October 30, 2024

Beumer India Private Limited: Long-term rating upgraded to [ICRA]A(Stable); Short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term- fund based- overdraft	50.00	50.00	[ICRA]A(Stable); Upgraded from [ICRA]A-(Stable)
Long term- interchangeable limits- others^	(20.00)	(20.00)	[ICRA]A(Stable); Upgraded from [ICRA]A-(Stable)
Short term- non-fund based-others	530.00	530.00	[ICRA]A2+; Reaffirmed
Total	**580.00**	**580.00**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade in the ratings factor in BIPL's robust order book position of around Rs. 1029 crore as on July 31, 2024 driven by steady order inflow from various end-user industries, which provides healthy revenue visibility in the near to medium term. The revival of capex plans in the end-user industries such as cement, and minerals & mining, and the ongoing/proposed expansion plans in the airports are likely to aid a steady order inflow and support revenue growth for the company. The revenues witnessed a ~39% YoY growth to Rs. 629 crore in CY2023, with improvement in operating profit margins (OPM) (to 9.1% in CY2023 from 8.2% in CY2022).

The ratings also factor in the improvement in net working capital intensity (NWC/OI) (2% in CY2023 improved from 8% in CY2022) which translates to minimal reliance on external debt, leading to healthy cash accruals. Consequently, BIPL's leverage and coverage metrices witnessed further improvement in CY2023. However, the company has sizeable capex plans of Rs. ~160-180 crore for a new plant lined up over CY2024-CY2025, which is to be funded by internal accruals, proceeds from sale of existing plant and ECB (external commercial borrowings) from parent of Rs. ~90 crore. This is likely to result in moderation of the debt metrices to some extent in the near term, although these are likely to remain comfortable.

The ratings continue to factor in the company's strong operational synergies with its parent entity, Beumer Group GmbH & Co. KG, Germany, with an extensive experience in the intralogistics industry and a global presence. The ratings consider the track record of technical and financial support from the parent entity. The parent has extended ECBs and corporate guarantee to the bank facilities availed by the company.

The ratings favourably factor in the robust order backlog of Rs. 1029 crore as on July 31, 2024 Post acquisition of FAM Group, Germany, an independent manufacturer of material handling systems, particularly for the minerals and mining segment by Beumer Group, the Indian unit i.e. FAM Materials Handling Systems India Private Limited was acquired by BIPL. The company is likely to benefit from the operational synergies arising from the varied product portfolio of its subsidiary and thereby aid the healthy order inflow for the company, particularly in the minerals and mining segment. Further, BIPL has established relationships with reputed clients and a diversified customer base, which coupled with the parent's support have ensured repeat orders from its customers. The ratings also consider the company's comfortable financial risk profile of the company with limited debt on its books and a comfortable liquidity profile supported by cushion in working capital limits and unencumbered cash balances.

The ratings, however, are constrained by the susceptibility of the company's revenues to the capex cycle of the end-user industries such as cement, airports, power, engineering goods and logistics as reflected in the varied revenue growth rate in the last seven years. The ratings further note the vulnerability of the company's profitability to raw material price variations where the execution timeline may be longer (within ~12-24 months), as a large part of its contracts are fixed price in nature.

This risk is mitigated, to some extent, by back-to-back supply arrangements with vendors. Additionally, BIPL is exposed to foreign currency fluctuation risks due to significant dependence on imports from Group companies (which are not hedged), wherein the agreements allow some pass-through (linked to the exchange rates on the date of imports) to customers.

Further, the increasing share of the projects business in the revenue mix on the back of a healthy order inflow expected from airports and the minerals and mining division may increase the working capital requirements, given the longer execution cycle. However, the mobilisation advances received from the customers and the favourable credit terms with suppliers (sizeable support from the Group companies) provide comfort to some extent, though these may result in high total outside liabilities/tangible net worth (TOL/TNW) for the company. BIPL also faces intense competition from the Indian arms of large global engineering companies as well as niche players, which limits its pricing power and thus, constrains the profitability.

The Stable outlook on the rating reflects ICRA's opinion that BIPL's revenues and accruals will be supported by a robust order backlog and expected healthy order inflow over the medium term. The company will also continue to benefit from its parent's extensive experience with a global presence as well as financial support from the parent.

Key rating drivers and their description

Credit strengths

Strong operational synergies with parent and track record of financial support– Beumer Group, Germany, is one of the leading global players in the intralogistics industry/material handling systems with a global presence. As its subsidiary, BIPL has access to the technical expertise of the parent entity which enables it to cater to the requirements of the end-user industries in India and also benefits from the brand recognition of the parent entity. The Beumer Group operates engineering centres at various locations globally that provide engineering support to BIPL. Additionally, the parent has product-line specific manufacturing centres at five locations globally, which ensure need-based equipment supplies for BIPL's customers, evident from the sizeable purchases from the Beumer Group entities over the past few years. The company has a demonstrated track record of financial support from the parent entity, evident from the ECBs extended by the Beumer Group, besides the corporate guarantee availed by BIPL against bank facilities.

Robust order book position provides medium term revenue visibility- BIPL secured orders of Rs. 719 crore in CY2023 and Rs. ~800 crore in YTDCY2024 (till October 18, 2024), driven by recovery in the capex plans of select end-user industries. The healthy order inflow over the past few quarters resulted in a robust order backlog of Rs. 1029 crore as on July 31, 2024, providing revenue visibility over the near to medium term. The overall expansion in the capex outlay of end-user industries like cement, increased automation in product (raw material and finished) handling and the ongoing/proposed capacity expansions in airports in India augur well for the demand prospects for the company's products.

Reputed customer profile with diversified customer base- The company caters to sectors such as cement, minerals and mining and airports. Its clientele includes reputed engineering procurement and construction (EPC) contract companies like Larsen and Toubro Limited (L&T), cement players such as Ultratech, Shree Cement Limited and J.K. Cement Limited and major players of the airport industry such as Adani, GMR Airports Limited and Airport Authority of India (AAI). Access to the parent's technology and ability to customise products as per the local requirements over the years has ensured a healthy market position for the company and good relationships with clients, as evident from the repeat orders.

Healthy financial risk profile and comfortable liquidity- BIPL has a healthy financial risk profile in the absence of external debt on its books. The debt is limited to the ECBs availed from the parent entity at a lower rate of interest and comfortable repayment terms. This has resulted in a healthy leverage ratio of less than 1 times over the past three years and comfortable credit metrics with interest coverage ratio of 9.8 times for CY2023. The liquidity position is also comfortable with undrawn lines of credit of Rs ~35-75 crore in 7MCY2024 with the mobilisation advances received from customers likely to support the overall working capital requirements.

However, with sizeable capex of Rs. ~160-180 crore for a new plant lined up over CY2024-CY2025, to be funded by internal accruals, proceeds from sale of existing plant, cash and equivalents of Rs. ~85 crore as on December 31, 2023 and ECB from parent of Rs. ~90 crore, the debt metrices are expected to witness some moderation in the near term but remain comfortable. The repayment schedule is comfortable and not expected to begin before CY2029 .

Credit challenges

Susceptibility of revenues to capex cycle in end-user industry- The growth prospects of BIPL's major end-user industries such as cement, airports, power, engineering goods, logistics are linked to infrastructure investments in the country. Hence, the revenue growth rate has varied over the past few years because of the dependence on the capex cycle of the end-user sectors and the project nature of the business. However, the company's presence across multiple sectors with a reputable customer base has enabled a healthy order book build-up, providing revenue visibility for the company in the near to medium term.

Exposure to raw material price variation and forex risk- A large part of BIPL's contracts is fixed price in nature, which exposes the company to the risk of fluctuations in raw material prices, with longer execution timelines (ranging from 12-24 months). However, the risk is mitigated, to some extent, by back-to-back supply arrangements with vendors. Additionally, given the significant dependence on imports from the Group companies (which are not hedged), the company's profits remain vulnerable to any adverse foreign exchange movements. This risk is partly addressed through the contract terms, wherein the foreign exchange rates on the date of imports are captured, and therefore the adverse changes are passed on to the customers to a large extent.

Increasing share of projects business in revenue mix to keep working capital cycle elongated- The management expects a healthy order inflow from the airports and minerals & mining segments, with these two divisions expected to be the key revenue driver in the near to medium term. The increased share of projects in the overall revenue mix is likely to increase the working capital requirements, given the longer execution cycle. However, the mobilisation advances received from customers and the favourable credit terms with suppliers (sizeable support from the Group companies) provides comfort to some extent.

Intense competition from global players- The material handling industry is characterised by the presence of the Indian arms of large global engineering companies as well as niche players, which exposes the company to intense competition, thus limiting its pricing power, and constraining the company's profitability as reflected in its modest margin profile.

Liquidity position: Adequate

BIPL has a comfortable liquidity profile, reflected in the sizeable, unencumbered cash balance of Rs. 84.6 crore as on December 31, 2023, and a sufficient cushion of ~Rs. 35-75 crore in working capital limits in 7MCY2024. However, the company has sizeable capex lined up for CY2024-CY2025 of Rs. ~170 crore, of which Rs. 65 crore has already been incurred for purchase of land. The capex will be funded by internal accruals and ECB from parent of Rs. 90 crore, with comfortable repayments terms.

The liquidity profile of the company is expected to remain adequate, supported by healthy cash accrual generation with moderate revenue growth anticipated in the near term. Further, receipt of mobilisation advances from the customers and a favourable credit period for supplies from the group companies also support the company's working capital cycle and its overall liquidity position.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if BIPL demonstrates an improvement in its revenues, profits and coverage metrics on a sustained basis, while maintaining a strong liquidity position even as its high working capital-intensive project business scales up. Any major improvement in the parent company's financial profile can also trigger a favourable rating outcome.

Negative factors – ICRA could downgrade the ratings if there is a moderation in the order inflow, which would result in a stagnation or decline in revenues and profits or a weakening of the coverage metrics. Additionally, any deterioration in the working capital cycle that weakens the liquidity position or coverage metrics may trigger a downward rating action. ICRA could also downgrade BIPL's ratings if there is a major deterioration in the parent company's financial profile or if the linkage with the parent company weakens.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	Parent company: Beumer Group The company benefits from the operational and financial support from being part of the Beumer Group.
Consolidation/Standalone	The rating is based on the company's standalone financial profile

About the company

BIPL, incorporated in 1985, is a 99.99% subsidiary of Beumer Betelligungsgesellschaft GmbH (Beumer BBG) of Germany. BIPL was formerly known as Beumer Technologies India Limited (BTIL). The Beumer Group took over Enexco Tecknologies Private Limited (ETPL) in September 2011 and merged BTIL and ETPL in FY2016. BIPL is into the intralogistics business and operates in four verticals, i.e conveyer and loading, packing and palletising, pelletising and packaging, sortation and distribution and customer support services. Its facility for fabrication and assembling is at Naurangpur, Gurgaon (Haryana).

The Beumer Group was set up in 1935 as a closely held independent company by Mr. Bernhard Beumer in Beckum (Germany).

It is one of the leading intralogistics/material handling equipment suppliers in the world with four business verticals: Packing and palletising, overlying and conveying, baggage-handling systems at airports, and cement manufacturing. The company is present in 70 countries, including Australia, the US, Brazil, China, Spain, Singapore, U.A.E. and Denmark.

Key financial indicators (audited)

Beumer India Private Limited (standalone)	CY2022	CY2023
Operating income	452.5	629.1
PAT	23.4	36.8
OPBDIT/OI	8.2%	9.1%
PAT/OI	5.2%	5.8%
Total outside liabilities/Tangible net worth (times)	2.4	2.9
Total debt/OPBDIT (times)	0.7	0.4
Interest coverage (times)	8.5	9.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	30-OCT-2024	Date	Rating	Date	Rating	Date	Rating
Long term-others-interchangeable	Long Term	(20.00)	[ICRA]A (Stable)	31-AUG-2023	[ICRA]A- (Stable)	14-JUN-2022	[ICRA]A- (Stable)	20-AUG-2021	[ICRA]BBB+ (Positive)
								10-AUG-2021	[ICRA]BBB+ (Positive)
Long term-overdraft-fund based	Long Term	50.00	[ICRA]A (Stable)	31-AUG-2023	[ICRA]A- (Stable)	-	-	-	-
Short term-others-non fund based	Short Term	530.00	[ICRA]A2+	31-AUG-2023	[ICRA]A2+	14-JUN-2022	[ICRA]A2+	20-AUG-2021	[ICRA]A2
								10-AUG-2021	[ICRA]A2
Working Capital Facilities	Long Term	-	-	-	-	14-JUN-2022	[ICRA]A- (Stable)	20-AUG-2021	[ICRA]BBB+ (Positive)
								10-AUG-2021	[ICRA]BBB+ (Positive)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term- fund based – overdraft	Simple
Long term- interchangeable limits- others	Simple
Short term- non fund based- others	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - fund based- overdraft	-	-	-	50.00	[ICRA]A(Stable)
NA	Long term-interchangeable limits- others	-	-	-	(20.00)	[ICRA]A(Stable)
NA	Short term- non fund based- others	-	-	-	530.00	[ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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