

Borosil Scientific Limited (Revised)

December 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.10	CARE A+; Stable	Assigned
Long Term / Short Term Bank Facilities	97.90	CARE A+; Stable / CARE A1+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Borosil Scientific Limited (BSL) derive strength from its leading market position in the domestic laboratory glassware industry, strong brand recognition of 'Borosil' and vast experience of its promoters. BSL also benefits from its diversified operations, wide distribution network, and stable demand scenario for end-user industries due to growing demand from pharmaceutical and medical research segments. Ratings favourably factor growth in total Operating Income (TOI) and profitability in H1FY25 (FY refers to April 01 to March 31) over H1FY24. There is an expected improvement in revenue, profitability and return ratios in FY25 and FY26 over FY24. Ratings also factor BSL's strong financial risk profile marked by low leverage, comfortable debt coverage indicators, and strong liquidity.

However, ratings are tempered by modest scale of operations and sub-optimal performance of some of its businesses resulting into moderation in profitability margin, working capital intensive operations and profitability margin vulnerable to raw-material price volatility and foreign exchange rate fluctuations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly growing scale of operations with sustained improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of over 20%, while maintaining comfortable debt coverage indicators.

Negative factors

- Significant decline in its scale of operations or decline in PBILDT margin below 12% on a sustained basis.
- Large-size debt-funded capex or elongating working capital cycle leading to net debt/PBILDT of over 1x.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has considered BSL's consolidated financials with its only subsidiary, Goel Scientific Glass Works Limited (GSGWL). GSGWL is engaged in a similar line of business and has material financial and managerial linkages with BSL. CARE Ratings has suitably factored operational and managerial linkages with Borosil group to arrive at ratings of BSL. Subsidiaries whose financials have been consolidated in BSL are listed under **Annexure-6**.

Outlook: Stable

Stable outlook reflects CARE Ratings' expectation that BSL shall maintain its operational performance backed by an established track record and leading market position in the domestic laboratory glassware industry. Stable outlook also reflects sustenance of its healthy cash accruals, debt coverage indicators, and capital structure.

Detailed description of key rating drivers:

Key strengths

Established brand and leading market position in the domestic laboratory glassware industry

BSL is part of the Borosil group, which has experience of over five decades in manufacturing different kinds of glass products. Promoters, the Kheruka family has over 50 years of experience in the laboratory glassware industry and other glass related products. The company is managed by experienced and professional management with oversight of a competent board.

BSL is a market leader in the domestic laboratory glassware industry with a market share of over 65%; as per the company management and a strong brand ("Borosil") recognition among its consumers. Due to nature of the industry; the product, strong brand recognition and consistent adherence to quality ensures customers stickiness.

Diversified operations and wide marketing and distribution network

BSL has a presence in four business segments of laboratory and pharma packaging products i) laboratory glassware, ii) laboratory instruments iii) laboratory process equipment and iv) pharmaceutical packaging, (glass) apart from undertaking contract manufacturing work for one of its group companies Borosil Limited (BL). BSL has a portfolio of over 4,000 products across business segments, four warehouses across India and over 150 distributors. It has a diversified customers and product profile with top 10 customers and top 10 products contributing ~30% and 7% of its TOI respectively in FY24. Pharmaceuticals and life science companies are biggest end-users of BSL's product driving over 60% of its TOI in FY24, followed by research

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

institutes, schools and universities. Laboratory glassware is BSL's oldest and biggest business segment. However, the company has made consistent efforts to reduce its dependence on the single business segment through organic and inorganic expansion. Share of laboratory glassware segment has gradually reduced to 50% of BSL's TOI in FY24 compared to 70% of BL's scientific segmental revenue in FY20 (BSL's businesses were part of BL prior to group restructuring in FY23).

Growth in revenue and profitability in H1FY25 which is expected to grow further in the medium term

In H1FY25, BSL achieved TOI of ₹207 crore (PY: ₹180 crore) with PBILDT margin of 12.22% (PY: 8.46%) registering a revenue and profitability growth of over 15% and 67% respectively in the period. Growth in its TOI was mainly driven by strong demand of its laboratory related products. Laboratory glassware is a saturated market, where BSL already has dominant market share. Revenue growth from this segment is expected to remain modest and will be driven by growth of its major end-user industries (pharmaceuticals, research institutes, educational institutions, chemical, and food processing, among others). However, in laboratory instruments and laboratory process equipment segments, BSL is relatively new entrant with single digit market share, and it competes with imported products. These segments hold good growth potential for BSL, as it already has a customer base. CARE Ratings expects BSL's TOI to grow ~15% in FY25 and ~10-12% in the medium term.

Growth in its operating profitability in H1FY25 was mainly considering better product mix, economies of scale and improvement in the performance of its laboratory process equipment business segment. Historically, second half of the financial year has remained operationally better for the company compared to the first half of the financial year. CARE Ratings expects BSL's PBILDT margin to improve and remain in range of 15-17% in the near-to-medium term. CARE Ratings also expect BSL's return on capital employed (ROCE) to improve 18% by FY26.

Low leverage and comfortable debt coverage indicators

BSL has strong financial risk profile marked by low leverage and comfortable debt coverage indicators. Its overall gearing remained low at 0.06x as on March 31, 2024. BSL's total debt/PBILDT and interest coverage ratio remained at 0.38x and 19.14x respectively in FY24. BSL's operations are not capex intensive, and it does not have major capex plans for the next 2-3 years. BSL's funds majority working capital needs through internal accruals. CARE Ratings envisages BSL's total debt/PBILDT to remain below 0.2x and interest coverage ratio to remain above 20x in the near-to-medium term backed by low reliance on external borrowing and healthy cash accruals.

Stable industry outlook

The Indian laboratory glassware market is estimated to be ~₹300 crore. Despite being a relatively small part of the global laboratory consumables market, the Indian market is growing rapidly due to increased investments in research and development, particularly in pharmaceutical and biotechnology sectors, technological advancements, and a burgeoning healthcare infrastructure. Introduction of new quality standards for lab glassware by the Bureau of Indian Standards (BIS) on July 01, 2024, is expected to create opportunities for growth in testing and certification services, and development of innovative lab consumables that meet new standards. The domestic demand for quality laboratory instruments and process equipment is mainly met through imports as there is no major branded player operating in the segment. Opportunities exist for domestic players to capture this large market as domestic players have several competitive advantages such as lower cost, better customer support, lower lead time, among others compared to imported goods.

Liquidity: Strong

BSL's liquidity remains strong marked by healthy cash-flow from operations, modest average utilisation of its fund based working capital limits at ~54% in the last 12 months ended September 2024 and envisaged healthy cash accruals. It has modest annual term-debt repayment obligation of ~₹2-3 crore from FY25-FY27. It does not envisage large size capex in the near-to-medium term. Its expected cash accruals of ~₹60-70 crore p.a. in the near-to-medium term, which will be adequate to meet its term-debt repayment obligation, capex and working capital requirement. BSL has cash equivalents and liquid investments of ~₹12 crore as on September 30, 2024. It stands to receive ₹98 crore from its erstwhile parent BL by December 2024 (arising from group restructuring), which will provide additional cushion in case of exigency.

Key weaknesses

Modest scale of operations and moderation in profitability in FY24 due to sub-optimal performance of some of business

Due to small market size of its core laboratory glassware segment, BSL's overall scale of operations marked by TOI remains modest at ₹397 crore in FY24. Although, BSL entered other related business segments, it remains small due to nascent stage of operations. Despite having existing customer base, products of recently added segments may take time to gain trust of the consumer and overall market acceptability.

BSL entered laboratory process equipment segment in FY24 by acquiring GSGWL. It incurred operating losses in FY24. BSL's pharma packaging business segment also faced headwinds considering industry overcapacity post COVID-19. This has adversely impacted BSL's PBILDT margin in FY24. However, GSGWL has already achieved PBILDT breakeven in H1FY25 and expected to maintain in FY25. BSL is consolidating its business activities at pharma packaging business segment, which is expected to result in annual saving of ~ ₹5-6 crore from FY26. Pharma packaging business is also expected to achieve PBILDT breakeven in H2FY25.

Working capital intensive operations

BSL imports over 50% of its raw material requirement. Hence, it maintains inventory of 3-4 months due to lead time associated with imports. Its product portfolio has 4000+ SKUs and it operates four warehouses across India to make its product available to the customer at the earliest. This also leads to higher finished goods inventory period. BSL extends credit period of 30-60 days to its distributors. Working capital cycle stood at 122 days in FY24 and is expected to remain at ~120 days in the near-to-medium term.

Operating margin vulnerable to raw material price volatility and foreign exchange rate fluctuations

Glass tubes is a major raw material for BSL. Sharp increase in raw material prices may adversely impact its profitability. As discussed with the management, the global glass tube market is very competitive and has surplus capacity, which ensures competitive pricing for BSL's raw material. BSL imports over 50% of its raw material from countries such as Germany, China, and Thailand, among others. BSL also earns ~15% of its total revenue from export markets, which provides it nature hedge cover to a certain extent. At present, BSL does not have a formal hedging policy. Hence, sudden adverse fluctuation in foreign exchange rate might adversely affect its profitability.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Notching by Factoring Linkages in Ratings](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

BSL is part of Borosil group, which was promoted by Kheruka Family. BSL is engaged in manufacturing and selling laboratory glassware (consumables), pharmaceutical packaging products, laboratory instruments and laboratory process products. BSL sells laboratory glassware under brand the 'Borosil' and laboratory instruments under the brand "Labquest".

BL had two businesses: consumer glassware and laboratory glassware till 2015. It entered the pharma packaging business in 2016 by acquiring Klasspack Private Limited (KPPL). The group entered the laboratory instrument business (presently dominated by imports) by setting up greenfield manufacturing facility near Pune. Laboratory instruments and laboratory glassware businesses were transferred from BL to KPPL. Subsequently KPPL was renamed BSL and demerged from BL. In FY24, BSL acquired Goel scientific glasswork Limited (GSGWL), Vadodara in FY24 to enter laboratory process products. BSL was listed on stock exchanges on June 2024.

Brief Financials (₹ crore)	March 31, 2023 (A) (Standalone)	March 31, 2024 (A) (Consolidated)	H1FY25 (UA) (Consolidated)
Total operating income	327	397	207
PBILDT	52	47	25
PAT	30	23	14
Overall gearing (times)	0.04	0.06	NA
Interest coverage (times)	95.64	19.14	33.69

A: Audited; UA: Un-audited; NA: Not available; 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		-	-	31-03-2026	2.10	CARE A+; Stable
Fund-based/non-fund-based-LT/ST		-	-	-	3.00	CARE A+; Stable / CARE A1+
Fund-based/non-fund-based-LT/ST		-	-	-	94.90	CARE A+; Stable / CARE A1+

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-Term Loan	LT	2.10	CARE A+; Stable				
2	Fund-based/non-fund-based-LT/ST	LT/ST	3.00	CARE A+; Stable / CARE A1+				
3	Fund-based/non-fund-based-LT/ST	LT/ST	94.90	CARE A+; Stable / CARE A1+				

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/non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated as on March 31, 2024

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Goel Scientific Glass Works Limited	Full consolidation	Subsidiary

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:

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