

Emco Industries Limited

Manufacturers of High Tension Electrical Porcelain Insulators, High Voltage Switchgear



TCS

December 08, 2021

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 7th December 2021 is also attached with this letter.

Yours Truly,


Ahsan Suhail Mannan
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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VIS Credit Rating Company Limited

International Affiliates: Islamic International Rating Agency - Bahrain, Credit Rating Information & Services Ltd.
- Bangladesh, Borhan Credit Rating Company Ltd. - Iran

Press Release

VIS Reaffirms Entity Ratings of EMCO Industries Limited

Karachi, December 7, 2021: 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 October 27, 2020.

The assigned ratings take into account EMCO's strategic market position with solely produced highly specialized products, high voltage porcelain insulators, distributed nationwide, and to selected export markets. 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 transmission and 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 ratings incorporate positive momentum in revenue on account of volumetric increase coupled with higher average prices. The company sustained gross margins in the outgoing year while net margins increased in line with rationalized operating expenses, higher other income and lower finance cost. Liquidity has remained adequate in terms of cash flow coverages. The management has embarked upon enhancing operational efficiencies, optimizing production capacity of the existing plant and capex for a new product line. Leverage indicators are projected to increase on account of mobilization of additional long-term borrowing for capex, going forward. Meanwhile, the ratings factor in positive demand prospects of insulators in view of increasing per capita consumption of electricity, continued capex in power generation capacity of the country and export potential. Materialization of the intended capital expenditure while achieving projected revenue growth, maintaining profit margins, debt service coverage, and keeping capitalization indicators at adequate level are the key rating sensitivities.

For further information on this rating announcement, please contact Ms. Tayyaba Ijaz at 042-35723411-13 (Ext. 8004) and/or the undersigned at 021-35311861-66 (Ext. 306) or email at info@vis.com.pk


Faraz Ahmad Faheem
Deputy CEO

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

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