The Pakistan Credit Rating Agency Limited

Rating Report

Mughal Iron & Steel Industries Limited | PP Sukuk | PKR 2.5bln | Dec-23

Report Contents

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
06-Feb-2024	AA-	-	Stable	Initial	-
21-Aug-2023	AA-	-	Stable	Preliminary	-

Rating Rationale and Key Rating Drivers

Mughal is a known name in the steel industry. The Company's business profile has sustained and improved, over the last few years. The Company has a diversified product slate as it operates both in ferrous & non-ferrous segments. The ferrous segment comprises Billets, Rebars & Girders while the non-ferrous segment comprises Copper ingots mainly. Furthermore, the establishment of strong brands like 'Mughal Supreme' gives a competitive edge to the Company. Mughal has attained a formidable market share by establishing the brand and earning trust with regard to quality as well as continuously expanding and upgrading its ferrous and non-ferrous plants, the most recent being non-ferrous automation plant which came online in June 23. The company's top line recorded at PKR 67.390 billion in FY23 reported growth of ~2% (YoY) despite significant decrease in volumes as well as slight erosion in gross margins as the impact of increase in raw material prices and other input costs was not completely transferred to sale prices. Net margins also exhibited a downward trend due to high finance cost. Company's leveraging ratio was reported at ~ 51% in June 23. To finance its short-term working capital needs the Company has issued a rated and privately placed Sukuk of PKR 2.5bln in Dec-23. However, comfort for the rating is drawn from the security structure of Sukuk which is strengthened by i) Pari-passu hypothecation charge over-all present & future Current Assets of the Company with a margin of 25%. Sukuk will be upgraded to a pari-passu charge from a ranking charge within 120 days from the final disbursement date and ii) A debt payment account (DPA) is maintained with an agent bank under exclusive charge & right of set-off in favor of Sukuk holders. The funds equivalent to one-third (1/3rd) amount of upcoming markup/ profit payment not later than the 10th date of each month would be placed into the DPA so that the aggregate amount available in the DPA on the upcoming Payment Date is equal to the relevant payment Amount. While principal, upfront, an amount equivalent to 10% of the Issue size will be maintained in the DPA account throughout the tenure of the instrument. And for the last quarter, in addition to the 10% of the issue size already kept in the DPA account, the issuer will deposit in DPA 1/3 of the principal payable on the 10th of each month such that the entire principal would be accumulated before the due date, along with 1/3rd of the markup/profit payable.

The ratings are dependent upon the company's ability to sustain its healthy business profile amidst strong competition and exposure to overall economic slowdown.

Disclosure

Name of Rated Entity	Mughal Iron & Steel Industries Limited | PP Sukuk | PKR 2.5bln | Dec-23
Type of Relationship	Solicited
Purpose of the Rating	Debt Instrument Rating
Applicable Criteria	Methodology | Corporate Rating(Jul-23),Methodology | Rating Modifiers(Apr-23),Methodology | Debt Instrument Rating(Dec-23)
Related Research	Sector Study | Steel(Sep-23)
Rating Analysts	Muhammad Atif Chaudhry | Atif.Chaudhry@pacra.com | +92-42-35869504

Issuer Profile

Profile Mughal Iron & Steel Industries Ltd. is a listed Company since March 2015. Its shares are traded on Pakistan Stock Exchange Limited (PSX). The Company's shares are quoted under the Engineering Sector. Incepted in the early 1950s in the form of a proprietorship firm, the company was incorporated in 2010. The company operates through its registered head office located in Lahore while the factory is located at 17 KM's Sheikhupura Road with sales centers located at Badami Bagh Lahore. Mughal Iron & Steel Industries Limited (Mughal) is primarily engaged in the manufacturing and sale of billets, girders, and rebars and has also diversified into non-ferrous segment through exports of copper.

Ownership Mughal's ownership structure has changed post listing. Presently, the company is majority (~76%) owned by Mughal family, followed by Financial Institutions, and general public. The ownership structure of the Company is seen as stable as no ownership changes are expected in near future. The majority stake will rest with Mughal family. The sponsors – the Mughal family – carry over five decades of experience in steel and allied business. The sponsors have demonstrated their commitment towards the company by injecting funds on as and when required basis. Given that Mughal is the flagship entity of sponsors, willingness to support the company in case need arises is considered high.

Governance The overall control of the Company vests in the nine members' board of directors, wherein six are from sponsoring family including the Chairman and the CEO, while three are independent members. Mughal's Board Members carry requisite skills, competence, diversified knowledge background, and experiences, which is considered positive. Two board committees in place, include (i) Audit, and (ii) Human Resource & Remuneration. Furthermore, presence of independent directors and good attendance in board meetings reflect on good governance framework of the company. M/s Fazal Mahmood & Company, classified in category 'C' by SBP and M/s. Muniff Ziauddin & Company, classified in category 'A' by SBP (both QCR rated) , are the external joint auditors of the company who expressed an unqualified opinion for the Financial statements of year ending June23.

Management Mughal has a streamlined organizational structure with clearly demarcated roles and a high degree of delegation. The reporting lines are segregated between two executive directors and CEO which in turn report to the BoD. The current structure results in strong decision-making and brings operational efficiencies. Mr. Khurram Javaid (CEO) has been instrumental in improving the overall HR quality of the company. He is supported by a team of experienced individuals equipped with the necessary technical skills and relevant industry experience. Mughal has no formal management committees in place. All departments have their own meetings and their heads review key performance areas of the department and report to respective executive directors. MIS reports are customized as per the requirements of the management on a daily, weekly, and monthly basis. Some of the reports generated include re-ordering sheets, financial facilities status, etc. The Company has an ERP system deployed which is currently being used for reporting purposes.

Business Risk The country's annual demand for steel products was recorded at ~11.2mln MT during FY23 (FY22: ~13.6mln MT) down ~17.6% YoY basis, with imports comprising ~39.2% of the total consumption and recording ~42.1% decline YoY. This largely resulted from SBP-imposed import curbs during FY23, a short-term intervention to control the depleting foreign exchange reserves. Due to non-availability of raw material, local production also recorded ~10.1% decline YoY, resulting in higher local prices and reflecting in lower consumption levels, vis-à-vis high levels of inflation and a slowdown in the construction sector. High dependence on imported raw material exposes the sector to changes in international raw material prices and exchange rate fluctuations. Going forward, although the SBP has lifted the restrictions on imports, the segment will likely remain exposed to PKR depreciation and high local interest rates, on account of a slowdown in the economy which has managed to continue in FY24. The "Long Steel Products" segment's prominent players include Amreli Steel, Mughal Steel, Agha Steel and Crescent Steel & Allied Products. Mughal Steel has diversity in its product slate and its profiling has significantly improved post listing on PSX. The expansion projects related to 'Additional power and melting capacity', 'Replacement of Re-Rolling Bar Mill', additional furnace in ferrous segment as well as achievement of COD of project relating to feedstock processing plant for non- ferrous segment in June 23 have enabled Mughal to further strengthen its market positioning. During FY23, topline witnessed slight growth of ~2% and was recorded at PKR 67.390 billion (FY22: PKR 66.153bln; FY21: PKR 44.972bln) despite decrease in volumes primarily due to increase in selling prices while Gross Profit witnessed a slight decline and was recoded at PKR 9.671bln in FY23 (FY22: PKR 10.128bln; FY21: PKR 6.691bln) due to inflationary pressures. Going forward, we expect an increase in revenues due to recent installation of induction furnaces and nonferrous expansion which shall increase company's exports, thus hedging it against $US as well as reducing its reliance on imports as significant requirement of ferrous segment's raw materials will be met in-house. During FY23, Mughal's gross, operating and net margins witnessed decline as per reported figures (Gross: FY23: 14.4%; FY22: 15.3%; FY21: 14.9%), (Operating: FY23: 13.1%; FY22: 13.9%; FY21: 13.1%) & (Net: FY23: 5.2%; FY22: 8.2%; FY21: 7.6%) due to rising inflation, depreciating currency, high discount rates and increase in energy cost which impacted the overall performance of the Company. Going forward, the impact of curtail on imports and increase in base discount rate will continue to impact the performance of the Company. The company is otherwise bullish on the market side and has adopted a policy of transparency as business house. Non-ferrous expansion will reduce company's dependence on LC's and imports and provide it with natural hedge against dollar, thus reducing exchange risk.

Financial Risk During FY23, Mughal's working capital requirements, represented by net cash cycle increased to 145days (end-Jun 22: 119days; end-Jun21: 106days). This is due to increase in inventory days to 112 (Inventory days: FY22: 94days; FY21: 81days) and increase in receivable days to 40 (Receivable days: FY22: 30days; FY21: 30days), primarily due to increase in prices as well as in operations .The company manages its working capital requirements through mix of internal generation, privately placed instruments (sukuks) and short-term borrowings. As at end-Jun23, STBs were recorded at PKR 20.995 billion (FY22: PKR 20.62 billion; FY21: PKR 16 billion) while FCFO's were recorded at PKR 8.249 billion (FY22: PKR 8.7 billion; FY21: PKR 5.6 billion). The company has currently issued long-term and short-term instruments of PKR 3 billion and PKR 2 billion each to finance its increased working capital requirements. During FY23, FCFO were recorded at PKR 8.249 billion (FY22: 8.726 billion; FY21: PKR 5.564 billion). Due to upwelling in debt levels and increased key policy rates, finance cost increased to PKR 4.423 billion (FY22: PKR 2.622 billion; FY21: PKR 1.370 billion). Resultantly dip has been witnessed in Interest coverage ratio which was recorded at 1.9x in FY23 (FY22: 3.4x; FY21: 4.2x). Mughal's D/E ratio stood at ~50.6% at end-Jun23 (end-Jun22: ~55.5%, end-Jun21: 55.8%). Long-term debt of the company stood at PKR 4.988 billion as at end-Jun23 (end-Jun22: PKR 5.322 billion, end-Jun21: PKR 4.698 billion). The company is making timely repayments of the due installments. Short-term borrowing contributed a significant portion to the total debt (STB: end-Jun23: 80.8%; end-Jun22: 79.4%; end-Jun21: 77%). To finance increased WC requirements of the company, management is in the process of renewal of existing bank lines as well as enhancement of their limits apart from issuance of sukuks.

Instrument Rating Considerations

About The Instrument Mughal issued a Medium Term Rated, Privately Placed, Secured Islamic Certificate ("Sukuk" or the "Issue") of PKR 2,500 million in Dec-23 to finance the company's working capital requirements. The Sukuk has a tenor of 15 months. The profit will be paid quarterly in arrears at the rate of 3MK+145bps p.a calculated on a 365 days basis on the outstanding principal amount. The principal would be made in a bullet payment at the time of maturity.

Relative Seniority/Subordination Of Instrument The claims of the Sukuk holders will rank superior to the claims of ordinary shareholders.

Credit Enhancement The security structure of Sukuk which is strengthened by i) the pari-passu hypothecation charge over-all present & future Current Assets of the Company with a margin of 25%. Sukuk will be upgraded to a pari-passu charge from a ranking charge within 120 days from the final disbursement date and ii) A debt payment account (DPA) will be maintained with an agent bank under exclusive charge & right of set-off in favor of Sukuk holders. The funds equivalent to one-third (1/3rd) amount of upcoming markup/ profit payment not later than the 10th date of each month ("Monthly Payment") would be placed into the DPA so that the aggregate amount available in the DPA on the upcoming Payment Date is equal to the relevant payment Amount. While principal, during the first 12 months, an amount equivalent to 10% of the Issue size will be maintained in the DPA account throughout the tenure of the instrument. And for the last quarter, in addition to the 10% of the issue size already kept in the DPA account, the issuer will deposit 1/3 of the principal payable on the 10th of each month such that the entire principal would be accumulated before the due date, along with 1/3rd of the markup/profit payable.

The Pakistan Credit Rating Agency Limited

Financial Summary
PKR mln

Mughal Iron & Steel Industries Limited	Sep-23	Jun-23	Sep-22	Jun-22	Jun-21
Steel	3M	12M	3M	12M	12M
A BALANCE SHEET					
1 Non-Current Assets	19,689	19,761	16,801	16,533	15,859
2 Investments	53	50	-	-	-
3 Related Party Exposure	-	-	-	-	-
4 Current Assets	43,388	40,021	36,424	36,553	25,941
a Inventories	*24,229*	*20,219*	*22,052*	*21,043*	*13,181*
b Trade Receivables	*9,236*	*9,283*	*6,993*	*5,574*	*5,259*
5 Total Assets	63,130	59,832	53,225	53,085	41,800
6 Current Liabilities	5,068	3,905	2,906	3,314	1,992
a Trade Payables	*1,733*	*1,299*	*1,047*	*1,357*	*455*
7 Borrowings	27,477	25,983	25,561	25,941	20,809
8 Related Party Exposure	61	6	19	25	-
9 Non-Current Liabilities	4,637	4,565	3,020	2,959	2,494
10 Net Assets	25,887	25,372	21,719	20,847	16,505
11 Shareholders' Equity	25,887	25,372	21,719	20,847	16,505
B INCOME STATEMENT					
1 Sales	21,032	67,390	14,073	66,153	44,972
a Cost of Good Sold	*(18,514)*	*(57,719)*	*(11,989)*	*(56,025)*	*(38,280)*
2 Gross Profit	2,518	9,671	2,084	10,128	6,691
a Operating Expenses	(275)	(837)	(208)	(951)	(792)
3 Operating Profit	2,242	8,834	1,877	9,177	5,899
a Non Operating Income or (Expense)	*63*	*(64)*	*36*	*(353)*	*(367)*
4 Profit or (Loss) before Interest and Tax	2,306	8,770	1,913	8,824	5,532
a Total Finance Cost	*(1,583)*	*(4,423)*	*(882)*	*(2,622)*	*(1,370)*
b Taxation	*(207)*	*(866)*	*(160)*	*(791)*	*(732)*
6 Net Income Or (Loss)	515	3,480	872	5,411	3,429
C CASH FLOW STATEMENT					
a Free Cash Flows from Operations (FCFO)	*2,562*	*8,249*	*1,797*	*8,726*	*5,564*
b Net Cash from Operating Activities before Working Capital Changes	*1,151*	*4,389*	*1,175*	*6,233*	*3,885*
c Changes in Working Capital	*(2,223)*	*(5,024)*	*(3,384)*	*(6,247)*	*(9,982)*
1 Net Cash provided by Operating Activities	(1,072)	(635)	(2,209)	(15)	(6,097)
2 Net Cash (Used in) or Available From Investing Activities	(40)	(1,666)	(365)	(1,171)	(1,263)
3 Net Cash (Used in) or Available From Financing Activities	1,537	27	(395)	4,126	7,235
4 Net Cash generated or (Used) during the period	425	(2,275)	(2,968)	2,941	(125)
D RATIO ANALYSIS					
1 Performance					
a Sales Growth (for the period)	24.8%	1.9%	-14.9%	47.1%	64.7%
b Gross Profit Margin	12.0%	14.4%	14.8%	15.3%	14.9%
c Net Profit Margin	2.4%	5.2%	6.2%	8.2%	7.6%
d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)	1.6%	4.8%	-11.3%	3.7%	-9.8%
*e Return on Equity [Net Profit Margin * Asset Turnover * (Total Assets/Sh*	8.0%	15.1%	16.4%	29.0%	27.8%
2 Working Capital Management					
a Gross Working Capital (Average Days)	137	152	180	124	111
b Net Working Capital (Average Days)	130	145	173	119	106
c Current Ratio (Current Assets / Current Liabilities)	8.6	10.2	12.5	11.0	13.0
3 Coverages					
a EBITDA / Finance Cost	1.7	2.3	2.5	3.8	4.6
b FCFO / Finance Cost+CMLTB+Excess STB	1.3	1.4	1.5	2.3	2.6
c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)	1.1	1.3	1.3	0.9	1.1
4 Capital Structure					
a Total Borrowings / (Total Borrowings+Shareholders' Equity)	51.5%	50.6%	54.1%	55.5%	55.8%
b Interest or Markup Payable (Days)	62.3	75.9	68.2	54.5	69.1
c Entity Average Borrowing Rate	23.3%	16.5%	13.0%	10.1%	7.0%

Credit Rating

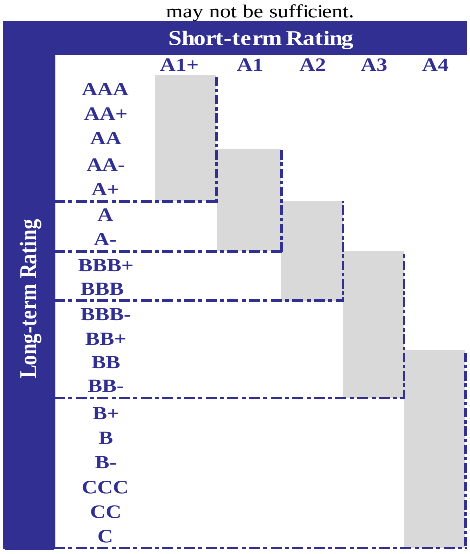
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

Long-term Rating

Scale	Definition
AAA	**Highest credit quality.** Lowest expectation of credit risk. Indicate exceptionally strong capacity for timely payment of financial commitments
AA+ AA AA-	**Very high credit quality.** Very low expectation of credit risk. Indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A+ A A-	**High credit quality.** Low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be vulnerable to changes in circumstances or in economic conditions.
BBB+ BBB BBB-	**Good credit quality.** Currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity.
BB+ BB BB-	**Moderate risk.** Possibility of credit risk developing. There is a possibility of credit risk developing, particularly as a result of adverse economic or business changes over time; however, business or financial alternatives may be available to allow financial commitments to be met.
B+ B B-	**High credit risk.** A limited margin of safety remains against credit risk. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.
CCC CC C	**Very high credit risk.** Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Obligations are currently in default.

Short-term Rating

Scale	Definition
A1+	The highest capacity for timely repayment.
A1	A strong capacity for timely repayment.
A2	A satisfactory capacity for timely repayment. This may be susceptible to adverse changes in business, economic, or financial conditions.
A3	An adequate capacity for timely repayment. Such capacity is susceptible to adverse changes in business, economic, or financial
A4	The capacity for timely repayment is more susceptible to adverse changes in business, economic, or financial conditions. Liquidity may not be sufficient.



**The correlation shown is indicative and, in certain cases, may not hold.*

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s):

a) Broker Entity Rating
b) Corporate Rating
c) Debt Instrument Rating
d) Financial Institution Rating
e) Holding Company Rating
f) Independent Power Producer Rating
g) Microfinance Institution Rating
h) Non-Banking Finance Companies Rating

Rating Team Statements
(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) **Conflict of Interest**
i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions
(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business
(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest
(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA´s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review
(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument;| Chapter III | 17-(d)
Probability of Default
(22) PACRA´s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA´s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA´s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)
Proprietary Information
(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent

Regulatory and Supplementary Disclosure

Nature of Instrument	Size of Issue (PKR)	Tenor	Security	Book Value of Assets (PKR mln)	Nature of Assets	Trustee
Medium Term Rated, Privately Placed, Secured Islamic Certificate ("Sukuk" or the "Issue")	PKR 2,500mln	Up to 15 months	The security structure of Sukuk which is strengthened by i) the first pari-passu hypothecation charge over-all present & future Current Assets of the Company with a margin of 25%. Sukuk will be upgraded to a pari-passu charge from a ranking charge within 120 days from the final disbursement date and ii) A debt payment account (DPA) will be maintained with an agent bank under exclusive charge & right of set-off in favor of Sukuk holders. The funds equivalent to one-third (1/3rd) amount of upcoming markup/profit payment not later than the 10th date of each month ("Monthly Payment") would be placed into the DPA so that the aggregate amount available in the DPA on the upcoming Payment Date is equal to the relevant payment Amount. While principal, during the first 12 months, an amount equivalent to 10% of the Issue size will be maintained in the DPA account throughout the tenure of the instrument. And for the last quarter, in addition to the 10% of the issue size already kept in the DPA account, the issuer will deposit 1/3 of the principal payable on the 10th of each month such that the entire principal would be accumulated before	PKR 13,501mln	Present and future moveable assets	

Name of Issuer	Mughal Iron & Steel Industries Limited
Issue Date	Dec-23
Maturity	Mar-25
Profit Rate	3MKIBOR + 1.45%

Mughal Iron & Steel Industries Limited | PP Sukuk PKR 2.5bln|Dec23 Redemption Schedule

Sr.	Due Date Principal	Opening Principal	3M Kibor	Markup/Profit Rate (3MK + 1.45%)	Markup/Profit Payment	Principal Payment	Total	Principal Outstanding
		PKR			PKR			
Issue Date	Dec-23	2,500,000,000	21.45%	22.90%	-	-	-	2,500,000,000
1	Mar-24	2,500,000,000	21.45%	22.90%	142,732,877	-	142,732,877	2,500,000,000
2	Jun-24	2,500,000,000	21.45%	22.90%	144,301,370	-	144,301,370	2,500,000,000
3	Sep-24	2,500,000,000	21.45%	22.90%	144,301,370	-	144,301,370	2,500,000,000
4	Dec-24	2,500,000,000	21.45%	22.90%	142,732,877	-	142,732,877	2,500,000,000
5	Mar-25	2,500,000,000	21.45%	22.90%	141,164,384	2,500,000,000	2,641,164,384	-
					715,232,877	**2,500,000,000**	**3,215,232,877**	