



Date

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Analyst

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Applicable Criteria

- Methodology | Corporate Rating | Jun-22
- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jun-22
- Methodology | Rating Modifiers | Jun-22

Related Research

- Sector Study | Chemical | Jul-22

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PACRA Maintains Entity Ratings of NIMIR Industrial Chemicals Limited

Rating Type	Entity	
	Current (16-Jul-22)	Previous (17-Jul-21)
Action	Maintain	Maintain
Long Term	A+	A+
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect that Nimir Industrial Chemicals Limited (hereinafter referred to as ‘NICL or ‘the Company’) demonstrated consistent growth and a strong position in the domestic oleo chemicals and chlor alkali products manufacturing industry. Under the Caustic soda market there exist competition to which it stands buoyant. The Company enjoys a strong customer base (includes multinational FMCGs), stable margins, and generated persistent profitability. NICL product portfolio is well-diversified and mainly concentrated in Oleochemicals followed by Chlor-Alkali and Aerosols. The Company has followed a vertical integrated down-the-chain strategy and for that purpose, they have 3rd party manufacturing to provide a one-window solution to their customers. The Company has observed significant growth in their revenues mainly on account of change in consumption patterns of items like soaps, Sanitizers etc after COVID-19. The execution and completion of expansionary projects have further beefed up their top line. The Company’s future profitability growth needs to keep in check on account of the increase in energy prices (one of the main components of COS) as oil prices continue to increase, the application of the super tax on LSM and upward sloping interest rates yield curve. However, the first issue can be addressed as Company has planned to produce energy through a coal plant in future and Company has some cushion against a hike in interest rates as long-term borrowings mainly consist of TERF (Subsidized borrowing from SBP). Advanced production facilities alongside an experienced management team transpire into operational efficiencies. The Company has a considerable amount of trade receivables which according to management representation are due to MNC and inflationary pressures mainly elevating the receivables level. The Company has expanded its capacity to cope with the demand is expected to boost revenues and contribute to the bottom line. The Company’s envisioned strategic interface will bear fruits in years to come. 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. However, the recent increase in the policy rate will affect the finance cost in the short term. The leveraging increased as the Company utilized short-term borrowings to meet its working capital needs, which is expected to remain high as the Company is underway toward capacity expansion/optimization.

The ratings are dependent on sustaining margins and profitability in line with business expansion. Prudent management of working capital and retaining strong 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 plant currently operates with an annual capacity of ~167,000 metric tons for oleochemical products and ~160,000 metric tons for chlor alkali products.

The Board includes nine members including the CEO - Mr. Zafar Mehmood who has vast experience in the relevant field.

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.