



**Date**

20-Jul-2019

**Analysts**

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**Applicable Criteria**

- PACRA\_Methodology\_Corporate\_FY19 (Jun 19)
- PACRA\_Criteria\_LT ST Relationship\_FY19 (Jun 19)
- PACRA\_Criteria\_Rating Modifiers\_FY19 (Jun 19)

**Related Research**

- Sector Study | Chemical (Jun 19)

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**PACRA Maintains Entity Ratings of Nimir Resins Limited**

| Rating Type         | Entity                   |                           |
|---------------------|--------------------------|---------------------------|
|                     | Current<br>(20-Jul-2019) | Previous<br>(18-Jan-2019) |
| <b>Action</b>       | Maintain                 | Maintain                  |
| <b>Long Term</b>    | A-                       | A-                        |
| <b>Short Term</b>   | A2                       | A2                        |
| <b>Outlook</b>      | Stable                   | Stable                    |
| <b>Rating Watch</b> | -                        | -                         |

The ratings reflect Nimir Resins Limited's revived position subsequent to its takeover by Nimir Group transpiring in improved business performance. Established as a listed entity, a well-devised governance framework is in place among with experienced management team and modern production facilities. However, as the Company imports its major raw materials, the rupee depreciation has increased the cost of sales putting pressure on margins. The management intends to diversify product line to serve other sectors including paint, textile and paper, which bodes well for the business prospects of the Company. Acquired by Nimir Group in Jan-2016, the management's primary focus was pivoted towards reviving the Company's operations and considerable achievement has been attained in this regard. The financial profile of the Company is characterized by leveraged capital structure, mainly short-term borrowings and adequate coverages. Going forward, growth in business would necessitate prudent management of margins, debt mix and sufficient internal capital formation. The ratings incorporate expected support and corporate guarantee of ultimate parent company, Nimir Industrial Chemicals Limited.

The ratings are dependent upon improving margins and profitability while establishing strong foothold in the related segments. Rational management of liquidity profile to maintain strong coverages is important for the ratings. Deterioration in margins, leading to erosion of profitability, and/or coverages will have negative impact on the ratings. Continuity of corporate guarantee from parent company will remain critical for the ratings, going forward.

**About the Entity**

Nimir Resins Limited was initially incorporated in 1964 as a Private Limited Company under the 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 manufacture 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.

**About the Instrument**

The Company is a subsidiary of Nimir Industrial Chemicals Limited. Board of Directors constitutes seven 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 25 years of experience in the relevant field. He is supported by a team of qualified and experienced professionals - most of them have been in 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.