and Governance

CEO Profile

Mr. Khurram Javaid is the Chief Executive Officer of Mughal Iron & Steel Industries Limited and brings extensive leadership experience in the steel sector. Under his stewardship, the Company has strengthened its position as one of Pakistan's leading manufacturers of ferrous and non-ferrous products. Mr. Khurram Javaid is actively engaged in promoting industrial growth, sustainability, and initiatives that enhance exports and operational resilience.

Board & Senior Management

The Board of Mughal Iron & Steel Industries Limited comprises 7 directors in total, including 2 executive directors and 5 non-executive directors, of which 2 are independent members. The Board also includes 1 female director, ensuring representation in line with corporate governance standards. The Board is chaired by Mr. Mirza Javed Iqbal, with committees dedicated to audit, human resources, remuneration, and environmental, social, and governance (ESG) matters. The senior management team consists of experienced professionals with expertise across steel manufacturing, finance, operations, governance, and energy integration.

Sukuk Details

- MISIL has issued rated, listed, secured, and privately placed long-term Sukuk amounting to Rs. 3 billion.
- The tenor of the Sukuk is 5 years, including a 1-year grace period.
- The profit rate on the instrument will be 3-Month KIBOR + 1.3% p.a.
- The instrument will be redeemed in 16 equal quarterly payments, starting from the 15th month from the date of issuance.
- In addition to the conventional security structure, a Debt Payment Account (DPA) will be maintained with the agent bank. One-third of each installment (principal plus profit) is deposited in the DPA by the 25th day of each month, so that the entire upcoming installment is accumulated in the DPA by the 15th day of the third month.

Industry Profile & Business Risk

The steel industry in Pakistan forms a key component of the industrial and construction value chain, with demand closely tied to infrastructure development, construction activity, and manufacturing output. The sector is segmented into long steel, flat steel, and tubes and pipes. Long steel dominates domestic production, accounting for approximately 58–60% of total output, followed by flat steel at around 32%, while tubes and pipes contribute close to 9%.

The industry operates predominantly under private ownership, as Pakistan Steel Mills remains non-operational. Despite an installed capacity of approximately 6.5 million tons per annum, capacity utilization remains subdued at around 40–60%, constrained by elevated energy costs, weak domestic demand, and working capital pressures. The market structure is fragmented, particularly in the long steel segment, characterized by a large number of induction furnace-based melters and re-rollers, while the flat steel segment is relatively more concentrated.

The sector remains structurally dependent on imports, particularly steel scrap and flat steel products, due to the absence of large-scale upstream iron ore processing and limited domestic production of high-grade steel specifications. This reliance exposes producers to foreign exchange volatility and international price movements. During FY24, imports of finished iron and steel products increased by 30%, while scrap imports rose by 58%, underscoring continued dependence on external supply despite subdued domestic demand.

Demand for steel remains cyclical and highly sensitive to public and private construction activity. Although allocations under the Public Sector Development Program increased to over PKR 1.0 trillion in FY25, historically low utilization levels of around 60–70% have limited the impact on actual steel off-take. Private construction activity has also remained constrained due to tight monetary conditions and reduced purchasing power, though easing interest rates may provide gradual support over the medium term.

The business risk profile of the steel sector is assessed as elevated, driven by pronounced cyclicality, limited pricing power, and dependence on imported raw materials. Competitive intensity remains high, particularly in the long steel segment, owing to fragmented market structure, minimal product differentiation, and sustained pressure from lower-priced imports. As a result, producers face constraints in passing on higher input and energy costs, leading to margin volatility.

Operational risk remains significant due to elevated energy tariffs and supply inconsistencies, which continue to suppress utilization levels and profitability. In addition, regulatory and policy uncertainty relating to import duties, taxation, and quality enforcement materially influences sector dynamics. While long-term demand fundamentals are supported by low per capita steel consumption and infrastructure requirements, near- to medium-term business risk remains high and is contingent on macroeconomic stability, energy cost rationalization, and consistency in regulatory support.

Operational Update

	FY21	FY22	FY23	FY24	FY25
Ferrous					
Melting- Installed Capacity (Metric Ton)	419,100	500,000	500,000	590,000	590,000
Melting- Actual Production (Metric Ton)	276,982	261,698	181,690	280,127	300,640
Capacity Utilization	**66%**	**52%**	**36%**	**47%**	**51%**
Re- Rolling- Installed Capacity (Metric Ton)	630,000	630,000	630,000	630,000	630,000
Re- Rolling- Actual Production (Metric Ton)	307,945	309,626	188,710	245,612	305,488
Capacity Utilization	**49%**	**49%**	**30%**	**39%**	**48%**
Non- Ferrous					
Melting- Installed Capacity (Metric Ton)	10,000	10,000	10,000	10,000	10,000
Melting- Actual Production (Metric Ton)	6,188	8,317	5,988	570	975
Capacity Utilization	**62%**	**83%**	**60%**	**6%**	**10%**
Recycling Plant- Installed Capacity (Metric Ton)	**-**	**-**	90,000	90,000	90,000
Recycling Plant- Actual Processing (Metric Ton)	-	-	5,600	56,537	38,773
Capacity Utilization	**-**	**-**	**6%**	**63%**	**43%**

In FY25, Mughal Iron & Steel Industries Limited maintained its installed capacity, with overall performance primarily driven by changes in utilization levels. In the ferrous segment, both melting and re-rolling volumes increased during the year, enabling the Company to sustain off-takes despite a challenging operating environment. Performance was partially constrained by temporary disruptions caused by prolonged monsoon spells; however, the Company's continued strategic focus on the retail market supported volumes and helped preserve market presence in a contracting sector.

In the non-ferrous segment, performance was mixed. Melting capacity utilization improved during FY25 following the resolution of operational bottlenecks and the clearance of pending inventories, allowing pipeline export orders, mainly copper granules destined for China, to be executed more consistently. Conversely, utilization at the recycling plant declined, reflecting a deliberate shift in the production mix toward higher-margin melting output, variability in scrap availability and quality, and tighter operational scheduling to meet export-grade specifications.

During 1QFY26, ferrous operations remained under pressure due to seasonal factors, while non-ferrous exports continued to benefit from stronger melting throughput. Recycling plant utilization remained comparatively lower, consistent with the Company's adjusted production strategy.

Financial Risk

Capital Structure

The Company's equity base, excluding revaluation surplus, strengthened to Rs. 24.9bn as of end-June 2025 (FY24: Rs. 22.4bn), reflecting an 11% year-on-year increase, supported by the issuance of right shares at a premium and profit retention. Equity further increased to Rs. 25.9bn as of end-September 2025, primarily on account of continued internal capital generation. Long-term borrowings declined to Rs. 5.1bn by end-June 2025 (end-FY24: Rs. 6.6bn) following scheduled repayments. Short-term borrowings reduced to Rs. 22.9bn from Rs. 27.9bn over the same period, mainly due to lower working capital requirement. However, short-term borrowings increased to Rs. 26.0bn by end-September 2025. The debt profile comprises a mix of subsidized facilities, largely under Islamic financing schemes, and conventional short-term lines utilized for liquidity management. Capitalization metrics improved during FY25, reflecting management's focus on balance sheet optimization. Gearing declined to 1.12x by end-June 2025 from 1.54x at end-FY24, while leverage moderated to 1.56x from 1.92x over the same period. Notwithstanding this improvement, the funding mix remains weighted toward short-term borrowings.

Profitability

The Company's topline decreased by 3% YoY to Rs. 89.4bn in FY25 (FY24: Rs. 92.4bn), despite higher sales volumes, reflecting weaker pricing during the period. Revenue remained predominantly domestic, with exports contributing 16% of total sales in FY25 (FY24: 21%). The ferrous segment continued to be the core business, accounting for 82% of total revenue, while the non-ferrous segment contributed the remaining 18%. Ferrous revenues increased by approximately 6% to Rs. 73.5bn (FY24: Rs. 69.1bn), driven by a strategic shift toward volume-led growth. In contrast, non-ferrous revenues declined by approximately 46% to Rs. 15.9bn (FY24: Rs. 23.3bn), reflecting operational constraints and regulatory challenges during the year. Sales remain largely end-consumer driven, with around 90% generated through the retail network, indicating low customer concentration but direct exposure to consumer demand and retail market dynamics. On the margins front, gross margins in both the ferrous and non-ferrous segments improved during FY25; however, overall profitability weakened. Net margin declined to 1.1% in FY25 (FY24: 2.2%) despite improvement at the operating and pre-tax levels, reflecting higher operating expenses and lower other income during the year.

During 3MFY26, the Company reported sales of Rs. 20.0bn. Segment-wise, ferrous sales declined by 18%, mainly due to the temporary impact of a severe and prolonged monsoon, which disrupted production and dispatches. In contrast, non-ferrous sales increased by 34%, supported by higher export volumes. Profitability improved during the period, with both gross and net margins strengthening. Net margin increased to 5% due to higher gross margins along with lower finance costs. Going forward, margins are expected to benefit from in-house power generation through Mughal Energy Limited, which is in the final stage of completion and is expected to commence operations in 2026, thereby easing energy cost pressures.

Debt Coverage & Liquidity

The Company has historically maintained an adequate liquidity profile, reflected by a five-year average current ratio of 1.38x. In FY25, the current ratio improved to 1.33x (FY24: 1.23x), supported primarily by improved inventory management; however, it moderated to 1.26x by end-Sep'25. Nonetheless, liquidity indicators remain within acceptable thresholds. Short-term debt coverage declined marginally to 1.16x at end-Sep'25 (FY24: 1.22x), though it continues to reflect adequate coverage of short-term obligations. Cash flow indicators improved materially in 1QFY26, supported by higher gross margins and reduced finance cost burden, strengthening internal cash generation. Funds from operations (FFO) rebounded to PKR 2.06 billion in 1QFY26, from negative PKR 382 million in FY25 (FY24: PKR 69 million). Consequently, debt-servicing capacity improved, with DSCR rising to 1.50x in 1QFY26 from 0.85x in FY25 (FY24: 0.56x). Receivable days increased to 72 days in 3MFY26 (FY25: 53 days), reflecting slower collections, while inventory days declined to 71 days (FY25: 80 days), partially offsetting working capital pressure. Despite near-term pressure, management expects to meet upcoming obligations through improving operating cash flows, supported by higher non-ferrous exports, captive power–led margin gains through Mughal Energy Limited, and increased focus on the local market.

FINANCIAL SUMMARY						(Rs. in millions)
BALANCE SHEET	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**3MFY26**
Property, plant and equipment	15,799	16,461	19,692	19,594	20,360	20,470
Stock-in-Trade	13,181	21,043	20,219	23,418	12,082	13,919
Trade Debts	5,259	5,574	9,283	10,806	15,232	16,467
Cash & Bank Balances	2,217	5,176	2,885	3,160	3,092	3,047
Total Assets	41,800	53,085	59,832	69,077	67,693	71,153
Trade Payables	827	1,642	1,299	2,566	5,278	5,331
Long Term Debt	4,698	5,322	4,980	6,578	5,129	4,851
Short Term Debt	16,111	20,644	20,995	27,992	22,885	26,085
Total Debt	20,809	25,966	25,976	34,570	28,014	30,937
Total Liabilities	25,295	32,238	34,454	42,942	38,873	41,565
Paid Up Capital	2,919	3,356	3,356	3,356	3,687	3,687
Total Equity	16,505	20,847	25,378	26,135	28,819	29,588
INCOME STATEMENT	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**3MFY26**
Net Sales	44,972	66,153	67,390	92,383	89,414	20,092
Gross Profit	6,691	10,128	9,671	7,718	8,138	3,446
Operating Profit	5,532	8,762	8,770	6,983	7,080	2,989
Profit Before Tax	4,162	6,140	4,346	619	1,357	2,020
Profit After Tax	3,429	5,349	3,480	2,000	966	997
RATIO ANALYSIS	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**3MFY26**
Gross Margin (%)	14.9%	15.3%	14.4%	8.4%	9.1%	17.2%
Operating Margin (%)	12.3%	13.2%	13.0%	7.6%	7.9%	14.9%
Net Margin (%)	7.6%	8.1%	5.2%	2.2%	1.1%	5.0%
Funds from Operation (FFO)	3,893	6,244	4,389	69	-382	2,056
FFO to Total Debt* (%)	19%	24%	17%	0%	-1%	27%
FFO to Long Term Debt* (%)	83%	117%	88%	1%	-7%	170%
Gearing (x)	1.59	1.46	1.21	1.54	1.12	1.19
Leverage (x)	1.93	1.81	1.61	1.92	1.56	1.60
Debt Servicing Coverage Ratio* (x)	2.58	2.23	1.35	0.56	0.85	1.50
Current Ratio (x)	1.37	1.45	1.51	1.23	1.33	1.26
(Stock in trade + trade debts) / STD (x)	1.14	1.29	1.41	1.22	1.19	1.16
Return on Average Assets* (%)	10.2%	11.3%	6.2%	3.1%	1.4%	5.7%
Return on Average Equity* (%)	32.3%	34.6%	17.8%	9.1%	4.1%	15.7%
Cash Conversion Cycle (days)	118	133	161	125	115	114

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Mughal Iron & Steel Industries Limited
Sector	Steel Industry
Type of Relationship	Solicited
Purpose of Rating	Instrument Rating

Rating History

Rating Date	Medium to Long Term	Rating Outlook	Rating Action
RATING TYPE: Instrument			
23-01-2026	A+	Stable	Reaffirmed
18/11/2024	A+	Stable	Reaffirmed
08/12/2023	A+	Stable	Maintained
31/3/2023	A+	Rating Watch - Developing	Maintained
25/11/2022	A+	Stable	Reaffirmed
28/12/2021	A+	Stable	Reaffirmed
05/10/2020	A+	Stable	Preliminary

Instrument Structure	MISIL has issued rated, listed, secured, and privately placed long-term Sukuk of Rs. 3 billion with a 5-year tenor, including a 1-year grace period. The instrument carries a profit rate of 3-Month KIBOR + 1.3% p.a. and will be redeemed through 16 equal quarterly payments starting from the 15th month. A Debt Payment Account (DPA) maintained with the agent bank ensures timely installment accumulation, enhancing the instrument's repayment security alongside the conventional security structure.
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
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Due Diligence Meeting Conducted

Name	Designation	Date
Shakeel Mughal	Chief Operating Officer	17th Dec 2025
Muhammad Fahad Hafeez	Company Secretary	