Borana Weaves Private Limited (Revised)

October 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	50.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	7.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information and surveillance fees from Borana Weaves Private Limited (BWPL) to monitor the rating(s) vide e-mail communications/letters dated August 01, 2024, August 26, 2024, and September 24, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. BWPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on BWPL's bank facilities will now be denoted as CARE BB+; Stable /CARE A4+; ISSUER NOT COOPERATING.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings assigned to the bank facilities of BWPL is considering non-availability of requisite information for rating exercise. The ratings take into account its short track record of operations, project risk associated with planned capex, susceptibility of profit margins due to volatile raw material prices, and presence in competitive and fragmented textile industry.

The ratings, however, derives strength from growing scale of operations with healthy profitability during FY24 (Provisional, FY refers to period April 01 to March 31) along with moderate capital structure and debt coverage indicators, benefits derived from company being a part of group having long standing track record, and location advantage of being present in Surat, Gujarat.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on September 07, 2023, the following were the rating strengths and weaknesses (updated for the information provided by BWPL)

Key Weaknesses

Short track record of operation

BWPL's operation started from July 2021 and FY23 was its first full year of operations reflecting its short track record. Company manufactures grey fabric from polyester yarn after doing sizing/texturizing operations and sells its product to the local market in Surat. The manufactured grey fabric has multipurpose use in garments interlining, dress materials and tent-making. As per last review the company had two units in Surat with installed capacity of 816 Lakh metre per annum (424 water-jet looms; 8 texturizing machines, and 4 warping machines).

Project risk associated with planned capex

The company planned to undertake expansion in FY24 by establishing another unit with 300 water-jet machines, 5 texturizing machines, and 1 sizing machines for Rs 65 crore in Surat, which was expected to be funded by a term loan of Rs.37 crore and balance from internal accruals of the company as per last review. The Unit land will be on lease from promoters and civil construction was underway.

Susceptibility of profit margins due to volatile raw material prices

The primary raw materials used by BWPL to manufacture grey fabrics are Partially Oriented Yarn (POY) and Polyester Filament Yarn (PFY) which is the derivative of the crude oil and hence the profit margins of BWPL are susceptible to volatility in the prices

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

of these raw materials. Also, the raw material cost forms ~60-70% of the cost structure. The major supplier of the company is Reliance Industries Limited, Garden Silk Mills and others with whom companies like BWPL has limited bargaining power. The fragmented nature of the business will limit the ability of the company to pass on changes in raw material prices exposing its profitability to volatile raw material prices.

Presence in competitive and fragmented industry

Company operates in a highly competitive and fragmented textile industry. The company witnesses intense competition from both organized and unorganized players domestically. This fragmented and highly competitive industry results into price competition thereby posing a threat to the profit margins of the companies operating in the industry.

Key strengths

Growing scale of operations with healthy profitability

BWPL has registered a 47% growth in its revenue to Rs.199.33 crores in FY24 (FY23: Rs.135.40 crore) on back of increased sales of polyester yarn and grey fabric. However, scale of operations is at moderate level. PBILDT margins had increased to 20.65% in FY24 from 19.17% in FY24 on back of decrease in cost of raw materials.

Improvement in capital structure and debt coverage indicators albeit remained at moderate level

Capital structure of the company improved marked by overall gearing of 1.44x in FY24 (PY: 1.60x) and TOL/TNW of 1.83x as on March 31,2024 (PY: 2.02x) owing to accretion of profits to reserves. The tangible net worth of the company stood at Rs.47.87 crore as on March 31, 2024 (PY: Rs.24.24 crore) against the total debt of Rs.69.10 crore as on March 31,2024.
The debt coverage indicators of the company slightly moderated with total debt to GCA at 2.13 times as on March 31, 2024 (PY:1.90 times). Furthermore, interest coverage ratio stood at healthy 10.12 times as on FY24.

Benefits derived from company being a part of group having long standing track record

BWPL is a part of Surat based Borana group having over three decades of track record in textile industry though various group entities in cotton as well as man-made fabric segment. BWPL derives benefits in terms of established customer and supplier based. Group had set up different units to avail various tax benefits over the years.

Location advantage of being presence in Surat market

The manufacturing facility of BWPL is located at Hojiwala Industrial Estate, Surat and Surat is known as a textile city of Gujarat and Silk City of India. Also, Surat, is the largest producer of man-made fibre and filament fabric with around 40% share in the country. Hence, BWPL's presence in the textile hub has benefitted it in terms of easy availability of raw materials and labour.

Applicable criteria

Policy in respect of non-cooperation by issuers
Definition of Default
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Manmade Yarn Manufacturing

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

Borana Weaves Private Limited (CIN: U17299GJ2020PTC117745) was incorporated in October 2020 and is a part of Surat based Borana group. The company is promoted by Mr. Mangilal Ambalal Borana, Mr. Rajkumar Borana and Mr. Ankur Borana of Borana family. The company is engaged in manufacturing of texturized yarn and polyester grey fabric and concluded its greenfield capex in July 2021 at its facility in Surat, Gujarat. The company has 424 water jet looms, 8 texturizing and 4 warping machines translating into weaving capacity of 816 lac metre per annum, and texturizing capacity of 10,000 MT as on March 31, 2023. The company plans to undertake another expansion project for adding 300 water-jet looming machines, 5 texturizing machines, and one sizing machine in FY23 with project cost of Rs.65.00 crore.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	135.40	199.33
PBILDT	25.96	41.15
PAT	16.40	23.63
Overall gearing (times)	1.60	1.44
Interest coverage (times)	12.09	10.12

A: Audited Prov: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	01-12-2029	50.50	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based-LT/ST		-	-	-	7.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-LT/ST	LT/ST	7.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (07-Sep-23)	1)CARE BB-; Stable / CARE A4 (01-Jul-22)	-
2	Fund-based - LT-Term Loan	LT	50.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (07-Sep-23)	1)CARE BB-; Stable (01-Jul-22)	-

*Issuer did not cooperate; based on best available information.
LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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