

## Beardsell Limited

August 09, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	30.32 (Enhanced from 30.00)	CARE BBB-; Positive	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	30.00	CARE A3	Reaffirmed
Fixed Deposit	5.00	CARE BBB-; Positive	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

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

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

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

#### Positive factors

- Consistently growing scale of operations ranging above ₹300-350 crores.
- Sustained Improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin in the range of 9-10%.
- Improving leverage with overall gearing below 0.60x.

#### Negative factors

- Declining PBILDT margin below 5%.
- Elongating 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 Polytherm). Details of subsidiaries are provided in **Annexure 6**.

### Outlook: Positive

A positive outlook has been assigned, as CARE Ratings believes that going forward, with enhanced capacity and positive demand scenario, the company is expected to scale up operations in the medium term. Lower-than expected scaling up of operations may lead to revising the outlook to stable.

### Detailed description of key rating drivers:

#### Key strengths

##### Extensive experience of promoters and management

BSL, incorporated in 1936, holds a legacy of eight decades in the trading and manufacturing industry. BSL's day-to-day operations 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 functional departments.

<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

### Long track record of operations in manufacturing of thermal insulations products

BSL started its operations as a trading company in 1936 and later, in 1967, diversified in the production of a thermal insulation product, expanded polystyrene (EPS). EPS division manufactures custom designed packaging materials catering to consumer durables (refrigerators, microwave ovens, and washing machines among others), entertainment electronics, pharmaceuticals, and food products. This division accounted for 43% of the total operating income (TOI) in FY24.

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

The company undertakes work contracts for public sector undertakings (PSUs) in the prefab panels division. The prefab segment (Isobuild & Quikbuild) accounts for ~38% of TOI in FY24.

The company is also engaged in trading electric motors being the channel partner of Siemens Motors in Tamil Nadu. The trading division accounts for 7% of TOI in FY24. The remaining ~12% contributed through sales of services, which include income from service contracts under Isobuild and thermal insulation projects undertaken by the company.

### Sustained growth in scale of operations

TOI has been in the range of ₹160-190 crore until FY22. Driven by the improved demand for EPS and Prefab products, the company witnessed volume-based growth to ₹232 crore in FY23. While EPS division saw muted growth in FY24, improved sales of Prefab panels and contract services allowed the company to maintain its scale with moderate growth rate of 5%. Between FY23 and FY24, the company expanded its capacity in the Iso build division, leading to a nearly 37% increase in overall iso build capacity. The additional capacity is expected to support the company's projected future growth.

### Comfortable capital structure

The company's capital structure stands comfortable with overall gearing improving from 1.33x as on March 31, 2021, to 0.65x as on March 31, 2024. The improvement was due to continued accretion of profits in the last three years and capital infusion in FY24. Debt coverage indicators also remained healthy, marked by an interest coverage ratio (ICR) of 4.34x (PY: 4.18) and total debt to gross cash accruals (TD/GCA) of 2.83x (PY: 3.43x) for FY24.

### Key weaknesses

#### Volatility in profitability margins susceptible to change in raw material prices

The company's PBILDT margin has been quite volatile in the last three years, fluctuating between 6.5% and 8.5%. The company's margins are significantly influenced by the price volatility of petroleum-based raw materials, such as EPS resins and other chemicals, which are essential for production. The company faces challenges in passing on increased raw material costs to customers due to 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 ~10% in FY24 (PY: 20%). In FY24, PBILDT margin improved to 9.70%, up from 7.84% in the previous year, due to increased contributions from service contracts, and inventory gains from higher levels of prefab stock at the beginning of the year.

#### Stiff competition due to 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 construction sector. This keeps BSL's operations cyclical, depending on the demand from end-user industries. As the entry and exit barriers in this industry are low, the industry has several organised and unorganised players, which puts pressure on margins.

#### Liquidity: Adequate

The company's working capital cycle remained nearly stable over the last four years at ~31-35 days. Average working capital utilisation was ~72% for 12 months ended May 31, 2024. The company has GCA of ₹15.80 crore in FY24 and cash and bank balance of ₹3.15 crore as on March 31, 2024, as against the estimated debt repayment of ₹3.10 crore in FY25.

#### Environment, social, and governance (ESG) risks: Not applicable

## Applicable criteria

[Consolidation](#)
[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

## 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 manufacturing variety of industrial products serving different customer segments. The company has three divisions, EPS products, Isobuild, and Quikbuild. The company is also engaged in trading electric motors from Siemens. BSL has eight manufacturing units in Chennai, Thane, Bengaluru, Karad, Hyderabad, Hapur, Kochi, and Coimbatore (including the subsidiary and controlled entity). The company has an installed capacity of producing 2,880 metric tonnes (MT) of EPS, 7,03,500 sq. m of Isobuild and 1,64,000 sq. m of Quikbuild as on March 31,2024.

### Consolidated

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31,2024 (A)
Total operating income	186.24	232.01	245.10
PBILDT	12.75	18.19	23.77
PAT	2.81	8.49	8.23
Overall gearing (times)	0.78	0.90	0.65
Interest coverage (times)	2.68	4.18	4.34

A: Audited Note: these are latest available financial results

### Status of non-cooperation with previous CRA

BSL has not co-operated with Investment Information and Credit Rating Agency (ICRA Ratings), where it has classified the issuer as 'non-cooperative' vide its press release dated July 18,2024. The reason provided by ICRA Ratings was non furnishing of sufficient information towards monitoring ratings.

BSL has not co-operated with CRISIL Ratings, where it has classified the issuer as 'non-cooperative' vide its press release dated January 31, 2024. The reason provided by CRISIL Ratings was non furnishing of sufficient information towards monitoring ratings.

**Any other information:** Not applicable

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

**Covenants of rated instrument / facility:** Annexure-3

**Complexity level of 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
Fixed Deposit		-	-	Up to three years	5.00	CARE BBB-; Positive
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE BBB-; Positive
Fund-based - LT-Term Loan		-	-	31-10-2030	10.32	CARE BBB-; Positive
Non-fund-based - ST-BG/LC		-	-	-	30.00	CARE A3

**Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (26-Dec-22) 2)CARE BB+; Stable (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-; Positive	-	1)CARE BBB-; Stable (31-Oct-23)	-	-
5	Non-fund-based - ST-BG/LC	ST	30.00	CARE A3	-	1)CARE A3 (31-Oct-23)	-	-
6	Fund-based - LT-Term Loan	LT	10.32	CARE BBB-; Positive	-	1)CARE BBB-; Stable (31-Oct-23)	-	-
7	Fixed Deposit	LT	5.00	CARE BBB-; Positive				

LT: Long term; ST: Short term;

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable

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

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

**Annexure-5: Lender details**

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

**Annexure-6: List of entities consolidated**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Sarovar Insulation Private Limited	Full	Similar line of business or requires support
2	Saideep Polytherm		

**Note on 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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