

November 23, 2022

## 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 (Stable)
Fund -based- Term Loan	326.81	251.56	[ICRA]BBB (Stable)
Non-fund-based facilities- Letter of Credit/Bank Guarantee	60.00	60.00	[ICRA]A3+
Unallocated Limits	108.54	0.00	-
<b>Total</b>	<b>735.35</b>	<b>551.56</b>	

\*Instrument details are provided in Annexure-I

### Rationale

Nandan Denim Limited (NDL) has announced its quarterly results for Q2 FY2023 on November 14, 2022. The company reported an operating income of Rs. 527.6 crore and an operating profit (OPBITDA) of Rs.23.1 crore in Q2 FY2023 against an operating income of Rs. 510.9 crore and an OPBITDA of Rs.47.2 crore in Q1 FY2023. The decline in revenues and margins can be attributed to a slowdown in demand along with high raw material prices.

ICRA has noted the said quarterly results. The ratings and outlook remain unchanged at [ICRA]BBB (Stable)/ [ICRA]A3+ on the Rs. 551.56-crore bank facilities of NDL.

The ratings continue to draw strength from NDL's strong market position as one of the leading denim capacities in the domestic market, its diversified product profile and the extensive industry experience of its promoters. The ratings also take comfort from the company's proximity to the cotton-growing belt and its backward integrated operations, which support its cost structure. ICRA also notes NDL's eligibility for various Government incentives on the capex, which support its profitability, though timely receipt of the same is important. The ratings remain constrained by the inherent cyclicity associated with the denim sector and the working capital-intensive nature of the company's operations.

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

### Liquidity position: Adequate

NDL's liquidity profile remains adequate, with availability of free cash and cash equivalents of ~Rs. 31 crore as on September 30, 2022 and an average cushion of around Rs. 73 crore (equivalent to ~30% of the sanctioned limits) in the company's fund based working capital limits in the six-month period ended in August 2022. The company had made prepayments of ~Rs.33 crore in H1 FY2023 and has ~Rs.20 crore debt repayment obligations for H2 FY2023. Overall, ICRA expects NDL to be able to meet its near-term commitments through internal as well as external sources.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology - Textiles Industry (Spinning)</a> <a href="#">Rating Methodology - Textiles Industry (Fabric Making)</a>
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 trading and exports of textile products and was converted into a public limited company in January 2004. In FY2004, the company forayed into manufacturing with weaving of denim fabric with a capacity of 20 million metres per annum (MMPA) and increased the capacity to 110 MMPA over the years. 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 a fire incident in August 2020) to backward integrate. Further, to mitigate the product concentration risk, NDL installed a 10-MMPA shirting capacity in FY2014. The company has two manufacturing facilities at Sejpur-Gopalpur in Ahmedabad (Gujarat). The company also operates a 15-MW solar power plant within its premises, which meets its entire power requirements.

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

S.No.	Instrument	Current Rating (FY2023)						Chronology of Rating History for the past 3 years					
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of October 31, 2022 (Rs. crore)	Date & Rating in FY2023			Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020		
					Nov 23, 2022	Oct 10, 2022	Aug 3, 2022		Jan 24, 2022	Mar 22, 2021	Dec 04, 2020 Aug 17, 2020	Feb 13, 2020	Feb 04, 2020
1	Term Loan	Long-term	251.56	251.56	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[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 (Stable)	[ICRA]BBB (Stable)	[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]A3	[ICRA]A3	[ICRA]A2@	[ICRA]A2	[ICRA]A2+
5	Unallocated Limits	Long-term/ Short term	--	--	--	[ICRA]BBB (Stable)/ A3+	[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

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](http://www.icra.in)

**Annexure I: Instrument details**

ISIN	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 (Stable)
NA	Fund based - Term Loan	FY2015	NA	FY2027	251.56	[ICRA]BBB (Stable)
NA	Non-fund Based - Letter of Credit/Bank Guarantee	NA	NA	NA	60.00	[ICRA]A3+

Source: NDL

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

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