



## Press Release

### Chiripal Industries Limited

January 23, 2024

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u> (Simple/ Complex/ Highly complex)
Long term Bank Facilities	289.30 (Reduced from Rs. 367.25 Crore)	IVR A+/ Stable (IVR A Plus with Stable Outlook)	Rating reaffirmed and Outlook revised	Simple
Short term Bank Facilities	92.00 (Reduced from Rs. 98 Crore)	IVR A1+ (IVR A One Plus)	Reaffirmed	Simple
<b>Total</b>	<b>381.29</b> <b>(Rupees Three hundred and eighty-one crores and twenty-nine lakhs only)</b>			

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating reaffirmation takes into account overall stable financial performance achieved during FY23 and 9MFY24. The rating continues to derive strengths from established track record and experienced promoters, established relationship with diversified client-base and modest financial risk profile. The rating is constrained due to raw material price risk, working capital intensive operations and highly competitive industry with low entry barriers.

Infomerics had rated Term loan, Cash Credit, Letter of Credit bank and proposed term loan facilities totalling to Rs. 53.17 Cr.; availed from Karnataka Bank. The said facilities have been withdrawn based on the client request and No due certificate received from the lender.

The outlook has been revised from Positive to Stable on account of moderation in profitability indicators and debt protection metrics; however, Infomerics believes that the company will continue to benefit from its long and established track record along with the support of promoters, industry outlook and improvement in overall financial parameters.

#### Key Rating Sensitivities:



## Press Release

### **Upward Factors**

- Substantial improvement in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis.
- Improvement in the operating cycle leading to improvement in liquidity.

### **Downward Factors**

- Deterioration in working capital cycle and liquidity profile of the company.
- Substantial decline in profitability impacting debt protection matrix and liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Established Track record and experienced promoters**

Chiripal group is family-owned business founded by Mr. Ved Prakash Chiripal. His brother Mr. Jyotiprasad Chiripal looks after the daily operations of Chiripal Industries Ltd. – Fabric division and is a renowned name in the textile industry. He has extensive experience of four decades and has established relationships with its clientele resulting into healthy order book over the year.

##### **Established relationship with diversified client-base**

The company is a vertically integrated textile company having facilities for manufacturing Polyester yarns and texturizing yarn as well as for knitting, home furnishings, and processing all kinds of materials. The company has manufacturing abilities for POY, texturizing, cotton spinning, denim weaving, knitting, and processing. The company has established relationships with its clients and has a diversified client base catering to manufacturing apparel (shirting, suiting, dress material), Knitwear and non – apparel (upholstery, industrial fabrics and soft luggage). The company has built up an excellent customer base over the years owing to delivery of quality product and services.

##### **Modest financial risk profile**



## Press Release

The company's revenue increased in FY23 driven by increased sales volume. However, the profitability declined in FY23 due to higher raw material prices and other input costs. The Gross Cash Accruals stood comfortable at Rs. 49.48 Cr. in FY23. The overall gearing ratio stood comfortable at 0.46x in FY23 and TOL/TNW at 0.61x in FY23. The current ratio stood at 2.10x and quick ratio at 1.34x in FY23.

### **Key Rating Weaknesses**

#### **Raw material price risk**

The Textile industry's profitability margins are highly correlated with fluctuations in raw cotton prices. The prices of these raw materials are impacted by various factors like the monsoon, government policies (MSP), demand supply etc. As a result, the prices of cotton have been volatile over the last few years. The weaving industry is fragmented and there is significant competition among the players in this industry, as a result their bargaining power is moderate and profitability margins are vulnerable to the volatility in the prices of yarn procured from domestic and overseas players for manufacturing cotton grey fabrics.

#### **Working capital intensive operations**

The operating cycle of the Chiripal Industries Limited remained moderate and stood at 71 days in FY23 (vis-à-vis 80 days in FY22) mainly on account of high gross current asset days of around 82 days. whereas creditors days improved and stood at around 11 days. This indicates working capital-intensive operations as the company has to keep moderate level of inventory of finished goods for all products mix.

#### **Highly competitive industry with low entry barriers**

The group has manufacturing facilities in Gujarat. The group is exposed to the risk of losing market share from various organised & unorganised players in the textile industry. Furthermore, the entry barriers in the textile industry are low; however, the success ratio for this industry also remains low due to lack of adequate expertise in dealing with clients.

**Analytical Approach:** Standalone Approach



## Press Release

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of Rating Outlook | Infomerics Ratings](#)

[Policy on Withdrawal of Ratings](#)

### **Liquidity –Adequate**

The company has sufficient cash accruals to fulfil its repayment obligations. The average bank limit utilisation for the working capital facilities remained around 60% during the last twelve months ended as on September 30, 2023. The DSCR stood comfortable at 1.13x indicating comfortable liquidity position of the entity in meeting its debt obligations. Further, the current ratio and quick ratio stood comfortable at 2.10 times and 1.34 times respectively as on March 31, 2023. Thus, the overall liquidity position of the company remained Adequate.

### **About the Company:**

The "Chiripal Group" is situated in Ahmedabad and includes Chiripal Industries Limited. CIL was established in 1994 in Ahmedabad, Gujarat and is promoted by Mr. Ved Prakash Chiripal. A vertically integrated textile company, CIL has facilities for manufacturing Polyester yarns and texturizing yarn as well as for knitting, home furnishings, and processing all kinds of materials. Company has manufacturing abilities for POY, texturizing, cotton spinning, denim weaving, knitting, and processing. The company operates a captive lignite based power plant which suffices the entire energy needs of the company.

### **Financials (Standalone):**

**(Amt. in Rs. Crores)**



## Press Release

For the year ended / As on	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	1691.15	1900.96
EBITDA	111.03	83.16
PAT	40.27	24.40
Total Debt	285.22	281.95
Adj. Tangible Net worth	585.91	613.03
EBITDA Margin (%)	6.57	4.37
PAT Margin (%)	2.38	1.28
Overall Gearing Ratio (times)	0.49	0.46

\*Classification as per Infomerics standards

**Status of non-cooperation with previous CRA:** None

**Any other information:** None

**Rating History for last three years:**

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (PR: Nov. 10, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term loans	Long-term	116.15	IVR A+/ Stable	IVR A+/ Positive	--	--
2.	Cash credit	Long-term	173.15	IVR A+/ Stable	IVR A+/ Positive	--	--
3.	Letter of credit	Short-term	83.85	IVR A1+	IVR A1+	--	--
4.	Bank guarantee	Short-term	8.15	IVR A1+	IVR A1+	--	--

**Name and Contact Details of the Rating Analyst:**

Name: Mr. Prakash Kabra

Tel: (022) 62396023

Email: [prakash.kabra@infomerics.com](mailto:prakash.kabra@infomerics.com)

**About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics



## Press Release

commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities:



## Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loan	--	--	March 31, 2025	30.60	IVR A+/ Stable
Term loan	--	--	March 31, 2026	20.85	IVR A+/ Stable
Term loan	--	--	June 30, 2028	17.51	IVR A+/ Stable
Term loan	--	--	Feb. 28, 2025	6.00	IVR A+/ Stable
Term loan	--	--	June 30, 2025	8.62	IVR A+/ Stable
Term loan	--	--	Sept. 30, 2029	7.84	IVR A+/ Stable
Term loan	--	--	March 31, 2026	1.89	IVR A+/ Stable
Term loan	--	--	June 22, 22028	1.83	IVR A+/ Stable
Term loan	--	--	Dec. 31, 2025	1.22	IVR A+/ Stable
Term loan	--	--	Jan. 31, 2028	1.13	IVR A+/ Stable
Term loan	--	--	Jan. 31, 2026	1.27	IVR A+/ Stable
Term loan	--	--	Jan. 31, 2028	1.09	IVR A+/ Stable
Term loan	--	--	Feb. 28, 2026	4.37	IVR A+/ Stable
Term loan	--	--	May 31, 2028	3.45	IVR A+/ Stable
Term loan	--	--	Jan. 31, 2026	4.48	IVR A+/ Stable
Term loan	--	--	Feb. 29, 2028	3.99	IVR A+/ Stable
Cash Credit	--	--	Revolving	74.85	IVR A+/ Stable
Cash Credit	--	--	Revolving	15.80	IVR A+/ Stable
Cash Credit	--	--	Revolving	12.89	IVR A+/ Stable
Cash Credit	--	--	Revolving	17.00	IVR A+/ Stable
Cash Credit	--	--	Revolving	44.86	IVR A+/ Stable
Cash Credit	--	--	Revolving	7.75	IVR A+/ Stable
Letter of credit	--	--	--	44.60	IVR A1+
Letter of credit	--	--	--	10.50	IVR A1+
Letter of credit	--	--	--	8.00	IVR A1+
Letter of credit	--	--	--	14.50	IVR A1+
Letter of credit	--	--	--	6.25	IVR A1+
Bank guarantee	--	--	--	1.10	IVR A1+
Bank guarantee	--	--	--	2.00	IVR A1+
Bank guarantee	--	--	--	5.00	IVR A1+
Bank guarantee	--	--	--	0.05	IVR A1+

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-chiripal-jan24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**



## Press Release

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com)