November 06, 2024

Borosil Limited: Long-term rating upgraded to [ICRA]AA- (Stable); short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term: Fund-based – Cash credit	2.00	2.00	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
Long-term/short-term – Fund-based	135.00	135.00	[ICRA]AA- (Stable) / [ICRA]A1+; long-term rating upgraded from [ICRA]A+ (Stable), short-term rating reaffirmed
Short-term –Non-fund based	1.20	1.20	[ICRA]A1+; reaffirmed
Long-term – Fund based – Term loan	146.35	67.56	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
Unallocated limits	-	78.79	[ICRA]AA- (Stable) / [ICRA]A1+; long-term rating upgraded from [ICRA]A+ (Stable), short-term rating reaffirmed
Total	**284.55**	**284.55**	

**Instrument details are provided in Annexure-I*

Rationale

The rating action on the bank facilities of Borosil Ltd (BL) factors in the healthy improvement in its credit profile and expectations that the profile will remain stable over the near to medium term. The company's revenue grew by 27% in FY2024 and 23% in Q1 FY2025 supported by favourable demand across segments, coupled with doubling of opalware capacity to 84 tonnes per day (TPD). The company completed a sizeable debt-funded capex in the past two years to expand its opalware capacity, establish a borosilicate glass project, and added solar power units of 11.5 MWp capacity. The commencement of its borosilicate capacity of 25 TPD in March 2024, coupled with improved capacity utilisation of both opalware and borosilicate glass capacity, is expected to drive revenue and earnings growth over the near to medium term. The company also completed a Rs. 150-crore equity raise through Qualified Institutional Placement (QIP) in June 2024, which is being utilised to reduce debt. This, coupled with the expected healthy growth in revenues and earnings on the back of strong demand and capacity expansions, keep its debt metrics comfortable. This apart, reduced outsourcing following the capacity expansions and operating leverage benefits arising out of improved scale are expected to support margin expansion, going forward. The ratings also consider BL's strong brand presence in the consumer ware market, along with its diversified product portfolio, which includes glassware, microwavable glass, non-glassware (primarily hydra and small kitchen appliances), and opalware. BL benefits from a well-entrenched domestic distributor network and a broad customer base that includes reputed clients.

However, the ratings remain constrained by BL's high working capital intensity, stemming from inherently large inventory requirements across its wide product portfolio and exposure to substitution risks from alternative products. Additionally, intense competition from both organised and unorganised players in the consumer ware industry exerts pressure on the company's business. BL's profitability is also exposed to the foreign currency fluctuation risk due to its reliance on imports, although this is partially mitigated by its hedging practices and growing shift to domestic procurements and manufacturing.

The Stable outlook on BL's rating reflects ICRA's opinion that its credit profile will remain comfortable, on the back of expected growth in revenues and earnings benefitting from its established brand presence in the consumer ware product business and the growing customer preference for premium dining ware.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in table and kitchenware business - The promoters have extensive experience, and the company has a strong track record in the table and kitchenware segment. Over the years, BL has established itself as a well-recognised brand in the domestic market for table and kitchenware products.

Diversified product offering with presence in glassware, non-glassware, and opal ware - BL caters to all segments of table and kitchenware, including opal ware, glass microwavable products, tumblers, etc. It has visible presence in small kitchen appliances and the hydra bottles range. The company has doubled its opal ware capacity to 84 TPD in January 2023 and commenced borosilicate furnace of 25 TPD in March 2024, which would support revenue growth and margin expansion, given the reduced outsourcing. Going forward, BL's revenues and earnings are expected to be supported by favourable demand outlook for the consumer ware business. Moreover, the company's financial profile has improved significantly following Rs. 150-crore equity raised through QIP in June 2024, which would be utilised towards reducing debt. ICRA expects the company's debt metrics to remain strong, going forward.

Strong distribution network; established and diversified customer base - BL has a well-entrenched network of ~250 distributors and 24,000+ retailers across the country. It also engages in institutional and business-to-business (B2B) sales, along with strong channel distribution through e-commerce/quick commerce and large format stores. Moreover, it has an established client base with several repeat customers owing to its established brand presence over the years.

Credit challenges

Commensurate returns from recently completed capex remains critical from credit perspective – The company recently completed capex towards enhancing its opal ware manufacturing capacities, borosilicate furnace and solar power plant addition. While the capex was partially funded by debt (around Rs. 157 crore), an equity infusion of Rs. 150 crore through QIP in the current fiscal is expected to be utilised for prepayments on term loans taken towards these capex. The enhanced capacity for opal ware commenced operations from January 2023 and the borosilicate furnace commenced production from March 2024. Therefore, BL's ability to efficiently manage and generate adequate returns by scaling-up its operations remains critical from a credit perspective.

Working capital-intensive nature of operations because of high inventory requirement - The operations of the company remain highly working capital-intensive owing to the elevated inventory requirements as well as inventory build-up for the seasonal festive demand. With over 1,500 types of products sold under the 'Borosil' brand, the company has to maintain high levels of inventory at warehouses to promptly service its customer requirement

Environment and Social Risks

Environmental considerations: The company primarily uses glass in its manufacturing process, which is a sustainable material. It is 100% recyclable, does not lead to harmful carcinogens and neither does it pollute water. However, the major environmental impact of glass production is caused by atmospheric emissions from melting activities. Also, the manufacturing process results in wastewater generation. The waste generated from the plants or processes are recycled and re-used through wastewater treatment plants, leading to reduction in freshwater intake. Any lapse in waste management or emission control policies can attract fines or punitive action that can impact business continuity.

Social considerations: Considering the labour-intensive nature of its operations, BL is exposed to the risk of disruption from its inability to properly manage human capital in terms of their safety and overall well-being. BL is also exposed to the shortage of a skilled workforce and exposure to chemicals, which can impact operations. However, the company conducts regular training and development programmes for the professional development of employees and improvement in participation and teamwork

Liquidity position: Strong

BL's liquidity position is strong, supported by stable cash flow from operations, and free cash, bank balances and investments of Rs. 77.5 crore as of September 2024. The company raised Rs. 150 crore through QIP in the current fiscal which has been/ will be utilised towards prepayment of terms loans and working capital borrowings. Further, it is noted that the company has a sizeable buffer of Rs. 137 crore against its working capital limits. The company is expected to incur capex of Rs. 80-110 crore in FY2025. Also, under the demerger process, BL is required to pay ~Rs. 98 crore to BSL. Nevertheless, timelines of this payment remain flexible with requisite approval for any changes as per business needs.

Rating sensitivities

Positive factors – ICRA may upgrade BL's long-term rating, if the company demonstrates healthy growth in scale of operations across segments while maintaining healthy profitability and debt metrics.

Negative factors – Pressure on the ratings could emerge with sharp deterioration in revenues, earnings or any large debt-funded capex that weakens the overall financial profile. A specific metric that could lead to a rating downgrade is if Total Debt/OPBDITA is above 1.5 times, on a sustained basis

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Borosil Limited as of March 31, 2024. The company's list of subsidiaries is listed in Annexure-II.

About the company

Borosil Limited houses the business of glass microwaveable table and kitchenware, opalware and non-glassware (primarily hydra and small kitchen appliances) range of products. It sells and markets its products through more than 24,000 retail outlets. It has a manufacturing facility at Jaipur (Rajasthan). Prior to the demerger, BL's operations consisted of scientific and industrial product (SIP) segment which included laboratory glassware, laboratory instruments, pharma packaging and the process chemistry business along with the consumer product (CP) segment, which includes glass microwaveable table and kitchenware, non-glassware and opalware products. The glass microwaveable table and kitchenware products and non-glassware products are sold under the flagship, 'Borosil' brand, while opalware products are sold under the 'Larah' brand.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	742.2	943.2
PAT	51.9	65.9
OPBDIT/OI	8.8%	14.4%
PAT/OI	7.0%	7.0%
Total outside liabilities/Tangible net worth (times)	0.7	0.9
Total debt/OPBDIT (times)	1.4	1.2
Interest coverage (times)	26.0	15.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore 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 (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Nov 6, 2024	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash Credit	Long-term	2.00	[ICRA]AA- (Stable)	Dec 22, 2023	[ICRA]A+ (Stable)	Sep 20, 2022	[ICRA]A+&	Feb 16, 2022	[ICRA]A+&
								Apr 13, 2021	[ICRA]A+ (Stable)
Fund-based	Long-term/Short-term	135.00	[ICRA]AA- (Stable) / [ICRA]A1+	Dec 22, 2023	[ICRA]A+ (Stable) / [ICRA]A1+	Sep 20, 2022	[ICRA]A+&/ [ICRA]A1+&	Feb 16, 2022	[ICRA]A+&/ [ICRA]A1+&
			-	-	-	-	-	Apr 13, 2021	[ICRA]A+ (Stable) / [ICRA]A1+
Non-fund based	Short-term	1.20	[ICRA]A1+	Dec 22, 2023	[ICRA]A1+	-	-	-	-
Fund based – Term Loan	Long-term	67.56	[ICRA]AA- (Stable)	Dec 22, 2023	[ICRA]A+ (Stable)	Sep 20, 2022	[ICRA]A+&	-	-
Unallocated Limits	Long-term/Short-term	78.79	[ICRA]AA- (Stable) / [ICRA]A1+	-	-	-	-	-	-
Non-fund based	Long-term/Short-term	-	-	-	-	Sep 20, 2022	[ICRA]A+&/ [ICRA]A1+&	Feb 16, 2022	[ICRA]A+&/ [ICRA]A1+&
			-	-	-	-	-	Apr 13, 2021	[ICRA]A+ (Stable) / [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term: Fund-based – Cash Credit	Simple
Long-term/Short-term – Fund-based	Simple
Short-term –Non-fund based	Very Simple
Long-term – Fund based – Term Loan	Simple
Unallocated Limits	Not Applicable

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 analysing 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 are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Fund-based – Cash Credit**	NA	NA	NA	2.00	[ICRA]AA- (Stable)
NA	**Fund-based**	NA	NA	NA	135.00	[ICRA]AA- (Stable) / [ICRA]A1+
NA	**Non-fund based**	NA	NA	NA	1.20	[ICRA]A1+
NA	**Fund based – Term Loan**	FY2022	NA	FY2032	67.56	[ICRA]AA- (Stable)
NA	**Unallocated Limits**	NA	NA	NA	78.79	[ICRA]AA- (Stable) / [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Acalypha Realty Limited	100.00%	Full Consolidation

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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.

For more information, visit www.icra.in

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