VIS
Credit Rating Company Limited

RATING REPORT

EMCO INDUSTRIES LIMITED

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RATING DETAILS				
RATINGS CATEGORY	LATEST RATING		PREVIOUS RATING	
	Medium to Long-term	Short-term	Medium to Long-term	Short-term
ENTITY	A-	A2	A-	A2
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Reaffirmed	
RATING DATE	18-Jun-2026		23-May-2025	

Shareholding (5% or More)	Other Information
Ahsan Suhail Mannan (Company Secretary) – 8.4%	Incorporated in: 1954
ICC (Private) Limited – 7.6%	Public Listed Company
Amina Wadalawala – 6.8%	CEO: Mr. Salem Rehman
Associated Engineers (Private) Limited – 5.7%	Chairman: Mr. Javaid Shafiq Siddiqi
Muhammad Zulqarnain Mahmood Khan – 5.7%	External Auditor: Crowe Hussain Chaudhury & Co., Chartered Accountants
Pervaiz Shafiq Siddiqi – 5.5%	
Javaid Shafiq Siddiqi (Managing Director) – 5.5%	
Ayesha Noorani – 5.3%	
Usman Haq – 5.5%	

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
https://docs.vis.com.pk/docs/CorporateMethodology.pdf

Rating Scale

https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The assigned ratings reflect EMCO Industries Limited's dominant market position in the local high voltage porcelain insulators segment, catering to the power transmission and distribution sector. Overall business risk remained elevated during FY25 due to lower demand from DISCOs and NTDC amid power sector reprofiling, inventory management across DISCOs and slower execution of public-sector projects. However, the Company continued to focus on export growth and product diversification, including hardware/cross arms to support topline.

During FY25, sales and profitability were impacted by lower local dispatches, introductory pricing in export markets and higher contribution from low-margin hardware products. However, performance improved during

9MFY26, with recovery in sales, profitability and cash flows, supported by improved dispatches, export growth and lower finance cost. Liquidity profile remained manageable. Debt coverage weakened in FY25; however, improvement was noted during 9MFY26 with recovery in FFO and DSCR. Going forward, ratings will remain dependent on sustained improvement in project execution, growth in topline and improvement in margins, timely receivable collections, and maintenance of liquidity, coverage and capitalization indicators.

Company Profile

EMCO Industries Limited ('EMCO' or 'the Company') was incorporated in 1954 as a Joint Stock Company in Pakistan by the name of Electric Equipment Manufacturing Company (Private) Limited. Later, it was converted into a public company in 1983, and its name was changed to EMCO Industries. The Company is engaged in the manufacturing of porcelain insulators, switchgear, RTV coating, chemical porcelain, special porcelain and metal components. EMCO's manufacturing facility is located at Lahore-Sheikhupura Road, Lahore, while its registered office is situated at Egerton Road, Lahore.

Management and Governance

EMCO's Board comprises 12 members, including four executive directors, four non-executive directors and four independent directors, reflecting an adequate governance structure. The Board is chaired by Mr. Javaid Shafiq Siddiqi, a Non-Executive Director, while Mr. Salem Rehman serves as the Chief Executive Officer and Executive Director of the Company. The Board is supported by Audit Committee, Human Resource & Remuneration Committee, Risk Management Committee and Nomination Committee. The external auditors of the Company are Crowe Hussain Chaudhury & Co., Chartered Accountants which is listed on the category 'A' of SBP panel of auditors.

Business Risk

INDUSTRY

Business risk of the electrical equipment segment remains moderate, with demand largely dependent on procurement activity in the power transmission and distribution network. The segment is closely linked with DISCOs/NTDC spending, public sector development allocations and execution of power infrastructure projects. During FY25, demand for insulators and related power equipment remained under pressure due to power sector reprofiling, inventory rationalization by DISCOs and focus on balance sheet improvement by distribution companies.

The sector also remains exposed to delays in tendering, budgetary constraints, public-sector payment cycles and changes in government policy. While ongoing power sector reforms, including planned privatization of selected DISCOs, may support fresh procurement over the medium term, near-term demand visibility remains dependent on timely project execution and availability of development funding. Moreover, volatility in raw material prices and energy costs continues to impact margins for local manufacturers. However, EMCO's leading position in the local market, limited competition from high-end Chinese imports, and customer base comprising government-owned DISCOs, NTDC and well-established entities such as K-Electric provide some comfort to business risk profile. Going forward, industry outlook will remain contingent upon normalization of DISCOs/NTDC procurement, revival in infrastructure-related spending, implementation of power sector reforms and stability in input costs. Export markets provide diversification opportunities for local manufacturers; however, competitive pricing, logistics costs and market-entry requirements may continue to keep margins under pressure in the near term.

OPERATIONAL UPDATE

Operational performance remained constrained during FY25 due to subdued demand from DISCOs and NTDC amid power sector reprofiling. To partly offset lower demand for line insulators and substation products, EMCO introduced Cross Arm/ hardware products during FY25, supported by capex for backward integration, including in-house galvanization and metal workshop development. However, the hardware segment carries thin margins and higher working capital requirements due to steel procurement; therefore, management intends to gradually shift capacity back towards line insulators as demand normalizes. The details about the capacity utilization can be seen in the table below:

Description	9MFY26	FY25	FY24
Plant Capacity	4,875	6,500	6,500
Utilization - tons *	2,890	3,224	3,300
Utilization - %	59.28%	49.60%	50.77%

The Company has adequate power infrastructure, including LESCO connection, standby diesel generators and gas connection from SNGPL. EMCO has also commissioned around 1MW solar power plant, meeting around 30–35% of total power requirement, while another 1MW solar plant is planned to support cost efficiency.

SALES & PROFITABILITY

Net sales declined by 14.0% to PKR 3.6b in FY25 (FY24: PKR 4.2b), primarily due to lower local sales amid subdued demand from DISCOs and NTDC following power sector reprofiling, inventory management across DISCOs and slower execution of public-sector projects. Local sales continued to dominate the revenue mix; however, export sales increased by 174% YoY on account of growing traction in Turkey, UAE, USA, Brazil and other international markets. Exports revenue is projected to reach PKR 700m in FY26; the management's aim is to enhance its exports base by 18% in FY27. Product-wise, line insulators remained the largest contributor; however, sales were lower due to weak domestic demand. To protect topline, the Company expanded into hardware / cross arms during FY25.

Gross margin weakened to 17.2% in FY25 (FY24: 26.8%), reflecting a shift towards low-margin products, initial export market penetration at competitive pricing and higher raw material cost. Operating margin also declined to 10.2% (FY24: 17.9%), while net margin stood lower at 1.6% (FY24: 5.2%) in FY25. Resultantly, profit after tax decreased to PKR 55.74m in FY25 (FY24: PKR 219.0m).

During 9MFY26, sales recovered to PKR 3.8b (9MFY25: 2.9b), exceeding the levels reached in SPLY and FY25, supported by improved domestic dispatches and continued export growth. However, gross margin remained constrained at 17.3% (9MFY25: 18.9%), due to pricing pressures. Finance cost declined during the period, supporting improvement in bottom-line profitability, with net profit increasing to PKR 64.5m (9MFY25: PKR 26.8m) and net margin reaching 1.72% (9MFY25: 0.91%). Going forward, margins are expected to recover gradually, contingent upon normalization of DISCOs/NTDC demand, better export pricing and shift back towards higher-margin line insulators, though potential increase in interest rates may put downward pressure on bottom-line.

Financial Risk

CAPITAL STRUCTURE

The Company's capitalization profile remained moderately leveraged. Tier-1 equity increased to PKR 1.6b at end-FY25 (end-FY24: PKR 1.5b), supported by profit retention. Total debt slightly increased and it primarily comprised short-term facilities to fund working capital requirements. While gearing remained largely stable at 1.21x by end-9MFY26, slightly higher than 1.17x at end-FY25 (end-FY24: 1.19x), leverage improved slightly to 1.77x (end-FY25: 1.78x, end-FY24: 1.90x). Going forward, capitalization indicators are expected to remain dependent on effective working capital management, profitability recovery and reduction in short-term borrowings.

DEBT COVERAGE & LIQUIDITY

Debt coverage indicators weakened in FY25, with FFO turning negative at PKR 2.8m (FY24: PKR 457.4m), primarily due to lower profitability. Resultantly, DSCR reduced to 0.71x (FY24: 1.52x). During 9MFY26, coverage indicators improved, supported by recovery in profitability and lower finance cost. FFO recovered to PKR 177.7m, while DSCR improved to 1.08x. Improvement in coverage ratios remain sensitive to recovery in margins amid potential increase in interest rates, going forward.

Liquidity profile remained adequate, though working capital requirements remained elevated. Current ratio stood at 1.40x at end-9MFY26 and 1.45x at end-FY25 (FY24: 1.49x) . Cash conversion cycle increased to 232.8 days in FY25 (FY24: 198.0 days) due to inventory build-up amid subdued local demand. However, it improved to 164.0 days during 9MFY26 supported by higher dispatches due to improved demand conditions. Receivable ageing remained manageable, with 76.4% of receivables falling within 90 days at end-FY25, which improved to 93.1% by end-9MFY26. Receivables outstanding for more than 365 days declined to 2.9% at end-9MFY26 (FY25: 5.7%), while provisioning is being carried out in line with IFRS-9. The details on receivable ageing can be seen below:

Category	9MFY26	FY25	FY24
1-90 days	93.13%	76.37%	88.17%
91-180 days	2.85%	14.66%	6.77%
181-365 days	1.13%	3.31%	1.34%
More than 365 days	2.90%	5.66%	3.72%

Financial Summary

Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	9MFY26M
Property, plant and equipment	2,814.38	2,897.92	3,192.53	3,191.03
Stock-in-trade	1,240.57	1,175.58	1,656.55	1,392.26
Trade debts	748.91	1,242.41	562.23	1,060.09
Cash & Bank Balances	18.4	10.08	43.99	32.18
Other Assets	515.57	439.26	634.37	623.37
Total Assets	5,338.68	5,769.00	6,093.14	6,299.08
Creditors	288.58	255.67	261.51	403.03
Long-term Debt (incl. current portion)	719.19	716.08	640.43	566.93
Short-Term Borrowings	851.5	1,054.97	1,196.50	1,432.58
Total Debt	1,570.69	1,771.05	1,836.93	1,999.51
Other Liabilities	694.13	796.15	683.87	520.7
Total Liabilities	2,553.40	2,822.87	2,782.31	2,923.24
Paid up Capital	350	350	350	350
Revenue Reserve	804.28	1,022.31	1,101.47	1,185.24
Sponsor Loan	115.71	115.71	115.71	115.71
Equity (excl. Revaluation Surplus)	1,269.99	1,488.02	1,567.18	1,650.95
Income Statement (PKR Millions)	**FY23A**	**FY24A**	**FY25A**	**9MFY26M**
Net Sales	3,545.53	4,192.40	3,607.04	3,758.04
Gross Profit	964.36	1,123.70	620.48	648.33
Operating Profit	667.29	748.65	367.71	289.42
Finance Costs	247.99	392.71	325.49	194.76
Profit Before Tax	419.3	355.94	42.22	94.66
Profit After Tax	292.93	218.99	55.74	64.51
Ratio Analysis	**FY23A**	**FY24A**	**FY25A**	**9MFY26M**
Gross Margin (%)	27.20%	26.80%	17.20%	17.25%
Operating Margin (%)	18.82%	17.86%	10.19%	7.70%
Net Margin (%)	8.26%	5.22%	1.55%	1.72%
Funds from Operation (FFO) (PKR Millions)	490.79	457.36	-2.75	177.67
FFO to Total Debt* (%)	31.25%	25.82%	-0.15%	11.85%
FFO to Long Term Debt* (%)	68.24%	63.87%	-0.43%	41.79%
Gearing (x)	1.24	1.19	1.17	1.21
Leverage (x)	2.01	1.90	1.78	1.77
Debt Servicing Coverage Ratio* (x)	2.22	1.52	0.71	1.08
Current Ratio (x)	1.58	1.49	1.45	1.40
(Stock in trade + trade debts) / STD (x)	2.47	2.39	1.93	1.76
Return on Average Assets* (%)	6.11%	3.94%	0.94%	1.39%
Return on Average Equity* (%)	26.15%	15.88%	3.66%	5.35%
Cash Conversion Cycle (days)	177.69	198.01	232.77	164.03

**Annualized, if required*

A - Actual Accounts

M - Management Accounts

REGULATORY DISCLOSURES	Appendix I
Name of Rated Entity	EMCO Industries Limited
Sector	Engineering
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings
Rating History	see table below
Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
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Due Diligence Meetings Conducted	see table below

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook/Watch	Rating Action
RATING TYPE: ENTITY				
18-Jun-2026	**A-**	**A2**	**Stable**	**Reaffirmed**
23-May-2025	A-	A2	Stable	Reaffirmed
05-Dec-2023	A-	A2	Stable	Reaffirmed
14-Nov-2022	A-	A2	Stable	Reaffirmed
07-Dec-2021	A-	A2	Stable	Reaffirmed
27-Oct-2020	A-	A2	Stable	Initial

Due Diligence Meetings Conducted

Name	Designation	Date
Riaz Ahmad	Chief Financial Officer	10-Jun-2026