

**Date**

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Applicable Criteria

- Methodology | Corporate Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21
- Criteria | Rating Modifiers | Jun-21

Related Research

- Sector Study | Steel | Sep-21

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PACRA Upgrades Entity Rating of Mughal Iron & Steel Industries Limited

Rating Type	Entity	
	Current (22-Oct-21)	Previous (23-Oct-20)
Action	Upgrade	Upgrade
Long Term	A+	A
Short Term	A1	A2
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. Governance framework strengthened by induction of independent oversight on board. The Company has diversity in its product slate as its operating segments comprising of 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. 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 the revenue stream led to a significant contribution from exports of Copper Ingots to China (i-e; ~15% of revenue contribution) which not only contributed to the top line but also brought sustained profit stream, going forward. Mughal has attained a formidable market share by establishing the brand and earning trust with regard to quality. The Company's focus is penetrating the retail segment while considering the inclining trend in demand growth coming from that segment. This strategic realignment contributes 71% volumes (FY20: 60% of sales mix). The capacity expansion project came online in Jun-21 which enhanced the rebar capacity by 430,000/MT. Furthermore, the Company is in the process to procure three furnaces which will enhance re-rolling capacity by 90,000 MT/furnace. Enhanced capacities are going to enable Mughal, to explore untapped markets while taking its business insight into account. The reported profitability for Jun-21 showed significant growth from previous years wherein, FY20 results depicted that Mughal held its position during the challenging environment posed by Covid-19. Margins witnessed growth, primarily attributable to a global increase in local demand and curtailed key policy rates.

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 the manufacturing and sale of billets, girders, and rebars. The Company has expanded its product base lately, by entering to non-ferrous segment. Mughal operates with a melting capacity of 420,000M.T. & rerolling capacity of 430,000M.T., a further capacity enhancement plan is underway to increase the rerolling capacity to 690,000M.T. Currently, a ten-member BoD is monitoring the overall functioning under the chairmanship of Mr. Mirza Javed Iqbal. Mr. Khurram Javaid is on the execution lead as CEO and the driving force behind the Company. Other senior tier management is associated with the company for a fairly long period of time. Diversified skill set and experience of multiple years reflected from member's profile, contribute to strong footprinting of the Company in the market.

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.