

June 28, 2023

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- (Negative)
Fund-based- Term Loan	251.56	251.56	[ICRA]BBB- (Negative)
Non-fund-based facilities- Letter of Credit/Bank Guarantee	60.00	60.00	[ICRA]A3
Total	551.56	551.56	

*Instrument details are provided in Annexure-I

Rationale

Material Event

On June 19, 2023, an interim Order-cum-Show Cause Notice had been updated in SEBI website for Vishal Fabrics Ltd(VFL) relating to investigation carried out due to sharp rise in price and traded volumes. References to Chiripal group and Mr. Jyotiprasad D Chiripal and Mr. Deepak J Chiripal (Director / Signatory at Nandan Denim Limited) had been drawn to them in the order citing that they were directly and / or indirectly connected with Promoter / Promoter Group of VFL.

Impact of Material Event

At present, ICRA has ratings of [ICRA]BBB-(Negative)/[ICRA]A3 outstanding for the bank facilities of NDL. The outlook is already negative towards monitoring quarterly financial performance. Based on discussions with the management, ICRA understands that there has been no impact on the company's operations and over the availability of bank funding. Also, the name of Nandan Denim Ltd has not been mentioned in the order. 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 - Textiles Industry (Spinning) Rating Methodology - Textiles Industry (Fabric Making)
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 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 a fire incident in August 2020). Further, to mitigate the product concentration risk, NDL installed a 10-MMPA shirting capacity in FY2014. The company has two manufacturing facilities located 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.

Key financial indicators (audited)

	FY2022	FY2023
Operating Income (Rs. crore)	2,188	2,026.8
PAT (Rs. crore)	67.8	0.8
OPBDIT/OI (%)	7.9%	4.2%
PAT/OI (%)	3.1%	0.0%
Total Outside Liabilities/Tangible Net Worth (times)	1.7	1.3
Total Debt/OPBDIT (times)	3.2	5.5
Interest Coverage (times)	4.1	1.6

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

Source: NDL

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Type	Current Rating (FY2024)			Chronology of Rating History for the past 3 years								
		Amount Rated (Rs. crore)	Amount Outstanding as of March 31, 2023 (Rs. crore)	Date & Rating on		FY2023				Date & Rating in FY2022	Date & Rating in FY2021		
				Jun 28, 2023	Jun 14, 2023	Mar 6, 2023	Nov 23, 2022	Oct 10, 2022	Aug 3, 2022	Jan 24, 2022	Mar 22, 2021	Dec 04, 2020 Aug 17, 2020	
1 Term Loan	Long-term	251.56	209.00	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Negative)	
2 Cash Credit	Long-term	240.0	--	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)	[ICRA]BBB (Negative)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Positive)	[ICRA]BBB (Positive)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Negative)	
3 EPC/FBD	Short term	--	--	--	--	--	--	--	--	--	--	[ICRA]A3	
4 Letter of Credit / Bank Guarantee	Short term	60.0	--	[ICRA] A3	[ICRA] A3	[ICRA] A3+	[ICRA] A3+	[ICRA] A3+	[ICRA] A3+	[ICRA] A3+	[ICRA]A3	[ICRA]A3	
5 Unallocated Limits	Long-term/ Short term	--	--	--	--	--	--	[ICRA]BBB (Stable)/ A3+	[ICRA]BBB (Positive)/ A3+	[ICRA]BBB (Positive)/ A3+	[ICRA]BBB- (Stable)/A3	--	

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: [Click Here](#)

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-(Negative)
NA	Fund based - Term Loan	FY2015	NA	FY2027	251.56	[ICRA]BBB-(Negative)
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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