



## Press Release

### Nandan Denim Limited (NDL)

December 12, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicators</a>
Long term - Fund based facilities	423.75	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short term – Non Fund Based facilities	60.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	483.75 (Rupees Four Hundred Eighty Three crore and Seventy Five lacs only)			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Nandan Denim Limited (NDL) factors in experienced promoters and established market position as leading denim manufactures. The ratings also factors in availability of raw materials, comfortable capital structure of the company and improvement in margins in 6MFY24. The rating are, however, constraint by cyclicity in the denim industry, working capital intensive operations of the company.

#### Key Rating Sensitivities:

##### Upward Factors

- Substantial and sustained improvement in revenue and profitability margins while maintaining the debt protection metrics

##### Downward Factors

- Any decline in scale of operations and/or moderation in profitability leading to decline in the debt protection metrics
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the firm
- Any withdrawal of unsecured loans leading to deterioration of overall debt protection matrix



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Established track record and experienced promoters**

Nandan Denim Limited is a part of Chiripal group; a family-owned business founded by Mr. Ved Prakash Chiripal. His brother Mr. Brijmohan Chiripal Devkinandan having a total experience of around three decades in the textile industry. Mr. Jyotiprasad Chiripal is looking after the daily operations of Nandan Denim Ltd. He has extensive experience of four decades and has established relationships with its clientele resulting into healthy order book over the years.

- **Established market position as one of the country's leading denim manufacturers**

NDL is a part of the Ahmedabad-based Chiripal Group, which has been in the textile business since 1972 and enjoys diversified operations in the textile value chain with manufacturing partially-oriented yarn (POY), fully drawn yarn (FDY) and draw texturised yarn (DTY), along with fabric processing. NDL has an integrated manufacturing unit, comprising production facilities from spinning to fabric finishing. The company has an established market position and is one of the largest denim manufacturers in India, with a capacity of 110 million metres per annum (MMPA). NDL has a well-established network of distributors in the domestic market and enjoys strong relationship with its clients, which can be attributed to the Chiripal Group's long presence in the textile business.



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- **Comfortable capital structure of the company**

NDL's overall capital structure remained comfortable in FY23. NDL's Adj. TOL/TNW stood at 1.36x as on March 31<sup>st</sup> 2023 (PY: 1.70x). NDL's DSCR stood at 0.68x as on March 31<sup>st</sup> 2023 (PY:1.29x), However company has further infused the fresh unsecured loan of Rs.21.00 crore in current financial year (FY24) which will further create the comfort in overall capital structure of the company. Company's overall interest coverage ratio stood at comfortable level of 1.74x in FY23. Overall gearing ratio also improved to 0.87x as on March 31, 2023.(1.05x as on March 31, 2022)

Further, Company expected to receive insurance claim of Rs.41.00 crore and TUFs subsidy amounting to Rs.35.00 crores in H2FY24 which will further boost the overall liquidity of the company.

- **Improved margins of the company in 6MFY4**

NDL's margin improved in 6MFY24 due to correction in raw material prices. Company has reported top line of Rs. 975.08 crore for 6MFY24 with EBITDA of Rs.53.29 crore. NDL has reported the PAT of Rs.9.91 crore for 6MFY24. Company's EBITDA margin and PAT margin stood at 5.47% and 1.02% respectively as on September 30, 2023 which improved from 4.16% and 0.04% respectively in FY23.



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### Key Rating Weaknesses

- **Cyclicality in the denim industry**

The denim industry has inherent cyclicality with periods of excess market capacity and tight demand-supply situations. An oversupply situation exerts pressure on the company's profitability by affecting the volumes and pricing power, in line with the industry trends.

- **Working capital intensive nature of operations**

The company's operations are working capital intensive as the raw material availability is seasonal. During this period the company has to procure raw material required for the entire year. i.e., till next season. NDL's gross operating cycle increased to 74 days in FY23 (PY: 69 days). Average collection period of the company stood at 73 days (PY: 62 days). The collection period has increased in FY23 as the company had to give higher credit period to its selected customers. Company's average creditor's period increased to 42 days in FY23 (PY: 35 days) while average inventory period stood at 43 days in FY23 (PY: 41 days). Further improvement in working capital operations of the company will be key rating monitorable.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of assigning rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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



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### **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 67% during the last twelve months ended as on August, 2023. Further, the current ratio and quick ratio stood at 1.32 times and 0.94 times respectively as on March 31, 2023. Thus, the overall liquidity position of the company remained adequate. Company expected to receive insurance claim of Rs.41.00 crore and Technology Upgradation Fund Subsidy of Rs.35.00 crore in H2FY24 which will further boost the liquidity of the company.

### **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 exporting 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.

### **Financials (Standalone)**

(Rs. crore)

<b>For the year ended / As On*</b>	<b>31-03-2022 (Audited)</b>	<b>31-03-2023 (Audited)</b>
Total Operating Income	2175.57	2026.76
EBITDA	160.10	84.36
PAT	67.69	0.80
Total Debt	558.42	465.07
Tangible Net Worth	531.95	535.20
<b><u>Ratios</u></b>		
EBITDA Margin (%)	7.36	4.16
PAT Margin (%)	3.09	0.04
Overall Gearing Ratio(x)	1.05	0.87

\*As per Infomerics' standards

**Status of non-cooperation with previous CRA: Nil**



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Any other information: Nil

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 (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loans	Long Term	183.75	IVR BBB-/Stable	-	-	-
2.	Cash Credit	Long Term	240.00	IVR BBB-/Stable	-	-	-
3.	Letter of Credit	Short Term	53.85	IVR A3	-	-	-
4.	Bank Guaratnee	Short Term	6.15	IVR A3	-	-	-

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### 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 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.

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### Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	Revolving	240.00	IVR BBB-/Stable
Term Loans	-	-	Up to June 2031	183.75	IVR BBB-/Stable
Letter of Credit	-	-	-	53.85	IVR A3
Bank Guarantee	-	-	-	6.15	IVR A3

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-NandanDenim-dec23.pdf>

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

**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).