

Rating Rationale

April 05, 2018 | Mumbai

Beardsell Limited

Ratings Reaffirmed

Rating Action

Rs.5 Crore Fixed Deposits Programme	FB+/Stable (Reaffirmed)
Rs.10 Crore Commercial Paper	CRISIL A1+(SO) (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the commercial paper programme (CP) and fixed deposits (FD) of Beardsell Limited (Beardsell) at 'FB+/Stable/CRISIL A1+(SO)'.

The structured obligation (SO) has been assigned on the CP as it is supported by an unconditional and irrevocable standby letter of credit (SBLC) extended by Bank of India (BOI; 'CRISIL AA+/Stable/CRISIL A+/Negative/CRISIL A1+').

Rationale for reaffirmation of rating for FD:

The rating continues to reflect the extensive industry experience of Beardsell's promoters and moderate financial risk profile marked by moderate networth and debt protection metrics. These strengths are partially offset by susceptibility of revenue and operating margin to end user industry and volatility in raw material prices.

Rationale for reaffirmation of rating for SBLC backed CP:

The rating continues to reflect the strength of the unconditional and irrevocable SBLC from BOI, acting in dual capacity, as the SBLC providing bank and the issuing and paying agent (IPA). The rating is also supported by a well-defined payment structure (refer to annexure for details) to ensure timely servicing of obligations. The CP under this programme is valid for a maximum tenor of 90 days, subject to maturity date being on or before the expiry date of the SBLC facility i.e. November 5, 2018. The maximum CP at any point of time is Rs 10 Crore.

Analytical Approach

CRISIL has consolidated the business and financial risk profile of Beardsell with subsidiaries Saideep Polytherm (SP) and Sarovar Insulation Private Limited (SIPL) together referred to as Beardsell group. Beardsell, SP and SIPL are engaged in similar line of business. SIPL is a 100% subsidiary of Beardsell, while SP is 99.99% owned by Beardsell.

Key Rating Drivers & Detailed Description

Strengths

* **Extensive experience of promoters:** The promoters have been in this business since 1936 and understand the dynamics of the packaging and construction industry. Backed by promoters extensive industry experience group has established strong relationship with customers and suppliers.

* **Moderate financial risk profile:** Moderate networth and low gearing (Rs 37.02 crore and 0.95 times as on March 31, 2017) along with interest coverage ratio of 3.57 times for fiscal 2017 represent moderate financial risk profile. Debt protection metrics are expected to be weaker in fiscal 2018 on account of lower operating profitability.

Weakness

* **Susceptibility of revenue and operating margin to end user industry and volatility in raw material prices:** Group majorly caters to white goods (for packaging) and construction industry. Any slowdown in end user industry would have an adverse impact on the business risk profile of the group.

Further the group remains susceptible to volatility in raw material prices. Major raw materials for the group are crude oil derivatives and steel ' any sharp variations in the prices of these materials would impact the group's operating profitability, as is the case in fiscal 2018.

Key Rating Drivers and Description (for SBLC backed CP programme):

* **Unconditional and irrevocable SBLC from BOI, covering the entire rated amount:** The rating is based on strength of the credit enhancement facility provided by BOI, through an unconditional and irrevocable SBLC for the entire rated amount. The SBLC is valid for CP's (maturing till November 05, 2018), to be issued for a maximum tenor of 90 days subject to maturity date being on or before the expiry date of the SBLC facility and quantum, subject to maximum outstanding amount of Rs 10 Crore under the CP programme. The current SBLC shall remain in full force and effect till November 05, 2018.

* **Well-defined payment structure designed to ensure full and timely payment to investors:** A well-defined payment mechanism has been put in place to ensure timely payment of obligation to the investors of the CP programme. The payment structure is depicted in the Annexure.

Outlook: Stable

CRISIL believes Beardsell Group will continue to benefit over the medium term from the extensive experience of its promoters. The outlook may be revised to 'Positive' if the group diversifies and scales up operations and sustainably improves profitability, while maintaining capital structure. The outlook may be revised to 'Negative' if financial risk profile, especially liquidity, weakens because of a sharp decline in operating margin and revenue, large, debt-funded capital expenditure, or stretch in working capital cycle.

About the Group

Incorporated in 1936 in Chennai and currently promoted by the Anumolu family, Beardsell manufactures polystyrene sheets and prefabricated panels. Operations are managed by Mr. Bharat Anumolu. The company is listed on the National Stock Exchange.

SIPL is 100% subsidiary of Beardsell and is based out of Coimbatore. Company is engaged in manufacturing of Expanded Polystyrene products majorly catering to engineering goods industry and sea foods export industry.

SP is a Pune based partnership firm ('Controlled Entity') and is engaged in the manufacturing of Expanded Polystyrene products majorly catering to packaging industry.

[CRISIL's rating on Bank of India](#)

Annexure: Payment Structure for SBLC backed CP programme

Timeline	Event
T -1 day	<ul style="list-style-type: none"> Beardsell shall deposit the requisite amount in the collection and payment account held with BOI (IPA) on or before 4.00 pm one working day in advance of due date/date of maturity of each tranche In case if Beardsell fails to deposit the requisite amount by 4.00 pm one working day in advance of due date/date of maturity of each tranche, the IPA shall provide a written notice to SBLC Bank calling upon the bank to arrange requisite amount for repayment IPA shall also ensure that the notice reaches the SBLC bank by 5.00 pm on T-1 date
T day by 12.00 pm	<ul style="list-style-type: none"> Upon receipt of notice, SBLC bank shall make payments of requisite amount to the collection and payment account by atleast 12.00 pm on due date/date of maturity of each tranche
T day	<ul style="list-style-type: none"> Payment made to investor based on funds deposited in the collection and payment account

If Beardsell ascertains that it is unable to meet repayment obligations, it will intimate the SBLC bank and IPA in writing on or before Day T-2 (2 days in advance of due date of the CP). Failure to do so shall not in any manner affect the obligation of the SBLC bank to advance the facility or obligation of the IPA under this agreement.

Key Financial Indicators

Particulars	Unit	2017*	2016*
Revenue	Rs. Cr.	190.04	161.26
Profit After Tax	Rs. Cr.	4.81	3.14
PAT Margins	%	2.5	1.9
Adjusted Debt/Adjusted Net worth	Times	0.95	1.12
Interest coverage	Times	3.57	2.51

*Consolidated

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Amount (Rs crore)	Rating assigned with outlook
NA	Fixed Deposits	NA	NA	NA	5.0	FB+/Stable
NA	Commercial Paper	NA	NA	7 to 90 days	10.0	CRISIL A1+(SO)

Annexure - Rating History for last 3 Years

Current				2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Quantum	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Commercial Paper	ST	10	CRISIL A1+(SO)		No Rating Change	11-09-17	CRISIL A1+(SO)		--		--	--
Fixed Deposits	FD	5	FB+/Stable		No Rating Change		No Rating Change		No Rating Change	25-02-15	FB+/Stable	--

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release.

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Criteria for rating short term debt](#)

[The Rating Process](#)

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For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p> <p>Jyoti Parmar Media Relations CRISIL Limited D: +91 22 3342 1835 B: +91 22 3342 3000 jyoti.parmar@crisil.com</p>	<p>Arvind Rao Director - CRISIL Ratings CRISIL Limited D: +91 22 4097 8278 arvind.rao@crisil.com</p> <p>Rushabh Borkar Rating Analyst - CRISIL Ratings CRISIL Limited D: +91 22 4097 8302 Rushabh.Borkar@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

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