

Nandan Denim Limited

Instrument	Amount Rated	Rating Action
Term Loans	Rs 498.03 (reduced from Rs. 541.85 crore)	[ICRA]A- (Stable) reaffirmed
Cash Credit Limits	Rs. 169.8 crore	[ICRA]A- (Stable) reaffirmed
EPC/FBD limits	Rs. 15.2 crore	[ICRA]A2+ reaffirmed
Letter of Credit/Bank Guarantee	Rs. 50.0 crore	[ICRA]A2+ reaffirmed

ICRA has reaffirmed long term rating of [ICRA]A- (pronounced ICRA A minus) on the Rs. 498.03 crore¹ (reduced from Rs 541.85 crore) term loans and the Rs. 169.8 crore cash credit limits of Nandan Denim Limited (NDL)². The outlook on the long term rating is Stable. ICRA has also reaffirmed the short term rating of [ICRA]A2+ (pronounced ICRA A two plus) on the Rs. 15.2 crore fund based facilities and the Rs 50 crore non fund based facilities of NDL.

The ratings continue to factor in NDL's strong market position in the domestic denim industry, established distribution network and the extensive industry experience of its promoters. The ratings further derive comfort from partially integrated operations of the company and the nearly completed plans for backward integration within the denim value chain which should help the company respond to industry pressures and improve its profitability over the long term. ICRA further notes that the company's large capex plan towards backward integration will benefit from various government incentive schemes and on stabilisation of the operations, should result in strengthening of the operational risk profile of NDL; however, completion of the project and generation of optimal returns from the added capacity would be the key rating sensitivities.

The ratings are however constrained by the inherent cyclicity associated with the textile sector and the prevalent over capacity in the domestic denim industry. Further, the ratings factor in the vulnerability of profitability to fluctuations in the raw material prices and exchange rates as well as the working capital intensive nature of NDL's operations. The ratings are also constrained by NDL's aggressive capital structure and the recent large debt funded capital expenditure would maintain pressure on the debt protection metrics over the medium term.

Company Profile

Incorporated in 1994 by Mr. Vedprakash D. Chiripal and Mr. Brijmohan Chiripal, Nandan Denim Limited (NDL) (earlier known as Nandan Exim Limited) was initially engaged in manufacturing, trading and export of textile products – primarily denim products. The company is a part of the Chiripal group, which is based in Ahmedabad (Gujarat), having presence in various industries such as textiles, education, real estate, packaging and chemicals.

The company forayed into manufacturing operations in FY2004 with a project for weaving of denim fabric and the commercial production of 20 million meters per annum (MMPA) capacity of denim fabric was commenced in FY06. With periodic expansions, the installed capacity of denim manufacturing now stands at 100 MMPA. Denim fabrics manufactured by NDL are either made up of 100% cotton yarn or mixed with Lycra, Polyester, etc in weft depending upon the market requirement. NDL has also backward integrated by installation of a cotton spinning unit of 40TPD capacity in FY11, which was subsequently increased to 64 TPD in March 2014. Further, NDL has diversified its portfolio by setting up a 10 million meters per annum shirting capacity in March 2014. The company also operates a 15 MW power plant within its premises which meets its entire power requirements. NDL has its manufacturing facilities located at Sejpur-Gopalpur at Ahmedabad.

Recent Results

For the year ended March 31, 2016, the company reported an operating income of Rs 1157 crore and profit after tax of Rs 63 crore as against an operating income of Rs 1097 crore and profit after tax of Rs 51 crore for

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



the financial year 2014-15. For H1FY17, the company reported an operating income of Rs.603 crore and profit after tax of Rs.32 crore

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