BANSWARA

BSL/SEC/2025-26/57 **8th January, 2026**

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

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

Scrip Code: 503722

Symbol: BANSWRAS

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

Dear Sir/ Ma'am,

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

Instrument Type	Size of Issue (million)	Rating Assigned along with Watch	Rating Action
Bank loan facilities	INR513.2	IND A/Negative/ IND A1	Assigned
Fixed deposit	INR300 (reduced from INR400)	IND A/Negative	Affirmed
Bank loan facilities	INR7,491	IND A/ Negative/IND A1	Affirmed

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

This is for your kind information & record.

Yours Faithfully
For **Banswara Syntex Limited**

Ketan Kumar Dave
Digitally signed by Ketan Kumar Dave
Date: 2026.01.08 18:05:32 +05'30'

Ketan Kumar Dave
Company Secretary & Compliance Officer
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Encl.:-As above.

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

India Ratings Affirms Banswara Syntex's Bank Facilities at 'IND A'/Negative; Rates Additional Limits

Jan 07, 2026 | Other Textile Products

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

Details of Instruments

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Watch	Rating Action
Bank loan facilities	-	-	-	INR513.2	IND A/Negative/ IND A1	Assigned
Fixed deposit	-	-	-	INR300 (reduced from INR400)	IND A/Negative	Affirmed
Bank loan facilities	-	-	-	INR7,491	IND A/Negative/IND A1	Affirmed

Analytical Approach

Ind-Ra continues to take a standalone view of the company to arrive at the ratings.

Detailed Rationale of the Rating Action

The Negative Outlook reflects Ind-Ra's expectation that BSL's credit metrics would remain stretched over the medium term, due to the term loan availed for the modernisation capex, along with lower-than-Ind-Ra-estimated operational performance in 1HFY26. However, the agency expects the credit metrics to improve in 2HFY26, supported by a recovery in operational performance and an improvement in its EBIDTA stemming from the modernisation capex.

The ratings also reflect the company's strong business profile and comfortable liquidity position, despite its large debt-funded capex. The agency expects financial performance to improve 2HFY26 onwards, driven by higher contribution of value-added products in the sales mix — especially from the garment segment — coupled with improved production efficiency and cost optimisation from the modernisation capex. Additionally, the company plans to optimise power costs by participating in the group captive renewal energy initiatives, which is likely to be operational from 1HFY27, helping the company improve the EBIDTA margins in the medium term. However, the ratings are constrained by the large debt-funded capex, which is likely to resulted in elevated net leverage (including letters of credit (LC) acceptances), peaking in FY26 and gradually deleverage from FY27 onwards. The sustained recovery in operational and financial performance, while maintaining comfortable liquidity profile over the medium term will be a key rating monitorable. Furthermore, the company remains exposed to price volatility, foreign exchange risk, and inherent industry-related risks.

List of Key Rating Drivers

Strengths

- Likely improvement in operational efficiency and cost saving to support profitability
- Adequate liquidity
- Strong business profile

- Resilient EBITDA margins despite industry headwinds

Weaknesses

- Higher-than-Ind-Ra-estimated timeline in operational recovery; pick-up in performance likely in 2HFY26
- Moderation in credit metrics
- Exposure to price volatility
- Inherent industry and forex risks

Detailed Description of Key Rating Drivers

Likely Improvement in Operational Efficiency and Cost Savings to Support Profitability: With the company's ongoing capex towards modernisation and optimisation, Ind-Ra expects BSL's EBITDA margins to improve gradually, supported by enhanced operating efficiencies. BSL plans capex worth around INR4,700 million over FY23-FY26, primarily towards debottlenecking by enhancing the weaving capacity by around 25% with the installation of around 70 additional looms, which have been operational since 1QFY24. The capex is intended to partially align weaving capacity with the already higher processing capacity. The capex also includes the installation of a new power line to increase the power capacity to 132kVA from 33kVA, providing increased flexibility to source lower-cost power; modernisation and replacement of old machinery to improve product quality and operational efficiency; and setting up a solar power plant, labour colony and effluent treatment plant, among others.

The capex would replace over half of BSL's gross block and will support margin improvement through lower power consumption, reduced labour requirement, higher compliance with environmental, social and governance (ESG) norms, thereby attracting larger overseas orders and the modernised deployment of modern machines offering better quality and faster output. Although the payback period is likely to be longer, the improvement in EBITDA shall be more structural and sustainable.

Adequate Liquidity: Please refer to the Liquidity section below.

Strong Business Profile: BSL is an integrated textile player manufacturing yarns, fabrics and garments supported by its captive power plant that meets 100% of the power requirements. The business is backed by the promoters with over four decades of experience in the manmade textiles industry. The company has established relationships of over 10 years with key suppliers, ensuring uninterrupted availability of raw materials and benefits from strong customer base, reflected in over 80% repeat orders from reputed customers including several large global brands.

The ratings are also supported by BSL's geographical diversification across domestic and export markets (1HFY25: 44%; FY25: 44%; 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 18% of the total revenue in FY25 (FY24: 22%; FY23: 25%), reflecting reduced concentration risk. The sales mix of value-added products has improved, with the garment segment contributing around 25% in 1HFY26 (FY22: about 17%). Over the medium term, the agency expects the contribution from the garment segment to increase, which is likely to further strengthen the business profile with additional orders from new customers in this segment.

Resilient EBITDA Margins Despite Industry Headwinds: BSL's EBITDA margins remained at 7.85% in FY25 (FY24: 8.12%), despite 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 despite its diverse market presence and a diversified product mix of yarns (36%), fabrics (43%) and garments (21%).This performance was in line with the industry trends as demand headwinds impacted most players. In 1HFY26, the margins dipped further to 7.51%, largely due to the dip in yarn production in 1QFY26 on account of labour shortages which resulted in lower fixed cost absorption. Ind-Ra expects the EBITDA margins to improve in 2HFY26, supported by the normalisation in the yarn division, higher contribution from the garment segment, and cost optimisation benefits arising from the modernization capex.

The product mix varies based on the demand scenario with the share of low-value, low-margin yarns increasing during a downcycle while high-value, high-margin fabrics and garments gain share during an upcycle, thereby influencing the margins. The agency expects EBITDA margins to improve in the medium term, driven by ongoing modernisation initiatives and higher contribution from the garment segment. The margins are also supported by various government incentive schemes, under which BSL received export incentives of INR216 million in FY25 (FY24: INR216 million; FY23: INR216 million; FY22: INR176 million). Such incentives form 10%-20% of BSL's EBITDA (FY25: INR1,014 million; FY24: INR1,027 million; FY23: INR1,981 million; FY22: INR1,190 million). With its production efficiencies improving FY26 onwards following its proposed capex along with an increasing share of value-added products, especially from the garment segment, the agency expects the EBITDA margins to improve gradually to 9%-11%.

Higher-than-Ind-Ra-estimated Timeline in Operational Recovery; Pick-up in Performance Likely in 2HFY26: The capacity utilisations declined in the garment division to 46% in FY25 (FY24: 57%; FY23: 69%), with the yarn capacity operating at around 83% (82%; 87%), fabrics weaving at 77% (66%; 89%), due to demand headwinds in the export markets. An economic slowdown in the key markets, such as the US and Europe, led to reduced discretionary spending, while uncertainty surrounding US tariff measures further adversely impacted BSL's operational performance.

The capacity utilisations reduced further in 1HFY26 in the yarns division to 75% (1HFY25: 84%), due to labour shortage in 1QFY26 which improved in 2Q, while fabrics weaving utilisation remained low at 73% (74%). However, the garment capacity utilisation improved to 78% (1HFY25: 47%). The capacity utilisations further improved over 2HFY26, supported by a pick-up in domestic demand with ongoing restocking at most retailers, along with healthy order book from export and domestic clients. Furthermore, Ind-Ra believes BSL's increased focus on value-added products together with 'China-plus-one' sourcing strategy adopted by international players shall auger well for the company, given BSL's established relations with major international brands and an expanding customer base. Additionally, the company anticipates growth in the fabric segment, driven by new product launches including the Siro collection. The agency expects increased volumes, improved operational efficiencies and a growing share of value-added products to gradually enhance overall profitability over the medium term.

Moderation in Credit Metrics: BSL's net adjusted leverage (gross debt-free cash)/EBITDA; gross debt including accepted LC) increased to 4.75x in FY25 (FY24: 3.66x; FY23: 1.95x; FY22: 2.36x) and gross interest coverage (EBITDA/(gross interest + rent)) reduced to 2.56x (3.47x; 6.24x; 4.80x), due to high ongoing debt-funded capex. The credit metrics were also impacted by lower absolute EBITDA over FY24-1HFY26 due to strong demand headwinds from the export markets, leading to lower realisations and sales volumes. Furthermore, in 1HFY26, the net adjusted leverage increased to 5.31x on an annualised basis and the interest coverage reduced to 2.29x, due to the lower absolute EBITDA and higher debt for the ongoing capex.

As BSL has major debt-funded capex plans over FY25-FY26, the agency expects the net adjusted leverage to peak in FY26 and reduce gradually below 3.00x beyond FY28, supported by a likely improved EBITDA generation on various ongoing efficiency improvement measures and progressive long-term debt repayments. 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 (31% of raw material consumption in FY25) as it is a crude oil derivative and viscose staple fibre (23%), 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.

Inherent Industry and Forex Risks: The textile industry in India is highly fragmented due to the low entry barriers, additionally labour availability and attrition represent key challenges in the garment industry. With the production-linked incentive scheme in place, it is expected to drive additional capacities, particularly in man-made fiber fabrics and garments, increasing domestic supply and competition for BSL's products while boosting yarn demand. Price dynamics remain influenced by China, the global leader in textiles, while political instability in certain major textile importing create demand challenges for Indian players. Substitution risk is significant, with India's cotton-to-synthetic blend at 65:35 versus the global 40:60, indicating scope for synthetic yarn growth. Labor unrest and attrition continue to challenge the garment sector.

However, Ind-Ra believes India's free trade agreement with the UK finalized in May 2025 has levelled the playing field compared with Bangladesh, Vietnam and China, and is likely to support the exports the near- to medium-term demand. Ind-Ra expects this to provide Indian players with an opportunity to boost the existing capacities to cater to the increased demand. Ind-Ra expects limited immediate impact of the US tariffs on the order flows of major garmenting players, while some margin pressure may arise. However, the full impact is yet to be assessed.

BSL's exports comprised around 44% of the total revenue in FY25 and 1HFY26 while the import of raw materials was less than 5% of the total raw material consumed, exposing it to forex volatility 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-FY25 reflects the company's efficient hedging practices.

Liquidity

Adequate: BSL's monthly average utilisation of the sanctioned fund-based limits of INR3,000 million was around 67.5% for the 12 months ended November 2025, providing sufficient liquidity cushion despite low free cash balances (1HFYE26: INR45 million; FYE25: INR44 million; FYE24: INR162 million; FYE23: INR209 million). The net working capital cycle elongated to 127 days in FY25 (FY24: 120 days; FY23: 115 days; FY22: 97 days), due to a higher inventory day due to higher finished goods stock maintained. However, the cash flow from operations declined to INR423 million in FY25 (FY24: INR1,179 million; FY23: negative INR92 million; FY22: INR300 million) on account of the lower-than-estimated EBIDTA coupled with higher working capital requirements. Consequently, the operational free cash flow also turned negative to INR1,055 million in FY25 (FY24: INR100 million; FY23: negative INR1,166 million; FY22: negative INR306 million) due to continued high capex. However, the free cash flow is likely to remain negative in FY26 and FY27 and to turn positive FY28 onwards, considering the planned capex schedule.

Ind-Ra expects BSL's liquidity to remain adequate in FY26, considering the moderate utilisation 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 around 1x with around INR5,91 million and INR636 million of principal repayment obligations for term loans (excluding fixed deposit repayments) in FY26 and FY27, 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 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 along with deterioration in liquidity buffer, all on a sustained basis, will lead to a negative rating action.

Any Other Information

Not applicable

About the Company

Incorporated in 1976, BSL is a vertically integrated textile company, engaged in the manufacturing of yarns (152,800 spindles), fabrics (463 fabric looms, 48 million meters per annum of fabric processing capacity) and readymade garments (5.04 million units per annum) at three plant locations - Banswara (Rajasthan), Daman (Daman) and Surat (Gujarat). The operations are also supported by 33MW 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	1HFY26	FY25	FY24
Net revenue (INR million)	6,504	12,917	12,642
EBITDA (INR million)	488	1,014	1,027
EBITDA margin (%)	7.51	7.85	8.12
EBITDA interest coverage (x)	2.29	2.56	3.47
Net adjusted leverage (including LC acceptances) (x)	5.31*	4.75	3.66
Source: Company, Ind-Ra; (*) on an 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	08 January 2025	13 October 2023	27 March 2023
Bank loan facilities	Long-term / Short-term	INR8004.2	IND A/Negative/ IND A1	IND A/Negative/ IND A1	IND A/ Stable/IND A1	IND A/ Stable/IND A1
Fixed deposits	Long-term	INR300	IND A/Negative	IND A/Negative	IND A/Stable	IND A/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low
Fixed deposit	Low

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

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About India Ratings

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process