

Emco Industries Limited

Manufacturers of High Tension Electrical Porcelain Insulators, High Voltage Switchgear



November 15, 2022

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi, Pakistan.

SUBJECT: DISCLOSURE OF MATERIAL INFORMATION

Dear Sir(s),

In accordance with Section 96 of Securities Act, 2015, clause 5.19.13(c) of the PSX Regulations, and Clause 14 (viii) of the Code of Corporate Governance 2019 EMCO Industries Limited ("EMCO", or "we" or "us") hereby conveys the following information:

EMCO Industries, a Public Listed company incorporated in 1954, is the market leader for manufacturing and supply of High Voltage porcelain transmission line insulators, and substation equipment for the Pakistan market, as well as for various export markets.

VIS reaffirms the Entity Ratings: VIS Credit Rating Company Limited (VIS), has reaffirmed the entity ratings of 'A-/A-2' (Single A-minus /A-Two) to EMCO Industries Limited (EMCO). The medium to long-term rating of 'A-' denotes good credit quality with adequate protection factors. Moreover, risk factors may vary with possible changes in economy. The short-term rating of 'A-2' signifies good certainty of timely payment with sound liquidity and company fundamentals. Access to capital markets is good along with low risk factors. Outlook on the assigned ratings is 'Stable'.

Press Release by VIS Credit Rating Company Limited of 14th November 2022 is also attached with this letter.

Yours Truly,


Ahsan Suhail Manhan
Company Secretary

CC:

The Director / HOD,
(Surveillance and Enforcement Department)
Securities & Exchange Commission of Pakistan,
NIC Building, 63-Jinnah Road,
Islamabad, Pakistan.



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Press Release

VIS Reaffirms Entity Ratings of EMCO Industries Limited

Karachi, November 14, 2022: VIS Credit Rating Company Limited (VIS) has reaffirmed the entity ratings of EMCO Industries Limited (EMCO) at 'A-/A-2' (Single A-/A-Two). The medium to long-term rating of 'A-' denotes good credit quality with adequate protection factors. Moreover, risk factors may vary with possible changes in economy. The short-term rating of 'A-2' signifies good certainty of timely payment with sound liquidity and company fundamentals. Access to capital markets is good along with low risk factors. Outlook on the assigned ratings is 'Stable'. Previous rating action was announced on December 7, 2021.

The assigned ratings take into account EMCO's strategic market position due to provision of highly specialized products; high voltage porcelain insulators and substation products used during transmission, at grid stations, and for distribution of electricity. The ratings derive strength from reliance of the power sector on the company's products used at the source of generation, at grid stations and for the onwards distribution of electricity. The comfort is also drawn from steady demand of products emanating from government and semi-government contracts, and premium private sector electricity generation companies in Pakistan, and also some large-scale energy sector contractors and transformer manufacturers.

The company registered growth in topline on account of volumetric increase coupled with higher average prices. The gross margins decreased slightly mainly due to increase in both local and imported raw material prices amidst inflationary trend and sharp devaluation of local currency during the outgoing year. The liquidity has remained adequate in terms of cash flow coverages. The company is in process of enhancing production capacity, also removing bottlenecks and plans to introduce a new product line to meet growing demand; funded through a mix of long-term debt and own sources. Leverage indicators are projected to increase on account of mobilization of additional long-term borrowing for capex and higher short-term borrowings in line with working capital requirements. Meanwhile, the ratings factor in positive demand prospects of insulators in view of increasing per capita consumption of electricity and continued capex in power generation capacity of the country. Moreover, rehabilitation of damaged infrastructure due to the recent flooding is expected to further uplift demand of the products. The ratings would remain sensitive to the timely completion of the ongoing enhancement while achieving projected growth in revenue and profitability. At the same time, maintaining liquidity and capitalization profiles at adequate levels will remain imperative for the assigned ratings.

For further information on this rating announcement, please contact Ms. Tayyaba Ijaz, CFA at 042-35723411-13 (Ext. 8005) and/or the undersigned at 021-35311861-66 (Ext. 207) or email at info@vis.com.pk

Sara Ahmed
Director

VIS Entity Rating Criteria: Corporates (August 2021)
<https://docs.vis.com.pk/docs/CorporateMethodology202108.pdf>

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