

Date

12-Jul-24

Analyst

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

Applicable Criteria

- Methodology | Correlation Between Long-term & Short-term Rating Scales | Jul-23
- Methodology | Rating Modifiers | Apr-24
- Methodology | Corporate Rating | Jul-23

Related Research

- Sector Study | Chemical | Jul-23

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PACRA Maintains Entity Ratings of NIMIR Industrial Chemicals Limited

Rating Type	Entity	
	Current (12-Jul-24)	Previous (14-Jul-23)
Action	Maintain	Maintain
Long Term	A+	A+
Short Term	A1	A1
Outlook	Stable	Stable
Rating Watch	-	-

NIMIR Industrial Chemicals Limited (“NICL” or “the Company”) specializes in the manufacturing and sales of oleo chemicals and chlor alkali products which includes Soap Noodle, Stearic acid, Glycerin caustic soda, and a variety of industrial chemicals. In addition to this the Company also provides toll manufacturing services for the production of Toilet Soaps, Aerosol, Personal Care Products and Home Care Products. The ratings reflect the firm’s strong presence in the chemical industry driven by a diversified product portfolio that benefits clients, mostly renowned multinational FMCGs. Currently, the country is grappling with several macroeconomic challenges, including high inflation, rising interest rates, disruptions in global supply chains, and depreciation of the currency. These factors have collectively eroded consumer buying power and increased economic uncertainty. Additionally, regional geopolitical tensions have temporarily altered consumer buying preferences. These factors led to a decrease in volumes related to the oleochemicals and blending segments; however, revenue was supported by price inflation. During 9MFY24 NICL’s top-line recorded at ~PKR 32,907mln (9MFY23: ~PKR 34,024mln) registering a meager decline of ~3.3%. The company maintained stable gross and operating margins through several cost-efficiency initiatives, such as commissioning a 20MW power plant, production and sale of Chlorinated Paraffin Wax (import substitution), and expansion in Chlor Alkali segment. Moreover, an effective pricing strategy indexed to dollar rates helped hedge against exchange rate risks associated with raw material imports. However, net profitability declined mainly due to surge in finance costs. Going Forward, the Company announced the acquisition of production facility situated in Hub Balochistan from Protector & Gamble Pakistan Private Limited (P&G). This strategic decision is expected to enhance the company's capacity to cater the demand of its customers (MNCs) and its presence in the southern region. The acquisition is anticipated to generate synergies and create new export opportunities. The Company’s financial risk profile is characterized by moderate coverages, cashflows and working capital cycle. The capital structure is leveraged, where borrowings comprise a 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 ~140,000 metric tons for oleochemical products and ~158,000 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.