December 30, 2019

Balmer Lawrie & Company Limited: Ratings reaffirmed

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Cash Credit Facilities	50	50	[ICRA]AA+ (Stable) reaffirmed
Non-fund Based Facilities	130	130	[ICRA]AA+ (Stable) reaffirmed
Short Term – Fund based facilities[1]	(50)	(50)	[ICRA]A1+ reaffirmed
Total	**Rs. 180 crore**	**Rs. 180 crore**	

**Instrument details are provided in Annexure-1*

Rationale

The ratings consider BLL's healthy level of annual cash accruals from businesses notwithstanding the slowdown witnessed in the current financial year, leading to a large cash balance as on date, which provides a strong financial flexibility to the company. The ratings also continue to factor in BLL's diversified operations and its established position in both the manufacturing and service sectors. The diversified operations helped the company mitigate the risks arising from a possible slowdown in the logistics division post implementation of the Direct Port Delivery Scheme of the Government of India. While assigning the rating, ICRA has positively factored in the stable business volumes from the public sector undertakings (PSUs) / Government sector partly arising from the company's own PSU status and a favourable financial risk profile, characterised by a negative net debt status as on March 31, 2019 along with strong debt coverage indicators. ICRA has also taken into consideration BLL's venture in setting up temperature-controlled warehouses (TCW) and its investments in a joint venture with Visakhapatnam Port Trust in setting up a logistics park at the Visakhapatnam port. ICRA further notes that BLL's manufacturing operations have higher working capital intensity than its service sector businesses. Although this has affected the company's return on capital employed (ROCE) in the recent years, the same remains healthy at an absolute level. Low margin in the manufacturing divisions, however, remains a drag on the overall business returns of the company. Moreover, while reaffirming the ratings ICRA has factored in the delay in obtaining container freight station license in BLL's 60% subsidiary Visakhapatnam Port Logistics Park Limited, which negatively impacts the consolidated operating profile of the company to an extent. However, the company's stated strategy of not providing long-term financial support to the entity limits incremental financial exposure. Nevertheless, BLL's strong liquidity position arising from its large cash balance, strong accruals from different business verticals and its undrawn bank lines, provides comfort to its ratings.

[1] Sub-limit of the cash credit facilities

Key rating drivers

Credit strengths

Comfortable financial risk profile – BLL has a comfortable financial risk profile as indicated by its debt free status and a healthy return on capital employed, notwithstanding some moderation in the last few financial years.

Strong liquidity position –BLL's liquidity position is strong with a healthy cash balance of over Rs. 481 crore as on March 31, 2018. ICRA expects the company's free cash flows to remain strong, going forward, which would result in further increase in cash balance in the next 2-3 years.

Diversified operations and established position across business segments – BLL's operations are well diversified with revenue as well as profits generated from a number of Strategic Business Units (SBUs). Such diversification mitigates risks associated with slowdown in one business segment.

PSU status providing stable revenue from the Government – BLL's PSU status helps it generate stable revenue from the Government, especially in the logistics infrastructure and services (LIS) and the travel & vacation business segments.

Credit challenges

Low margin and high working capital intensity in manufacturing businesses – BLL's overall business margins are tempered by its low margins in the manufacturing SBUs. Moreover, with price inflation in raw materials, the company's business margins may be impacted, at least in the next few quarters.

Slowdown in logistics business – BLL's logistics division is susceptible to slowdown in imports as the division's revenue is largely driven by import trade into India. Additionally, the business is also impacted by the Direct Port Delivery Scheme of the Government of India.

Exposure in weaker subsidiary – BLL's exposure in its 60% subsidiary Visakhapatnam Port Logistics Park Limited, which has recently started operations, tempers its consolidated financial performance. However, the company's stated strategy of not providing long-term financial support to the entity limits incremental financial exposure

Liquidity position: Strong

BLL's liquidity is Strong as a result of its healthy cash balance of over Rs 450 crore as on date, its healthy annual cash accruals of over Rs 80 crore and unutilised working capital lines. The company's debt repayment liabilities are nominal and is expected to comfortably meet all repayment obligations.

Rating sensitivities

Positive triggers – ICRA could upgrade BLL's rating if the company registers a sizeable increase in its scale of operations and consolidated RoCE improves and remains above 25% on a sustained basis. Also, the debt service indicators need to be sustained at the current level.

Negative triggers – Negative pressure on BLL's rating could arise if there is a sustained slowdown in BLL's user industries leading to a fall in operating cash flows. High dividend outflow leading to a reduction in cash and liquid investment balance as compared to current levels could also be a trigger for rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation / Standalone	The rating is based on the consolidated financial profile of the company. As on March 31, 2019, the company had two subsidiaries that are enlisted in Annexure 2.

About the company:

Balmer Lawrie & Co. Ltd. (BLL) was established in 1867 as a partnership firm to deal in freight forwarding and imports clearing into India. In 1924, it was incorporated as a private limited company and in 1936 it was converted into a public limited company. In 1972, BLL became a PSU under the Ministry of Petroleum & Natural Gas, with its largest shareholder being IBP Co. Ltd. (IBP) with a 62% shareholding. In October 2001, IBP's shareholding in BLL was transferred to Balmer Lawrie Investments Ltd., a new Government company formed to facilitate disinvestment of the Government's stake in IBP. In 2003, BLL attained a Miniratna-II status, and in 2006 it was upgraded to a Miniratna Category-I company. As on date, the Ministry of Petroleum and Natural Gas (MoPNG) has a ~36.9% stake in the company.

BLL has eight strategic business units (SBU), with presence in both manufacturing and service sectors. Key manufacturing SBUs comprise Industrial Packaging (IP) and Greases & Lubricants (G&L), while the key services SBUs include Travel & Vacations (T&V), Logistics Infrastructure (LI) and Logistics Services (LS).

During H1 FY2020, BLL registered a standalone profit after tax of Rs. 66.4 crore on an operating income of Rs. 812.9 crore.

In FY2019, BLL registered a standalone net profit of Rs. 189 crore on the back of an operating income of Rs. 1,782 crore. The company had registered a net profit of Rs. 185 crore in FY2018 on the back of an operating income of Rs. 1,730 crore.

In FY2019, BLL registered a consolidated net profit of Rs. 161 crore on the back of an operating income of Rs. 1,782 crore. The company had registered a net profit of Rs. 165 crore in FY2018 on the back of an operating income of Rs. 1,728 crore.

Key Financial Indicators (Standalone, Audited)

	FY 2018	FY2019
Operating Income (Rs. crore)	1729.9	1781.8
PAT (Rs. crore)	184.8	188.5
OPBDIT/ OI (%)	13.68%	13.35%
RoCE (%)	22.05%	23.14%
Total Debt/ TNW (times)	0.0	0.0
Total Debt/ OPBDIT (times)	0.1	0.1
Interest coverage (times)	56.0	42.8

Key Financial Indicators (Consolidated, Audited)

	FY 2018	FY2019
Operating Income (Rs. crore)	1728.3	1781.9
PAT (Rs. crore)	164.8	161.1
OPBDIT/ OI (%)	13.57%	13.31%
RoCE (%)	17.46%	16.62%
Total Debt/ TNW (times)	0.0	0.1
Total Debt/ OPBDIT (times)	0.1	0.3
Interest coverage (times)	55.5	33.3

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating 30-December 2019	Date & Rating in FY2019 12-November 2018	Date & Rating in FY2018 22-Sep-17	Date & Rating in FY2017 06-Oct-16
1	Cash Credit Facilities	Long Term	50	-	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)	[ICRA] AA+ (Stable)
2	Non-fund Based Facilities	Long Term	130	-	[ICRA] AA+(Stable)	[ICRA] AA+(Stable)	[ICRA] AA+(Stable)	[ICRA] AA+(Stable)
3	Fund-based facilities[2]	Short Term	(50)	-	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+	[ICRA] A1+

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

[2] Sub-limit of the cash credit facilities

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	LT - Cash Credit Facilities	-	-	-	50	[ICRA] AA+ (Stable)
	LT - Non-fund-based Facilities	-	-	-	130	[ICRA]AA+ (Stable)
	ST – Fund-based Facilities[3]	-	-	-	(50)	[ICRA]A1+

Source: Balmer Lawrie & Company Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Balmer Lawrie UK Limited	100.00%	Full Consolidation
Visakhapatnam Port Logistics Park Limited	60%	Equity Method

[3] Sub-limit of the cash credit facilities

ANALYST CONTACTS

Jayanta Roy
+91 33 7150 1120
jayanta@icraindia.com

Kaushik Das
+91 33 7150 1104
kaushikd@icraindia.com

Soumyajyoti Basu
+91 33 7150 1109
soumyajyoti.basu@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

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.

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

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents