

## Beardsell Limited

October 31, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	30.00	CARE BBB-; Stable	Assigned
Short term bank facilities	30.00	CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Beardsell Limited (BSL) derives strength from the experience of the promoters and the long track of the company in the thermal insulation products and engineering industry, the long-standing relationships with clients facilitating the renewal of contracts, the diversified revenue stream, and the comfortable capital structure.

The ratings, however, are constrained by the relatively moderate profitability margins, the susceptibility to volatile raw material prices, and the highly competitive and cyclical industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Consistent growth of scale of operations ranging above ₹300-350 crore.
- Sustained improvement in the profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin in the range of 9-10%.

#### Negative factors

- Decline in the PBILDT margin below 5%.
- Elongation in the receivables, stretching the liquidity position.

### Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has analysed BSL's credit profile by considering the consolidated financial statements (comprising BSL and its wholly owned subsidiary, Sarovar Insulation Private Limited, and controlled entity, Saideep Polythermal).

### Outlook: Stable

CARE Ratings believes that the credit profile of the company will remain stable in the medium term, marked by consistent growth in the scale of operations on the back of the long-standing track record of the company in the industry.

### Detailed description of the key rating drivers

#### Key strengths

##### Extensive experience of the promoters and management

BSL, incorporated in 1936, holds a historic legacy of eight decades in the trading and manufacturing industry. The day-to-day operations of BSL are currently managed by Amrith Anumolu, Executive Director, and part of the promoter family. He has two decades of experience in the engineering industry. Anumolu is assisted by a team of well-qualified professionals heading various functional departments.

##### Long track of operations in manufacturing thermal insulation products

BSL started its operations as a trading company in 1936 and later, in 1967, was diversified into the production of a thermal insulation product, viz. expanded polystyrene (EPS). The EPS division manufactures custom designed packaging materials catering to consumer durables (refrigerators, microwave ovens, washing machines, etc), entertainment electronics, pharmaceuticals, and food products. This division accounted for 41% of the total operating income (TOI) in FY23.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

The company offers two engineering products in the segment – Isobuild and Quikbuild panels. The Isobuild division manufactures panels that are used for cold storage, blast freezers, and clean rooms. The Quikbuild division is a modular construction system that uses prefabricated panels, which is erected on a plinth and plastered with sand or cement to form walls to create buildings.

The company undertakes work contracts for government departments and public sector undertakings (PSUs) in the prefab panels division. The prefab segment accounts for about 40% of the TOI in FY23.

The company is also engaged in the trading of electric motors being the channel partner of Siemens Motors in Tamil Nadu. The trading division accounts for 18% of the TOI.

### **Consistent growth in scale of operations**

The revenues, which were in the range of ₹167.85 crore for FY18, witnessed volume-based growth to ₹232.01 crore for FY23. Although there was a drop on account of COVID-related restrictions, the company has revived operations and registered its highest revenue in FY23. The Q1FY24 performance also aligns to the growth trajectory with a reported TOI of ₹57.40 crore for the quarter. Foreseeing better market reception and the demand for the prefab segment, BSL has undertaken a capacity addition of ₹12 crore in the Isobuild segment in the Karad unit. The project was completed in September 2023 and is expected to improve the processing time, in addition to the capacity increase by 70,000 sq m.

### **Comfortable capital structure**

The company's capital structure was marked by an improvement in the overall gearing from 1.39x as on March 31, 2020, to 0.90x on March 31, 2023. The leverage levels are comfortable on the back of improved accretion of profits in the last three years. The increased earnings before interest, taxes, depreciation, and amortisation (EBIDTA) in absolute terms, with judicious utilisation of the bank credit lines, has kept the debt coverage indicators at comfortable levels, marked by an interest coverage ratio (ICR) of 4.18x and total debt (TD)/gross cash accruals (GCA) of 3.43x for FY23. The equity infusion through preferential issue on a private placement basis of ₹4.70 crore in May 2023 provided an additional cushion for the capex addition made by the company in one of its units.

### **Key weaknesses**

#### **Volatility in profitability margins susceptible to changes in raw material prices**

The profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of the company stood moderate and highly volatile, ranging from 6.5-8.5% during the last three years. The price volatility of petroleum-based raw materials, i.e., EPS resins and other chemicals determines the margins of the company. The major raw materials required are EPS resins, iso-cyanate, steel, and GI wires. The company has limited ability to pass on the increase in prices due to the stiff competition in the industry. In the absence of forward contracts and a natural hedging mechanism, BSL is additionally exposed to foreign exchange risks due to raw material imports of approximately 20%.

#### **Stiff competition due to the fragmented industry structure**

BSL has two major business segments – thermocol packaging and prefabricated panel products – which form a major part of the revenue. The end-user industry primarily includes consumer durables, pharma companies, engineering, and the construction sector. This keeps BSL's operations cyclical, depending on the demand from end-user industries. Furthermore, as the entry and exit barriers in this industry are low, the industry has several organised as well as unorganised players, which puts pressure on the margins.

#### **Liquidity: Adequate**

The company's working capital cycle has remained comfortable over the last five years at around 35 days, except for FY21 as a result of COVID, which stood marginally higher at 42 days. The company had an average working capital cash credit utilisation of 62.63% for the 12 months ended June 30, 2023. The cash and bank balance stood comfortable at ₹4.78 crore as on March 31, 2023. The company is expected to have comfortable GCA to meet the debt commitments of ₹3.69 crore for FY24.

### **Applicable criteria**

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

## About the company and industry

### Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Diversified	Diversified	Diversified	Diversified

BSL was incorporated in 1936 as a trading company, which eventually diversified into the manufacturing of a variety of industrial products serving various customer segments. The company broadly has three divisions, EPS products, Isobuild, and Quikbuild. Apart from manufacturing the above products, the company is also engaged in the trading of electric motors from Siemens. BSL has eight manufacturing units located in Chennai, Thane, Bengaluru, Karad, Hyderabad, Hapur, Kochi, and Coimbatore (including the subsidiary and controlled entity). The company has an installed capacity of producing 2,640 metric tonnes (MT) of EPS and 583,500 square metres of Isobuild and 224,000 sq. m of Quikbuild.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	186.24	232.01	57.40
PBILDT	12.75	18.19	5.55
PAT	2.81	8.49	2.41
Overall gearing (times)	0.78	0.90	NA
Interest coverage (times)	2.68	4.18	5.29

A: Audited; UA: Unaudited; NA: Not available. Note: The above results are the latest financial results available.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	Oct 2030	10.00	CARE BBB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	30.00	CARE A3

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BB+; Stable (26-Dec-22) 2)Withdrawn (26-Dec-22) 3)CARE BB+; Stable (13-Oct-22)	-	-
2	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable (26-Dec-22) 2)Withdrawn (26-Dec-22) 3)CARE BB+; Stable (13-Oct-22)	-	-
3	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A4+ (26-Dec-22) 2)Withdrawn (26-Dec-22) 3)CARE A4+ (13-Oct-22)	-	-
4	Fund-based - LT-Cash Credit	LT	20.00	CARE BBB-; Stable				
5	Non-fund-based - ST-BG/LC	ST	30.00	CARE A3				
6	Fund-based - LT-Term Loan	LT	10.00	CARE BBB-; Stable				

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities**

Not applicable

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

#### Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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#### About us:

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