



# **Nimir Resins Limited**

(Formerly Descon Chemicals Limited)

CIRCULAR 86 (3) FOR OFFERING OF NEW SHARES  
IN RESPECT OF 38.58% RIGHT SHARES  
ANNOUNCED BY THE  
BOARD OF DIRECTORS OF THE COMPANY



## Nimir Resins Limited

(Formerly Descon Chemicals Limited)

**HEAD/REGISTERED OFFICE:** 14.5 Km., Lahore -Sheikhupura, Lahore. Pakistan.  
Tel: +92-42-37971512-14 Fax: +92-42-37970229 Web site: [www.nimir.com.pk](http://www.nimir.com.pk)

**COMPANY'S SHARES REGISTRAR:** M/s Corplink (Pvt) Limited, Wings Arcade, 1-K (Commercial), Model Town, Lahore. Tel: (042) 35839182, 35887262 Fax: (042) 35869037 Email: [shares@corplink.com.pk](mailto:shares@corplink.com.pk)

### THE COMPANIES ORDINANCE, 1984 Section 86(3)

#### CIRCULAR TO BE SENT TO MEMBERS ALONGWITH THE NOTICE OFFERING NEW SHARES

##### PART I: ISSUER

##### 1. Company Profile and History:

i	Name of the Company	Nimir Resins Limited (formerly Descon Chemicals Limited)
ii	Date of Incorporation	17 December, 1964
iii	Date of Commencement of business	21 June, 1980 (Date on which the status of the Company changed from Private Limited to Public Limited)
iv	Status (i.e. whether public or private If listed name of stock exchanges where listed)	Public Limited Company, listed on Pakistan Stock Exchange Limited
v	Registration/CUIN #	0002005

##### 2. Profile of Management and Sponsors:

i	Brief description of profile of directors	Annexure – A
ii	No. of directorships held	Annexure – A

##### 3. Address of the Issuer:

i	Registered office:	14.5 Km., Lahore-Sheikhupura Road, Lahore.
ii	Website Address:	<a href="http://www.nimir.com.pk">www.nimir.com.pk</a>

##### 4. Name of the Auditors: Horwath Hussain Chaudhury & Co. Chartered Accountants

##### 5. Existing Capital indicating classes of shares, if any:

i	Authorized capital (amount, number of shares and price per share):	Rs. 1,500,000,000/-, divided into 300,000,000 ordinary shares of Rs.5/- each.
ii	Paid up capital (amount, number of shares and price per share)	Rs. 997,789,280/-, divided into 199,557,856 ordinary shares of Rs.5/- each.

##### 6. Particulars regarding Holding Company, if any:

Nimir Management (Private) Limited  
12-B, New Muslim Town, Lahore

##### 7. Particulars of the Company's existing business operations/ projects/ units:



The Company is engaged in the manufacturing and sale of Coating, Polyester resins, Emulsion, Textile paper and binders, Paper chemicals and Adhesive.

**8. Particulars regarding Subsidiary Company, if any:**  
None

**9. Financial highlights of the Company for preceding three years:**

		<b>Nine Months (Jul15-Mar16)</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>
Sales – Net	PKR	1,155,157,000	1,806,427,261	2,199,528,399	2,402,440,493
Gross profit / (loss)	PKR	145,849,000	151,788,642	184,555,354	216,360,714
Operating Profit/ (loss)	PKR	81,642,000	38,475,802	58,963,840	106,612,311
Profit (loss) after tax	PKR	47,066,280	(82,366,916)	(69,074,208)	(42,115,317)
Accumulated profit / (loss)	PKR	(756,848,280)	(804,018,820)	(721,984,840)	(652,365,193)
Total assets	PKR	1,365,438,000	1,289,010,481	1,491,188,726	1,536,982,431
Surplus on Revaluation of Assets	PKR	47,044,000	47,149,031	47,059,136	38,416,493
Total liabilities	PKR	1,077,453,000	1,048,090,990	1,168,325,150	1,153,141,851
Share Capital	PKR	997,789,280	997,789,280	997,789,280	997,789,280
Earnings per share	PKR	0.24	(0.41)	(0.35)	(0.35)
Dividend	%	-	-	-	-
Bonus	%	-	-	-	-
Rights	%	-	-	-	-

**10. Financial highlights of consolidated financial statements same as (h) above, if any:**  
Not applicable

**11. Major Related party transactions:**

<b>Relationship with the Company</b>	<b>Nature of Transaction</b>	<b>Nine Months (Jul15- Mar16) Rs. (000)</b>	<b>2014-15 Rs. (000)</b>	<b>2013-14 Rs. (000)</b>	<b>2012-13 Rs. (000)</b>
I) Associated Undertaking	Purchase of goods, Services, Reimbursement of Expenses and Other	36,471	25,578	30,489	21,863
	Sales of goods, Services & reimbursement of expenses	355	103,923	83,274	63,559
II) Directors	Disposal of Investment		58,977		
	Loan obtained from directors/ related parties	350,000	40,000		
III) Post employment benefit Plan	Company's contribution to Employees' Provident Fund Trust	2,022	4,191	4,344	3,509
	Gratuity	143	-	178	1,095

Note:

- 1) All transactions with related parties have been carried out on arm's length basis.



2) Above figures include transactions related to old management (Descon Group) for the period earlier to December 31, 2015. The New management (Nimir Group) took over the control of the Company on December 31, 2015.

**12. Details of issue of capital in previous five years:**

No capital has been issued in the last five years

**PART II: ISSUE DETAILS**

a)	<b>Description of Issue:</b> Amount of the proposed issue:	Total size of Right issue is Rs. 385,000,000 (Issue of 77,000,000 shares at par value of Rs. 5/- each)
b)	<b>Par Value:</b>	Rs.5/- each
c)	<b>Basis of determination of price of right issue:</b>	Par value.
d)	<b>Proportion of new issue to existing shares with any condition applicable thereto:</b>	Approximately 38.58%
e)	<b>Date of meeting of Board of Directors (BoD) announcing right issue:</b>	June 25, 2016
f)	<b>Names of directors attending the Board Meeting:</b>	Mr. Zafar Mahmood Mr. Khalid Mumtaz Qazi (Alternate director to Sh. Amar Hameed) Mr. Muhammad Saeed-uz-Zaman Mr. Muhammad Yahya Khan Mr. Osman Hameed

**g) Primary purpose of issue (Description & Amount):**

Conversion of existing sponsors loans to share capital and meet the requirement of various Capital expenditures.

(i) Details of main projects/objects for which funds are raised through present right issue:

<ul style="list-style-type: none"> <li>Detail of project:</li> </ul>	<p>Approximately 73.5% of the right issue (Rs.283 million) will be utilized for balance sheet profiling by repayment and/or adjustment of existing sponsors loans. Initially sponsor loans were injected for retiring the expensive long-term debts of the Company. This helped the Company in reducing its financial cost and improving its bottom line. However, the sponsors' loans are still reflected as debt in the Company's balance sheet. After the issuance of the rights shares and repayment and/or adjustment of sponsor loan, the debt to equity ratio of the company shall improve significantly and the book value of the company will increase to Rs. 2.28 per share from Rs. 1.21 per share (based on the results of 31st March 2016)..</p> <p>Remaining amount of Rs.102 million (26.5% of the right issue) will be spent on various projects of BMR (balancing, modernization and replacement) in various areas of its businesses. These include installation of control system and uplifting of existing plant facilities. This will help in reducing costs, improving yields and reducing operating cost. These will augment the efforts of the company in increasing sale turnover and profitability).</p>
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• Total Funds required for the project:	Rs. 385 million
• Percentage of financing through right issue:	100%
• Percentage of financing from debt:	0%
• Time of completion of project:	The overall project is expected to be completed in one year

(ii) Expected benefits to accrue from proposed right issue including financial projections for five years (description & amount):

**Expected Benefits:**

- After issuance of rights shares and repayment and/or adjustment of sponsors loans of Rs.283 million, the balance sheet of the company will improve significantly which would result in increase of book value of the company from Rs. 1.21 per share to Rs. 2.28 per share (based on the results of 31<sup>st</sup> March 2016).
- With new capital expenditure, the Company will increase its production capacities in various areas of its businesses, reducing costs, improving plant reliabilities. These will augment the efforts of the company in increasing sale turnover and profitability.

**Financial Projections**

Particulars (PKR Million)	CY 17	CY 18	CY 19	CY 20	CY 21
Revenue	2,125	2,284	2,513	2,701	2,904
Cost of Goods Sold	(1,872)	(2,013)	(2,212)	(2,381)	(2,564)
Gross Profit	253	271	301	320	340
Operating Expenses	(86)	(93)	(101)	(110)	(119)
Other (Expenses)/ Income	(6)	(7)	(10)	(10)	(12)
Earnings before Interest and Tax	161	171	190	200	209
Financial Charges	(67)	(64)	(62)	(56)	(49)
Taxation	(21)	(23)	(25)	(27)	(28)
Profit After Tax	73	84	103	117	132
Revised Paid up Capital (including premium)	1,383	1,383	1,383	1,383	1,383

h) Has the market remained below par during preceding six months:

No

i) Financial effects arising from right issue:

(i) Changes in Share Capital:

	Before Right Issue		After Right Issue	
	No. of shares	Amount at par (PKR)	No. of shares	Amount at par (PKR)
Shares	199,557,856	997,789,280	276,557,856	1,382,789,280

	Before Right Issue	After Right Issue
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Net asset per share (PKR) (Based on March 31, 2016)	1.44	2.45
D/E ratio (Based on March 31, 2016)	0:100	0:100

**j) Total expenses to the issue:**

i	Bankers Commission	0.25% of the amount collected/ received and out of pocket expenses amounting Rs. 50,000/-
ii	Underwriters Commission	1% of the underwriting amount
iii	Others	N/A

**PART III: RISK AND RISK MITIGATING FACTORS**

**a) Description of major risks and the company's efforts to mitigate them:**

i	Risks relating to the project for which the right issue is announced	There is no major risk associated with the project
ii	Risk relating to subscription/under subscription of right issue	The current share price in the stock market is much above the offered price. Hence there is no risk of under-subscription. The underwriter has already been appointed to cover the risk of under subscription.
iii	Material contingencies (As per financial statements for the nine months ended Mar 31, 2016)	<p><b>a)</b> The Customs Department passed an order under Section 25 of the Customs Act in the case of Ravi Resins Limited (previous name of the Company) creating a demand of Rs. 1.02 million. The Tribunal has dismissed the appeal filed against this order and the management has filed an appeal in the Lahore High Court that is pending adjudication. The Company has also filed an application before Alternate Dispute Resolution Committee for the resolution of this pending issue.</p> <p><b>b)</b> The Income Tax Department has adjusted Rs. 20.163 million in respect of demands raised against the Tax Years 2003, 2004, 2005 and 2006. The Company has not admitted these demands and filed appeals against these adjustments. No provision has been incorporated in these financial statements as the management is confident that these matters would be settled in the favour of the Company. The return for Tax Year 2011 has been selected for audit u/s 177 of the Income Tax Ordinance, 2001; proceedings in this respect have been initiated by the Income Tax Department that have not been completed yet.</p> <p>The Company has filed a suit against a material supplier and certain customers for the recovery of advance and trade debts amounting to Rs. 35.653 million. The Company expects a favourable outcome of these suits; therefore, no provision has been made in these financial statements.</p>
iv	Material commitments (As per financial statements for the nine months ended Mar 31, 2016)	Irrevocable letter of credit amounting Rs. 178 million.
v	Description of major court cases (As per financial statements for the nine months ended March 31, 2016)	<p><b>a)</b> The Customs Department passed an order under Section 25 of the Customs Act in the case of Ravi Resins Limited (previous name of the Company) creating a demand of Rs. 1.02 million. The Tribunal has dismissed the appeal filed against this order and the management has filed an appeal in the Lahore High Court that is pending adjudication. The Company has also filed an application before Alternate Dispute Resolution Committee for the resolution of this pending issue.</p> <p><b>b)</b> The Income Tax Department has adjusted Rs. 20.163 million in respect of demands raised against the Tax Years 2003, 2004, 2005 and 2006. The Company has not admitted these demands and filed appeals against these adjustments. No provision has been incorporated in these financial statements as the management is confident that these matters would be settled in the</p>

		c) favour of the Company. The Company has filed a suit against a material supplier and certain customers for the recovery of advance and trade debts amounting to Rs. 35.653 million. The Company expects a favourable outcome of these suits; therefore, no provision has been made in these financial statements.
vi	Any adverse issue reported by the auditor in their audit reports in previous five years	None

**b) Names of underwriters:**

1. Arif Habib Limited
2. Ismail Iqbal Securities (Pvt.) Limited

**PART IV: ELIGIBILITY CRITERIA & ASSOCIATED MATTERS**

a)	<b>Eligible shareholder / investor:</b>	All those shareholders whose names appear on the Register of shareholder at the close of business on Friday, July 22, 2016.								
b)	<b>Bankers to the Issue:</b>	The Bank of Punjab								
c)	<b>Date by which offer to be accepted:</b>	September 23, 2016								
d)	<b>Mode of acceptance:</b>	Cash/Cheque/Pay Order/Demand Draft/Adjustment of loan								
e)	<b>Bank account details:</b>	<p><b>Title of Account at all Banks:</b> Nimir Resins Limited –Right Shares Subscription Account</p> <table border="1"> <thead> <tr> <th>Bank</th> <th>Account No.</th> <th>Branches</th> </tr> </thead> <tbody> <tr> <td>The Bank of Punjab</td> <td>CD - 2094730002</td> <td>All Braches nation wide</td> </tr> </tbody> </table>			Bank	Account No.	Branches	The Bank of Punjab	CD - 2094730002	All Braches nation wide
Bank	Account No.	Branches								
The Bank of Punjab	CD - 2094730002	All Braches nation wide								
f)	<b>Date by which amount to be credited in bank accounts to constitute valid acceptance:</b>	September 23, 2016								
g)	<b>Any material information having bearing on the issue:</b>	None								

**PART V: ANY OTHER MATERIAL INFORMATION**

**Any information, which has direct or indirect bearing on the investment decision:** None

**For Nimir Resins Limited**  
(Formerly Descon Chemicals Limited)



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Muhammad Inam ur Rahim  
**Company Secretary**

**August 3, 2016**

**PART VI: ANNEXURES**

- Annexure A – Particulars of Chief Executive/Directors and offices held by them in other Companies.  
Annexure B – Extract of Resolution passing the right issue.  
Annexure C – Certificate of Chief Executive Officer and Chief Financial Officer that the circular constitute full and true disclosure of all material facts relating to the right and the company will provide copies of financial statements on demand.

Directors or officers authorized by Directors:

- 1. Name:** Zafar Mahmood  
**Designation:** Chief Executive Officer
- 2. Name:** Aamir Jamil  
**Designation:** Chief Financial Officer



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## PROFILE OF DIRECTORS

### **Sh. Amar Hameed - Chairman**

Amar Hameed is pioneer in establishing Nimir group in Pakistan. He served as chief executive officer of all group companies in Pakistan before he was moved to group's head office. Based in Dubai Amar was leading the group chemicals business as group CEO. He left the group in 2011. Before joining Nimir group in 1989, he spent over ten years in banking, first with Fidelity Bank in London and then with National Commercial Bank in Saudi Arabia. After receiving a B.Sc. from the London school of economics he spent his early career with a Touché Ross and Whitbread London Ltd.

### **Mr. Zafar Mahmood – Chief Executive Officer**

Zafar Mahmood is highly experienced professional engaged with Nimir since the Company started its operations. His track record suggests him as a result oriented professional with strong management, business and financial skills. Today, he stands with twenty-five years of quality experience throughout in MNCs. He is a fellow of the Institute of Cost & Management Accountants of Pakistan since 1991. Zafar's association with Nimir group is well over 20 years old. He is serving as the Chief Executive Officer of the company since 2007. Since then, under his leadership, the Company's top line has been raised by five times with a healthier net profit.

### **Abdul Jalil Jamil - Director**

Abdul Jalil Jamil played an instrumental role in the establishment of Nimir group in Pakistan. He has thorough and in-depth knowledge of Pakistan's chemical market. He worked as CEO of Nimir's petrochemical unit and business heads of alkyd resin, oleo chemicals and chlor alkali business. Prior to Nimir, he worked as Director Operations for a global shipping company. He carries over forty years experience in commercial and management.

### **Mr. Muhammad Saeed-uz-Zaman – Director**

Saeed-uz-Zaman holds a degree in Electrical Engineering from University of Engineering and Technology Lahore. He has extensive experience in senior management positions both in public and private sectors. Saeed served as CEO in different Nimir group companies for more than ten years. He retired from Nimir group in 2007. Before joining Nimir, he held various senior positions in SNGPL and his last position was Senior General Manager. He is well versed with chemical and energy sector.

### **Mr. Muhammad Yahya Khan – Director Commercial**

Muhammad Yahya Khan is a businessman having sound experience of commodities trading and import/export. He has also experience of indenting. He is the Chief Executive of MYK (Pvt.) Limited, a Company engaged in the general commodities and other products trading, adding to his credentials is a hands on experience of the corporate agro farming and capital markets as investor. He is representing minority interest on the board of directors of the company.

### **Mr. Osman Hameed - Director**

Osman Hameed started his career as an investment banker and spent seven years with ABN AMRO Bank in London. Osman initially gained experience working in relationship banking for clients in the Technology, Media and Telecom sector before joining the bank's Structured Finance team. During the next five years Osman raised over US\$ 25 billion in financing from some of Europe's largest banks in various countries across Europe. On his return to Pakistan, Osman joined the Nimir Group where he managed the supply chain division and was also a member of the management committee. Osman worked with Nimir for four years before leaving to set up his own agribusiness. Osman holds a Certificate in Securities and Financial Derivatives from the Chartered Institute for Securities & Investment in the UK and received his B.Sc. in Finance and International Business from Georgetown University in Washington, DC.



### Mr. Muhammad Sajid - Director

Muhammad Sajid has around 25 years extensive experience of private equity investments, managing listed financial institutions, leading successful investment banking & structured finance teams and corporate venturing of new companies & businesses. He has more than 12 years senior management experience having served as CEO and Director on the Boards of a Commercial Bank, Private Equity Fund & Management Company, Investment Bank, Investment Funds, Asset Management Company and a number of listed Companies. Presently, He is CEO of advisory firm CORE Advisors. The firm set up to provide value added investment banking services to SME Sector. Previously, Sajid was Partner to JS Private Equity Fund I (the "Fund") incorporated in Mauritius. The Fund was the first & only Pakistan focused Private Equity Fund. Major investors of funds are International Finance Corporation, USA, Corporation, Commonwealth Development Corporation (CDC Group) UK, Asian Development Bank, Swiss Investment Fund for Emerging Markets Switzerland and JS Group.

### DIRECTORSHIP HELD IN OTHER COMPANIES

Name and Designation	Directorship in other Companies
1) Sh. Amar Hameed Chairman & Director	Terranova Limited
2) Mr. Zafar Mahmood Chief Executive Officer & Director	Nimir Industrial Chemicals Limited, Nimir Resources Private Limited, Nimir Management Private Limited, Nimir Holding Private Limited
3) Mr. Abdul Jalil Jamil Director	Nimir Industrial Chemicals Limited
4) Mr. Muhammad Saeed-uz-Zaman Director	Nimir Industrial Chemicals Limited
5) Mr. Yahya Khan Director	Nimir Industrial Chemicals Limited, Power Cement Limited, Nimir Management Private Limited, MYK Private Limited
6) Mr. Osman Hameed Director	Terranova Limited, Nimir Management Private Limited
7) Mr. Muhammad Sajid Director	Nimir Industrial Chemicals Limited

**Resolution of Board of Directors of Nimir Resins Limited**

- **Resolved unanimously** that the Ordinary paid-up capital of the Nimir Resins Limited (the "Company") be and is hereby increased from existing Rs. 997,789,280/- to Rs. 1,382,789,280/- by issue of further 77,000,000 Ordinary shares to be offered as Right Shares at the subscription price of Rs. 5/- per share at par value. These Ordinary Right shares are to be offered to all the Company's existing ordinary shareholders in the proportion to their existing shares held by each shareholder as provided under section 86 of the Companies Ordinance, 1984 against the payment of value of shares to the Company in cash and/or by adjustment of loans.
- **Resolved further** that, Chief Executive Officer be and is hereby authorized to appoint / negotiate with the underwriter(s) for the allotment of unsubscribed portion of Right Shares to any / or all of the underwriter(s).
- **Resolved further** that, Chief Executive Officer and / or the Company Secretary be and are hereby singly authorized to appoint consultant / adviser for Right Issue, announce book closure dates or any change therein and to prepare the schedule for issue of Right Shares and to make any amendment in the said schedule and to take all necessary approvals required if any, by Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange Limited and Central Depository Company of Pakistan or any other authority, and to take all necessary actions as may be required in this regard on behalf of the Company.
- **Resolved further** that, Chief Executive Officer and /or the Company Secretary be and are hereby singly authorized to appoint the bankers to the right issue, to collect the amount of subscription towards right shares, to open and operate the right issue subscription account of the Company and to execute all documents on behalf of the Company.
- **Resolved further** that, Chief Executive Officer and /or the Company Secretary be and are hereby singly authorized to handle the fractional shares that arise out of the rights. Any proceeds of the sale of fractional shares not claimed within a period of One year will be paid to any registered charitable organization.
- **Resolved further** that, Chief Executive Officer and / or the Company Secretary be and are hereby singly authorized to issue the notices and circular under Section 86(3) of the Companies Ordinance, 1984 to all the existing shareholders of the Company offering the right shares and are further authorized to do all acts, deeds and things and take all necessary steps to complete all legal formalities, to file all necessary documents and to appear before all relevant authorities, including the Court, the Securities and Exchange Commission of Pakistan and / or any other competent body and / or authorities to give effect to the foregoing resolutions.

**For Nimir Resins Limited**  
(Formerly Descon Chemicals Limited)



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Muhammad Inam ur Rahim  
Company Secretary

**Certificate from Chief Executive Officer and Chief Financial Officer**

We hereby certify that the circular constitutes full and true disclosure of all material facts relating to the Right Issue and that the Company will provide copies of financial statements on demand.

**For Nimir Resins Limited**  
(Formerly Descon Chemicals Limited)



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Mr. Zafar Mahmood  
Chief Executive Officer



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Mr. Aamir Jamil  
Chief Financial Officer