

May 21, 2019

CIL Nova Petrochemicals Limited: Ratings continue to remain under 'Issuer Not Cooperating' category

Summary of Rated Instrument:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based - Cash Credit	13.00	13.00	[ICRA]A-(SO)(Stable) ISSUER NOT COOPERATING*; Rating continues to remain under 'Issuer Not Cooperating' category
Non-Fund Based limits	15.65	15.65	[ICRA]A2+(SO) ISSUER NOT COOPERATING *; Rating continues to remain under 'Issuer Not Cooperating' category
Total	28.65	28.65	

*Issuer did not co-operate; based on best available information.

Rationale

The ratings of Rs. 28.65 crore bank facilities of CIL Nova Petrochemicals Limited (CNPL) continue to remain under 'Issuer Not Cooperating' category. The ratings are denoted as [ICRA]A-(SO)(Stable)/ A2+(SO); ISSUER NOT COOPERATING.

ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. The current rating action has been taken by ICRA basis best available/dated/ limited information on the issuers' performance. Accordingly, the lenders, investors and other market participants are advised to exercise appropriate caution while using this rating as the rating may not adequately reflect the credit risk profile of the entity.

Analytical approach

ICRA has applied its rating methodologies/policies as indicated below:

Links to applicable criteria: [Policy in respect of non-cooperation by the rated entity](#)

About the company

CIL Nova Petrochemicals Ltd (CNPL) was formed as part of the demerger from Nova Petrochemicals Ltd in 2007 and is engaged in the manufacturing of different type of synthetic yarn from polyester - Partially Oriented yarn (POY), Fully Drawn Yarn (FDY) Polyester Texturised Yarn (PTY) and Draw Texturised Yarn (DTY). The company also carries out trading of POY and FDY. The company is part of the Chiripal group of companies based out of Ahmedabad. The company's manufacturing premises are located at Moraiya near Ahmedabad. Total capacity of the plant is 28000 TPA.

Guarantor's Profile

Incorporated in 1988, Chiripal Industries Ltd. (CIL) is promoted by the Chiripal group of Industries based out of Ahmedabad. The company mainly has three divisions, namely Fibre Unit, Fabric Unit and Chemical Unit. In Fibre division, the company has facilities for production of Partially Oriented Filament Yarn (POY), Fully Drawn Yarn (FDY), Texturised Yarns, Draw Twisted Yarns and Polyester Filament Yarn (PFY). The products are mainly used for manufacturing apparel (shirting, suiting, dress material), Knitwear and non-apparel (upholstery, industrial fabrics and soft luggage). In Fabric division, the company was initially engaged in manufacture of processed fabrics. It has gradually diversified by implementing various expansion cum backward and forward integration projects. It currently has facilities for manufacturing a range of textile products like processed fabrics, texturised Yarn, knitted fabrics, polar, flock fabrics, embroidered fabrics etc. The Chemical Unit manufactures and markets synthetic adhesives and acrylic based emulsions for the paint and textile industry.

CIL's credit profile is supported by the long experience of the promoters in the textile sector, diversified revenue stream consisting of polyester yarn, fabric processing & textile chemicals and the access to wide customer base by virtue of group companies operating in different textile businesses. Further, the successful completion of recent capex (cotton yarn) is expected to further diversify revenue stream and increase share of POY/FDY resulting in higher value addition. Sales risk is likely to be mitigated on account of captive consumption in group companies. However, the ratings also factor in the risks related to cyclical nature of textile business, intense competitive pressures resulting from commoditised nature of product and the relatively low barriers to entry. Also, the margins remain exposed to fluctuations in raw material prices which are a dependent on global crude oil price movements. ICRA further notes that the recent debt funded capex programme of the company is likely to result in moderate return and coverage indicators in the medium term. The ability of the company to profitably scale up the operations and effectively manage working capital requirements would be key rating sensitivities.

The previous detailed rating rationale is available on the following link: [Click here](#)

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	222.9	243.7
PAT (Rs. crore)	5.0	1.3
OPBDIT/ OI (%)	6.4%	3.4%
RoCE (%)	9.8%	5.7%
Total Debt/ TNW (times)	0.3	0.2
Total Debt/ OPBDIT (times)	1.7	2.3
Interest Coverage (times)	5.9	2.1

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