

Date

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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 Resins Limited

Rating Type	Entity	
	Current (14-Jul-23)	Previous (16-Jul-22)
Action	Maintain	Maintain
Long Term	A-	A-
Short Term	A2	A2
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect Nimir Resins Limited's ("NRL" or "The Company") solid business profile. Established as a listed entity, a well-devised governance framework is in place along with a skilled and experienced management team and modern production facilities. The Company has primarily three production lines, catering to different industries of the economy. These are essential ingredients for textile, paper & packaging and paint industries. The client base reflects good names. NRL also furnishes synergistic benefits and also other efficiency due to being owned and operated by the Nimir Group. Demand drivers of these industries are closely linked with economic growth and construction/infrastructure developments. During 10MFY23 (July-April) Large Scale Manufacturing (LSM) reported a decline of 9.3% as compared to the same period last year, on the other side construction industry also registered a negative growth of ~ -5.5% in 9MFY23. The economy is facing immense challenges due to rising inflation/interest rates and massive rupee depreciation which resulted in an unprecedented increase in the cost of doing business. On the flip side demand is also softened, due to a decline in consumer buying power, together with the significant rise in cost of construction and public spending cuts. The topline of the Company registered a positive growth of ~15% during 9MFY23, mainly due to price inflation. However, margins showed some dilution at all levels. The operations of the Company benefited from a modern manufacturing facility and robust control environment. The financial risk profile of the Company is characterized by moderate coverages, cashflows, and stretched working capital cycle which depicts the industry norm. Capital structure is moderately leveraged where borrowings are mainly comprised of short-term to meet the working capital requirements. The policy rate has been increased up to 22%, further elevating the debt service cost in the future. Going forward, growth in business would necessitate prudent management of margins, debt mix, and sufficient internal capital formation. The ratings take comfort from the NRL's association with Nimir Group of Companies.

The ratings are dependent on sustainable growth in the top-line and bottom-line with upheld margins, and market share while retaining sufficient cash flows and coverages. However, prudent financial management and maintaining sufficient liquidity under stressed economic conditions will remain important for ratings.

About the Entity

Nimir Resins Limited was initially incorporated in 1964 as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Act, 2017) and was converted into a Public Listed Company in 1991. In 2010, the Company's name was changed to "Descon Chemicals Limited" when it entered into an amalgamation arrangement with Descon Chemicals (Pvt) Limited. Subsequently, in 2016, the Company was re-acquired by Nimir Group. The primary business of the Company is the manufacturing and sale of surface coating resins, polyesters, textile, paper auxiliaries, and optical brighteners. The head office of the Company is located in Lahore, whereas its registered office is located in Sheikhpura. The Company is a subsidiary of Nimir Industrial Chemicals Limited. Board of Directors constitutes eight members including the CEO - Mr. Zafar Mehmood - who is also the CEO of Nimir Industrial Chemicals Limited. Mr. Zafar is one of the pioneers of the Group and has over 29 years of experience in the relevant field. He is supported by a team of qualified and experienced professionals with most of them having long association with the group.

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.

