



Date

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Applicable Criteria

- Methodology | Corporate Ratings | Jun-19
- Methodology | Correlation Between Long-Term And Short-Term Rating Scale | Jun-19
- Criteria | Rating Modifier | Jun-19

Related Research

- Sector Study | Chemical | Jul-20

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PACRA Maintains Entity Ratings of Nimir Resins Limited

Rating Type	Entity	
	Current (18-Jul-20)	Previous (20-Jul-19)
Action	Maintain	Maintain
Long Term	A-	A-
Short Term	A2	A2
Outlook	Stable	Stable
Rating Watch	-	-

The ratings reflect Nimir Resins Limited's improving 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. Recently, the revenues and the bottom line of the Company improved as it passed on the impact of currency devaluation to its customers. Due to the adverse impact of the Covid-19 outbreak and subsequent lockdown on the entire textile supply chain, Nimir Resins' textile and paper segments suffered. However, this was partially compensated by resumption of construction activities and demand from coating and emulsion segment. To further solidify its business profile and mitigate expected lower demand from textile segment, the management intends to diversify product lines to serve other sectors. Materialization of these measures is important as traditional demand drivers (textile, paper etc.) will face challenges amidst economic slowdown due to COVID-19 outbreak. 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 due to the Covid-19 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.