



Date

20-Jul-2019

Analysts

Muhammad Hassan
muhammad.hassan@pacra.com

+92-42-35869504
www.pacra.com

Applicable Criteria

- PACRA_Methodology_Corporate_FY19 (Jun 19)
- PACRA_Criteria_LT ST Relationship_FY19 (Jun 19)
- PACRA_Criteria_Rating Modifiers_FY19 (Jun 19)

Related Research

- Sector Study | Chemical (Jun 19)

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

PACRA Upgrades Entity Ratings of Nimir Industrial Chemicals Limited

Rating Type	Entity	
	Current (20-Jul-2019)	Previous (18-Jan-2019)
Action	Upgrade	Maintain
Long Term	A+	A
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

The ratings of Nimir Industrial Chemicals Limited demonstrate its strong position in domestic manufacturing of oleo chemicals and chlor alkali products, strong customer base of multinational FMCGs, stable margins and generation of 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 products and Company’s abilities to expand its capacities to cope with the demand bodes well for business prospects of the Company. Advanced production facilities alongside 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. 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 cashflows. The leveraging is expected to increase as the Company initiates its next round of capacity expansion/optimization.

The ratings are dependent on sustaining strong margins and profitability in line with business expansion. Prudent management of working capital and maintenance of strong coverages amidst expansion are critical for the ratings. Upholding strong governance framework is also 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Nimir Industrial Chemicals Limited was incorporated in 1994 as a Public Limited Company, under the Repealed Companies Ordinance, 1984.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 oleo chemicals 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 ~85,000 metric tons for oleo chemical products and ~55,000 metric tons for chlor alkali products.

During the year, 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. The Board of Directors includes ten 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.