

August 03, 2022

Chiripal Textile Mills Private Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund based – Term Loan	82.12	82.12	[ICRA]BBB+ (Stable)
Fund based – Cash Credit	21.00	21.00	[ICRA]BBB+ (Stable)
Non-Fund Based	6.00	6.00	[ICRA]A2
Unallocated	36.88	36.88	[ICRA]BBB+ (Stable)/[ICRA]A2
Total Bank Facilities	146.00	146.00	

*Instrument details are provided in Annexure-1

Note: While arriving at the ratings of Chiripal Textile Mills Private Limited (CTMPL), ICRA consolidates the financials of CTMPL and its four associate concerns—Vishal Fabrics Limited (VFL), Nandan Industries Private Limited (NIPL), Quality Exim Private Limited (QEPL), and Dholi Spintex Private Limited (DSPL) — owing to substantial business, financial and managerial interlinkages among these entities. These entities are collectively referred to as the Chiripal Group or the Group, hereafter.

Rationale

Material Event

On July 26, 2022, VFL, a listed group company of CTMPL, 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 25, 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+(Stable)/[ICRA]A2 outstanding for the bank facilities of CTMPL. Based on discussions with the management, ICRA understands that there has been no impact of the search operations 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 Rating Methodology for Indian textiles Industry - Spinning Rating Methodology for Indian textiles Industry – Fabric Making Consolidation and Rating Approach
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of various Group entities (as mentioned in Annexure-2), given the close business, financial and managerial linkages among them.

About the company

Chiripal Textile Mills Private Limited, incorporated in 1981, has a ~26-million metre per annum (MMPA) fabric weaving plant at Dholi in Ahmedabad, Gujarat. The company is part of the Ahmedabad-based Chiripal Group, which enjoys presence in industries such as textiles, education, real estate, packaging, and chemicals. CTMPL had commissioned its plant in a phased manner over FY2017 and H1 FY2018 and has installed a total of 207 looms, of which 192 are owned looms and 15 are taken on long-term lease from its Group company.

Key financial indicators (audited)

Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	916	884
PAT (Rs. crore)	32	32
OPBDIT/OI (%)	20%	20%
PAT/OI (%)	3%	4%
Total Outside Liabilities/Tangible Net Worth (times)	2.5	2.1
Total Debt/OPBDIT (times)	4.9	5.1
Interest Coverage (times)	2.9	2.5

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

Source: VFL, CTMPL, DSPL, QEPL and NIPL, ICRA estimates

Note: Consolidated estimates are based on audited financials reported by the companies, after factoring in inter-company transactions. Consolidated financials are not audited.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2023)					Chronology of rating history for the past 3 years				
Instrument	Type	Amount rated (Rs. crore)	Amount outstanding* (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022		Date & rating in FY2021		Date & rating in FY2020
				Aug 03, 2022	Mar 31, 2022	Apr 20, 2021	Jun 15, 2020	Feb 13, 2020	
1	Term Loans	Long-term	82.12	82.12	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)
2	Cash Credit	Long-term	21.00	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)
3	Bank Guarantee	Short-term	6.00	-	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2
4	Unallocated	Long/Short-term	36.88	-	[ICRA]BBB+ (Stable)/[ICRA]A2	[ICRA]BBB+ (Stable)/[ICRA]A2	[ICRA]BBB+ (Negative)/[ICRA]A2	[ICRA]BBB+ (Negative)/[ICRA]A2	[ICRA]BBB+ (Stable)/[ICRA]A2

* Amount outstanding as on February 28, 2022

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund based – Term Loan	Simple

Fund based – Cash Credit	Simple
Non-fund Based - Letter of Credit/Bank Guarantee	Very 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 analysing 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-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	FY2018	-	FY2028	82.12	[ICRA]BBB+ (Stable)
NA	Cash Credit	-	-	-	21.00	[ICRA]BBB+ (Stable)
NA	Bank Guarantee	-	-	-	6.00	[ICRA]A2
NA	Unallocated	-	-	-	36.88	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: VFL, CTMPL, DSPL, QEPL and NIPL

Annexure-2: List of entities considered for consolidated analysis

Company Name	CTMPL Ownership	Consolidation Approach
Chirpal Textile Mills Private Limited	NA	Full Consolidation
Dholi Spintex Private Limited	NA	Full Consolidation
Vishal Fabrics Limited	NA	Full Consolidation
Quality Exim Private Limited	NA	Full Consolidation
Nandan Industries Private Limited	NA	Full Consolidation

ANALYST CONTACTS

Jayanta Roy

+91 33 7150 1100

jayanta@icraindia.com

Kaushik Das

+91 33 7150 1104

kaushikd@icraindia.com

Nidhi Marwaha

+91 124 4545337

nidhim@icraindia.com

Devanshu Gupta

+91 9818 994824

devanshu.gupta@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 43326401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



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