BANSWARA

BSL/SEC/2024-25/72 9th January, 2025

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
(Maharashtra)

Scrip Code: 503722

National Stock Exchange of India Ltd
Exchange Plaza Bandra–Kurla,
Bandra (East), Mumbai–400051
(Maharashtra)

Symbol :BANSWRAS

Sub: **Intimation of Credit Ratings for Bank facilities and Fixed Deposits Program of the Company**

Dear Sir/Madam,

Pursuant to Regulation 30 read with Para A of Part A of schedule III to the Securities and Exchange Board of India (Listing obligation and Disclosure Requirements) Regulations, 2015, this is to inform that the India Ratings and Research Pvt Ltd has assigned, affirmed Credit Rating and has revised the outlook as under:

Instrument Type	**Maturity Date**	**Size of Issue (million)**	**Rating/Outlook**	**Rating Action**
Fixed deposit		INR 400	IND A/Negative	Affirmed; Outlook revised to Negative
Fund-based working capital limit		INR3,000	IND A/Negative	Affirmed; Outlook revised to Negative
Term loan	31 March 2031	INR2,865	IND A/Negative	Affirmed; Outlook revised to Negative
Non-fund-based working capital limit		INR780	IND A1	Affirmed
Term loan	31 March 2031	INR846	IND A/Negative	Assigned

Ketan Kumar Dave
Digitally signed by Ketan Kumar Dave
Date: 2025.01.09 16:23:07 +05'30'

BANSWARA SYNTEX LIMITED

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5th Floor, Gopal Bhawan, 199 Princess Street Mumbai 400 002
Tel : + 91 22 66336571-76 | Fax : + 91 22 66336586
Email : info@banswarasyntex.com

REGISTERED OFFICE & MILLS
Industrial Area, Dahod Road, Banswara – 327001 (Rajasthan)
Tel : + 91 2962 240690-93, 257679-68 | Fax : + 91 2962 240692
Email : secretarial@banswarasyntex.com

We are enclosing herewith the rationale given by India Ratings and Research (Ind-Ra) for Assignment, Affirmation of Credit Rating and revision in Outlook on Bank facilities and fixed deposit.

We request you to kindly take the above information on record.

Yours Faithfully,
For BANSWARA SYNTEX LIMITED

Ketan Kumar Dave
Digitally signed by Ketan Kumar Dave
Date: 2025.01.09 16:23:55 +05'30'

Ketan Kumar Dave
Company Secretary and Compliance Officer

Ecl. As above

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An IS / ISO 9001: 2008 Company | CIN L24302RJ1976PLC001684 | www.banswarasyntex.com

India Ratings Revises Outlook on Banswara Syntex's Bank Facilities to Negative; Affirms 'IND A'; Rates Additional Loans

Jan 08, 2025 | Other Textile Products

India Ratings and Research (Ind-Ra) has taken the following rating actions on Banswara Syntex Limited's (BSL) bank facilities:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Fixed deposit	-	-	-	INR400	IND A/Negative	Affirmed; Outlook revised to Negative
Fund-based working capital limit	-	-	-	INR3,000	IND A/Negative	Affirmed; Outlook revised to Negative
Term loan	-	-	31 March 2031	INR2,865	IND A/Negative	Affirmed; Outlook revised to Negative
Non-fund-based working capital limit	-	-	-	INR780	IND A1	Affirmed
Term loan	-	-	31 March 2031	INR846	IND A/Negative	Assigned

Analytical Approach

Ind-Ra continues to assess the standalone profile of the company to arrive at the ratings.

Detailed Rationale of the Rating Action

The Outlook revision to Negative reflects BSL's lower-than-Ind-Ra-estimated operational performance over FY24 and 1HFY25, leading to deterioration in its credit metrics. Furthermore, considering the increased amount of ongoing capex, the net leverage (including letters of credit (LC) acceptances) shall remain stretched in FY25 before gradually recovering thereafter. Ind-Ra shall closely monitor the recovery in operational performance on the back of improving export demand from 2HFY25. However, the ratings are supported by BSL's strong business profile and comfortable liquidity amid large debt-led capex.

List of Key Rating Drivers

Strengths
- Large debt-led capex to support profitability
- Liquidity indicator – adequate
- Strong business profile
- Range-bound EBITDA margins

Weaknesses
- Higher-than-Ind-Ra-estimated timeline in operational recovery on demand headwinds in FY24-1HFY25; Pick-up in

performance likely in 2HFY25
- Moderation in credit metrics
- Exposure to price volatility
- Forex risks
- Inherent industry risks

Detailed Description of Key Rating Drivers

Large Debt-led Capex to Support Profitability: With the planned capex being largely focused towards modernisation and optimisation, Ind-Ra believes BSL's EBITDA margins are likely to improve gradually with an improvement in operating efficiencies. BSL has planned around INR4,700 million of capex over FY23-FY26 (62% incurred until 1HFY25), primarily towards debottlenecking by enhancing the weaving capacity by around 25% on installing around 70 additional looms, operational since 1QFY24. This will partially match the already higher processing capacity. The said capex also includes the setting up of a new power line (increased to 132kVA from 33kVA) for increased flexibility to source the cheapest power available, modernisation and replacement of old machineries to improve product quality and operational efficiency, and setting up of a solar power plant, labour colony and effluent treatment plant, among others. Such capex shall replace over half of BSL's gross block at FYE23, leading to lower power consumption, lower labour requirement, higher compliance with environmental, social and governance norms attracting larger overseas orders and modernised latest machines, thus offering better quality and faster output, among others. Although the payback period shall be longer, the improvement in EBITDA shall then be more structural and sustainable.

Liquidity Indicator - Adequate: BSL's average utilisation of the sanctioned fund-based limits (INR3,000 million) was around 57% for the 12 months ended December 2024, providing sufficient liquidity cushion despite low free cash balances (1HFYE25: INR172 million; FYE24: INR162 million; FYE23: INR209 million). The company also availed capex loans of INR2,610 million (including undisbursed amount of INR451.67 million as on 30 September 2024) over FY23-1HFY25, providing sufficient liquidity. The planned capex of around INR4,708 million over FY23-FY26 shall be funded by INR3,360 million of term loan (78% tied-up; 22% is likely to be sanctioned by 4QFY25) and the balance through internal accruals. While the absolute working capital requirement reduced due to moderation in realisations in FY24, the net working capital cycle elongated further to 120 days (FY23: 115 days; FY22: 97 days), due to a longer receivable cycle on a higher billing at year end. However, the cash flow from operations (FY24: INR1,179 million; FY23: negative INR92 million; FY22: INR300 million) turned positive in FY24 on account of lower working capital requirements. Consequently, the operational free cash flow also turned positive to INR100 million in FY24 (FY23: negative INR1,166 million; FY22: negative INR306 million) despite continued high capex. However, the free cash flow is likely to turn negative in FY25 and then turn positive FY26 onwards, considering the planned capex schedule.

Ind-Ra expects BSL's liquidity to remain adequate in FY25, considering the low use of the fund-based limits, unavailed term loans and debt requirement, largely tied-up for capex plans. The debt service coverage ratio is likely to remain above 1.15x with around INR294 million and INR601 million of principal repayment obligations (excluding fixed deposit repayments) in FY25 and FY26, respectively.

Strong Business Profile: BSL is an integrated textile player manufacturing yarns, fabrics and garments supported by its captive power plant (sufficient for 100% of the power requirements), driven by the promoters having over four decades of experience in the manmade textiles industry. The company's established long-term industry relations of over 10 years ensure uninterrupted product availability from key suppliers and over 80% repeat orders from reputed customers including some of the large brands across the globe. The ratings are also supported by BSL's geographical diversification across domestic and export markets (1HFY25: 42% FY24: 42%; FY23: 48%), product diversification across value-added yarns and fabrics, three plant locations and technical collaborations. BSL has a diversified customer base with its top 10 customers accounting for around 22% of the total revenue in FY24 (FY23: 25%), reflecting reduced concentration risk.

Range-bound EBITDA Margins: BSL's EBITDA margins ranged between 8.00% and 13.5% over FY17-FY24 (FY24: 8.12%; FY23: 13.22%; FY22: 10.00%), primarily driven by its diverse market presence and a diversified product mix of yarns (40% of FY24's turnover), fabrics (37%) and garments (22%). The margins dipped in FY24 on lower export demand, reduced spreads for yarns, lower capacity utilisations leading to lower efficiencies and reduced share of high value-added garments in the overall sales mix. This was in line with the industry performance wherein demand headwinds impacted most of the players. In 1HFY25, the margins dipped further to 7.00%, following the industry trend but more resilient compared to other players wherein the impact on margins was higher. BSL's performance was better than the industry in 2QFY25.

The product mix varies based on the demand scenario with the share of low-value low-margin yarns increasing during a downcycle and the share of high-value high-margin fabrics and garments increasing during an upcycle, impacting the margins accordingly. The margins are also supported by various government incentive schemes, under which BSL had received an export grant of INR216 million in FY24 (FY23: INR216 million; FY22: INR176 million). Such incentives form 10%-20% of BSL's EBITDA (FY24: INR1,027 million; FY23: INR1,981 million; FY22: INR1,190 million). As the production efficiencies improve by FY26 with the additional capex planed, the EBITDA is likely to improve gradually to 10%-14%.

Higher-than-Ind-Ra-estimated Timeline in Operational Recovery on Demand Headwinds in FY24 and 1HFY25; Pick-up in Performance Likely in 2HFY25: The capacity utilisations have declined with the yarn capacity operating at similar levels around 87% in FY24 (FY23: 87%; FY22: 81%), fabrics weaving capacity at 65% (87%; 74%) and garment capacity at 74% (86%; 58%) on demand headwinds from the export market. An economic slowdown in the key consuming nations, the US and Europe, led to reduced discretionary spending, adversely impacting BSL's operational performance; the utilisations reduced further in 1HFY25 (yarns: 78%; fabrics weaving: 76%; garments: 69%). The same is, however, likely to improve over 2HFY25 with pick-up in export demand with ongoing restocking at most retailers' end in the importing nations, reflected in improved order book. Furthermore, Ind-Ra believes BSL's increased focus on value-added products and the China Plus One strategy of international players shall auger well for the company, given BSL's established relations with major international brands with customer base expanding yoy. An increase in volumes, improved operational efficiency and increasing share of value-added products shall improve the overall profitability gradually.

Moderation in Credit Metrics: BSL's net adjusted leverage (gross debt-free cash)/EBITDA; gross debt including accepted LC) deteriorated to 3.66x in FY24 (FY23: 1.95x; FY22: 2.36x) and interest coverage (EBITDA/(gross interest + rent)) to 3.47x (6.24x; 4.80x), on the back of high ongoing debt-led capex. The credit metrics were also impacted due to a lower absolute EBITDA in FY24 on account of strong demand headwinds from the export market, leading to lower realisations and sales volumes during the year. Furthermore, in 1HFY25, the net adjusted leverage increased to 5.46x on an annualised basis and the interest coverage reduced to 2.46x on lower absolute EBITDA and higher debt for ongoing capex. As BSL has major debt-led capex plans in FY25 and FY26, the net adjusted leverage is likely to peak in FY25 and reduce gradually thereafter below 3.00x over the medium term, supported by improved EBITDA generation on various ongoing efficiency improvement measures and a progressive long-term debt repayment. The credit metrics are also supported by the low utilisation of the company's fund-based facilities.

Exposure to Price Volatility: BSL is exposed to volatility in raw material prices – polyester staple fibre prices (35% of raw material consumption in FY24) as it is a crude oil derivative and viscose staple fibre (26%), which are both highly volatile commodities that could impact margins. It has no control over raw material prices as the suppliers are largely monopolistic players. However, BSL is mostly able to pass on the price fluctuation, although with a lag of one-to-two months as reflected in its range-bound EBITDA margins. Furthermore, the textile industry is cyclical in nature, which is strongly correlated to economic cycles and classified under discretionary spending. Hence, the revenue is susceptible to fluctuations in commodity prices for the end products. Nevertheless, considering the partial value-added textiles in BSL's product portfolio finding applications in the automotive sector, the volatility is lower than that faced by commodity products.

Forex Risks: BSL's exports comprised around 42% of the total revenue in FY24 while the import of raw materials was less than 5% of the total raw material consumed, exposing its margins to forex risk. However, as a practice, the company largely hedges its forex exposure, reducing the risk to a large extent. The absence of forex losses over FY18-FY24 reflects the company's efficient hedging practices.

Inherent Industry Risks: The textile industry in India is highly fragmented due to the low entry barriers. Moreover, domestic demand faced significant disruptions due to the COVID-19 outbreak, and amid the pandemic, employee/labour health and safety risks have been accentuated. With the production-linked incentive scheme in place, additional capacities are likely to come up, especially for manmade fibre-based fabrics and garments, which may increase supply in the domestic market, leading to higher competition for BSL's fabrics and garments but also higher demand for BSL's yarns. Furthermore, the domestic industry's price dynamics depend significantly on the developments in China, the largest manufacturer and exporter in the global textile industry.

However, post the COVID-19 outbreak, anti-China sentiments have caused many international brands to look for another sourcing option apart from China, creating a significant opportunity for Indian textile players, especially in the organised market. Also, the political turmoil in Bangladesh, one of the key exporters of readymade garments, is leading to importers looking out for another reliable supply chain partner, where India stands to gain. Furthermore, substitution risk is high in the textile industry. A decline in demand for and the production of cotton yarn benefit the synthetic yarn segment. Against the average global blending of cotton and synthetics of 40:60, India's cotton blending stands at 65%, indicating a considerable scope for substitution of cotton with synthetic yarn.

Liquidity

Adequate: BSL's average utilisation of the sanctioned fund-based limits (INR3,000 million) was around 57% for the 12 months ended December 2024, providing sufficient liquidity cushion despite low free cash balances (1HFYE25: INR172 million; FYE24: INR162 million; FYE23: INR209 million). The company also availed capex loans of INR2,610 million (including undisbursed amount of INR451.67 million as on 30 September 2024) over FY23-1HFY25, providing sufficient liquidity. The planned capex of around INR4,708 million over FY23-FY26 shall be funded by INR3,360 million of term loan (78% tied-up; 22% is likely to be sanctioned by 4QFY25) and the balance through internal accruals. While the absolute working capital requirement reduced due to moderation in realisations in FY24, the net working capital cycle elongated further to 120 days (FY23: 115 days; FY22: 97 days), due to a longer receivable cycle on a higher billing at year end. However, the cash flow from operations (FY24: INR1,179 million; FY23: negative INR92 million; FY22: INR300 million) turned positive in FY24 on account of lower working capital requirements. Consequently, the operational free cash flow also turned positive to INR100 million in FY24 (FY23: negative INR1,166 million; FY22: negative INR306 million) despite continued high capex. However, the free cash flow is likely to turn negative in FY25 and then turn positive FY26 onwards, considering the planned capex schedule.

Ind-Ra expects BSL's liquidity to remain adequate in FY25, considering the low use of the fund-based limits, unavailed term loans and debt requirement, largely tied-up for capex plans. The debt service coverage ratio is likely to remain above 1.15x with around INR294 million and INR601 million of principal repayment obligations (excluding fixed deposit repayments) in FY25 and FY26, respectively.

Rating Sensitivities

Positive: An improvement in operational performance, along with a recovery in the EBITDA margins, leading to the visibility of net adjusted leverage (including LC acceptances) falling below 2.50x on a sustained basis, will result in the Outlook being revised back to Stable.

Negative: Any significant time or cost overruns in the planned capex, lower-than-Ind-Ra-expected revenue and/or operating EBITDA margins and/or a further elongation of the working capital cycle, leading to the net adjusted leverage (including LC acceptances) remaining above 2.50x beyond FY26, all on a sustained basis, will lead to a negative rating action.

About the Company

Incorporated in 1976, BSL is a vertically-integrated textile company, engaged in the manufacturing of yarns (151,760 spindles), fabrics (464 fabric looms, 48 million meters per annum of fabric processing capacity) and readymade garments (4.86 million units per annum) at three plant locations - Banswara (Rajasthan), Daman (Daman) and Surat (Gujarat). The operations are also supported by 33 megawatt captive power plants (meeting about 70% of its power requirement). Listed on the National Stock Exchange of India Ltd. & BSE Ltd., the company has its registered office at Banswara, Rajasthan.

Key Financial Indicators

Particulars	1HFY25	FY24	FY23
Net revenue (INR million)	6,136	12,642	14,988
EBITDA (INR million)	429	1,027	1,981
EBITDA margin (%)	7.00	8.12	13.22
EBITDA interest coverage (x)	2.46	3.47	6.24
Net adjusted leverage (including LC acceptances) (x)	5.46*	3.66	1.95
Source: Company, Ind-Ra *annualised basis			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating/Outlook	13 October 2023	27 March 2023	28 December 2021
Term loan	Long-term	INR3,711	IND A/Negative	IND A/Stable	IND A/Stable	IND A-/Stable
Fund-based working capital limit	Long-term	INR3,000	IND A/Negative	IND A/Stable	IND A/Stable	IND A-/Stable
Non-fund-based working capital limit	Short-term	INR780	IND A1	IND A1	IND A1	IND A1
Fixed deposits	Long-term	INR400	IND A/Negative	IND A/Stable	IND A/Stable	IND A-/Stable

Bank wise Facilities Details

The details are as reported by the issuer as on (08 Jan 2025)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	Punjab National Bank	Fund Based Working Capital Limit	972	IND A/Negative
2	Union Bank of India	Fund Based Working Capital Limit	389	IND A/Negative
3	Bank of Baroda	Fund Based Working Capital Limit	300	IND A/Negative
4	State Bank of India	Fund Based Working Capital Limit	545	IND A/Negative
5	HDFC Bank Limited	Fund Based Working Capital Limit	394	IND A/Negative
6	Axis Bank Limited	Fund Based Working Capital Limit	400	IND A/Negative

7	Punjab National Bank	Non-Fund Based Working Capital Limit	390	IND A1
8	Union Bank of India	Non-Fund Based Working Capital Limit	156	IND A1
9	Bank of Baroda	Non-Fund Based Working Capital Limit	78	IND A1
10	HDFC Bank Limited	Non-Fund Based Working Capital Limit	156	IND A1
11	Bank of Baroda	Term Loan	568.17	IND A/Negative
12	IDBI Bank	Term Loan	45.51	IND A/Negative
13	HDFC Bank Limited	Term Loan	1074.59	IND A/Negative
14	Punjab National Bank	Term Loan	936.39	IND A/Negative
15	Union Bank of India	Term Loan	336.34	IND A/Negative
16	NA	Term loan	750	IND A/Negative

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Fixed deposit	Low
Fund-based working capital limit	Low
Non-fund-based working capital limit	Low
Term loan	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

Contact

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.
Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.
Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.
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Solicitation Disclosures

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

The Rating Process