

# Independent Equity Research

Enhancing investment decisions



In-depth analysis of the fundamentals and valuation

**Beardsell Limited**

**Q1FY11 Result update**

## Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade)

### Fundamental Grade

CRISIL's Fundamental Grade represents an overall assessment of the fundamentals of the company graded in relation to other listed equity securities in India. The grade facilitates easy comparison of fundamentals between companies, irrespective of the size or the industry they operate in. The grading factors in the following:

- Business Prospects: Business prospects factors in Industry prospects and company's future financial performance
- Management Evaluation: Factors such as track record of the management, strategy are taken into consideration
- Corporate Governance: Assessment of adequacy of corporate governance structure and disclosure norms

The grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals)

CRISIL Fundamental Grade	Assessment
5/5	Excellent fundamentals
4/5	Superior fundamentals
3/5	Good fundamentals
2/5	Moderate fundamentals
1/5	Poor fundamentals

### Valuation Grade

CRISIL's Valuation Grade represents an assessment of the potential value in the company stock for an equity investor over a 12 month period. The grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Valuation Grade	Assessment
5/5	Strong upside (>25% from CMP)
4/5	Upside (10-25% from CMP)
3/5	Align (+-10% from CMP)
2/5	Downside (negative 10-25% from CMP)
1/5	Strong downside (<-25% from CMP)

### Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

### Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

### Disclaimer:

This **Exchange-commissioned Report (Report)** is based on data publicly available or from sources considered reliable. CRISIL Ltd. (CRISIL) does not represent that it is accurate or complete and hence, it should not be relied upon as such. The data / Report are subject to change without any prior notice. Opinions expressed herein are our current opinions as on the date of this Report. Nothing in this Report constitutes investment, legal, accounting or tax advice or any solicitation, whatsoever. The subscriber / user assumes the entire risk of any use made of this data / Report. CRISIL especially states that it has no financial liability, whatsoever, to the subscribers / users of this Report. This Report is for the personal information only of the authorized recipient in India only. This Report should not be reproduced or redistributed or communicated directly or indirectly in any form to any other person – especially outside India or published or copied in whole or in part, for any purpose.

Business as usual

Industry: Packaging | Expanded polystyrene  
Date: August 27, 2010

Beardsell Limited's (Beardsell's) Q1FY11 revenues increased 48.6% y-o-y to Rs 165.7 mn, higher than CRISIL Equities' expectations of 15.6% for FY11. EBITDA and PAT margins were reported at 7.1% and 4.1%, respectively, above our FY11 expectations of 5.4% and 3.5% mainly due to lower-than-expected raw material costs. We continue to maintain our FY11 estimates, as the company's quarterly performance has been volatile in the past. Based on steady industry growth prospects, we maintain our fundamental grade of '3/5'; indicating Beardsell's fundamentals are 'good' relative to other listed equity securities in India. We have revised the valuation grade to '4/5', indicating that the market price has an 'upside' from the current levels.

## Q1FY11 result analysis

- As against the historical trend of low growth in Q1, the Q1FY11 revenues grew 48.6% y-o-y to Rs 165.7 mn, which we believe is on account of spill-over of orders from Q4FY10 into the current quarter. Q4FY10 revenues declined by 58% y-o-y.
- The insulation segment, comprising expanded polystyrene (EPS), prefab panels and contracts, registered revenue growth of 49.7% y-o-y to Rs 158.7 mn, while the trading segment's revenues increased by 27.4% y-o-y to Rs 7 mn.
- EBITDA and PAT registered y-o-y growth of 14.4% and 42%, respectively.
- EBITDA margin declined by 210 bps y-o-y to 7.1%, but improved 390 bps on a q-o-q basis due to lower employee costs. PAT margins too witnessed similar trends, declining by 20 bps y-o-y to 4.1% but improved 230 bps on a q-o-q basis..

## Construction activities on track in Chennai

In Q1FY11, Beardsell acquired 7 acres of land in Chennai at a cost of Rs 18 mn. Construction activities have already started and orders for the main equipments have been placed. In addition, the company has started the production of rockwool and glasswool panels in the Thane unit during the quarter. We have already factored in these developments and continue to believe that expansion plans will help the company to increase market share, and enhance revenues and margins in the near term.

## Valuations – upside from the current levels

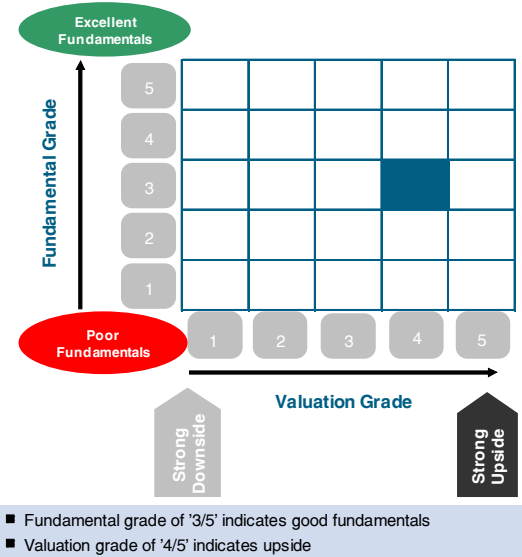
In the Q4FY10 result update (dated 01 June 2010), the fair value was Rs 54. Since then, the market price has moved in line with our fair value assumptions. We maintain our earnings estimates for Beardsell. However, we have revised the fair value estimate from Rs 54 per share to Rs 61 per share. The difference in fair value is on account of the rolling forward of the earnings estimates by a year to FY12. The stock has an 'upside' from the current market price of Rs 54. We, therefore, revise the valuation grade to '4/5' from '2/5'.

## Key forecast (Consolidated)

(Rs mn)	FY08	FY09	FY10P	FY11E	FY12E
Operating income	595	520	549	635	761
EBITDA	36	13	25	34	44
PAT	23	10	15	22	27
EPS (Rs )	6.0	2.6	4.0	5.7	7.0
EPS growth (%)	(7.6)	(87.7)	55.0	44.4	22.4
PE (x)	16.1	12.7	13.7	9.5	7.8
P/BV (x)	2.3	0.7	1.1	1.0	0.9
RoCE (%)	17.9	4.2	9.5	12.5	14.3
RoE (%)	15.0	5.9	8.6	11.4	12.6
EV/EBITDA (x)	9.1	4.5	5.4	4.3	3.8

Source: Company, CRISIL Equities estimate

## CFV matrix

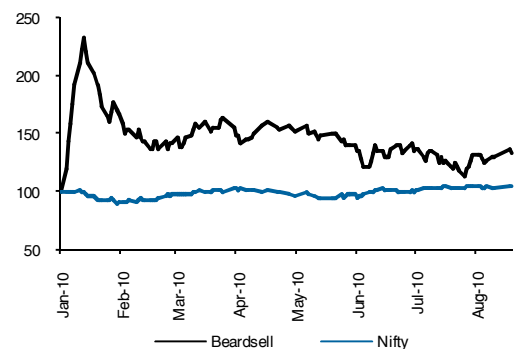


## Key stock statistics

	Beardsell
NSE ticker	Beardsell
Fair value (FV – Rs 10)	61
Current market price*	54
Shares outstanding (mn)	3.8
Market cap (Rs mn)	208
Enterprise value (Rs mn)	144
52-week range(Rs)(H/L)	100 / 35
PE on EPS estimate (FY11E)(x)	9.5
Beta	1.7
Free float (%)	51.4
Average daily volumes	311

\* as on report date

## Share price movement



## Analytical contact

Chetan Majithia (Head, Equities)	+91 22 3342 4148
Ravi Dodhia	+91 22 3342 3508
Suresh Guruprasad	+91 22 3342 3531
Email: <a href="mailto:clientservicing@crisil.com">clientservicing@crisil.com</a>	+91 22 3342 3561

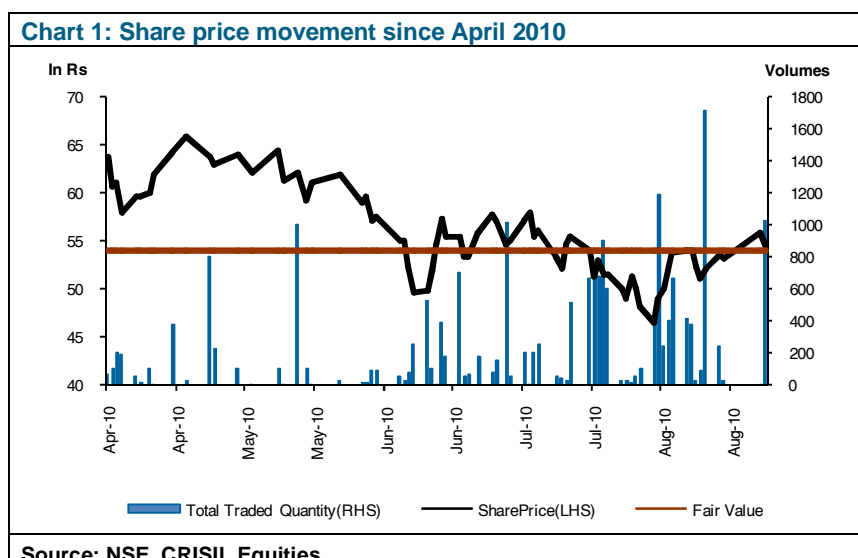
## Valuation

We have revised our fair value estimate from Rs 54 per share in our Q4FY10 update to Rs 61 per share. Since our earnings estimates are unchanged, the difference in fair value is on account of the rolling forward of the earnings estimates by a year. The revised value takes into account the discounted cash flows from FY12 as opposed to FY11 in our previous update. At the revised fair value, the stock trades at multiples of 10.6x FY11 and 8.7x FY12 earnings.

Therefore, we have revised the valuation grade to '4/5', indicating that the current market price of Rs 54 has an 'upside' from the current levels.

*We have revised the valuation grade to '4/5' from '2/5'*

**Chart 1: Share price movement since April 2010**



Source: NSE, CRISIL Equities

**Table 1: Reports released on Beardsell Limited**

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	Market price (on the date of report)
4-May-10	Initiating coverage*	3/5	Rs 54	2/5	Rs 64
1-Jun-10	Q4FY10 result update	3/5	Rs 54	2/5	Rs 60
27-Aug-10	Q1FY11 result update	3/5	Rs 61	4/5	Rs 54

\* For detailed initiating coverage report please visit: [www.ier.co.in](http://www.ier.co.in)

**Q1FY11 result analysis**

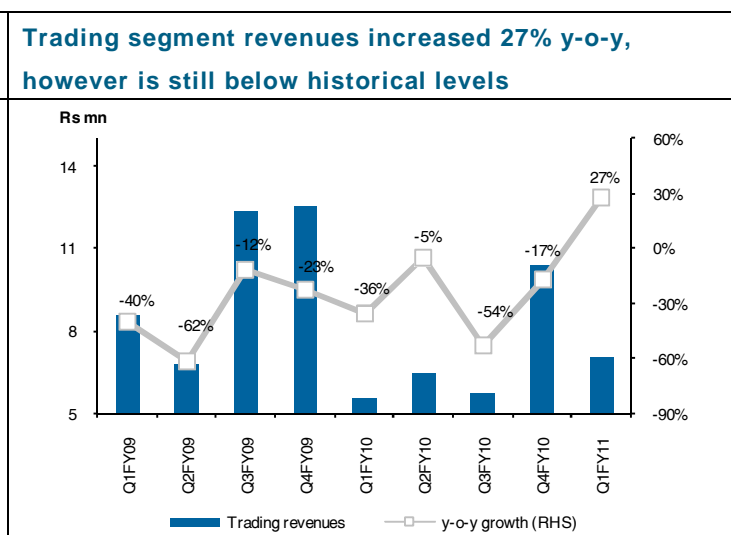
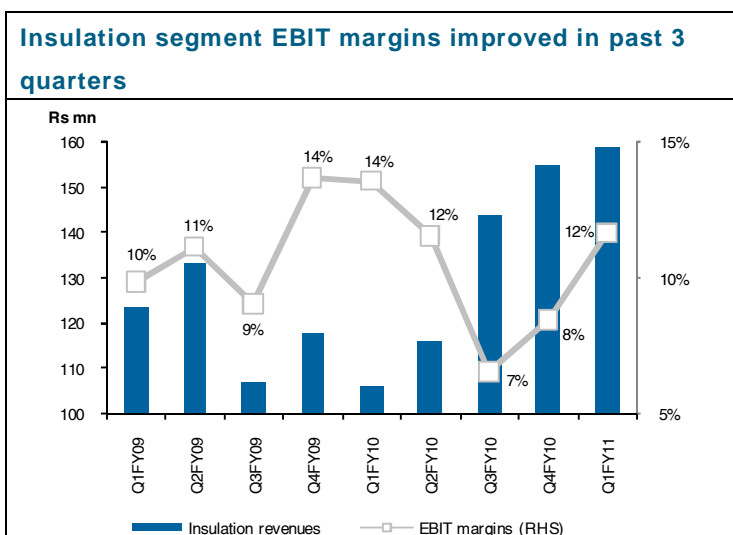
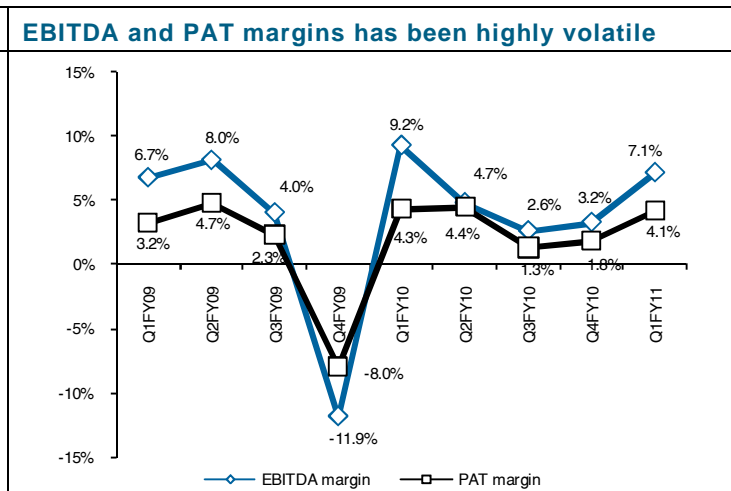
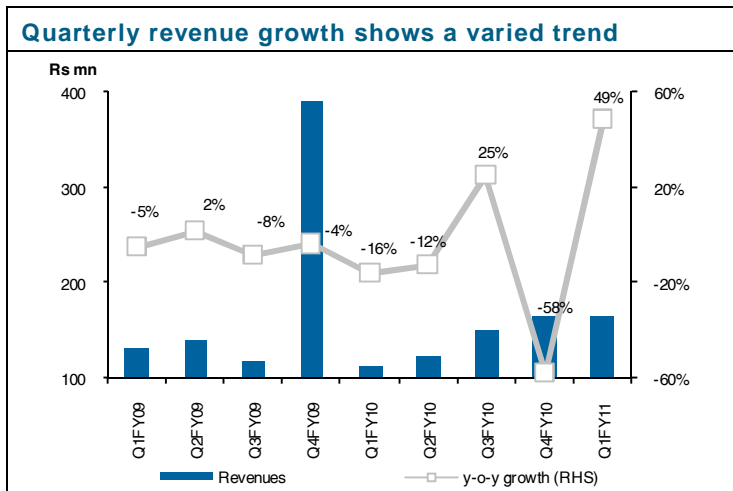
Beardsell (Rs mn)	Q1FY11	Q4FY10	Q1FY10	q-o-q (%)	y-o-y (%)
<b>Net sales</b>	<b>165.7</b>	<b>165.1</b>	<b>111.6</b>	<b>0.4</b>	<b>48.6</b>
(Inc)/dec in stock	-5.6	-3.4	-4.3	na	na
Consumption of raw materials	56.3	49.2	26.3	14.4	113.7
Purchase of traded goods	77.7	77.4	60.2	0.5	29.1
Employees cost	13.7	17.3	8.1	-20.5	68.7
Other expenses	11.8	19.3	10.8	-39.0	8.5
<b>Cost of sales</b>	<b>154.0</b>	<b>159.8</b>	<b>101.3</b>	<b>-3.7</b>	<b>52.0</b>
Other operating income					
<b>EBITDA</b>	<b>11.7</b>	<b>5.3</b>	<b>10.3</b>	<b>120.7</b>	<b>14.4</b>
<b>EBITDA margin</b>	<b>7.1%</b>	<b>3.2%</b>	<b>9.2%</b>	<b>390 bps</b>	<b>(210 bps)</b>
Interest and finance charges	1.0	0.7	0.1	36.1	957.6
<b>EBTDA</b>	<b>10.8</b>	<b>4.6</b>	<b>10.2</b>	<b>133.8</b>	<b>5.9</b>
Depreciation	2.3	3.5	1.9	-35.5	20.5
<b>Operating PBT</b>	<b>8.5</b>	<b>1.1</b>	<b>8.3</b>	<b>671.4</b>	<b>2.6</b>
Other Income	1.7	3.1	0.5	-43.8	266.5
<b>PBT</b>	<b>10.3</b>	<b>4.2</b>	<b>8.8</b>	<b>144.0</b>	<b>16.8</b>
Tax	3.5	1.2	4.0	195.2	-13.2
<b>PAT</b>	<b>6.8</b>	<b>3.0</b>	<b>4.8</b>	<b>124.1</b>	<b>42.0</b>
<b>PAT margin</b>	<b>4.1%</b>	<b>1.8%</b>	<b>4.3%</b>	<b>230 bps</b>	<b>(20 bps)</b>
<b>No of equity shares</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>		
<b>EPS (Rs)- Diluted</b>	<b>1.8</b>	<b>0.8</b>	<b>1.2</b>	<b>124.1</b>	<b>42.0</b>

Source: Company

*EBITDA margin improved 390 bps q-o-q to 7.1% in Q1FY11*

*EPS increased 42% y-o-y to Rs 1.8*

### Focus Charts



Source: Company, CRISIL Equities

## Annexure: Financials

### Income Statement

(Rs Mn)	FY08	FY09	FY10P	FY11E	FY12E
Net sales	583	509	537	621	745
<b>Operating Income</b>	<b>595</b>	<b>520</b>	<b>549</b>	<b>635</b>	<b>761</b>
<b>EBITDA</b>	<b>36</b>	<b>13</b>	<b>25</b>	<b>34</b>	<b>44</b>
Depreciation	6	6	8	8	11
Interest	2	1	1	2	3
Other income	9	7	9	9	9
<b>PBT</b>	<b>37</b>	<b>13</b>	<b>25</b>	<b>33</b>	<b>40</b>
<b>PAT</b>	<b>23</b>	<b>10</b>	<b>15</b>	<b>22</b>	<b>27</b>
No. of shares	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>
Earnings per share (EPS)	<b>6.0</b>	<b>2.6</b>	<b>4.0</b>	<b>5.7</b>	<b>7.0</b>

### Balance Sheet

(Rs Mn)	FY08	FY09	FY10P	FY11E	FY12E
Equity (FV - Rs 10)	38	38	38	38	38
Reserves and surplus	124	131	144	164	187
Debt	13	4	13	20	20
Current liabilities and provisions	138	145	148	173	207
Deferred tax liability/(asset)	4	(7)	3	4	5
Minority interest	-	-	-	-	-
<b>Capital Employed</b>	<b>318</b>	<b>310</b>	<b>346</b>	<b>399</b>	<b>457</b>
Net fixed assets	40	63	67	93	127
Capital WIP	3	10	10	10	10
Intangible assets	-	-	-	-	-
Investments	1	1	1	1	1
Loans and advances	61	46	48	56	67
Inventory	39	23	26	31	38
Receivables	120	99	111	129	156
Cash & Bank balance	55	68	83	79	58
<b>Applications of Funds</b>	<b>318</b>	<b>310</b>	<b>346</b>	<b>399</b>	<b>457</b>

Source: Company, CRISIL Equities estimates

<b>Cash Flow</b>					
<b>(Rs Mn)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10P</b>	<b>FY11E</b>	<b>FY12E</b>
Pre-tax profit	37	13	25	33	40
Total tax paid	(16)	(15)	0	(10)	(12)
Depreciation	6	6	8	8	11
Change in working capital	17	59	(14)	(6)	(11)
<b>Cash flow from operating activities</b>	<b>44</b>	<b>62</b>	<b>19</b>	<b>26</b>	<b>28</b>
Capital expenditure	(5)	(36)	(11)	(35)	(45)
Investments and others	-	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(5)</b>	<b>(36)</b>	<b>(11)</b>	<b>(35)</b>	<b>(45)</b>
Equity raised/(repaid)	0	4	0	-	(0)
Debt raised/(repaid)	(7)	(10)	9	8	-
Dividend (incl. tax)	(7)	-	(2)	(3)	(3)
Others (incl extra ordinaries)	0	(7)	-	-	-
<b>Cash flow from financing activities</b>	<b>(13)</b>	<b>(13)</b>	<b>7</b>	<b>5</b>	<b>(3)</b>
<b>Change in cash position</b>	<b>26</b>	<b>13</b>	<b>15</b>	<b>(4)</b>	<b>(21)</b>
Opening Cash	29	55	68	83	79
Closing Cash	55	68	83	79	58

<b>Ratios</b>					
	<b>FY08</b>	<b>FY09</b>	<b>FY10P</b>	<b>FY11E</b>	<b>FY11E</b>
<b>Growth ratios</b>					
Sales growth (%)	15.2	(12.6)	5.5	15.6	19.9
EBITDA growth (%)	107.8	(63.7)	91.8	36.2	29.1
EPS growth (%)	(7.6)	(87.7)	424.6	44.4	22.4
<b>Profitability Ratios</b>					
EBITDA Margin (%)	6.1	2.5	4.6	5.4	5.8
PAT Margin (%)	3.9	1.9	2.8	3.5	3.5
Return on Capital Employed (RoCE) (%)	17.9	4.2	9.5	12.5	14.3
Return on equity (RoE) (%)	15.0	5.9	8.6	11.4	12.6
<b>Dividend and Earnings</b>					
Dividend per share (Rs)	1.8	0.0	0.4	0.6	0.7
Dividend payout ratio (%)	28.6	0.0	10.0	10.0	10.0
Dividend yield (%)	1.8	-	0.7	1.1	1.3
Earnings Per Share (Rs)	6.0	2.6	4.0	5.7	7.0
<b>Efficiency ratios</b>					
Asset Turnover (Sales/GFA)	6.8	5.7	5.1	4.9	4.5
Asset Turnover (Sales/NFA)	15.2	10.1	8.5	7.9	6.9
Sales/Working Capital	6.6	10.0	18.4	16.0	15.8
<b>Financial stability</b>					
Net Debt-equity	-0.3	-0.4	-0.4	-0.3	-0.2
Interest Coverage	13.4	6.6	13.2	12.5	13.1
Current Ratio	2.0	1.6	1.8	1.7	1.5
<b>Valuation Multiples</b>					
Price-earnings	16.1x	12.7x	13.7x	9.5x	7.8x
Price-book	2.3x	0.7x	1.1x	1.0x	0.9x
EV/EBITDA	9.1x	4.5x	5.4x	4.3x	3.8x

Source: Company, CRISIL Equities estimates





## About CRISIL Limited

CRISIL is India's leading Ratings, Research, Risk and Policy Advisory Company

## About CRISIL Research

CRISIL Research is India's largest independent, integrated research house. We leverage our unique, integrated research platform and capabilities spanning the entire economy-industry-company spectrum to deliver superior perspectives and insights to over 600 domestic and global clients, through a range of subscription products and customised solutions.

### Mumbai

CRISIL House  
Central Avenue  
Hiranandani Business Park  
Powai, Mumbai - 400 076, India.  
Phone +91 (22) 3342 8026/29/35  
Fax +91 (22) 3342 8088

### New Delhi

The Mira  
G-1 (FF), 1st Floor, Plot No. 1&2  
Ishwar Nagar, Near Okhla Crossing  
New Delhi -110 065, India.  
Phone +91 (11) 4250 5100, 2693 0117-21  
Fax +91 (11) 2684 2212/ 13

### Bengaluru

W-101, Sunrise Chambers  
22, Ulsoor Road  
Bengaluru - 560 042, India.  
Phone +91 (80) 4117 0622  
Fax +91 (80) 2559 4801

### Kolkata

'Horizon', Block 'B', 4th floor  
57 Chowringhee Road  
Kolkata - 700 071, India.  
Phone +91 (33) 2283 0595  
Fax +91 (33) 2283 0597

### Chennai

Mezzanine Floor, Thappar House  
43 / 44, Montieth Road  
Egmore  
Chennai - 600 008, India.  
Phone +91 (44) 2854 6205/06, 2854 6093  
Fax +91 (44) 2854 7531



For further details  
or more information, please contact:  
Client Servicing  
CRISIL Research  
CRISIL House  
Central Avenue  
Hiranandani Business Park  
Powai, Mumbai - 400 076, India.  
Phone +91 (22) 3342 3561/ 62  
Fax +91 (22) 3342 3501  
E-mail: [clientservicing@crisil.com](mailto:clientservicing@crisil.com)  
E-mail: [research@crisil.com](mailto:research@crisil.com)

[www.ier.co.in](http://www.ier.co.in)