

August 03, 2022

## Nandan Industries 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	55.79	55.79	[ICRA]BBB+ (Stable)
Fund based – Cash Credit	15.00	15.00	[ICRA]BBB+ (Stable)
Non-Fund Based	6.00	6.00	[ICRA]A2
Unallocated	3.3	3.3	[ICRA]BBB+ (Stable)/[ICRA]A2
<b>Total Bank Facilities</b>	<b>80.09</b>	<b>80.09</b>	

\*Instrument details are provided in Annexure-1

Note: While arriving at the ratings of Nandan Industries Private Limited (NIPL), ICRA consolidates the financials of NIPL and its four associate concerns—Vishal Fabrics Limited (VFL), Chiripal Textile Mills Private Limited (CTMPL), 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 NIPL, 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 NIPL. 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	<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

Nandan Industries Private Limited, incorporated in 1994, has an 80-airjet looms manufacturing facility at its fabric weaving plant in Dholi, Ahmedabad, Gujarat. The company is part of the Ahmedabad-based Chiripal Group, which enjoys a presence in industries such as textiles, education, real estate, packaging and chemicals. NIPL commissioned its plant in April 2018.

## 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

Instrument	Type	Current rating (FY2023)			Chronology of rating history for the past 3 years				
		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	55.79	55.79	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Negative)	[ICRA]BBB+ (Stable)
2	Cash Credit	Long-term	15.00	-	[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	3.3	-	[ICRA]BBB+ (Stable)/[ICRA]A2	[ICRA]BBB+ (Stable)/[ICRA]RA]A2	-	-	-

\* Amount outstanding as on February 28, 2022

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund based – Term Loan	Simple

<b>Fund based – Cash Credit</b>	Simple
<b>Non-fund Based - Letter of Credit/Bank Guarantee</b>	Very Simple
<b>Unallocated Limits</b>	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](http://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	55.79	[ICRA]BBB+ (Stable)
NA	Cash Credit	-	-	-	15.00	[ICRA]BBB+ (Stable)
NA	Bank Guarantee	-	-	-	6.00	[ICRA]A2
NA	Unallocated	-	-	-	3.3	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: VFL, CTMPL, DSPL, QEPL and NIPL

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

Company Name	NIPL 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

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