The Pakistan Credit Rating Agency Limited

# Rating Report

## Mughal Iron & Steel Industries Limited - PPSTS - PKR 2bln - TBI

**Report Contents**



**Rating History**

| Dissemination Date | Long Term Rating | Short Term Rating | Outlook | Action | Rating Watch |
|---|---|---|---|---|---|
| 27-Mar-2025 | A+ | A1 | Stable | Preliminary | - |

### Rating Rationale and Key Rating Drivers

Mughal Iron & Steel Industries Limited ("Mughal" or "the Company") is a key player in the steel industry, navigating the same challenges faced by other major companies in the sector. These challenges include subdued demand, escalating business costs, especially due to higher power tariffs, and the impact of rising finance costs. Despite these pressures, Mughal has managed to weather the storm, although its margins have been affected. This resilience can be attributed to some unique strengths the Company possesses. There is diversity in its product slate, which includes girders, T-iron, and rebars. The Company also has a strong distribution network across the country. In addition to its steel products, Mughal has a distinct revenue stream from copper ingots, which are fully export-oriented, helping the Company mitigate risks related to imports. This export focus shielded Mughal from issues like LC-related problems that have plagued others in the industry. Mughal's consistent rise in exports further strengthens its position compared to other players. Although the sector's outlook remains uncertain, management is focusing on two key areas: volume and margin. The Company is investing in cost-effective and alternative energy sources, which are expected to improve profit margins once operational. Furthermore, a decline in the policy rate is expected to also provide some margin relief. In 1HFY25, the Company's export of copper ingots and granules to China contributed ~19% to its revenue, helping to lift the top line and providing a sustainable source of profit. In a bid to enhance operational efficiency, Mughal's board approved a PKR 2 billion Balancing, Modernization, and Replacement (BMR) project for its steel bar re-rolling mill. This is part of the Company's ongoing efforts to improve its operations. In 1HFY25, Mughal's revenue slightly rose to PKR 46.825 billion, up from PKR 46.050 billion in corresponding period. However, despite this revenue growth, the Company experienced a slight decline in gross margins due to sector-wide challenges. Net margins were also squeezed by rising finance costs. The Company's leverage ratio slightly decreased to ~56% in December 2024, compared to 57% in June 2024. To support its funding requirements, Mughal has relied on banking facilities and debt instruments.

The ratings are dependent upon the Company's ability to sustain its healthy business profile amidst exposure to overall economic slowdown and inflation, herein, effective and prudent management of financial risk indicators remain important. Moreover, upholding of governance framework is vital.

**Disclosure**

| | |
|---|---|
| **Name of Rated Entity** | Mughal Iron & Steel Industries Limited - PPSTS - PKR 2bln - TBI |
| **Type of Relationship** | Solicited |
| **Purpose of the Rating** | Debt Instrument Rating |
| **Applicable Criteria** | Methodology \| Rating Modifiers(Apr-24),Methodology \| Correlation Between Long-term & Short-term Rating Scales(Jul-24),Methodology \| Debt Instrument Rating(Oct-24) |
| **Related Research** | Sector Study \| Steel(Sep-24) |
| **Rating Analysts** | Ali Arslan Malik \| Ali.Arslan@pacra.com \| +92-42-35869504 |

## Issuer Profile

**Profile** Mughal Iron & Steel Industries Limited ("Mughal" or "the Company") has been a listed company since March 2015, with its shares traded on the Pakistan Stock Exchange (PSX). The Company operates from its registered head office in Lahore, while its manufacturing facility is situated on Sheikhupura Road, approximately 17 kilometers from Lahore. Additionally, Mughal has sales centers located in Badami Bagh, Lahore. Mughal is primarily engaged in the production and sale of steel products, including billets, girders, and rebars. In recent years, the Company has diversified its operations into the non-ferrous sector, expanding its business through the export of copper. This diversification has enabled Mughal to broaden its market reach and reduce reliance on the traditional steel sector.

**Ownership** Currently, Mughal is predominantly owned by the Mughal family, holding approximately 76% of the company's shares. The remaining ownership is distributed among financial institutions and the general public. The sponsors of the Company, the Mughal family, bring over five decades of experience in the steel and allied industries, providing a strong foundation of expertise and leadership in the business.

**Governance** The overall control of Mughal is vested in a nine-member board of directors, with six members from the sponsoring Mughal family, including the Chairman and the CEO. The remaining three members are independent directors. Additionally, the board includes three non-executive directors, further ensuring a balanced structure. Mr. Javed Iqbal serves as the Chairman of the board. The board members possess the necessary skills, competence, knowledge, and experience to provide effective oversight. Mr. Iqbal’s extensive experience of around four decades in the local steel industry adds significant value to the board. Alongside the family representatives, the presence of independent directors enhances the governance framework of the Company, contributing to robust decision-making and accountability. All members bring diversified expertise in various areas and have completed multiple terms of over three years. The Company's external auditors, M/s Fazal Mahmood & Company, Chartered Accountants, and M/s Muniff Ziauddin & Company, Chartered Accountants, have provided an unqualified opinion for the period ending June 2024.

**Management** Mughal has a well-organized structure with clearly defined roles and a high level of delegation. The reporting lines are clearly separated between two executive directors and the CEO, all of whom report directly to the Board of Directors (BoD). This structure promotes strong decision-making and enhances operational efficiencies across the organization. Mr. Khurram Javed serves as the CEO of the Company, bringing over a decade of professional experience to the role. He holds an MBA from Coventry University and has played a key role in improving the Company's human resource quality by recruiting professionals from diverse fields. The CEO is supported by a team of experienced individuals with the necessary technical expertise and industry knowledge. Each department operates with its own meetings, where the heads of departments review key performance areas and report to their respective executive directors. This approach ensures focused attention on departmental goals and overall organizational effectiveness.

**Business Risk** During FY24, the overall local steel production in Pakistan amounted to approximately 8.4 million metric tons (MT), reflecting a year-on-year (YoY) decline of about 5.6%. The production of Billets and Ingots (Long Steel) dropped by around 7.5% YoY, totaling approximately 4.9 million MT, while production of Coil & Plates (Flat Steel) reached approximately 3.5 million MT, down by 2.7% YoY. Steel imports, however, saw a significant increase, rising by 31.8% YoY to approximately 2.9 million MT in FY24. This surge in imports occurred after restrictions on steel products and scrap, imposed due to economic imbalances, were lifted in June 2023. The overall local supply of steel products in FY24 stood at approximately 11.3 million MT, up from 11.1 million MT in FY23, marking a YoY increase of about 1.8%. This increase was primarily driven by higher imports, reflecting a rise in demand and a decline in local production. Key players in the "Long Steel Products" segment include Amreli Steel and Mughal Steel. Mughal Steel has diversified its product range and significantly improved its market profile, especially after being listed on the Pakistan Stock Exchange (PSX). Mughal Steel has undertaken several expansion projects, including enhancing power and melting capacity, replacing the Re-Rolling Bar Mill, expanding the ferrous segment’s furnace capacity, and completing the commercial operations date (COD) of a feedstock processing plant for the nonferrous segment in June 2023. Furthermore, the board approved a PKR 2 billion Balancing, Modernization, and Replacement (BMR) project for the existing steel bar rerolling mill, aimed at improving operational efficiency and strengthening Mughal's market position. In the first half of FY25, the Company achieved modest topline growth of approximately 2%, reaching PKR 46.825 billion, compared to PKR 46.050 billion in the same period of the previous year (FY24: PKR 92.383 billion). This growth was primarily driven by an increase in selling prices. However, gross profit did not mirror this trend, declining to PKR 4.199 billion in 1HFY25 from PKR 5.024 billion in 1HFY24 (FY24: PKR 7.718 billion), largely due to inflationary pressures. Looking ahead, the Company expects further revenue growth, particularly with the expansion of the non-ferrous segment, which will boost exports and reduce reliance on imports. In 1HFY25, Mughal's gross and operating margins showed slight improvement compared to FY24, but declined compared to previous years. Gross margin increased to 9.0% in 1HFY25, up from 8.4% in FY24, but still lower than 14.4% in FY23 and 15.3% in FY22. Operating margin improved to 7.9% in 1HFY25 from 7.2% in FY24, though it was still down from 13.1% in FY23 and 13.9% in FY22. Net profit, however, decreased compared to FY24, with a net margin of 0.5% in 1HFY25, down from 2.2% in FY24 and significantly lower than 5.2% in FY23 and 8.2% in FY22. This decline was attributed to rising inflation, a depreciating currency, high finance costs, and increased energy prices, all of which affested the Company's overall performance.

**Financial Risk** In 1HFY25, Mughal's working capital requirements, as measured by the net cash cycle, slightly increased to 121 days, up from 118 days in FY24 (end-Jun 24) and 145 days in FY23 (end-Jun 23). This increase was mainly due to a rise in receivable days, which grew to 48 days in 1HFY25, compared to 40 days in both FY24 and FY23, indicating a higher level of receivables. To manage its working capital, the Company relies on a combination of internal cash generation, privately placed instruments (such as sukuks), and short-term borrowings. As of December 2024, short-term borrowings (STBs) stood at PKR 27.612 billion, slightly lower than PKR 27.992 billion in FY24 but higher than PKR 20.995 billion in FY23. Free cash flow from operations (FCFO) was recorded at PKR 3.246 billion, down from PKR 5.920 billion in FY24 and PKR 8.245 billion in FY23. To meet its increased working capital requirements, the Company issued a short-term instrument worth PKR 2.5 billion. With the rise in debt levels to PKR 33.690 billion in 1HFY25, up from PKR 29.075 billion in 1HFY24, finance costs also increased, reaching PKR 3.453 billion compared to PKR 2.951 billion in the same period of previous year. As a result, the interest coverage ratio (calculated as FCFO/Finance Cost) declined to 0.9x in 1HFY25, compared to 1.6x in 1HFY24 (FY24: 1.0x; FY23: 1.9x). Mughal's leverage ratio decreased to approximately 55.8% as of December 2024, from 57.0% at the end of June 2024 and 50.6% at the end of June 2023. Total debt reduced to PKR 33.690 billion, down from PKR 34.576 billion in FY24 and PKR 25.983 billion in FY23. Long-term debt (LT) decreased to PKR 2.045 billion at the end of December 2024, compared to PKR 2.454 billion at the end of June 2024 and PKR 3.302 billion at the end of June 2023. The Company has been making timely repayments of its due installments. Short-term borrowings (STB) continued to account for a significant portion of total debt, comprising 82% of total debt as of December 2024, compared to 81% at the end of June 2024 and 80.8% at the end of June 2023. To address the increased working capital requirements, management is in the process of renewing existing bank lines, enhancing their limits, and issuing sukuks.

## Instrument Rating Considerations

**About The Instrument** Mughal is in process to issue a PKR 2,000mln Privately Placed Short Term Sukuk (PPSTS) in April’25 to support its working capital. This issuance replaces a PKR 2,500mln PPSTS which was issued on October 21, 2024, and is set to mature on April 22, 2025. The financial covenants, to be finalized based on due diligence, will include: i) Minimum Current Ratio at 1.0x; ii) Minimum Interest Coverage Ratio at 1.1x; & iii) Maximum Leverage Ratio at 3.5x will be maintained during the transaction tenor. Though unsecured, Mughal ensure that it has adequate liquidity available in the form of cash and /or cash equivalents and / or unutilized credit limits with financial institutions to fully settle the due amount (both principal and interest) on the due date. Repayment of interest and principal will be in bullet at expiry at the end of tenor.

**Relative Seniority/Subordination Of Instrument** The claim of the certificate holders will rank superior to the claim of ordinary shareholders.

**Credit Enhancement** The instrument is unsecured.

The Pakistan Credit Rating Agency Limited

*Financial Summary*
*PKR mln*

| Mughal Iron & Steel Industries Limited | Dec-24 | Jun-24 | Jun-23 | Jun-22 |
|---|---|---|---|---|
| Steel | 6M | 12M | 12M | 12M |
| **A BALANCE SHEET** | | | | |
| 1 Non-Current Assets | 19,490 | 19,653 | 19,761 | 16,533 |
| 2 Investments | 50 | 50 | 50 | - |
| 3 Related Party Exposure | 3,176 | 3,947 | - | - |
| 4 Current Assets | 46,176 | 45,427 | 40,021 | 36,553 |
| *a Inventories* | *19,210* | *23,418* | *20,219* | *21,043* |
| *b Trade Receivables* | *13,978* | *10,806* | *9,283* | *5,574* |
| **5 Total Assets** | 68,892 | 69,077 | 59,832 | 53,085 |
| 6 Current Liabilities | 5,561 | 5,500 | 3,905 | 3,314 |
| *a Trade Payables* | *2,816* | *2,566* | *1,299* | *1,357* |
| 7 Borrowings | 33,690 | 34,576 | 25,983 | 25,941 |
| 8 Related Party Exposure | - | - | 6 | 25 |
| 9 Non-Current Liabilities | 2,976 | 2,865 | 4,565 | 2,959 |
| **10 Net Assets** | 26,664 | 26,135 | 25,372 | 20,847 |
| **11 Shareholders' Equity** | 26,664 | 26,135 | 25,372 | 20,847 |
| **B INCOME STATEMENT** | | | | |
| **1 Sales** | 46,825 | 92,383 | 67,390 | 66,153 |
| *a Cost of Good Sold* | *(42,626)* | *(84,665)* | *(57,719)* | *(56,025)* |
| **2 Gross Profit** | 4,199 | 7,718 | 9,671 | 10,128 |
| *a Operating Expenses* | (513) | (1,065) | (837) | (951) |
| **3 Operating Profit** | 3,686 | 6,652 | 8,834 | 9,177 |
| *a Non Operating Income or (Expense)* | *155* | *331* | *(64)* | *(353)* |
| **4 Profit or (Loss) before Interest and Tax** | 3,842 | 6,983 | 8,770 | 8,824 |
| *a Total Finance Cost* | *(3,453)* | *(6,364)* | *(4,423)* | *(2,622)* |
| *b Taxation* | *(172)* | *1,381* | *(866)* | *(791)* |
| **6 Net Income Or (Loss)** | 217 | 2,000 | 3,480 | 5,411 |
| **C CASH FLOW STATEMENT** | | | | |
| *a Free Cash Flows from Operations (FCFO)* | *3,246* | *5,920* | *8,245* | *8,726* |
| *b Net Cash from Operating Activities before Working Capital Changes* | *(495)* | *82* | *4,385* | *6,233* |
| *c Changes in Working Capital* | *2,098* | *(2,597)* | *(5,024)* | *(6,247)* |
| **1 Net Cash provided by Operating Activities** | 1,603 | (2,515) | (639) | (15) |
| **2 Net Cash (Used in) or Available From Investing Activities** | (88) | (4,311) | (1,666) | (1,171) |
| **3 Net Cash (Used in) or Available From Financing Activities** | (717) | 7,339 | 27 | 4,126 |
| **4 Net Cash generated or (Used) during the period** | 798 | 512 | (2,278) | 2,941 |
| **D RATIO ANALYSIS** | | | | |
| **1 Performance** | | | | |
| *a Sales Growth (for the period)* | 1.4% | 37.1% | 1.9% | 47.1% |
| *b Gross Profit Margin* | 9.0% | 8.4% | 14.4% | 15.3% |
| *c Net Profit Margin* | 0.5% | 2.2% | 5.2% | 8.2% |
| *d Cash Conversion Efficiency (FCFO adjusted for Working Capital/Sales)* | 11.4% | 3.6% | 4.8% | 3.7% |
| *e Return on Equity [ Net Profit Margin * Asset Turnover * (Total Assets/Sh* | 1.6% | 7.8% | 15.1% | 29.0% |
| **2 Working Capital Management** | | | | |
| *a Gross Working Capital (Average Days)* | 131 | 126 | 152 | 124 |
| *b Net Working Capital (Average Days)* | 121 | 118 | 145 | 119 |
| *c Current Ratio (Current Assets / Current Liabilities)* | 8.3 | 8.3 | 10.2 | 11.0 |
| **3 Coverages** | | | | |
| *a EBITDA / Finance Cost* | 1.2 | 1.2 | 2.3 | 3.8 |
| *b FCFO / Finance Cost+CMLTB+Excess STB* | 0.6 | 0.6 | 1.4 | 2.3 |
| *c Debt Payback (Total Borrowings+Excess STB) / (FCFO-Finance Cost)* | -14.7 | -26.5 | 1.3 | 0.9 |
| **4 Capital Structure** | | | | |
| *a Total Borrowings / (Total Borrowings+Shareholders' Equity)* | 55.8% | 57.0% | 50.6% | 55.5% |
| *b Interest or Markup Payable (Days)* | 45.7 | 72.2 | 75.9 | 54.5 |
| *c Entity Average Borrowing Rate* | 21.3% | 21.3% | 16.5% | 10.1% |

## Credit Rating

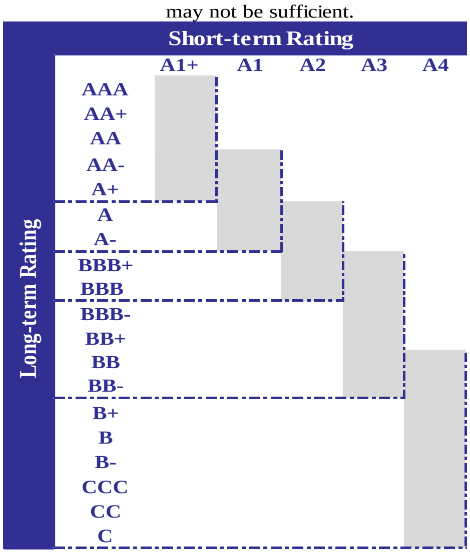
Credit rating reflects forward-looking opinion on credit worthiness of underlying entity or instrument; more specifically it covers relative ability to honor financial obligations. The primary factor being captured on the rating scale is relative likelihood of default.

### 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+<br>AA<br>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+<br>A<br>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+<br>BBB<br>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+<br>BB<br>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+<br>B<br>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<br>CC<br>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

## Regulatory and Supplementary Disclosure
(Credit Rating Companies Regulations,2016)

**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**

# Regulatory and Supplementary Disclosure

| Nature of Instrument | Size of Issue (PKR) | Tenor | Security | Quantum of Security | Nature of Assets | Trustee | Book Value of Assets (PKR mln) |
|---|---|---|---|---|---|---|---|
| Rated, Unsecured, Privately Placed Short Term Sukuk (PPSTS) | 2,000 mln | 6 months | Unsecured | N/A | N/A | KASB | N/A |

| | |
|---|---|
| **Name of Issuer** | Mughal Iron & Steel Industries Limited |
| **Issue Date** | April, 2025 |
| **Maturity** | October, 2025 |
| **Profit Rate** | 6M KIBOR + 110bps p.a. |

| Due Date Principal* | Opening Principal | Principal Repayment* | Due Date Markup/ Profit* | Markup/Profit rate | 6M Kibor Plus 110bps | Markup/Profit Payment | Installment Payable | Principal Outstanding |
|---|---|---|---|---|---|---|---|---|
| | PKR in mln | | | | | PKR in mln | | |
| Issuance | | | | | | | | 2,000 |
| April, 2025 | 2,000 | | | 6M KIBOR + 1.1% | 13.11% | | - | 2,000 |
| October, 2025 | 2,000 | 2,000 | October, 2025 | 6M KIBOR + 1.1% | 13.11% | 131 | 2,131 | - |
| | | **2,000** | | | | **131** | **2,131** | |