VIS
Credit Rating Company Limited

RATING REPORT

H.M. ESMAIL & COMPANY LIMITED

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RATING DETAILS		
RATINGS CATEGORY	Initial Rating	
	Long-term	Short-term
ENTITY	BBB+	A2
OUTLOOK/ RATING WATCH	Stable	
RATING ACTION	Initial	
RATING DATE	August 19, 2026	

Shareholding (5% or More)	Other Information
Mr. Muhammad Shoaib - ~37.00%	Incorporated in 1984
Mr. Jan Muhammad - ~15.00%	Private Limited Company
Mrs Samreen Shoaib – ~9.00%	Chief Executive: Mr. Jan Muhammad
Mr. Abdul Rauf – ~7.00%	External Auditor: A.D. Akhawala & Co Chartered Accountants
Mr. Muhammad Mehmood – ~6.00%	

Applicable Rating Methodology

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

Rating Scale

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

Rating Rationale

The assigned ratings incorporate the Company's established operating track record of over seven decades in Pakistan's wires and cables industry, diversified product portfolio, and sponsorship of the diversified ARY Group. The business profile is further supported by established relationships with corporate & commercial customers. The wires and cables industry exhibits a medium-to-high business risk profile, with demand remaining closely linked to construction activity, infrastructure development, industrial expansion and investments in the power sector. Following a challenging operating environment during FY25, characterized by subdued construction activity and weak private sector investment, the industry outlook has improved amid easing inflation, lower interest rates and the anticipated recovery in construction and infrastructure spending.

The Company's revenue declined during FY25 due to lower demand and the absence of sales to a key customer; however, profitability indicators remained resilient, supported by improved gross and operating margins. During 9MFY26, business volumes exhibited signs of recovery in line with improving macroeconomic conditions. Financial risk profile is considered satisfactory, underpinned by conservative capitalization, adequate liquidity, and satisfactory debt servicing indicators despite an increase in short-term borrowings to support working capital requirements. Going forward, the ratings will remain sensitive to the Company's ability to sustain the recovery in business volumes, diversify its customer base, and maintain its capitalization, liquidity and debt coverage indicators at levels commensurate with the assigned ratings.

Company Profile

H.M. Esmail & Company Limited ('HMECL' or 'the Company') was incorporated as a private limited company on May 06, 1984. The principal business activities of the Company are manufacturing of electric cables, rods and other allied items and its trading. The Company's production facility is located at SITE , Kotri, Karachi and the head office is located at Madina City Mall, Saddar, Karachi.

Background

H.M. Esmail & Company (Pvt.) Limited traces its origins to 1954, initially operating as a wire drawing unit catering to the jewellery, bridal wear, and domestic wiring cable industries. Over the years, the Company expanded into cable manufacturing under the "H.M. Cables" brand and progressively diversified its product portfolio to include domestic wiring cables, flexible cables, power cables, and overhead conductors. The Company relocated and expanded its manufacturing facilities multiple times to support growth and enhance production capabilities. Currently, its operations are based at a 10-acre facility in S.I.T.E. Kotri, equipped with aluminum rod and medium-voltage cable manufacturing plants, along with advanced testing and quality control infrastructure. With a market presence spanning more than five decades, H.M. Cables has currently serves across commercial, industrial, and public-sector segments.

Product Portfolio

- House wiring/Domestic wiring cables/Flexible cables
- Low & Mediu, voltage power cables (Aluminium & Copper)
- Automobile Cables
- HDBCAAC & ASCR Conductors
- Special Cables (Control & Instrument Cables)
- Aerial Bundle Cables
- Submersible Cables

Management and Governance

Board & Management

The Company is a family-owned and managed business, with family owners serving as Directors as well as occupying key management positions. As such, governance and management functions remain closely aligned with the ownership structure. Haji Jan Muhammad Yaqoob Gandhi serves as the Chief Executive Officer, while Muhammad Shoaib Gandhi (son) oversees financial matters as Director Finance. Other key family members involved in governance include Mrs. Samreen Shoaib (daughter in law), serving as Director, and Haji Abdul Rauf Yaqoob Gandhi (brother), who is also director. The Board has also constituted an Audit Committee comprising Mr. Muhammad Shoaib, Haji Abdul Rauf Yaqoob Gandhi, and Mrs. Samreen Shoaib to oversee the Company's financial reporting and internal control processes.

In addition to family management, the Company has a functional management team comprising a Chief Financial Officer, senior managers, and other staff to ensure smooth operational execution. The average number of employees during FY25 stood at 184, reflecting a moderately sized operational setup.

The FY25 financial statements were audited by A.D. Akhawala & Co., Chartered Accountants, who expressed an unqualified audit opinion.

IT Infrastructure

The Company uses ERP for accounting and finance function, while MS Office is utilized for other business functions. The Company maintains in-house hardware servers and performs daily data backups to ensure data integrity and continuity.

Business Risk

INDUSTRY UPDATE

The cables and wires industry in Pakistan comprises a few large organized manufacturers, including Pakistan Cables, Fast Cables, HM Cables, Newage Cables and Allied Cables, alongside several medium- and small-scale manufacturers, imports, and a sizeable undocumented segment catering primarily to the low-end market. The cables and wires industry remains inherently cyclical, with demand closely linked to residential and commercial construction activity, infrastructure development, industrial expansion, and investments in power transmission & distribution (T&D) and renewable energy projects.

During FY25, the operating environment remained challenging owing to subdued construction activity and cautious private sector investment. However, the macroeconomic environment has improved considerably with easing inflation, lower policy rates and improving business confidence. These factors are expected to support a gradual recovery in construction and industrial activity over the medium term, thereby strengthening demand for wires and cables.

Global copper and aluminum prices remain an important determinant of industry profitability, as these metals constitute the primary raw materials used in cable manufacturing. Since both metals are priced on the London Metal Exchange (LME) and are largely imported, domestic manufacturers remain exposed to international commodity price movements, exchange rate fluctuations and import-related constraints. While raw material price volatility may affect working capital requirements and inventory valuations, manufacturers generally retain the ability to pass on changes in input costs to customers with a lag.

Overall, the sector's medium-term outlook is viewed as stable to positive, supported by improving macroeconomic conditions, an accommodative interest rate environment and the anticipated recovery in construction and infrastructure spending. Nevertheless, global commodity price volatility and external economic uncertainties are expected to remain the key risk factors for the industry.

OPERATIONS

The Company primarily manufactures and sells power cables and house wiring, which collectively account for around 60%-70% of total sales, followed by general wiring cables contributing 15%-25%, while the remaining sales comprise automobile wiring. Within the power cable segment, the Company primarily manufactures 35kVA and 15kVA cables. However, it has the capability to produce other specifications based on customer requirements and market demand. The manufacturing facility is equipped with copper and aluminum furnaces, along with drawing and insulation machines. The total power requirement stands at approximately 2 MW, which is met through HESCO, gas- and diesel-fired generators, and around 1 MW of installed solar capacity.

The Company primarily caters to corporate, commercial, and government clients, with approximately 50% of sales generated from the corporate and commercial segment, 30% from government entities, and the remaining 20% through the retail segment via a network of five distributors located in major cities, including Karachi, Hyderabad, and Lahore.

PROFITABILITY

The Company's net sales, after registering a 19% YoY increase in FY24, declined by 29% YoY in FY25, primarily due to subdued demand amid a weak macroeconomic environment and the absence of sales to one of its key customers. During 9MFY26, supported by improving economic conditions and a gradual recovery in demand, sales showed signs of improvement. Gross margins improved to 11.9% in FY25 (FY24: 10.8%) and further increased marginally to 12.2% in 9MFY26. Lower administrative expenses in FY25, mainly due to the absence of a non-recurring expense incurred in the previous year, supported an improvement in the operating margin to 8.2% (FY24: 6.5%), which remained largely unchanged during 9MFY26. Amid the decline in interest rates, finance costs reduced in FY25; however, higher levies and taxes compressed the net margin to 1.5% (FY24: 2.3%). Customer concentration remains high, with the top ten customers accounting for around 50% of total sales in 9MFY26 (FY25: 60%). Going forward, with the better macro-economic outlook, improvement in revenue and profitability is important from the ratings perspective.

Financial Risk

CAPITAL STRUCTURE

The Company's equity continued to grow over time, supported by internal cash generation. During FY25, the Company mobilized a long-term Diminishing Musharakah facility of Rs. 95m, increasing net long-term borrowings at end-Jun'25. Subsequently, scheduled repayments reduced the outstanding balance at end-Mar'26. Meanwhile, short-term borrowings continued to increase at end-Mar'26. Despite the increase in borrowings, capitalization indicators remained conservative, with gearing and leverage ratios standing at 0.26x and 1.01x, respectively, at end-Mar'26, supported by the Company's strong equity base. Going forward, management plans to enhance its short-term borrowing limits to support higher working capital requirements in order to facilitate anticipated revenue growth.

DEBT COVERAGE & LIQUIDITY

The Company's overall liquidity and debt servicing profile remained satisfactory. The current ratio improved to 1.87x at end-Mar'26 (end-Jun'25: 1.36x; end-Jun'24: 1.32x), while short-term debt coverage stood at 3.95x at end-Mar'26 (end-Jun'25: 9.86x; end-Jun'24: 11.47x). Cash flow and debt coverage indicators also remained satisfactory, with FFO-to-total debt and DSCR recorded at 0.44x and 1.81x, respectively, at end-Jun'25 (end-Jun'24: 0.69x and 1.72x, respectively).

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	H.M. Esmail & Company Limited
Sector	Cables & Conductors
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
19-Aug-2026	BBB+	A2	Stable	Initial

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

Name	Designation	Date
Mr. Muhammad Shoaib Gandhi	Director Finance & Sponsor	June 08th, 2026
Mr. Irshad	CFO	