

Date

28-Apr-22

Analyst

Muhammad Zaeem Shahzad
 zaeem.shahzad@pacra.com
 +92-42-35869504
 www.pacra.com

Applicable Criteria

- Methodology | Debt Instrument Rating | Jun-21
- Methodology | Corporate Rating | Jun-21
- Criteria | Rating Modifiers | Jun-21

Related Research

- Sector Study | Steel | Sep-21

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

PACRA Maintains Rating of Mughal Iron & Steel Industries Ltd. - PP Sukuk

Rating Type	Debt Instrument	
	Current (28-Apr-22)	Previous (28-Apr-21)
Action	Maintain	Initial
Long Term	A+	A+
Short Term	-	-
Outlook	Stable	Stable
Rating Watch	-	-

Mughal is a known name in the steel industry. The Company’s business profile has sustained and improving, over the last few years. The Company has diversity in its product slate as its operating segments comprising of ferrous & non-ferrous segments. Furthermore, the establishment of strong brands like ‘Mughal Supreme’ gives competitive edge to the Company. The ratings incorporate the essence of material advancement that Mughal has achieved in terms of further diversity in revenue streams. The highlighted achievement through geographical diversification in revenue stream, led to significant contribution from exports of Copper Ingots to China (i-e; ~16% of revenue contribution) which not only added to the top line but also enhanced profitability and also expected to continue the trend, going forward. Mughal has attained formidable market share by penetrating retail segment. The strategic realignment executed over the last few years by channeling 60% volumes (previous: 10% of sales mix) to retail market has been fruitful. The Company’s revenues witnessed an increase (FY21: PKR 44.9bln, FY20: PKR 27.3bln) attributed to an uptick in sale volumes, positive price indicators and reinvigorating economy. The financial risk profile incorporates healthy capitalization indicators, liquidity profile is evident from strong cash flows and improved coverages. The ratings incorporate the essence of material advancement that the Company has achieved in terms of further diversity in revenue streams, which will add not only to the top line but also enhanced profitability, going forward. Consequently, company made prominent growth in non-ferrous segment and further decided to enhance this segment. Mughal issued a Sukuk of PKR 3,000mln which will be used for meeting working capital requirements. The ratings assigned takes comfort from the debt payment account mechanism, apart from the conventional security, collateralized on the back of Sukuk. The ratings are dependent upon the company’s ability to sustain its healthy business profile amidst strong competition, herein, effective and prudent management of financial risk indicators remain important. Moreover, upholding of governance framework is vital.

About the Entity

Mughal Iron & Steel Industries Limited (Mughal), is a public limited company incorporated in 2010, is primarily engaged in manufacturing and sale of billets, girders and rebars. Mr. Khurram Javaid is the driving force behind the Company and is leading the business as a CEO.

About the Instrument

Mughal issued ‘Listed, Secured & Privately Placed Long Term Islamic Certificates (Sukuk) of PKR 3bln in Mar-21. The tenor of Sukuk is 5 years (inclusive 12 months grace period). Sukuk is priced at 3MK+1.3% p.a. with profit payable quarterly in arrears on the outstanding principal amount. Security Structure is first pari-passu hypothecation charge over-all present and future movable assets with a margin of 25% (in accordance to the Issue amount). Sukuk has also been upgraded to a pari-passu charge from ranking charge within a period of 120 days from final disbursement date. Besides the conventional security structure, a debt payment account (DPA) is being maintained with agent bank. One-third of the installment (principal plus profit) is being built up each month by 25th day such that entire upcoming installment is deposited in DPA by 15th day of 3rd month.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.