

## Press Release

Beardsell Limited

October 31, 2020

Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 45.69 Cr. (Reduced from Rs. 64.70 Cr.)
<b>Long Term Rating</b>	ACUITE BB+ / Outlook: Negative (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A-four plus**) on the Rs.45.69 crore bank facilities of Beardsell Limited. The outlook is '**Negative**'.

#### About the company

Chennai-based Beardsell Limited (hereinafter referred to as BL or company) 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), Hyderabad (Telangana), Hapur (Uttar Pradesh) and Karad (Maharashtra). The company is listed on both Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

#### Analytical Approach

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

### Key Rating Drivers

#### Strengths

- Established market position**

The company was incorporated in 1936 and is engaged in the manufacturing of pre-fab structures and industrial products, and is promoted by Anumolu family. The company is listed in both Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). Having a track record of around 8 decades has helped the company to establish a strong market position and maintain healthy relations with its customers as well as with its suppliers.

Acuite believes that company's established market position would aid the business risk profile of the company over the medium term.

- Above average financial risk profile**

The financial risk of the group is above average marked by moderate net worth, moderate debt protection metrics and average gearing levels. The net worth of the group stood at Rs.37.91 crore as on 31 March 2020 as against Rs.37.93 crore as on 31 March 2019.

The Gearing (debt-equity) level has remained stable at 1.10 times as on 31 March 2020 as against 1.08 times as on 31 March 2019. Increase in operating profit has led to a reduction in financial leverage marked by Debt-EBITDA of 2.99 times in FY2020 as against 4.11 times in FY2019 and improvement in interest coverage ratio (ICR) to 2.17 times in FY2020 from 1.63 times in FY2019. Total debt of Rs.41.68 crore as on 31 March 2020 consist of long term debt of Rs.11.39 crore, unsecured loans of Rs.12.08 crore and short term debt of 18.21 crore. TOL/TNW (Total outside liabilities-Total net worth) stood at 2.24 times as on 31 March 2020 as against 2.31 times as on 31 March 2019.

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

There has been a deterioration in the working capital cycle of the group marked by Gross Current Assets (GCA) of 137 days in FY2020 as against 123 days in the previous year, this is primarily on account of elongated debtors' collection period of 76 days in FY2020. The Creditors days stood high at 121 days in FY2020 as against 96 days in the previous year.

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

### • Downtrend in revenue and susceptibility of operating margins to volatility in raw material prices

Operating income of the group has been fluctuating in the past and it reduced to Rs.160.74 crore in FY2020 from Rs.193.08 crore in FY2019, operating income stood at Rs.15.73 crore in Q1FY2021 as against Rs.47.02 crore in Q1FY2020. Operating margins of the group improved to 8.49 percent in FY2020 from 4.73 percent in FY2019; however, they are susceptible to changes in raw material (crude, iron and steel prices) prices; which are highly volatile. The group has not been able to pass on the price rise to its customer in the past.

## Liquidity Position: Adequate

The group has adequate liquidity position marked by moderate net cash accruals to its maturing debt obligations. The group generated net cash accruals of Rs.6.26 crore in FY2020 as against repayment obligations of Rs.2.81 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.3.16 crore to Rs.7.22 crore during FY2021-23. Company's average fund based bank limit utilization stood at ~76 percent for the last six-month period ended in August 2020. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual.

## Rating Sensitivities

- Lower than expected operating performance
- Deterioration in the working capital cycle and liquidity position of the company

## Outlook: Negative

Acuite believes that group'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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	160.74	193.08
PAT	Rs. Cr.	0.82	(0.75)
PAT Margin	(%)	0.51	(0.39)
Total Debt/Tangible Net Worth	Times	1.10	1.08
PBDIT/Interest	Times	2.17	1.63

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

Not Applicable

## Any other information

A petition has been 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.

### Any Material Covenants

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-60.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Mar-2020	Letter of Credit	Short Term	20	ACUITE A4+ (Downgraded from ACUITE A3+)
	Proposed Cash Credit	Long Term	15.46	ACUITE BB+ / Negative (Downgraded from ACUITE BBB / Negative)
	Cash Credit	Long Term	20	ACUITE BB+ / Negative (Downgraded from ACUITE BBB / Negative)
	Packing Credit	Short Term	5	ACUITE A4+ (Downgraded from ACUITE A3+)
	Term Loan	Long Term	4.24	ACUITE BB+ / Negative (Downgraded from ACUITE BBB / Negative)
07-Jan-2019	Cash Credit	Long Term	11	ACUITE BBB / Negative (Reaffirmed)
	Packing Credit	Short Term	4	ACUITE A3+ (Reaffirmed)
	Proposed Cash Credit	Long Term	17.7	ACUITE BBB / Negative (Assigned)
	Letter of Credit	Short Term	5	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	4	ACUITE BBB / Negative (Assigned)
	Term Loan	Long Term	7	ACUITE BBB / Negative (Reaffirmed)
	Packing Credit	Short Term	1	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	15	ACUITE A3+ (Reaffirmed)
30-Dec-2017	Term Loan	Long Term	9.21	ACUITE BBB / Stable (Upgraded from ACUITE BBB- / Stable)
	Cash Credit	Long Term	11	ACUITE BBB / Stable (Upgraded from ACUITE BBB- / Stable)
	Packing Credit	Short Term	4	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	15	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Long Term Loan	Long Term	0.49	ACUITE BBB / Stable (Upgraded from ACUITE BBB- / Stable)

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

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loans	July-2015	14.40%	March-2022	4.24	ACUITE BB+/ Negative (Reaffirmed)
Cash Credit	Not Available	Not Applicable	Not Available	16.75	ACUITE BB+/ Negative (Reaffirmed)
Term Loans	Aug-2020	7.95%	Aug-2022	1.60	ACUITE BB+/ Negative (Reaffirmed)
Term Loans	Aug-2020	8.15%	Aug-2023	3.10	ACUITE BB+/ Negative (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Reaffirmed)

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**About Acuité Ratings & Research:**

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