



**Date**

18-Jul-20

**Analyst**

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**Applicable Criteria**

- Methodology | Corporate Ratings | Jun-20
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-20
- Criteria | Rating Modifier | Jun-20

**Related Research**

- Sector Study | Chemical | Jul-20

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**PACRA Maintains Entity Ratings of Nimir Industrial Chemicals Limited**

Rating Type	Entity	
	Current (18-Jul-20)	Previous (20-Jul-19)
Action	Maintain	Upgrade
Long Term	A+	A+
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect Nimir Industrial Chemicals Limited demonstrated track record and strong position in domestic oleo chemicals and chlor alkali products manufacturing industry. The Company enjoys strong customer base (includes multinational FMCGs), stable margins, and generated persistent profitability. The Company has established a distinguished position in its operating segment through provision of high quality products to large-scale multi-national companies. Additionally, growing demand for consumer health products (soaps etc.) amidst Covid-19 outbreak has benefited the Company as general hygiene and cleanliness becomes paramount, resulting in increased demand of oleo chemical-based products. However, profitability remained in check as finance cost increased considerably. Advanced production facilities alongside an experienced management team transpire into operational efficiencies. Capitalizing on a topline-driven approach, the Company has been expanding its business volumes since take over by the current shareholders. The Company’s decision to expand its capacity to cope with the demand is expected to boost revenues and contribute to the bottom line. Well-devised pricing strategy indexed with dollar rates hedges against exchange risk, since the Company imports various palm oil products as its major raw materials. The Company has a leveraged capital structure with strong coverages and cash flows. The leveraging increased as the Company utilized short-term borrowings to meet its working capital needs. The leveraging is expected to remain high as the Company initiates its next round of capacity expansion/optimization. However, recent decrease in policy rate will provide relief in debt servicing resulting in strong coverages.

The ratings are dependent on sustaining strong margins and profitability in line with business expansion. Prudent management of working capital and maintenance of robust coverages during the expansion are critical. Successful expansion and translation of the same in revenues is important.

**About the Entity**

Nimir Industrial Chemicals Limited was incorporated in 1994 as a Public Limited Company, under the Repealed Companies Ordinance, 1984. The Company is involved in the manufacturing and sale of oleochemicals and chlor alkali products including distilled fatty acid (DFA), soap noodles, stearic acid, glycerin, caustic soda, and a variety of industrial chemicals. The head office of the company is situated in Lahore whereas its plant site is located in Sheikhpura. The plant currently operates with an annual capacity of ~90,000 metric tons for oleochemical products and ~50,000 metric tons for chlor alkali products.

Furthermore, Nimir Resources (Pvt) Limited which held ~57% of the total shares of the Company, has been dissolved. The ownership has now been transferred to the consortium of five people, who are the sponsors/directors of the Company and previously held shares no Nimir Resources. The Board of Directors includes nine members including the CEO - Mr. Zafar Mehmood who has vast experience in the relevant field. He is supported by a team of qualified professionals - most of them are long associated with the Company.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.