February 16, 2022

# Borosil Limited: Ratings placed on watch with developing implication

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Long-term: Fund based | 25.00 | 25.00 | [ICRA]A+&, Placed on watch with developing implication |
| Long-term/Short-term: Fund based | 60.00 | 60.00 | [ICRA]A+&/[ICRA]A1+&, Placed on watch with developing implication |
| Long-term/Short-term: Non fund based | 6.00 | 6.00 | [ICRA]A+&/[ICRA]A1+&, Placed on watch with developing implication |
| Total | **91.00** | **91.00** | |

*&: rating on watch with developing implications; Instrument details are provided in Annexure-1;*

# Rationale

## Material Event

On February 07, 2022, the board of Borosil Limited (BL) approved a composite scheme of arrangement among BL and its subsidiaries, Klass Pack Limited (KPL) and Borosil Technologies Limited (BTL), and their respective shareholders and creditors, under Sections 230 to 232 of the Companies Act, 2013. The appointed date of the Scheme is April 1, 2022 or such other date as may be decided by the Board of the Parties. The scheme is pending for approval from the National Company Law Tribunal (NCLT), subject to requisite statutory and regulatory approvals.

## Impact of Material Event

ICRA has placed the rating of [ICRA]A+/[ICRA]A1+ outstanding on the bank facilities of BL on watch with developing implications. As per the new composite scheme of arrangement approved by the company's board of directors, BL's existing paid-up equity share capital in KPL will be cancelled. Later, KPL will be amalgamated with BTL, which will result in a new entity named, Borosil Scientific Limited (BSL). Further, the scientific and industrial product division of BL will be demerged and later transferred to the new company. Post effectiveness of the scheme, the equity shares of BSL will be listed on exchanges (Bombay Stock Exchange and National Stock Exchange). Also, to achieve an optimum equity restructuring share capital base commensurate with the business activities of the resulting company subsequent to the demerger and merger, it is proposed to reduce the face value of the equity shares and reorganise the equity share capital of the resulting company prior to the said demerger and merger. There will be no consideration for the promoter's/ promoter group's/ group's aforesaid reduction and reorganisation of companies from such proposed equity share capital of the resulting restructuring company. Thus, as a result, there will be no benefit to any promoter/ promoter group/ group companies from the resulting company. Post implementation of the restructuring, there will not be any cross holdings between BL and BSL, while the promoters will hold 70.44% in BL and 68.16% in BSL. BL will house the consumer product business and BSL will house the scientific and industrial product business. The proposed restructuring exercise is aimed at simplifying the Group structure by eliminating holding and enabling both BL and BSL to grow independently in their respective business verticals and de-risk businesses from each other.

ICRA has noted the above event and has placed the ratings of [ICRA]A+ (pronounced ICRA A plus) and [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the Rs. 91.00-crore bank facilities of BL on rating watch developing implications. ICRA is in discussion with BL's management to understand the exact impact of the event in terms of the business and financial implications on BL. ICRA will resolve the watch once further clarity emerges on the transaction and the actual impact on the credit profile of BL is ascertained.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, liquidity position and rating sensitivities: Click here

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable Rating Methodologies** | Corporate Credit Rating Methodology |
| **Parent/Group Support** | Not applicable |
| **Consolidation/Standalone** | The rating is based on the consolidated financial statements of the issuer. |

## About the company

Established in 1962 as BGWL, BL is a supplier of laboratory glassware, microwaveable kitchenware and opalware in India. It sells and markets microwavable and flameproof kitchenware and glass tumblers through more than 15,000 retail outlets and has three manufacturing facilities at Bharuch (Gujarat), Tarapur (Maharashtra) and Jaipur (Rajasthan). BL conducts its operations in two business segments—namely, scientific and industrial products (SIP; including laboratory glassware, laboratory instruments and pharma packaging) and consumer products (CP; including microwaveable, kitchenware as well as opalware products). While the microwaveable and kitchenware products are sold under the flagship 'Borosil' brand, opalware products are sold under the 'Larah' brand, and laboratory instruments are sold under the 'Labquest' brand. The company's shares were listed on the BSE/NSE stock exchange on July 11, 2020.

The company has two wholly-owned subsidiaries, BTL (engaged in designing, developing and assembling laboratory bench top equipment and instruments based in Pune, Maharashtra) and Acalypha Realty Limited (ARL; engaged in real estate development with no operations as on date); and 82.49% shareholding in KPL (manufacturer and supplier of pharmaceutical vials and ampoules, with its manufacturing facility at Nashik, Maharashtra).

## Key financial indicators (audited) Consolidated

| | FY2020 | FY2021 | 9MFY22 |
|---|---|---|---|
| Operating Income (Rs. crore) | 637.2 | 586.1 | 619.8 |
| PAT (Rs. crore) | 35.3 | 42.4 | 50.7 |
| OPBDIT/OI (%) | 14.9% | 14.3% | 16.7% |
| PAT/OI (%) | 5.5% | 7.2% | 8.2% |
| Total Outside Liabilities/Tangible Net Worth (times) | 0.3 | 0.2 | - |
| Total Debt/OPBDIT (times) | 0.5 | 0.1 | - |
| Interest Coverage (times) | 17.1 | 34.6 | 173.0 |

*PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Instrument | Current Rating (FY2022) | | | | | Chronology of Rating History for the past 3 years | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding as of January 31, 2022 (Rs. crore) | Date & Rating in | | Date & Rating in FY2021 | Date & Rating in FY2020 | Date & Rating in FY2019 |
| | | | | | Feb 16,2022 | Apr 13, 2021 | Dec 30, 2020 | Oct 7, 2019 | Dec 18, 2018 Jun 26, 2018 |
| 1 | Fund based | Long-term | 25.00 | - | [ICRA]A+& | [ICRA]A+ (Stable) | [ICRA]A+ (Stable) | [ICRA]BB& | [ICRA]BB& |
| 2 | Fund based | Long-Term/ Short Term | 60.00 | - | [ICRA]A+& / [ICRA]A1+& | [ICRA]A+ (Stable) / [ICRA]A1+ | [ICRA]A+ (Stable) / [ICRA]A1+ | - | - |
| 3 | Non-fund Based | Long - Term/ Short-Term | 6.00 | - | [ICRA]A+& / [ICRA]A1+& | [ICRA]A+ (Stable) / [ICRA]A1+ | [ICRA]A+ (Stable) / [ICRA]A1+ | - | - |
| 4 | Unallocated | Long-Term/ Short-Term | - | - | - | - | - | [ICRA]BB & / [ICRA]A4+& | - |

*Amount in Rs. Crore; &= Under watch with developing implications*

## Complexity level of the rated instrument

| Instrument | Complexity Indicator |
|---|---|
| Long-term: Fund-based | Simple |
| Long-term/Short-term: Fund-based | Simple/Very Simple |
| Long-term/Short-term: Non fund-based | Simple/Very Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

| ISIN No | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (RS Crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| NA | Cash Credit | - | NA | - | 25.00 | [ICRA]A+& |
| NA | Fund based* | - | NA | - | 60.00 | [ICRA]A+& / [ICRA]A1+& |
| NA | Letter of credit/Bank Guarantee | - | NA | - | 6.00 | [ICRA]A+& / [ICRA]A1+& |

** CC, WCDL, EPC/PCFC, Overdraft interchangeable limits upto a maximum of Rs. 60 crore.; &= Under watch with developing implications*
*Source: Company*

### Annexure-2: List of entities considered for consolidated analysis

| Company Name | Ownership | Consolidation Approach |
|---|---|---|
| Klasspack Limited | 82.49% | Full consolidation |
| Borosil Technologies Limited | 100.00% | Full consolidation |
| Acalypha Realty Limited | 100.00% | Full consolidation |

***Source:*** *Company*

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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## ICRA Limited

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### Branches