

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

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 Maintains Entity Ratings of Nimir Resins Limited

Rating Type	Entity	
	Current (12-Jul-24)	Previous (14-Jul-23)
Action	Maintain	Maintain
Long Term	A-	A-
Short Term	A2	A2
Outlook	Stable	Stable
Rating Watch	-	-

Nimir Resins Limited ("NRL" or "the Company") specializes in manufacturing surface coating resins, polyesters for the paint industry, optical brighteners, and textile auxiliaries for the textile industry. 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 six business lines, which cater to specific sectors of the industry (i) Textile Auxiliaries and Chemicals (ii) Coating and Emulsion (iii) Unsaturated Polyester Resins (iv) Pulp & Paper Chemicals (v) Adhesives (vi) Solvents & Monomers. NRL's client base includes prominent and reputable names across various industries, reflecting its strong market presence and credibility. NRL also furnishes synergistic benefits and other efficiency due to being owned and operated by the Nimir Group. The resin industry relies on overall economic progress and infrastructural activities, with significant contributions from the paints coatings, and textile sectors. The industry is highly competitive, with numerous unorganized small players, which impacts margins for large-scale producers. The segment predominantly functions as a price taker due to its high reliance on imported raw materials and the local market offtake of finished goods. The industry is vulnerable to global supply chain disruptions due to its dependency on imported raw materials. Resins are primarily composed of various oil derivatives, creating a strong linkage to international oil prices, a sector known for its high volatility. However, during 9MFY24, the top line of the Company recorded at ~PKR 7,973mln (9MFY23: ~PKR 8,441mln) registering a decline of ~4.2%. This decline is mainly attributed to volume reductions, due to adverse macroeconomic conditions. However, margins are largely sustained at all levels due to various cost-efficiency measures. 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 a 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. Going forward, growth in the 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 the firm's ability to sustain its position amidst a changing business environment along with positive topline growth and management's ability for successful strategy execution pertaining to corporatization. With the growth in the firm's volume; prudent financial performance and an effective liquidity profile shall remain imperative.

About the Entity

Nimir Resins Limited, initially incorporated in 1964 as a Private Limited Company, converted to a Public Listed Company in 1991. Renamed Descon Chemicals Limited in 2010, it merged with Descon Chemicals (Pvt) Limited before being reacquired by Nimir Group in 2016. The company manufactures and sells surface coating resins, polyesters, textile, paper auxiliaries, and optical brighteners. Its head office is in Lahore, with the registered office in Sheikhpura. The Board of Directors includes eight members, with Mr. Zafar Mehmood as CEO. He has over 30 years of experience and leads a team of seasoned professionals.

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.