

**Date**

14-Jul-23

**Analyst**

Sohail Ahmed Qureshi  
sohail.ahmed@pacra.com  
+92-42-35869504  
www.pacra.com

**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-23

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

Rating Type	Entity	
	Current (14-Jul-23)	Previous (16-Jul-22)
<b>Action</b>	Maintain	Maintain
<b>Long Term</b>	A+	A+
<b>Short Term</b>	A1	A1
<b>Outlook</b>	Stable	Stable
<b>Rating Watch</b>	-	-

The ratings reflect that Nimir Industrial Chemicals Limited (hereinafter referred to as ‘NIMIR’ or ‘the Company’) demonstrated consistent growth and a strong position in the domestic oleochemicals 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 (including multinational FMCGs) and generates persistent profitability. NIMIR product portfolio is well-diversified and mainly concentrated in Oleochemicals followed by Chlor-Alkali and Aerosols. During the period under review, the Company has successfully completed all the capacity expansion projects, such as oleo chemical plants expansion, and chlor alkali plants expansion. As a part of the diversification strategy a new plant, related to liquid chlorine paraffin wax (CPW) has also achieved commercial operation recently, which is an import substitution. 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 topline of the Company showed ~34.3% growth during 9MFY23, mainly due to inflationary impact, and slightly better volumes. However, margins showed some dilution due to consistent increase in interest rates and associated borrowing costs. As a part of cost efficiency and control measures, a new 20 megawatts powerhouse (Coal + Biomass) is now fully operational and expected to bring sizeable savings. Going forward, the company is focusing on its exports (oleo chemicals & CPW) and to serve this purpose a wholly-owned subsidiary is incorporated in Azerbaijan. The Company’s future profitability growth needs to keep in check on account of rising inflation/interest rates, rupee depreciation, and the application of the super tax. The operations of the Company are benefited by advanced production facilities alongside an experienced management team and a strong control environment. 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’s financial risk profile is characterized by moderate coverages and cashflows and working capital cycle. The capital structure is leveraged, where borrowings are comprising mix of short-term for working capital management and long-term for CAPEX. The ratings are dependent on sustaining margins and profitability in line with business expansion. Prudent management of working capital and retaining strong coverages 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.

