



**Date**

17-Jul-21

**Analyst**

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**Applicable Criteria**

- Methodology | Corporate Rating | Jun-21
- Criteria | Correlation Between Long-term & Short-term Rating Scales | Jun-21

**Related Research**

- Sector Study | Chemical | Jul-21

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

Rating Type	Entity	
	Current (17-Jul-21)	Previous (18-Jul-20)
Action	Maintain	Maintain
Long Term	A-	A-
Short Term	A2	A2
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect Nimir Resins Limited’s reputable business profile subsequent to its takeover by Nimir Group. Established as a listed entity, a well-devised governance framework is in place along with the experienced management team and modern production facilities. The Company manufactures essential raw materials/ resins for various industries such as coating and emulsion, paper, textile etc. Demand drivers of these industries are closely linked up with economic growth and construction/infrastructure developments. Government has announced various construction packages which is a positive sign, eventually benefiting the Company. Overall industry comprehended recovery during 1HFY21 which is also evident from financial performance of the Company. Both revenues and margins of the Company posted growth during 9MFY21. Company was able to pass the impact of currency devaluation to its customers. The Company has generated sufficient cashflows to meet the working capital requirements. To meet the elevated product demand capacity expansions are underway. 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 the expected support and the corporate guarantee of ultimate parent company, Nimir Industrial Chemicals Limited.

The ratings are dependent upon improving margins and profitability through product diversification and establishing a strong foothold in the related segments. Prudent management of liquidity profile in tough prevailing conditions is important ratings. Adverse impact on revenues and/or margins will have a negative impact on the ratings. Going forward, continuity of corporate guarantee from the parent company will remain critical.

**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 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 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.