

August 03, 2022^(Revised)

Nandan Denim Limited- Update on Material Event

Summary of rating outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund-based- Cash Credit	240.00	240.00	[ICRA]BBB(Positive)
Fund -based- Term Loan	326.81	326.81	[ICRA]BBB (Positive)
Non-fund-based facilities- Letter of Credit/Bank Guarantee	60.00	60.00	[ICRA]A3+
Unallocated Limits	108.54	108.54	[ICRA]BBB (Positive)/A3+
Total	735.35	735.35	

*Instrument details are provided in Annexure-I

Rationale

Material Event

On July 27, 2022, Nandan Denim Limited (NDL) disclosed on the stock exchanges that the Income Tax Department carried out search operations under Section 132 of the Income Tax Act, 1961, at various premises of the Chiripal group as well as residences of the promoters and company officials from July 20, 2022 to July 26, 2022. This followed certain media articles dated July 25, 2022 reporting the same.

Impact of Material Event

At present, ICRA has ratings of [ICRA]BBB (Positive)/[ICRA]A3+ outstanding for the bank facilities of NDL. Based on discussions with the management, ICRA understands that there has been no impact on the Group's operations and over the availability of bank funding as of now, and it is likely to take ~4-6 months for the preliminary appraisal report from the Department. However, ICRA would continue to closely monitor any further developments related to this event and take appropriate rating action, if necessary

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

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

About the company

Incorporated in August 1994 as a private limited company by Mr. Vedprakash Chiripal and Mr. Brijmohan Chiripal, Nandan Denim Limited (NDL) (earlier known as Nandan Exim Limited) started with the trading and exports of textile products and was converted into a public limited company in January 2004. In FY2004, the company forayed into manufacturing operations with weaving of denim fabric with a capacity of 20 million meters per annum (MMPA) and increased the capacity

to 110 MMPA over the years. In order to backward integrate, NDL installed a cotton spinning unit having a capacity of 40 TPD in FY2011 and increased the capacity to 142 TPD over the years (reduced to 104 TPD due to fire in August 2020). Further, to mitigate the product concentration risk, NDL installed a 10 MMPA shirting capacity during FY2014. The company has two manufacturing facilities located at Sejjpur-Gopalpur in Ahmedabad (Gujarat). The company also operates a 15-MW solar power plant within its premises which meets its entire power requirements.

Key financial indicators (audited)

NDL	FY2021	FY2022
Operating Income (Rs. crore)	1,110.5	2,194.2
PAT (Rs. crore)	-18.7	67.8
OPBDIT/OI (%)	9.2%	8.1%
PAT/OI (%)	-1.7%	3.1%
Total Outside Liabilities/Tangible Net Worth (times)	1.5	1.7
Total Debt/OPBDIT (times)	5.4	3.4
Interest Coverage (times)	2.4	4.3

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020		
							Mar 22, 2021	Dec 04, 2020 Aug 17, 2020	Feb 13, 2020	Feb 04, 2020	Jun 4, 2019
1	Term loan	Long-term	326.81	326.81	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB -(Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB+ @	[ICRA]BBB+ (Stable)	[ICRA]A- (Negative)
2	Cash Credit	Long-term	240.0	-	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB -(Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB+ @	[ICRA]BBB+ (Stable)	[ICRA]A- (Negative)
3	EPC/FBD	Short term	-	-	-	-	-	[ICRA]A3	[ICRA]A2@	[ICRA]A2	[ICRA]A2+
4	Letter of Credit / Bank Guarantee	Short term	60.0	-	[ICRA] A3+	[ICRA] A3+	[ICRA] A3	[ICRA] A3	[ICRA]A2@	[ICRA]A2	[ICRA]A2+
5	Unallocated Limits	Long-term/ Short term	108.54	-	[ICRA]BBB (Positive)/ A3+	[ICRA]BBB (Positive)/ A3+	[ICRA]BBB- (Stable)/A3	-	-	-	-

@ rating placed on watch with negative implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund-based- Cash Credit	Simple
Fund-based- Term Loan	Simple
Non-fund Based - Letter of Credit/Bank Guarantee	Simple
Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund-based- Cash Credit	NA	NA	NA	240.00	[ICRA]BBB (Positive)
NA	Fund-based- Term Loan	FY2015	NA	FY2027	326.81	[ICRA]BBB (Positive)
NA	Non-fund Based - Letter of Credit/Bank Guarantee	NA	NA	NA	60.00	[ICRA]A3+
NA	Unallocated Limits	NA	NA	NA	108.54	[ICRA]BBB (Positive)/A3+

Source: NDL

Annexure II: List of entities considered for consolidated analysis- Not Applicable

Corrigendum:

Rationale dated August 3, 2022 has been corrected with revisions as detailed below:

In the Impact of Material Event section on page 1, long-term rating was captured incorrectly. The same has been corrected in the Impact of Material Event section on page number 1.

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