

## Borosil Limited (erstwhile Hopewell Tableware Private Limited)

December 18, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action <sup>1</sup>
Long-term: Fund based – Term loans	18.31	10.80	[ICRA]BB &; Reaffirmed, Continues on watch with developing implications
Long-term: Fund based – Cash Credit	18.00	25.00	[ICRA]BB &; Reaffirmed, Continues on watch with developing implications
Short-term: Non fund based limits	2.00	5.00	[ICRA]A4+ &; Reaffirmed, Continues on watch with developing implications
Long-term: Unallocated limits	11.69	9.20	[ICRA]BB &; Reaffirmed, Continues on watch with developing implications
<b>Total</b>	<b>50.00</b>	<b>50.00</b>	

\*Instrument Details are provided in Annexure-1

### Rationale

The reaffirmation of ratings factors in the strong parentage of Borosil Limited (BL) with sizeable and timely financial support by its parent, Borosil Glass Works Limited (BGWL), benefits arising from the established brand name and distribution network of BGWL, and cost optimization and quality improvement initiatives undertaken by the management that have which have resulted is reduction in losses in FY2018 and H1 2019, due to improvement in operational efficiency. The rating also continues to be under watch with developing implications on account of the proposed amalgamation of BGWL with BL which is currently pending approval from National Company Law Tribunal (NCLT).

The ratings, however, continue to remain constrained by BL's modest financial profile as reflected by continued losses at net level, stretched capital structure, and muted coverage indicators. The ratings also factor in the working capital-intensive nature of operations on account of high inventory requirements and long receivables; and exposure to substitution risk from other types of tableware, although the risk is partly mitigated by superior quality and cost competitiveness of opalware. ICRA also notes that BL has sizeable repayments and capital expenditure lined up in the near to medium term; hence ramp of operations while ensuring healthy improvement in profitability, and continued financial support from BGWL, will be key rating sensitivities.

### Outlook: Rating watch with developing implications

The ratings continue to remain under watch with developing implications given the revised scheme of amalgamation by BGWL which is pending approval from NCLT. ICRA shall continue to monitor the developments in this regard and analyse potential impact of the scheme in terms of the business and financial implications which may arise.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

## Key rating drivers

### Credit strengths

**Strong parentage of BL; sizeable and timely financial support by its parent, BGWL** - Established in 1962, BGWL is a reputed laboratory glassware and microwaveable kitchenware brand in India, with a strong brand presence in the domestic market due to its established track record and high product quality. BGWL continues to provide significant financial support to BL in terms of preference shares and inter-corporate deposits, which have been utilized for various purposes. Till September 30, 2018, BGWL has provided a financial support of Rs. 153.55 crore to BL and is expected to further support BL for funding its proposed capex.

**Improvement in operational efficiency leading to positive operating margins in FY2018** - BL has undertaken various measures in production processes to improve the production capacity, quality and yield. It has automated various processes and has reduced the number of breakages in the production area. All these measures have enabled the company to shed the operating losses in FY2018. BL reported operating profit of Rs. 6.82 crore in FY2018 and Rs. 13.41 crore in H1 FY2019 (provisional), compared to operating loss of Rs. 0.47 crore in FY2017.

**Benefits arising out of established brand and distribution network of BGWL** - BL undertook significant marketing campaign to market its brand, 'Larah- by Borosil', which was supported by BGWL. The distributors of BGWL undertook sales of BL's products and the warehouses of BGWL helped BL improve its supply chain efficiency. At present BGWL has a healthy network of about 200 distributors and 10,000 retailers across the country.

### Credit challenges

**Modest financial profile as reflected by continued net losses, stretched capital structure and muted coverage indicators** - Although BL managed to scale up its revenues in FY2018, its profitability continued to remain weak as reflected by losses at net levels due to high selling expenses and depreciation and interest costs incurred during the year. The company undertook a capex of ~Rs. 65 crore over last two fiscals, funded by intercorporate deposits from BGWL, whereas its working capital requirement continued to remain high, resulting in high debt levels. Coupled with lower net worth due to lower cash accruals and losses from the business in the last two fiscals, the capital structure has remained stretched. The net-worth of the company remained negative as on September 30, 2018 owing to which the debt coverage indicators have also remained muted in FY2018 and H1 FY2019.

**High working capital intensive nature of operations** - The operations of the company are working capital intensive in nature as reflected by high NWC/OI of 37% as on September 30, 2018 (27% as on March 31, 2018 and 34% as on March 31, 2017) because of high inventory holding requirements.

**Substitution risks from alternate products** - The tableware segment comprises a number of other products like melamine, porcelain, bone china, etc., which offer a sizeable competition to opalware and can act as direct substitutes. However, the risk is partly mitigated by superior quality and cost competitiveness of opalware compared to other available substitutes.

**Sizeable repayments lined up in the near term** - BL has sizeable repayments of Rs 7.53 crore in FY2019 and Rs. 5.98 crore in FY2020 towards the term loans. Hence scaling up of revenues along with improvement in profitability and continued support from BGWL, whenever required, will remain critical from a debt servicing point of view.

## Liquidity Position

BL had external term loans of Rs. 10.80 crore on its books as on September 30, 2018 to be repaid by FY2021. Its average fund based working capital utilization and non-fund based working capital utilization for the period October 2017 to October 2018 has remained almost full, indicating limited cushion in liquidity. However, timely financial support by BGWL continues to be the source of comfort, and will be critical for the liquidity profile of the BL.

## Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	ICRA has taken comfort from the financial support extended by the parent company, BGWL, which owns 100% stake in BL.
Consolidation / Standalone	Ratings are based on standalone financial statements of the issuer.

## About the company

Established in 2010, Hopewell Tableware Private Limited ('HTPL' or 'the company') was promoted by Mr. Swapan Guha (a technocrat and Padma Shri awardee) along with Mr. Premsingh Shekhawat (founder and chairman of the Bajore Group of companies) and others. The company initially started with manufacturing melamine in FY2012. Later it entered into the opalware segment and set up its opal glass manufacturing facility due to greater opportunities in the business. Melamine production was suspended and only opal glass manufactured from FY2014. In January 2016, the earlier promoters exited the company and the entire stake was acquired by Borosil Glass Works Limited (BGWL). The name of the company was changed to 'Borosil Limited' in November 2018. BL's manufacturing unit is located in Rajasthan and is equipped with a furnace capacity of 50 metric tonnes per day (enhanced from 35-40 metric tonnes), two spinning lines and a pressing line.

BL reported a net loss of Rs. 6.78 crore on an operating income of Rs. 101.57 crore in FY2018 as compared to a net loss of Rs. 11.59 crore on an operating income of Rs. 86.96 crore in FY2017. For H1 FY2019, the company reported a net loss of Rs. 0.63 crore on an OI of Rs. 69.97 crore, as per provisional estimates.

## Key financial indicators

	FY2017 (Audited)	FY2018 (Audited)	H1 FY2019 (Provisional)
Operating Income (Rs. crore)	86.96	101.57	69.97
PAT (Rs. crore)	-11.59	-6.78	-0.63
OPBDIT/ OI (%)	-0.54%	6.71%	19.17%
RoCE (%)	-11.08%	-1.00%	7.38%
Total Debt/ TNW (times)	-	-	-
Total Debt/ OPBDIT (times)	-208.34	22.30	6.78
Interest Coverage (times)	-0.07	1.02	2.14

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

**Any other information: None**

**Rating history for last three years:**

Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating (FY2019)		Chronology of Rating History for the past 3 years			
				Date & Rating		Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016	
				Dec-18	Jun-18	Aug-17	Aug-16	-	
1	Cash Credit	Long Term	25.00	-	[ICRA]BB & Rating watch with developing implications	[ICRA]BB & Rating watch with developing implications	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-
2	Term Loan	Long Term	10.80	10.80 <sup>^</sup>	[ICRA]BB & Rating watch with developing implications	[ICRA]BB & Rating watch with developing implications	[ICRA]BB (Stable)	[ICRA] BB (Stable)	-
3	Letter of Credit	Short Term	5.00	-	[ICRA]A4+ & Rating watch with developing implications	[ICRA]A4+ & Rating watch with developing implications	[ICRA]A4+	[ICRA]A4+	-
4	Unallocated	Long Term	9.20	-	[ICRA]BB & Rating watch with developing implications	[ICRA]BB & Rating watch with developing implications	[ICRA]BB (Stable)	[ICRA]BB (Stable)	-

<sup>^</sup> as on September 30, 2018

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the 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	-	-	-	25.00	[ICRA]BB&
NA	Term Loan 1	FY2013	9.00%	FY2021	5.98	[ICRA]BB&
NA	Term Loan 2	FY2016	9.00%	FY2021	3.55	[ICRA]BB&
NA	Term Loan 3	FY2014	9.00%	FY2020	1.11	[ICRA]BB&
NA	Term Loan 4	FY2012	9.00%	FY2019	0.16	[ICRA]BB&
NA	Letter of Credit	-	-	-	5.00	[ICRA]A4+&
NA	Unallocated	-	-	-	9.20	[ICRA]BB&

& Rating watch with developing implications

Source: BL

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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.

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For more information, visit [www.icra.in](http://www.icra.in)

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