

Beardsell Limited

May 30, 2019

Beardsell Limited- Update on Material Event

Summary of Rated Instrument:

Instrument	Rated Amount	Rating Outstanding
Fund-based – Public Deposits	5.00	[ICRA]MB+(Stable)
Total	5.00	

Material Event

Mr. Bharat Anumolu, one of the executive director of Beardsell Limited (BSL or the company), has filed a petition against the other directors of BSL in the National Company Law Tribunal (NCLT). Mr. Anumolu has accused the other directors, Mr. Amrith Anumolu, Mr. R Gowri Shanker, Mrs. Jayasree Anumolu of illegal acts and that their acts are prejudicial to the interest of the company. The petition submitted by Mr. Bharat Anumolu to Beardsell Ltd has been uploaded on BSE's site on May 22, 2019.

Impact of the Material Event

The ratings remain unchanged at the earlier rating of [ICRA]MB+(Stable). ICRA will continue to monitor developments in this regard and would evaluate the impact of the same on the business profile of BSL.

The rating takes into account the extensive experience of the promoters and the management of BSL of around two decades in the expanded polystyrene packaging and construction industry and a diversified customer profile. ICRA also notes the long-term association of the company with some of the customers resulting in repeat business.

The ratings also takes into account the modest scale of operations as reflected by an operating income of Rs. 193.88 crore in FY2019. ICRA notes that although OPM has increased to 5.06% in FY2019 from 3.91% in FY2018 backed by economies of scale and an increase in export orders, the company has reported net losses on account of high depreciation and interest charges as well as low non-operating income. The coverage indicators have also remained weak as reflected by an interest coverage ratio (OPBDITA/Interest and finance charges) of 1.65 times, net cash accruals to total debt ratio (NCA/Total Debt) of 9.6% as on March 31, 2019. The liquidity profile has also remained stretched, emanating from elongated receivables. While the company's capital structure is moderate due to a reasonable net worth base, the increase in working capital requirements have been funded by stretching the creditors, resulting in a below moderate ratio of total outside liabilities to tangible net-worth (TOL/TNW) of 2.17 times as on March 31, 2019. The ratings also factor in the susceptibility of BSL's profitability to fluctuations in raw material prices in both the prefabricated and EPS divisions. Further, given that sales are linked to the demand and cyclicity of end-user industries (in this case, consumer durables), any slowdown in demand may adversely impact revenue growth and profitability.

The previous detailed rating rationale is available on the following link: [Click here](#)

Key financial indicators (consolidated)

	FY2018 (Audited)	FY2019 (Audited)
Operating Income (Rs. crore)	167.85	193.88
PAT (Rs. crore)	0.38	(0.75)
OPBDIT/OI	3.91%	5.06%
RoCE	7.35%	6.78%
Total Debt/TNW (times)	0.99	0.94
Total Debt/OPBDIT (times)	6.24	3.87
Interest Coverage (times)	1.15	1.65

Source: Company data, ICRA research

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