



Press Release

Nandan Denim Limited (NDL)

January 22, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	327.60	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Upgraded	Simple
Short Term Facilities	60.00	IVR A3+ (IVR A Three Plus)	IVR A3 (IVR A Three)	Upgraded	Simple
Proposed Long Term Facilities	5.60	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	-	Assigned	Simple
Proposed Short Term Facilities	1.00	IVR A3+ (IVR A Three Plus)	-	Assigned	Simple
Total	394.20 (Rupees Three hundred Ninety-Four Crore Twenty Lakh Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded its ratings assigned to the long-term facilities to IVR BBB with stable outlook and short-term facilities to IVR A3+ of Nandan Denim Limited (NDL).

The rating upgrade reflects improvement in profitability during FY24 (refers to period from April 01, 2023 to March 31, 2024) with stable revenue, improvement in capital structure, vast experience of promoters in the textile industry and the established relationship with its customers domestically and overseas both. The rating remains constrained by cyclicity in denim industry coupled with competitive nature of textile industry and susceptibility of its profitability to volatility in raw material prices.

Stable outlook reflects Infomerics' belief that the company continues to benefit at the group level as well as from the experienced promoter in textile industry and established relationship with its customers.



Press Release

Key Rating Sensitivities:

Upward Factors

- Substantial increase in revenues and profitability, improving debt protection metrics and liquidity profile on a sustained basis.
- Sustained improvement in working capital cycle leading to improvement in cash flows and liquidity of the company.

Downward Factors

- Deterioration in revenues and profitability, deteriorating debt protection metrics and liquidity profile of the company.
- Stretch in working capital cycle thereby impacting cash flows and liquidity profile of the company.

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



Press Release

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.

- **Improved capital structure of the company**

NDL's capital structure improved marked by overall improvement in capital structure due to reduction in overall debt of the company as on March 31st 2024. Company's long term debt equity ratio, overall gearing ratio and TOL/TNW stood at 0.26x, 0.56x and 1.02x, respectively as on March 31 2024, compared to 0.42x, 0.86x and 1.35x , respectively as on March 31, 2023. Improvement in the capital structure is attributed to accretion of profits in the reserves & surpluses coupled with reduction in total debt.

- **Improvement in profit and profitability of the company in FY24**

NDL reported overall improvement in profit in FY24. NDL's PBT and PAT improved from Rs.5.14 crore, Rs.0.53 crore, respectively in FY23 to Rs.65.12 crore, Rs.44.97 crore, respectively in FY24. Overall improvement in profit mainly due to improvement in cost of production. PBT and PAT margin improved and stood at 3.18%, 2.20%, respectively in FY24 compared to 0.25%, 0.03%, respectively in FY23.

Key Rating Weaknesses

- **Cyclicality in denim industry and competitive textile industry**

The Indian denim fabric industry is cyclical in nature and has witnessed major slowdown at least twice over the past two decades leading to piling up of excess inventory on the back of significant capacity addition by denim fabric manufacturers and consequent pricing pressure on sales realisation. Furthermore, textile is a cyclical industry and closely follows the macroeconomic business cycles. The prices of the raw materials and finished goods are also determined by global demand-supply scenario,



Press Release

hence, any shift in macroeconomic environment globally also impacts the domestic textile industry.

- **Susceptibility of profitability to raw material price volatility**

Like other textile businesses, profitability of NDNL is subject to fluctuations in the cost of cotton yarn, the primary raw material. The cotton yarn industry's profitability margins are highly correlated with fluctuations in raw cotton prices. The company does not have any long-term contracts with cotton suppliers with regards to either quantity or price. However, it has established long standing relationship with its suppliers. The cotton yarn industry is fragmented and there is significant competition among the players in the industry due to which their bargaining power is limited. This restricts the players from fully passing on the input cost increases to customers or retaining any benefits of lower input costs. As a result, the profitability margins of the company are susceptible to the volatility in raw cotton prices.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The company has sufficient cash accruals to fulfil its repayment obligations. The average bank limit utilisation for the working capital facilities remained low around 51.41% during the last twelve months ended as on November 2024. Further, the current ratio and quick ratio stood at 1.46 times and 1.09 times respectively as on March 31, 2024. Thus, the overall liquidity position of the company remained adequate.



Press Release

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. Further, to mitigate the product concentration risk, NDL installed a 10-MMPA shirting capacity in FY2014. The company has two manufacturing facilities located at Seipur- Gopalpur in Ahmedabad (Gujarat). The company also operates a 15-MW solar power plant within its premises, which meets its entire power requirements.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	2026.76	2010.09
EBITDA	84.09	118.32
PAT	0.53	44.97
Total Debt	465.07	329.89
Tangible Net Worth	539.67	584.64
EBITDA Margin (%)	4.15	5.89
PAT Margin (%)	0.03	2.20
Overall Gearing Ratio (x)	0.86	0.56
Interest Coverage (x)	1.58	2.51

* Classification as per Infomerics' standards.

Note: There is marginal variation in some of the above key financial indicators of FY23 compared to previously published Press Release (December 12, 2023) mainly on account of reclassification in expenses as per the Audited financials of FY24 resulting in decrease in EBITDA by Rs.0.27 crore.

Status of non-cooperation with previous CRA: Nil



Press Release

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date (December 12, 2023)	Date (Month XX, 20XX)	Date (Month XX, 20XX)
1.	Long Term Fund Based Facilities – Term Loans	Long Term	93.20	IVR BBB / Stable	IVR BBB- / Stable	-	-
2.	Long Term Fund Based Facilities – Cash Credit	Long Term	234.40	IVR BBB / Stable	-	-	-
3.	Short Term Fund Based Facilities – Letter of Credit	Short Term	54.35	IVR A3+	IVR A3	-	-
4.	Short Term Fund Based Facilities – Bank Guarantee	Short Term	5.65	IVR A3+	IVR A3	-	-
4.	Long Term Fund Based Bank Facilities – Proposed Cash Credit	Long Term	5.60	IVR BBB / Stable	-	-	-
5.	Short Term Fund Based Facilities – Proposed Letter of Credit	Short Term	1.00	IVR A3+	-	-	-

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Press Release

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.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loans	-	-	-	Up to June 2031	93.20	IVR BBB / Stable



Press Release

Cash Credit	-	-	-	Revolving	234.40	IVR BBB / Stable
Letter of Credit	-	-	-	Revolving	54.35	IVR A3+
Bank Guarantee	-	-	-	Revolving	5.65	IVR A3+
Proposed Cash Credit	-	-	-	-	5.60	IVR BBB / Stable
Proposed Letter of Credit	-	-	-	-	1.00	IVR A3+

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Nandan-Denim-22jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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