

June 28, 2023 <sup>(Revised)</sup>

## Chiripal Textile Mills Private Limited: Placed on Rating Watch with Negative Implications

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based – Term Loan	69.41	69.41	[ICRA]BBB+ Placed on Rating Watch with Negative Implication
Fund Based-Cash Credit	21.00	21.00	[ICRA]BBB+ Placed on Rating Watch with Negative Implication
Non-Fund Based	6.00	6.00	[ICRA]A2 Placed on Rating Watch with Negative Implication
Unallocated	49.59	49.59	[ICRA]BBB+ Placed on Rating Watch with Negative Implication / [ICRA]A2 Placed on Rating Watch with Negative Implication
<b>Total Bank Facilities</b>	<b>146.00</b>	<b>146.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

To arrive at the ratings, ICRA consolidates the financials of Vishal Fabrics Limited (VFL) and its four associate concerns — Dholi Spintex Private Limited (DSPL), Chiripal Textile Mills Private Limited (CTMPL), Nandan Industries Private Limited (NIPL), and Quality Exim Private Limited (QEPL) — owing to substantial business, financial and managerial interlinkages among these entities. These entities are collectively referred to as the Group. The analytical approach follows the demonstrated track record of adherence to sales arrangement among the above-mentioned companies. While VFL sells the final product (denim fabric) to external customers, the other four associate companies provide backward integration and supply intermediate products to VFL. There are significant operational linkages and fungibility of cash flows among these companies.

The Securities Board of India (SEBI), vide a release on its website dated June 19, 2023, issued an Interim Order-cum-Show Cause Notice in the matter Vishal Fabrics Ltd. and four other entities, to certain suspected entities/individuals who were prima facie found to be involved in various fraudulent acts that had led to the abnormal rise in the volumes of the five scrips during the investigation period, in the absence of any major corporate announcements made by these entities. With regards to VFL, the order states that, during the investigation period, fifteen individuals/entities prima facie directly and/or indirectly connected with the promoter/promoter group of VFL, were frequently trading in the scrip of VFL. These trades were prima facie non-genuine trades and were executed to create artificial volume and influence the price in the scrip in pursuance of a scheme employed in the scrip of VFL. As per the SEBI's notice, the identified individuals from the Chiripal group and other involved entities/individuals are jointly liable for wrongful gains generated in the scrip of VFL to the tune of ~Rs.32 crore.

ICRA has taken note of the development and understands that the order has been issued against the suspected entities/individuals named in the said order. Further, the individuals/entities also have the option of filing their reply with SEBI within 21 days from the date of receipt of the order and avail an opportunity of personal hearing in the matter. Hence, ICRA will continue to monitor the developments related to the matter as well as the company's operational and financial performance and will resolve the watch as more clarity emerges on the impact of the same on the company/promoter group. Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position and rating sensitivities: [Click here](#)

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Indian textiles Industry - Spinning</a> <a href="#">Rating Methodology for Indian textiles Industry – Fabric Making</a> <a href="#">Consolidation and Rating Approach</a>
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	FY2021	FY2022
Operating Income (Rs. crore)	884	1,753
PAT (Rs. crore)	32	109
OPBDIT/OI (%)	20.5%	16.2%
PAT/OI (%)	3.6%	6.2%
Total Outside Liabilities/Tangible Net Worth (times)	2.1	1.7
Total Debt/OPBDIT (times)	5.1	3.2
Interest Coverage (times)	2.5	3.8

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	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years						
		Amt rated (Rs. crore)	Amt outstanding (Rs. crore)*	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021	
				Jun 28, 2023	Dec 19, 2022	Aug 03, 2022	Mar 31, 2022	Apr 20, 2021	Jun 15, 2020	
1	Fund based – Term Loan	Long term	69.41	69.41	[ICRA]BBB+ Rating Watch with Negative Implication	[ICRA]BBB + (Stable)	[ICRA]BBB + (Stable)	[ICRA]BBB + (Stable)	[ICRA]BBB + (Negative)	[ICRA]BBB+ (Negative)
2	Fund Based-Cash Credit	Long term	21.00	-	[ICRA]BBB+ Rating Watch with Negative Implication	[ICRA]BBB + (Stable)	[ICRA]BBB + (Stable)	[ICRA]BBB + (Stable)	[ICRA]BBB + (Negative)	[ICRA]BBB+ (Negative)
3	Non-Fund Based	Short term	6.00	-	[ICRA]A2 Rating Watch with Negative Implication	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2
4	Unallocated	Long/Short term	49.59	-	[ICRA]BBB+ Rating Watch with Negative Implication / [ICRA]A2 Rating Watch with Negative Implication	[ICRA]BBB + (Stable) / [ICRA]A2	[ICRA]BBB + (Stable) / [ICRA]A2	[ICRA]BBB + (Stable) / [ICRA]A2	[ICRA]BBB + (Negative) / [ICRA]A2	[ICRA]BBB+ (Negative) / [ICRA]A2

\*Outstanding as on Sep 30, 2022

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund based – Term Loan	Simple
Fund Based-Cash Credit	Simple
Non-Fund Based	Very Simple
Unallocated	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, are available on ICRA's 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	<b>Fund based – Term Loan</b>	FY2018	NA	FY2026	69.41	[ICRA]BBB+ Rating Watch with Negative Implication
NA	<b>Fund Based-Cash Credit</b>	NA	NA	NA	21.00	[ICRA]BBB+ Rating Watch with Negative Implication
NA	<b>Non-Fund Based</b>	NA	NA	NA	6.00	[ICRA]A2 Rating Watch with Negative Implication
NA	<b>Unallocated</b>	NA	NA	NA	49.59	[ICRA]BBB+ Rating Watch with Negative Implication / [ICRA]A2 Rating Watch with Negative Implication

Source: VFL, CTMPL, DSPL, QEPL and NIPL

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

**Annexure-2: List of entities considered for consolidated analysis**

Company Name	CTMPL Ownership	Consolidation Approach
<b>Chiripal Textile Mills Private Limited</b>	NA	Full Consolidation
<b>Dholi Spintex Private Limited</b>	NA	Full Consolidation
<b>Vishal Fabrics Limited</b>	NA	Full Consolidation
<b>Quality Exim Private Limited</b>	NA	Full Consolidation
<b>Nandan Industries Private Limited</b>	NA	Full Consolidation

**Corrigendum:**

Rationale dated June 28, 2023 has been corrected with revision as detailed below:

- In the rating history table, ratings added for Apr 20, 2021

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