

Press Release

VIS Assigns Initial Entity Ratings to EMCO Industries Limited

Karachi, October 27, 2020: VIS Credit Rating Company Limited (VIS), has assigned initial 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'.

The ratings assigned to EMCO take into account the company's dominant market positioning entailing the production and supply of specialized products; high voltage porcelain insulators, used in the power sector, particularly in the transmission & distribution of electricity giving the company a strategic status in maintaining supply of power. The products while carrying relatively low unit value have a dependency relationship with the limited buyers which has been built in the assigned rating. The ratings take note of the adequate financial risk profile on account of sizable margins, fair liquidity profile and adequate debt coverages. The ratings factor in ongoing capex for capacity enhancement and value addition in manufacturing operations and projected improvement in financial profile post capex completion. The ratings also incorporate support from sponsors in terms of provision of loans that are projected to be remain vested within the company during the rating horizon. In addition, positive demand prospects of the power sector are considered to be among the rating drivers. Ratings remain dependent on maintaining its strategic supplier status, increasing revenues, post capex, sound cash flow coverages and prudent leverage indicators

For further information on this rating announcement, please contact Ms. Maham Qasim (042-35723411-13, Ext. 8010) and/or the undersigned at 021-35311861-66 (Ext. 201) or email at info@vis.com.pk.



Faryal Ahmad Faheem
Deputy CEO

Applicable rating criterion: Corporates (May 2019)
<https://www.vis.com.pk/kc-meth.aspx>

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