



SMERA RATINGS LIMITED

Beardsell Limited (BSL)

Rating
RationaleOctober 07, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	14.00	SMERA BB+/Stable (Assigned)
Cash Credit*	6.50	SMERA BB+/Stable (Assigned)
Cash Credit/Export Packing Credit (ad-hoc)	2.30	SMERA BB+/Stable (Assigned)
Cash Credit/Export Packing Credit (proposed)	0.70	SMERA BB+/Stable (Assigned)
Term Loan (proposed)	2.25	SMERA BB+/Stable (Assigned)
Export Packing Credit*	3.00	SMERA A4+ (Assigned)
Letter of Credit#	7.50	SMERA A4+ (Assigned)
Bank Guarantee#	3.50	SMERA A4+ (Assigned)
Letter of Credit/Bank Guarantee (ad-hoc)	2.30	SMERA A4+ (Assigned)
Letter of Credit/Bank Guarantee (proposed)	0.70	SMERA A4+ (Assigned)

*Cash Credit and Export Packing Credit to be utilized maximum up to Rs.9.50 crore

#Letter of Credit and Bank Guarantee to be utilized maximum up to Rs.9.50 crore

SMERA has assigned ratings of '**SMERA BB+**' (read as **SMERA double B plus**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the abovementioned bank facilities of Beardsell Limited (BSL). The outlook is '**Stable**'. The ratings derive support from the company's long track record of operations, experienced and qualified management and diversified product mix. The ratings are further supported by the above-average financial risk profile of the company. However, the ratings are constrained by the company's moderate operating scale in a highly competitive and fragmented industry. The ratings are further constrained by the susceptibility of the company's profit margins to volatility in raw material prices.

BSL, incorporated in 1936, is a Chennai-based company engaged in manufacturing of expanded polystyrene sheets and sections, elements of pre-fabricated sandwich and 3D panels and rigid polyurethane foam (PUF) slabs. The company is also engaged in trading of motors and erection, commissioning and maintenance of insulation solutions. BSL benefits from its experienced management. Mr. Bharat Anumolu, director of BSL, is a qualified engineer with around seven years of experience in the packaging industry. The company's above-average financial risk profile is

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Rating Rationale

marked by gearing (debt-equity ratio) of 0.78 times as on March 31, 2014 and interest coverage ratio of 2.78 times in FY2013–14 (refers to financial year, April 01 to March 31).

BSL's moderate operating scale is reflected in total operating income of Rs.106.09 crore in FY2013–14. The company's profit margins are highly susceptible to volatility in raw material (expandable polystyrene) prices. BSL's operating profit margin declined from 8.62 per cent in FY2012–13 to 5.42 per cent in FY2013–14.

Outlook: Stable

SMERA believes BSL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers strong growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers decline in revenues and profit margins.

About the company

BSL, incorporated in 1936, is a Chennai-based company promoted by Mr. Bharat Anumolu, Mr. S. V. Narasimha Rao and Mr. Amrith Anumolu. BSL is engaged in manufacturing of expanded polystyrene sheets and sections, elements of pre-fabricated sandwich and 3D panels and rigid polyurethane foam (PUF) slabs. The company is also engaged in trading of motors and erection, commissioning and maintenance of insulation solutions.

For FY2013–14, BSL reported profit after tax (PAT) of Rs.1.29 crore on total operating income of Rs.106.09 crore, as compared with PAT of Rs.2.94 crore on total operating income of Rs.95.65 crore in FY2012–13. The company's net worth stood at Rs.33.25 crore as on March 31, 2014, as compared with Rs.32.51 crore a year earlier. BSL registered revenues of Rs.31.07 crore (provisional) during April 2014 to June 2014.

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