

August 11, 2020

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

To,
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G – Block,
BKC, Bandra (East),
Mumbai – 400 051.

Scrip Code: 532641

Scrip Symbol: NDL

Dear Sir,

Sub.: Intimation of Revision in Credit Rating by Brickwork India Ratings Private Limited

This has reference to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Regulations”).

In accordance with the said Regulation, we wish to inform that Brickwork Ratings India Private Limited has assigned the following ratings to the Company:

Facility	Previous Rating	Revised Rating	Remark	Reason
Fund Based Facilities: Cash Credit – Long Term Term Loan – Long Term	BWR A- (Credit Watch with Negative Implications)	BWR BBB+ (Credit Watch with Negative Implications)	Downgraded	Due to the fire incident
Non Fund Based Facilities: Working Capital Limit – Short Term	BWR A1	BWR A2	Downgraded	

You are requested to kindly take the same on record.

Yours faithfully,
For **NANDAN DENIM LIMITED**


Purvee Roy
Company Secretary



Nandan Denim Limited
(CIN:L51909GJ1994PLC022719)

Registered Office

Survey No. 198/1 & 203/2, Saijpur-Gopalpur, Pirana Road, Piplaj, Ahmedabad - 382 405
Ph.: +91 9879200199 Website : www.nandondenim.com Email : nandan@chiripalgroup.com

Corporate Office

Chiripal House, Shivranjani Cross Road, Satellite, Ahmedabad - 380 015
Ph.: 079-26734660/2/3 Fax : 079-26768656

NANDAN DENIM LTD

Brickwork Ratings reviews the rating to the bank loan facilities of Rs. 667.82 Cr of Nandan Denim Ltd (NDL or the ‘Company’) and places it under “Credit Watch with Negative Implications”.

Particulars

Facility*	Previous Limits	Limits (Crs)	Tenure	Previous Rating (February 2020)	Rating based on current review
Fund Based Facilities					
Cash Credit	265.00	265.00	Long Term	BWR A- (Credit Watch with Negative Implications)	BWR BBB+ (Credit Watch with Negative Implications)
Term Loan	322.82	322.82			
Non-fund Based Facilities					
Working capital limit	80.00	80.00	Short Term	BWR A1	BWR A2
Total	667.82	*Rs.667.82 Crs (Six Hundred Sixty Seven Crore and Eighty Two Lakhs only)			

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

RATING ACTION –Downgrade and Continue the “Credit Watch with Negative Implications”
 BWR had placed the rating of NDL on Credit Watch with Negative Implications in February 2020 on account of fire accident which had taken place in the manufacturing premises of Nandan Denim, since the impact of the event on the operating performance and the cashflows of the company was yet to be evaluated. As informed by the management in its press release relating to FY20 financials, it regained manufacturing since March 20, 2020 after the fire accident on February 8, 2020. After beginning from March 20, 2020, the units were closed again from March 24, 2020 due to nation-wide lockdown imposed by Government of India on account of pandemic. So practically, NDL was operating only for 40 days during Q4FY20. The fire led to loss of inventory and fixed assets valuing at Rs.12.5 Cr. It was fully insured and hence the company has already booked the

accrued insurance income from the same. Hence, BWR removes Credit Watch on account of fire accident.

Downgrade in rating follows the continued deterioration in operating performance during 4QFY20 as well as entire FY20 coupled with overall weak scenario in textile industry which is expected to have an impact on the future cashflows of the company.

The rating is placed under “Credit Watch with Negative Implications” with restructuring initiative announced by Reserve Bank of India in its Monetary Policy dated August 6, 2020. BWR will continue to closely monitor the developments with regard with terms and conditions of restructuring once it is finalized to ascertain its impact on debt servicing capability of the company.

The rating however continuous derive strength from the promoters’ strong industry experience, established track record of the Company, backward- integrated operations, strong economies of scale, established customers with strong domestic distribution network and moderate gearing level.

The ratings are, however, constrained by the volatility in raw material prices, competition from other denim manufacturers in India and cyclical nature of textile industry.

Key Risk Drivers for rating:

Credit Strengths:

Experienced and Qualified Management with established track record: Nandan Denim Limited, established in 1994 is a part of Chiripal Group. The Group has companies in all aspects of the textiles value chain - both cotton and synthetic. Mr. Ved Prakash Chiripal is the Chairman of the Company and has over 4 decades of experience in the field of manufacturing, trading of textile products.

Integrated Operations: NDL’s facilities are fully integrated and it has a total installed denim processing capacity of 110 million meters per annum (MMPA). The Company’s cotton procurement is done majorly from Gujarat. Currently spinning capacity is 141 Tonnes per day (TPD). The Company has a captive power plant with generation of about 15MW. Major finished product of the Company is Denim Fabrics, with focus on low-mid end segment of the market. NDL has created a strong distribution network in the domestic market, with domestic sales contributing about 90% to the total revenues of the Company.

Credit Weakness:

Weak 4QFY20 and FY20 Performance: NDL reported net sales of Rs. 308.1 crore for Q4FY20 which was down by 21% YoY. Lower sales were as a result of lower demand and partly from the fire at the shirting division which resulted in loss of around 45 days of operations. Lower

realisations, lower volumes apart from loss of around Rs 12.5 crore due to fire, resulted in Operating profit down by 93%. As the property and inventory were fully covered under insurance, the company has booked expected insurance income of Rs 12.5 crore in other income. Finally, after considering higher interest cost of Rs 11.49 crore and depreciation of Rs 21.39 crore, loss at PBT stood at Rs 14.66 crore. After considering deferred tax credit of Rs 5.8 crore, loss for Q4FY20 stood at Rs 7.59 crore as compared to profit of Rs 4.07 crore for 4QFY19.

For FY20, net sales were higher by 5% to Rs 1525 crore. EBITDA was down by 34% to Rs 99.17 crore largely due lower realisations. After considering other income of Rs 24.37 crore as compared to other income of Rs 13.26 crore for FY19, EBITDA was down by 51% to Rs 123.54 crore with EBITDA margin of 8.1%. Higher interest and depreciation costs resulted in company reporting loss at PBT level of Rs 7.2 crore. After considering deferred tax credit of Rs 6.9 crore, loss at PAT level stood at Rs 0.5 crore as compared to PAT of Rs 22.08 crore for FY 19.

The weak performance for FY20 was attributable to the stiff competition prevailing in the industry and the prevalent over-capacity in the denim industry. Consequently, the average denim realizations declined to Rs.117 in FY20 as compared to Rs.123 in FY19.

Slowdown in Textile market: Textile industry is worst impacted since the occurrence of the pandemic. There has been moderation in discretionary spending which has impacted the demand for textiles during the past four months since the outbreak of pandemic and is not expected to revive in near to medium term. This is likely to have an impact on the future cashflows of the company and also impact the debt protection metrics with substantial repayment obligation in FY21. BWR will continue to monitor the developments with regard to restructuring as announced by RBI and see whether the NDL is eligible for restructuring and if eligible, what are the terms and conditions set for it.

Weakening debt protection metrics: The Company had total debt of Rs.571 Cr comprising of working capital cash credit facility of Rs. 250 Cr and balance in the form of term loans. Average utilization of working capital was around 85%. With deterioration in operating performance, interest coverage reduced to 3.0x in FY20 from 5.7x in FY19 and Debt service coverage reduced to 1.3x from 1.5x.

Volatility in raw material prices: The margins of the Company remain exposed to fluctuations in raw material prices, viz., cotton. Variation in input costs cannot always be passed on immediately, but with a lag and this naturally impacts returns.

Competitive nature of business: NDL faces intense competitive pressures from both established and lower-end operators. Over the last 3 - 4 years, many cotton yarn and denim manufacturers in the State of Gujarat have expanded capacities on account of various incentive schemes of the State and Central Governments. As a consequence, demand-supply situation has moved in favour of consumers, affecting margins.

Analytical Approach

NDL, which is the listed entity is rated on a stand-alone basis. However, it is recognized that the promoters belong to the reputed Chiripal group of textile industries in the state of Gujarat. For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

LIQUIDITY (Adequate) – As on March 31, 2020, the company had cash and cash equivalent of Rs. 3.67 CR and unused working capital lines of Rs.40 Cr as against the repayment of Rs.48 Cr which is due in FY21. If the company does not become eligible for restructuring, promoter support will be required for timely servicing of debt.

Rating Sensitivities:

Positive: Improvement in operating performance of the company with debt protection metrics will be credit positive.

Negative: Further deterioration in operating performance with weakening of debt protection metrics will be credit negative.

About Nandan Denim:

NDL was incorporated in Ahmedabad, Gujarat, in 1994. The Company was originally started as Nandan Exim Private Limited and in 2006, the company changed its constitution to public limited company and changed name to Nandan Exim Ltd. The Company further changed its name to Nandan Denim Ltd in 2013. The Company is promoted by Mr.Ved Prakash Chiripal. The Company started with trading of fabrics and has gradually moved to manufacture of Denim fabrics from 2006.

Mr. Ved Prakash Chiripal is the Chairman of the Company and has over 4 decades of experience in the field of manufacturing, trading of textile products. Mr Jyotiprasad Chiripal, is the Managing Director of the Company and has relevant experience of several years in textile processing. Mr.T.S.Bhattacharya and Ms.Pratima Ram are the independent directors in the Company. Promoter and Promoter group holds about 64.73% shares in the Company. The Company is listed in BSE/NSE.

Financials:

Rs. Crore	FY19	FY20
	Audited	Audited
Net sales	1456	1525
EBITDA (including other income)	163.22	123.54
Net Profit	22	-0.5
Total Debt	532	528
Tangible Networth	490.35	490.64
Gearing (x)	1.1	1.1
Current Ratio	1.4	1.4

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2020)				Rating History			
		Type	Amt (Rs. Cr)	Rating Aug-20	Rating Feb-20	Nov-19	Apr-19	Jan-18	Oct-18
1	Cash Credit	Long Term	265	BWR BBB+ (Credit Watch with Negative Implications)	BWR A- (Credit Watch with Negative Implications)	BWR A (Negative)	BWR AA- (Negative)	BWR AA- (Stable)	BWR A+ (Stable)
2	Term Loan	Long Term	322.82						
3	Non-fund based working capital limits	Short Term	80						
Total			667.82						

Status of non-cooperation with previous CRA (if applicable): CRISIL BB+ (Stable) / A4+ Issuer Not Cooperating as on October 24, 2019

Any other information: N/A

Annexure I – Details of Bank Facilities Rated

Bank Name	Term Loan Outstanding	Cash Credit	NFB	Total
Central Bank of India	15.92	25.00	10.00	50.92
United Bank of India	15.42	22.00	7.00	44.42
Saraswat Co-Op Bank	32.90	0.00	0.00	32.90
State Bank of India		66.25	20.00	86.25
Bank of Maharashtra	56.54	17.00	3.65	77.19
Oriental Bank of Commerce	21.86	10.90	1.00	33.76
Dena Bank		16.00	4.00	20.00
Canara Bank		40.00	7.00	47.00
Bank of India	52.50	0.00	0.00	52.50
Union Bank of India	28.82	42.25	22.00	93.07
Lakshmi Vilas Bank	28.12	0.00	0.00	28.12
Karnataka Bank	16.59	0.00	0.00	16.59
IDBI Bank	35.00	11.00	2.10	48.10
UCO Bank	19.05	14.60	3.25	36.31
Total	322.82	265.00	80.00	667.82

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Investor Contacts
<p>Vidya Shankar Senior Director - Ratings B :+91 80 4040 9940 vidyashankar@brickworkratings.com</p> <p>Forum R Parekh Assistant Manager - Ratings D : +91 22 6745 6621 B :+91 22 2831 1426, +91 22 2831 1439 forum.rp@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.