

December 18, 2019

Beumer India Private Limited: Rating assigned for enhanced amount

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based Limits	5.00	20.00#	[ICRA]BBB+(Stable); outstanding/ assigned
Non-fund Based Limits	30.00	27.00	[ICRA]A2; outstanding
Total	35.00	47.00	

*Instrument details are provided in Annexure-1, # interchangeable towards non-fund limits

Rationale

The rating action factors in the strength derived by Beumer India Private Limited (BIPL) as a wholly-owned subsidiary of the Beumer Group, Germany, which extends financial and technical support. The rating also factors in the company's presence as an established player in intra-logistics systems in India with a reputed customer base, including Larsen & Toubro (L&T), Bharat Heavy Electricals Limited (BHEL), Ambuja Cements Limited, Shree Cement Limited, etc. Its healthy order book of ~Rs. 590 crore as on November 30, 2019, is spread across different industries like cement, mining, airports, etc. and provides medium-term revenue visibility.

The ratings, however, are constrained by the intense competition in the industry in both the domestic and overseas markets. Given that BIPL is a part of the capital goods industry, its revenue growth depends on order inflow, which is sensitive to economic and investment cycles. This is reflected in its volatile operating income (OI) and operating margins in the past. Moreover, the current order book is skewed towards two large orders that account for more than 50% of BIPL's order book. This exposes the company to project-concentration risk to some extent. The ratings consider its moderate debt coverage indicators as well as high working capital intensity owing to high debtors and fixed-price contracts that expose the profitability margins to adverse movement in raw material prices.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that BIPL will continue to benefit from the established track record and technical expertise of its holding company Beumer Group GmbH KG, Germany.

Key rating drivers and their description

Credit strengths

Strong parentage as a subsidiary of Beumer Group, Germany – BIPL is a subsidiary of the Beumer Group, Germany, one of the leading global players in the intra-logistics industry/material handling systems. The rating factors in BIPL's inherent business strengths gained through the long track record and technical expertise of the parent entity, which mitigates technology obsolescence risks. Additionally, the company benefits from the financial support extended in the form of corporate guarantee for most of its bank facilities. The parent entity also provides external commercial borrowings (ECBs) and subscribes to BIPL's masala bonds.

Repeated orders from reputed client base – The company's reputed customer base includes L&T, BHEL, Ambuja Cements Limited, Shree Cement Limited, etc. It shares healthy relationships with clients and has been able to get repeat orders from its customers, reflecting the quality of work done over the years.

Healthy orderbook position – The company's order book of ~Rs. 590 crore as on November 30, 2019 provides medium-term revenue visibility. The order book is diversified across industries like cement, mining, airports, etc.

Credit challenges

Susceptibility of revenues to cyclicity in end-user industry – The major industries catered to by BIPL are highly cyclical in nature and remain primarily dependent on the economic growth of the country. There is a strong correlation between GDP growth and the growth in end-user sectors like cement, airport, mining, logistics, etc. These sectors are cyclical in nature and undergo fluctuations. Accordingly, the scales of the concerned companies are affected. However, players like BIPL have diversified their revenue segments, but remain dependent on the capex being incurred in these particular industries.

Exposure to raw material price variation due to fixed-price contracts – Most contracts are fixed-price in nature, which exposes the company to the risk of fluctuating raw material prices. However, the same is mitigated to some extent by similar arrangements with suppliers.

Stiff competition from other large players – The intra-logistics industry is characterised by intense competition due to the presence of a large number of players constraining the margins. Further, strong linkage of the business to the overall economic growth and investment pattern makes BIPL vulnerable to any slowdown in economic growth.

Liquidity position: Adequate

BIPL's liquidity is adequate as reflected by the cushion available in the working capital limit and sufficient resource to repay the masala bond of its parent company.

Rating sensitivities

Positive triggers: ICRA could upgrade the rating if BIPL demonstrates a sustained improvement in revenues and profitability, coupled with an improvement in working capital parameters. Any major improvement in the parent company's credit risk profile will also be a positive trigger.

Negative triggers: ICRA could downgrade the ratings if any deterioration in the working capital parameters results in tight liquidity profile or weakened credit metrics on account of a decline in profitability and revenues. Any debt-funded capital expenditure, which weakens the financial risk profile would be a negative trigger for the company. This apart, ICRA could downgrade BIPL's rating in case there is a major deterioration in the parent company's credit risk profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	ICRA expects BIPL's parent, Beumer Group GmbH KG, Germany, to be willing to extend financial support to BIPL as and when a need arises; moreover, the holding company has extended a corporate guarantee for a major share of BIPL's debt.; both BIPL and the holding company share a common name, which in ICRA's opinion would persuade the holding company to provide financial support to BIPL to protect its reputation from the consequences of a Group entity's distress
Consolidation	Rating is based on the standalone financials of BIPL

About the company

Incorporated in 1985, BIPL is a 99.99% subsidiary of Beumer Beteiligungsgesellschaft 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 2015-2016. BIPL manufactures cement manufacturing equipment, which it installs in both the domestic as well as in international markets. Its facility for fabrication and assembling is in Naurangpur, Gurgaon (Haryana). BIPL operates in four business verticals, i.e conveyer and loading, packing and palletising, pelletising and packaging, sortation and distribution and customer support services.

About the group

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 material handling equipment suppliers in the world with four business verticals, namely packing and palletising, overlying and conveying, baggage-handling systems at airports, and cement manufacturing. Its revenue is, at present, spread across 25 countries including Australia, Germany, the US, Brazil, China, Spain, Singapore, the UAE, and Denmark.

Key financial indicators (Audited)

	CY2017	CY2018
Operating Income (Rs. crore)	236.30	287.48
PAT (Rs. crore)	-31.31	4.30
OPBDIT/OI (%)	-6.04%	4.72%
RoCE (%)	-32.38%	17.17%
Total Outside Liabilities/Tangible Net Worth (times)	12.10	6.68
Total Debt/ OPBDITA (times)	-4.92	4.98
Interest Coverage (times)	-2.15	1.54
DSCR (times)	-3.14	1.76

Source: Company data; ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Current Rating (FY2020)					Chronology of Rating History for the past 3 years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating December 18, 2019	Date & Rating in FY2020 May 16, 2019	Date & Rating in FY2019	Date & Rating in FY2018	
1 Fund based limits – Working capital	Long Term	20.00	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Stable)	-	-	
2 Non-fund based limits (BG)	Short Term	27.00	-	[ICRA]A2	[ICRA]A2	-	-	

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based limits	NA	NA	NA	20.00	[ICRA]BBB+(Stable)
NA	Non-fund based limits	NA	NA	NA	27.00	[ICRA]A2

Source: BIPL

Annexure-2: List of entities considered for consolidation: Not applicable

ANALYST CONTACTS

K. Ravichandran

+91 44 45964301

ravichandran@icraindia.com

Manish Ballabh

+91 124 4545 812

supriob@icraindia.com

Gaurav Singla

+91 124 4545 366

gaurav.singla@icraindia.com

Uday Kumar

+91 124 4545 867

uday.kumar@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/ 6606 9999

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