October 13, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.50	SMERA BB+/Stable (Reaffirmed)
Term Loan	13.70	SMERA BB+/Stable (Reaffirmed)
Export Packing Credit *	3.00	SMERA BB+/Stable (Reaffirmed)
Short Term Demand Loan	1.00	SMERA BB+/Stable (Assigned)
Letter of Credit/Bank Guarantee #	12.50	SMERA A4+ (Reaffirmed)

** 100% Interchangeable with cash credit facility.*
 # 100% Interchangeable with each other.

SMERA has reaffirmed the rating of '**SMERA BB+' (read as SMERA double B plus)** and '**SMERA A4+ (read as SMERA A four plus)** on the Rs. 38.70 crore bank facilities and assigned the rating of **SMERA BB+' (read as SMERA double B plus**) on the Rs. 1.00 crore bank facility of Bearsell Limited (BSL). The outlook is **'Stable'.** The ratings reflect the extensive experience of BSL's promoters in the industry and the above-average financial risk profile marked by comfortable gearing and debt protection metrics. These rating strengths are partially offset by the susceptibility of BSL's profitability to volatility in raw material prices.

Update

For FY2014–15, BSL recorded operating income of Rs.131 crore, implying a healthy compounded annual growth rate (CAGR) of 14 per cent over the last five years, in line with SMERA's expectations. SMERA expects the company to sustain its growth momentum over the medium term. The company's operating profitability during FY2014-15 was 4.5 per cent, lower than previous year's owing to adverse movement in raw material prices. However, SMERA expects the company's profitability to improve during FY2015-16, owing to lower raw material prices during six months ended September' 2015. Nevertheless, volatility in raw material prices and its consequent impact on BSL's profitability remains key rating sensitivity factors. The company's liquidity remains adequate for the rating category marked by adequate cash accruals in relation to debt obligations and moderate utilisation of working capital limits.

Outlook: Stable

SMERA believes BSL will continue to benefit over the medium term from its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profit margins while maintaining healthy revenue growth leading to further improvement in its financial risk profile. Conversely, the outlook may be

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revised to 'Negative' in case of significant decline in the company's cash accruals or deterioration in its working capital management leading to weakening of its financial risk profile, particularly liquidity.

Rating Sensitivity Factors

- Improved pricing flexibility translating to stable profitability
- Improvement in liquidity through fund infusion
- Future capital expenditure plans and its funding mix

About the Company

BSL, incorporated in 1936 is a Chennai-based company engaged in the manufacture of expanded polystyrene sheets and pipe sections, rigid polyurethane foam slabs, pre-fabricated sandwich panels and quick build 3D panels. The company is also engaged in the trading and export of motors, telemedicine Equipments, deep freezers and also undertakes erection, commissioning and maintenance of insulation solutions. The day-to-day operations of the company are managed by Mr. Bharat Anumolu, Managing Director, Mr. S. V. Narasimha Rao and Mr. Amrith Anumolu Executive Directors of BSL.

Contact List:

Media/Business Development	**Analytical Contact**	**Rating Desk**
Antony Jose Vice President – Business Development, Mid Corporate Tel: +91-22-6714 1191 Cell: +91 98208 02479 Email: antony.jose@smera.in	Mohit Jain Vice President – Rating Operation Tel: +91-22-6714 1105 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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