

## Press Release

### Beardsell Limited

March 19, 2020

### Rating Downgraded



<b>Total Bank Facilities Rated*</b>	Rs.64.70 Cr.
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Negative
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.64.70 crore bank facilities of BEARDSSELL LIMITED. The outlook is '**Negative**'.

The rating is downgraded on the account petition filed by Mr. Bharat Anumolu (ex-Managing Director) against the other directors of the company. Mr. Bharat Anumolu has filed a case in The National Company Law Tribunal (NCLT) with respect to mismanagement and misconduct by the current directors of the company. However, the outcome of the petition is yet to come. Acuite will be continuously monitoring the situation and any negative impact on the business or financial profile of the company will impart a negative bias towards the rating.

Further, there has also been deterioration in the financial risk profile of the company. Acuite has taken into account the deterioration in the net worth of the company as on 31 March 2019 on account of net loss incurred by the company which stood at Rs.0.75 crore in FY2019.

### About the Company

Chennai-based Beardsell Limited (BL) was incorporated in 1936 and is engaged in the manufacturing of pre-fab structures, industrial products (expanded polystyrene sheets, rigid polyurethane foam slabs) with their manufacturing units located at Mumbai (Maharashtra), Chennai (Tamil Nadu), Bangalore (Karnataka) and Karad (Maharashtra). The company is listed on both Bombay Stock Exchange (BSE) and National Stock Exchange (NSE)

### Analytical Approach

For arriving at its rating, Acuite has consolidated the business and financial risk profile of Beardsell Limited, Sarovar Insulation Private Limited and Saideep Polytherm (hereinafter referred to as BL or company) due to similarity in the lines of business and BL wholly controls both the entities. Extent of Consolidation: Full.

### Key Rating Drivers

#### Strengths

#### • Above average financial risk profile

The financial risk profile of the group is moderate marked by moderate net-worth, moderate gearing and average debt protection metrics. The net worth of the group has declined to Rs.37.82 crore as on 31 March 2019 from Rs.38.77 crore as on 31 March, 2018 on the account of net loss of Rs.xx crore incurred by BL in FY2019. The gearing level (debt-equity) of BL has remained stable at 1.08 times as on 31 March, 2019 as compared to 1.06 times as on 31 March, 2018. Total debt of Rs.40.82 crore consist of long term debt of Rs.6.68 crore, unsecured loans of Rs.12.60 crore and working capital borrowings of Rs.21.53 crore.

The operating margins have improved to 4.73 percent in FY2019 from 3.63 percent in FY2018. Despite improvement in operating profits, the coverage indicators has slightly deteriorated marked by interest coverage ratio of 1.63 times in FY2019 as against 1.75 times in the previous year. This is on account of increase in interest cost in FY2019 over FY2018. Further, TOL/NW (Total outside liabilities-Total net worth) stood at 2.31 times as on 31 March, 2019 as against 2.17 times as on 31 March 2018. Debt-EBITDA stood high at 4.11 times in FY2019.

Acuite believes that the financial risk profile of the group is expected to remain above average on

account by average net cash accruals and debt funded working capital requirements.

## Weaknesses

### • Working capital intensive nature of operations

The operations of BL are working capital intensive marked by Gross Current Assets (GCA) of 123 days in FY2019 as against 139 days in FY2018. This is majorly on the account of high debtors' days which stood at 73 days in FY2019 as against 78 days in FY2018. Further, the current ratio of the group stands average at 1.00 times as on 31 March, 2019 as against 1.10 times as on 31 March, 2018.

Acuite believes that the operations of the group are expected to remain working capital intensive on account of high debtors' collection period.

### • Susceptibility of operating margins to volatility in raw material prices and unstable revenue

Operating margins of the group is susceptible to changes in crude, iron and steel prices; which are highly volatile. Any abrupt change in raw material prices can lead to distortion in market prices and affect the profitability of players. Due to reduction in the raw material prices the operating margins have improved to 7.82 percent for 9MFY2020 as against 4.73 percent in FY2019. Further, the operating income of the group stood at Rs.120.15 crore for 9MFY2020 as against Rs.141.92 crore for 9MFY2019.

## Liquidity Profile: Adequate

BL has adequate liquidity marked by average net cash accruals to its maturing debt obligations. BL has generated cash accruals of Rs.3.62 crore in FY2019 against Rs.2.02 debt obligations for the same period. The cash accruals of the group are estimated to remain in the range of around Rs.7 crore to Rs.9 crore during FY2020-22 against repayment obligations in the range of Rs.2.81 crore to Rs.1.06 crore for the same period. However, the operations are working capital intensive marked by GCA of 123 days in FY2019. The average fund-based working capital utilization stood at ~87.00 percent for the past six months ended September 2019. The group maintained unencumbered cash and bank balances of Rs.3.25 crore as on 31 March 2019. The current ratio stood low at 1.00 times as on 31 March 2019.

Acuite believes that the liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

## Outlook: Negative

Acuite believes that BL's operations continue to be working capital intensive marked by high GCA, volatile operating margins and operating income. The ratings may be downgraded in case of further stretch in its working capital management leading to pressure on its liquidity, or any significant volatility in profitability margins or any negative outcome of the petition filed. The outlook may be revised to 'Stable' in case of higher-than-expected improvement in revenues and accruals, while improving its working capital management.

## About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	193.08	167.85
PAT	Rs. Cr.	(0.75)	0.38
PAT Margin	(%)	(0.39)	0.23
Total Debt/Tangible Net Worth	Times	1.08	1.06
PBDIT/Interest	Times	1.63	1.75

### Status of non-cooperation with previous CRA:

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**
<https://www.acuite.in/criteria-complexity-levels.htm>
**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
07-Jan-2019	Term Loans	Long Term	7.00	ACUITE BBB / Negative (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BBB / Negative (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB / Negative (Reaffirmed)
	Packing Credit	Short Term	4.00	ACUITE A3+ (Reaffirmed)
	Packing Credit	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Proposed Cash Credit	Long Term	17.70	ACUITE BBB / Negative (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
30-Dec-2017	Term Loan	Long Term	9.21	ACUITE BBB/Stable (Upgraded)
	Cash Credit	Long Term	11.00	ACUITE BBB/Stable (Upgraded)
	Packing Credit	Short Term	4.00	ACUITE A3+ (Upgraded)
	Letter of Credit	Short Term	15.00	ACUITE A3+ (Upgraded)
	Proposed Long Term Loan	Long Term	0.49	ACUITE BBB/Stable (Upgraded)
29-Sep-2016	Term Loan	Long Term	13.70	ACUITE BBB-/Stable (Upgraded)
	Cash Credit	Long Term	9.50	ACUITE BBB-/Stable (Upgraded)
	Packing Credit	Long Term	3.00	ACUITE BBB-/Stable (Upgraded)
	Working Capital Demand Loan	Long Term	1.00	ACUITE BBB-/Stable (Upgraded)
	Letter of Credit	Short Term	12.50	ACUITE A3 (Upgraded)
13-Oct-2015	Cash Credit	Long Term	9.50	ACUITE BB+/Stable (Reaffirmed)
	Term Loan	Long Term	13.70	ACUITE BB+/Stable (Reaffirmed)
	Packing Credit	Long Term	3.00	ACUITE BB+/Stable (Reaffirmed)

	Short Term Loan	Long Term	1.00	ACUITE BB+/Stable (Assigned)
	Letter of Credit	Short Term	12.50	ACUITE A4+ (Reaffirmed)
7-Oct-2014	Term Loan	Long Term	14.00	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long Term	6.50	ACUITE BB+/Stable (Assigned)
	Cash Credit	Long Term	2.30	ACUITE BB+/Stable (Assigned)
	Proposed Cash Credit	Long Term	0.70	ACUITE BB+/Stable (Assigned)
	Proposed Long Term Loan	Long Term	2.25	ACUITE BB+/Stable (Assigned)
	Packing Credit	Short Term	3.00	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	7.50	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	3.50	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	2.30	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	0.70	ACUITE A4+ (Assigned)

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loans	20.05.2013	Not Applicable	30.06.2022	4.24	ACUITE BB+ / Negative (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB+ / Negative (Downgraded)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Downgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.46	ACUITE BB+ / Negative (Downgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Downgraded)

## Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a></p> <p>Deepesh Pamnani Analyst - Rating Operations Tel: 011-49731315 <a href="mailto:deepesh.pamnani@acuite.in">deepesh.pamnani@acuite.in</a></p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a></p>

### About Acuité Ratings & Research:

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