From: Nasim Beg [mailto:nasimbeg@arifhabib.com.pk]
Sent: Tuesday, April 27, 2021 2:41 PM
To: Muhammad Asim <muhammad.asim@mcbah.com>
Cc: Ahmed Jahangir Mcbahboard Jahangir <ajelahi@nishatmills.com>; Saqib Saleem <saqib.saleem@mcbah.com>; Saad Ahmed <saad.ahmed@mcbah.com>; Asif Mehdi <asif.mehdi@mcbah.com>; Altaf Faisal <altaf.faisal@mcbah.com>
Subject: Re: Credit Committee - Request for approval for to Invest in CP of Mughal Ltd

Asim
I am fine with this.

Regards

Nasim Beg
CEO
Arif Habib Consultancy
Sent from my iPhone

On 27 Apr 2021, at 13:32, Muhammad Asim <muhammad.asim@mcbah.com> wrote:

Dear Sir

We request approval for investment in CP 1 year maturity at 6month Kibor plus 1.75% with an issue size of Rs. 2 Bn. We intend to participate in the CP from Aggressive Income and Shariah Compliant Income Scheme and propose to participate by an amount of PKR 300 million which will be 15% of the issue size.

Mughal Steel is a listed entity making steel rebars and varieties of T-bar and beams. Purpose of issue is to finance working capital as their expansion of 430K tons mill is expected come online by end of this fiscal year. Being a listed company and one of our holdings in equity portfolios, we have had several interactions with management in past and their guidance and overall company performance has remains above peer average in our view.

Given the cyclical industry, we have looked at variation in margins, demand outlook and interest rates sensitivity and found the company resilient and particularly strong within the investment horizon of 1 year. We have a favorable view on demand from construction sector supported by focus of government and policies for this sector. A detailed description on structure is given below while a detailed note on our projections and credit analysis is attached. Key ratios are given below:

Ratios	2022	2023
Interest Coverage	4.52	5.24
Debt to Equity	0.68	0.56
Debt to Assets	0.35	0.31
LT Debt/Equity	0.04	0.01
ROE	20.7%	21.0%
Debt Coverage	2.74	3.12
Cash Flow Coverage - LT	1.82	2.02

Instrument	Commercial Paper
Issuer	Mughal Iron & Steel Industries Limited
Issue Amount	PKR 2,000 million
Tenor	12 Months (360 Days)
Entity Rating	A (Single A)
Purpose	To meet working capital requirements of the company
Expected Issue Date	1st May, 2021
Re-pricing Provision	The instrument will be repriced Bi-annually
Principal Repayment	Commercial Paper will be redeemed at face value upon maturity (i.e. 360 days from Issue date)
Rate	6 Months KIBOR + 175 bps
Financial Advisors and Arranger	Topline Securities Limited
Shariah Advisor	Al-Hilal Shariah Advisors

Regards
Asim

Muhammad Asim, CFA
CIO
MCBAH
0301-825-0907