December 04, 2020

Nandan Denim Limited- Application for loan restructuring under the RBI's resolution framework for Covid-19 related stress

Summary of Rated Instrument:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Term Loan	390.35	390.35	[ICRA]BBB-(Negative); outstanding
Fund-based Working Capital Facilities	249.80	249.80	[ICRA]BBB-(Negative); outstanding
Fund-based Working Capital Facilities (Short term)	15.20	15.20	[ICRA]A3; outstanding
Non- Fund based facilities	80.00	80.00	[ICRA]A3; outstanding
Total	**735.35**	**735.35**	

Update

Nandan Denim Limited (NDL or the company) has requested lenders for loan restructuring under the framework for resolution specified by the Reserve Bank of India (RBI) vide its circular of August 6, 2020. The application has been duly acknowledged by NDL's lead bankers; and discussed and recorded in respective consortium meetings. The management had earlier informed ICRA of its intention to apply for loan restructuring under the RBI guidelines, given the tough business environment for the denim industry due to Covid-19 pandemic and its high scheduled debt obligations. Further, ICRA has been receiving *no default statements* (NDS) regarding timely debt servicing from the company and the same was also confirmed by the bankers. The company's management has also confirmed to ICRA regarding its intention to service the debt obligations in a timely manner till the banks approve the restructuring plan. The detailed restructuring/resolution plan is under preparation and will be submitted to the lender for further evaluation in the due course of time. ICRA would continue to monitor the developments on the finalisation and invocation of the resolution plan. Timely invocation and implementation of the resolution plan within the regulatory timelines[1], with favourable terms easing the burden on the cash flows, resulting in improvement of coverage metrics, would be a key rating monitorable.

The previous detailed rating rationale is available on the following link: Click here

[1] *Resolution under this framework may be invoked not later than December 31, 2020 and must be implemented within 180 days from the date of invocation. Inter Creditor Agreement has to be signed by all the lending institutions within 30 days from the date of invocation.*

Key rating drivers and their description

Credit strengths

Refer the previous detailed rating rationale on the following link: Click here

Credit challenges

Refer the previous detailed rating rationale on the following link: Click here

Liquidity position:

Refer the previous detailed rating rationale on the following link: Click here

Rating sensitivities

Positive triggers – Refer the previous detailed rating rationale on the following link: Click here

Negative triggers – Refer the previous detailed rating rationale on the following link: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Indian Textiles Industry –Fabric Making
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of NDL.

About the company

Incorporated in 1994 by the members of the Chiripal family, Nandan Denim Limited (NDL) (earlier known as Nandan Exim Limited) was initially involved in manufacturing, trading and export of textile products – primarily denim products. The company is a part of the Chiripal group, which is based in Ahmedabad (Gujarat), and has presence in various industries such as textiles, education, real estate, packaging and chemicals.

The company forayed into manufacturing operations in FY2004 with a project for weaving of denim fabric and the commercial production of 20 million metres per annum (MMPA) capacity of denim fabric was commenced in FY2006. With periodic expansions, the installed capacity of denim manufacturing now stands at 110 MMPA. Denim fabrics manufactured by NDL are either made of 100% cotton yarn or mixed with Lycra, Polyester, and so on in weft, depending on the market requirement. NDL underwent backward integration by installation of a cotton spinning unit of 40TPD capacity in FY2011, which was increased to 142 TPD in the current fiscal. Further, NDL diversified its portfolio by setting up 10 million meters per annum shirting capacity in March 2014. The company also operates a 15-MW power plant within its premises, which meets its entire power requirements. NDL has its manufacturing facilities at Sejpur-Gopalpur at Ahmedabad.

Key financial indicators

Refer detailed PR on the following link: Click here

Status of non-cooperation with previous CRA:

CRISIL's rationale dated March 06, 2020.

Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of NDL, which restricts CRISIL's ability to take a forward-looking view on the entity's credit quality. CRISIL believes that the information available on NDL is consistent with 'Scenario 4' outlined in the 'Framework for Assessing Consistency of Information'. Based on the last available information, the rating on the long term bank facilities of NDL are revised to **'CRISIL BB-/Stable Issuer Not Cooperating'** from 'CRISIL BB+/Stable Issuer Not Cooperating' and short term rating continues to be 'CRISIL A4+ Issuer Not Cooperating'. CRISIL takes note of the fire accident at NDL's Piplaj plant, which has led to shutdown of the plant, loss of lives, and the arrest of the promoters, directors. The plant shutdown and arrests may have significant impact on liquidity and operations of the company. The quantum and time lag in realisation of insurance claim, length of plant closure, and subsequent start of operations remains key monitorables.

Any other information: None

Rating history for past three years

	Instruments	Current Rating (FY2021)					Rating History for the past 3 years						
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Rating		FY2020			FY2019		FY2018	
					4 December 2020	17 August 2020	13 February 2020	04 February 2020	04 June 2019	11 March 2019	23 August 2018	23 Nov 2017	16 Nov 2017
1	Fund based-Term Loan	Long Term	390.35	311^	**[ICRA]BBB- (Negative)**	**[ICRA]BBB- (Negative)**	**[ICRA]BBB+@**	**[ICRA]BBB+ (Stable)**	**[ICRA]A- (Negative)**	**[ICRA]A (Negative)**	**[ICRA]A (Negative)**	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**
2	Fund based-Working Capital Facilities	Long Term	249.80		**[ICRA]BBB- (Negative)**	**[ICRA]BBB- (Negative)**	**[ICRA]BBB+@**	**[ICRA] BBB+ (Stable)**	**[ICRA]A- (Negative)**	**[ICRA]A (Negative)**	**[ICRA]A (Negative)**	**[ICRA]A (Stable)**	**[ICRA]A (Stable)**
3	Fund based-Working Capital Facilities	Short Term	15.20		**[ICRA]A3**	**[ICRA]A3**	**[ICRA]A2@**	**[ICRA]A2**	**[ICRA]A2+**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**
4	Non- Fund based facilities	Short Term	80.00		**[ICRA]A3**	**[ICRA]A3**	**[ICRA]A2@**	**[ICRA]A2**	**[ICRA]A2+**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**

Amount in Rs. Crore,^ March 31,2020, @ - watch with negative implications

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website click here

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan- 1	Feb-2015	NA	Dec-2025	24.78	[ICRA]BBB- (Negative)
NA	Term Loan- 2	Jul-2011	NA	Mar-2020	22.47	[ICRA]BBB- (Negative)
NA	Term Loan- 3	Sep-2011	NA	Sep-2021	22.80	[ICRA]BBB- (Negative)
NA	Term Loan- 4	Oct-2011	NA	Mar-2026	42.03	[ICRA]BBB- (Negative)
NA	Term Loan- 5	Jul-2012	NA	Sep-2023	37.58	[ICRA]BBB- (Negative)
NA	Term Loan- 6	Mar-2015	NA	Dec-2025	64.47	[ICRA]BBB- (Negative)
NA	Term Loan- 7	Jul-2014	NA	Dec-2025	34.37	[ICRA]BBB- (Negative)
NA	Term Loan- 8	Jul-2014	NA	Sep-2025	19.60	[ICRA]BBB- (Negative)
NA	Term Loan- 9	Feb-2015	NA	Dec-2025	60.75	[ICRA]BBB- (Negative)
NA	Term Loan- 10	Dec-2014	NA	Dec-2025	40.50	[ICRA]BBB- (Negative)
NA	Term Loan- 11	Jun-2017	NA	Jun-2027	21.00	[ICRA]BBB- (Negative)
NA	Fund based- Working Capital Facilities				249.80	[ICRA]BBB- (Negative)
NA	Fund based-Working Capital Facilities – Short Term				15.20	[ICRA]A3
NA	Non- Fund based facilities				80.00	[ICRA]A3

Source: Nandan Denim Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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