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**Applicable Criteria**

- Methodology | Corporate Ratings (Jun 19) [\[View\]](#)
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale (Jun 19) [\[View\]](#)

**Related Research**

- Sector Study | Steel (Sep 19) [\[View\]](#)

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**PACRA Maintains Entity Ratings of Mughal Iron & Steel Industries Limited**

Rating Type	Entity	
	Current (24-Sep-2019)	Previous (25-Mar-2019)
<b>Action</b>	Maintain	Maintain
<b>Long Term</b>	A-	A-
<b>Short Term</b>	A2	A2
<b>Outlook</b>	Positive	Positive
<b>Rating Watch</b>	-	-

Mughal is a known name in the steel industry. The Company’s business profile has significantly improved post listing on PSX, few years back. Governance framework strengthened by induction of independent oversight on board. The Company has diversity in its product slate; Rebars, T-Iron and Girders etc. Furthermore, establishment of strong brands like ‘Mughal Supreme’ gives competitive edge to the Company. The company 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 capacity expansion project (planned COD: Jun-19) will further enable Mughal to increase its efficiency and market presence. The reported profitability in recent period shows that Mughal is holding its position. The established distribution network and knowledge of management on supply chain dynamics is a positive contribution to Mughal. Going forward, management is eyeing backward integration. The company is fast moving towards technologically advanced manufacturing facilities, which provides efficiency and scale as well. The business profile witnessed continuous improvement in recent periods. However, margins witnessed slight reduction – an industry wide phenomenon – primarily attributable to global increase in prices of raw material (scrap, iron) and depreciation of Pak Rupee. The general industry dynamics reflect weakening. The ratings incorporate Mughal’s good financial risk profile which has sustained over the years. The short term borrowings (net of cash) are largely aligned with the working capital requirements. Going forward, with increased working capital requirements post expansion prudent management of cash flows remain essential for the ratings. 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, spring steel, deformed bars, rebars, cold twisted rebars and a range of sections for the downstream industry. The company obtained listing on Pakistan Stock Exchange in Mar-15. The company is majority owned (~75%) by the Mughal Family.

The overall control of the Company vests in the seven members’ board of directors. Two are executive directors, three are non-executive directors of the sponsoring family, including the chairman, whereas, there are two independent directors on board. Mr. Khurram Javed is the thriving force behind the Company and is leading the business as a CEO. Two executive directors are also involved in vigilant monitoring of company’s affairs.

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.