

### Beardsell Limited: Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Term Loan	13.70	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Cash Credit	9.50	SMERA BBB-/Stable Upgraded from SMERA BB+/Stable)
Export Packing Credit *	3.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Short Term Demand Loan	1.00	SMERA BBB-/Stable (Upgraded from SMERA BB+/Stable)
Letter of Credit/Bank Guarantee#	12.50	SMERA A3 (Upgraded from SMERA A4+)

\*100 per cent interchangeability with cash credit facility

#100 per cent interchangeable with each other

SMERA has upgraded the ratings of Beardsell Limited (BSL) to **'SMERA BBB-' (read as SMERA triple B minus)** and **'SMERA A3' (read as SMERA A three)** from **'SMERA BB+' (read as SMERA double B plus)** and **'SMERA A4+' (SMERA A four plus)** on the Rs.39.70 crore bank facilities. The outlook is **'Stable'**.

The rating upgrade is on account of the healthy growth of revenues and improvement in margins. The ratings continue to derive comfort from the experienced management and established track record of operations, diversified product mix and moderate financial risk profile. However, the ratings are constrained by the susceptibility of profitability to volatility in raw material prices and intense competition.

### Key Update

BSL registered revenue of Rs.149.45 crore for FY2015-16 as compared to Rs.130.15 crore for FY2014-15. In the first quarter of FY2016-17, the company registered revenue of Rs.42.02 crore as against Rs.28.81 crore during the corresponding period last year. The revenue increased at a CAGR of 12 per cent between FY2011-12 and FY2015-16. The company registered higher profit margins for FY2015-16 as compared to FY2014-15. The EBIDTA margins improved from 4.56 per cent in FY2014-15 to 8.37 per cent in FY2015-16. For the first quarter of FY2016-17, the company registered EBIDTA margins of 12.12 per cent as compared to 7.45 per cent during the same period last year. The financial risk profile of BSL continues to remain moderate in FY2015-16. The gearing stands at 0.85 times as on March 31, 2016 (0.99 times as on March 31, 2015). The interest coverage ratio improved to 2.61 times as on March 31, 2016 as compared to 1.65 times as on March 31, 2015. Further, DSCR improved to 1.50 times as on March 31, 2016 as compared to 1.18 times as on March 31, 2015.

The working capital cycle of BSL continues to be efficient on account of low inventory holding. The GCA for FY2015-16 stood at 84 days as compared to 100 days in FY2014-15. The average cash credit utilisation is ~73 per cent for the past six months ended July 2016. The company has acquired Sarovar Insulation Private Limited (SIPL) w.e.f March 1, 2016. BSL had outsourced job work of processing raw material to SIPL for 12 years and the same was being processed at the manufacturing plant owned by BSL. SIPL is a debt free company with breakeven sales.

BSL benefits from its experienced management. Mr. Bharat Anumolu, Director is a qualified engineer with a decade's experience in the packaging industry. The company has a diversified product profile ranging from Expanded Polystyrene (EPS) based products, Rigid Polyurethane

Foam (PUF) Slabs & Sections (Insulation products), pre-fabricated Sandwich panels and the recently added Quick Build 3D panels.

The ratings are constrained due to volatility in the raw material prices of EPS resin and steel impacting the profit margins of the company. The company faces intense competition from organised and unorganised players in the packaging industry.

#### **Rating Sensitivity Factors**

- Improved pricing flexibility translating to better profitability
- Debt funded capex plans

#### **Outlook: Stable**

SMERA believes that BSL will maintain a stable outlook over the medium term on account of 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 of decline in revenues and profit margins.

#### **Criteria Applied for Ratings:**

- Manufacturing Entities

#### **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, among others. The company is a channel partner for SIEMENS Electric Motors and is also engaged in the trading and export of motors, telemedicine equipment, deep freezers and undertakes erection, commissioning and maintenance of insulation solutions.

For FY2015-16, BSL reported profit after tax (PAT) of Rs.3.29 crore on operating income of Rs.149.54 crore, as compared with PAT of Rs.(0.10) crore on operating income of Rs.130.15 crore for FY2014-15.

## Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
13 October, 2015	Cash Credit	9.50	SMERA BB+ (Reaffirmed)	-	Stable
	Term Loan	13.70	SMERA BB+ (Reaffirmed)	-	Stable
	Export Packing Credit*	3.00	SMERA BB+ (Reaffirmed)	-	Stable
	Short Term Demand Loan	1.00	SMERA BB+ (Reaffirmed)	-	Stable
	Letter of Credit/Bank Guarantee#	12.50	-	SMERA A4+ (Reaffirmed)	-
07 October, 2014	Term Loan	14.00	SMERA BB+ (Assigned)	-	Stable
	Cash Credit*	6.50	SMERA BB+ (Assigned)	-	Stable
	Cash Credit/Export Packing Credit (ad-hoc)	2.30	SMERA BB+ (Assigned)	-	Stable
	Cash Credit/Export Packing Credit (proposed)	0.70	SMERA BB+ (Assigned)	-	Stable
	Term Loan (proposed)	2.25	SMERA BB+ (Assigned)	-	Stable
	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)	-

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Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: <a href="mailto:mohit.jain@smera.in">mohit.jain@smera.in</a>	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: <a href="mailto:suman.m@smera.in">suman.m@smera.in</a>

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