

## Press Release

### BEARDSSELL LIMITED

30 December, 2017

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 39.70 Cr.
<b>Long Term Rating</b>	SMERA BBB / Outlook: Stable
<b>Short Term Rating</b>	SMERA A3+

\* Refer Annexure for details

### Rating Rationale

SMERA has upgraded the long-term rating on the Rs. 39.70 crore bank facilities of BEARDSSELL LIMITED to '**SMERA BBB**' (read as **SMERA BBB**) and short term rating to '**SMERA A3+**' (read as **SMERA A three plus**). The outlook is '**Stable**'.

Beardsell Limited (BL), incorporated in 1936, is a Chennai-based company engaged in the manufacture of pre-fab structures, industrial products (expanded polystyrene sheets, rigid polyurethane foam slabs) at Mumbai (Maharashtra), Chennai (Tamil Nadu), Bangalore (Karnataka) and Karad (Maharashtra).

### Analytical Approach

SMERA has considered the consolidated business and financial risk profile of Beardsell Limited, Sarovar Insulation Private Limited and Saideep Polytherm (hereinafter referred to as BL) due to similarity in the lines of business and BL wholly controls both the entities.

## Key Rating Drivers

### Strengths

- **Long track record of operations, experienced management**

BL has long standing presence of around eight decades in the packaging and construction industries. The company is led by the Director, Mr. S. V. Narasimha Rao who possesses more than four decades of experience in the said line of business.

- **Healthy financial risk profile**

The financial risk profile in FY2017 is marked by healthy net worth, moderate gearing and comfortable coverage indicators. The net worth stood at Rs.39.46 crore as on 31 March, 2017 compared to Rs.35.42 crore as on 31 March, 2016. The gearing remained comfortable at 0.89 times as on 31 March, 2017 vs 1.04 times as on 31 March, 2016. The entity has long term debt of Rs.18.38 crore and short term debt of Rs.13.41 crore. The coverage indicators such as Interest Coverage Ratio (ICR) improved to 3.77 times as on 31 March, 2017 compared to 2.58 times as on 31 March, 2016 due to improvement in operating profitability. Further, the Debt Service Coverage Ratio (DSCR) stood at 1.01 times as on 31 March, 2017 and 1.07 times as on 31

March, 2016. The net cash accruals to total debt (NCA/TD) improved to 0.29 times in FY2017 from 0.19 times a year earlier.

**• Strong revenue growth**

The revenue increased to Rs.190.24 crore in FY2017 from Rs.160.69 crore in the previous year. The growth is supported by increase in revenue from pre-fabricated boards and the EPS division. BL benefits from the fast growing pre-fabricated boards business and its established presence in the EPS business.

**Weaknesses**

**• Susceptibility of profitability to volatility in raw material prices**

Volatility in prices of key raw materials such as EPS resin, steel among others impacts profitability margins. The operating margins increased to 9.06 per cent in FY2017 from 7.45 per cent in FY2016 despite an increase in raw material prices owing to one-time orders sold at aggressive prices.

**• Moderate working capital cycle**

The working capital cycle of the company has been moderate with debtor and inventory days of 65 and 25 respectively in FY2017 compared to 62 and 30 days during the corresponding period last year. The gross current assets (GCA) stood at 118 days in FY2017 and 122 days in FY2016. The average cash credit utilisation has been ~85 percent for the six months ended August 2017.

**Outlook: Stable**

SMERA believes that the company will maintain a Stable outlook and continue to benefit over the medium term from its promoters' experience. The outlook may be revised to 'Positive' if the company is able to register healthy revenue and sustain profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue and profit margins.

**About the Rated Entity - Key Financials**

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	190.24	160.69	141.70
EBITDA	Rs. Cr.	17.23	11.97	7.13
PAT	Rs. Cr.	4.81	3.13	-0.10
EBITDA Margin	(%)	9.06	7.45	5.03
PAT Margin	(%)	2.53	1.95	-0.07
ROCE	(%)	18.75	14.45	13.86
Total Debt/Tangible Net Worth	Times	0.89	1.04	1.10
PBDIT/Interest	Times	3.77	2.58	1.70
Total Debt/PBDIT	Times	1.79	2.59	4.28
Gross Current Assets (Days)	Days	118	122	122

**Status of non-cooperation with previous CRA (if applicable)**

Not Applicable

### **Any other information**

Sarovar Insulation Private Limited, a Coimbatore-based wholly owned subsidiary is engaged in the manufacture and supply of expanded polystyrene products.

Saideep Polytherm, a Pune-based partnership firm (controlled entity), is engaged in the manufacture and supply of expanded polystyrene products.

### **Applicable Criteria**

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>

### **Note on complexity levels of the rated instrument**

<https://www.smera.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
29-Sep-2016	Term Loan	Long Term	INR 13.7	SMERA BBB- / Stable
	Cash Credit	Long Term	INR 9.5	SMERA BBB- / Stable
	Packing Credit	Long Term	INR 3	SMERA BBB- / Stable
	Working Capital Demand Loan	Long Term	INR 1	SMERA BBB- / Stable
	Letter of Credit	Short Term	INR 12.5	SMERA A3
13-Oct-2015	Cash Credit	Long Term	INR 9.5	SMERA BB+ / Stable
	Term Loan	Long Term	INR 13.7	SMERA BB+ / Stable
	Packing Credit	Long Term	INR 3	SMERA BB+ / Stable
	Letter of Credit	Short Term	INR 12.5	SMERA A4+
	Working Capital Demand Loan	Long Term	INR 1	SMERA BB+ / Stable
	Cash Credit	Long Term	INR 9.5	SMERA BB+ / Stable
	Term Loan	Long Term	INR 13.7	SMERA BB+ / Stable
	Packing Credit	Long Term	INR 3	SMERA BB+ / Stable
	Short Term Loan	Long Term	INR 1	SMERA BB+ / Stable
	Letter of Credit	Short Term	INR 12.5	SMERA A4+
07-Oct-2014	Term Loan	Long Term	INR 14	SMERA BB+ / Stable
	Cash Credit	Long Term	INR 6.5	SMERA BB+ / Stable
	Cash Credit	Long Term	INR 2.3	SMERA BB+ / Stable
	Proposed Cash Credit	Long Term	INR 0.7	SMERA BB+ / Stable
	Proposed Long Term Loan	Long Term	INR 2.25	SMERA BB+ / Stable
	Packing Credit	Short Term	INR 3	SMERA A4+
	Letter of Credit	Short Term	INR 7.5	SMERA A4+
	Bank Guarantee	Short Term	INR 3.5	SMERA A4+
	Letter of Credit	Short Term	INR 2.3	SMERA A4+
	Proposed Letter of Credit	Short Term	INR 0.7	SMERA A4+

**\*Annexure – Details of instruments rated**

<b>Name of the Facilities</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. Crore)</b>	<b>Ratings/Outlook</b>
Term loans	Not Applicable	Not Applicable	Not Applicable	9.21	SMERA BBB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	SMERA BBB / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A3+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A3+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.49	SMERA BBB / Stable

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## ABOUT SMERA

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