

May 10, 2024

Balmer Lawrie & Company Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Cash credit facilities	50.00	50.00	[ICRA]AA+(Stable); reaffirmed
Non-fund based facilities	130.00	130.00	[ICRA]AA+(Stable); reaffirmed
Short-term fund-based facilities ¹	(50.00)	(50.00)	[ICRA]A1+; reaffirmed
Total	180.00	180.00	

*Instrument details are provided in Annexure-I; ¹ Sublimit of the cash credit facilities

Rationale

The reaffirmation of the ratings continues to factor in Balmer Lawrie & Company Limited's (BLL) strong debt protection metrics and a comfortable liquidity position, given a large free cash and bank balance of ~Rs. 450 crore as on March 31, 2024, which imparts a high degree of financial flexibility. In FY2024, while the revenue growth is estimated to remain modest, the profits are likely to improve significantly on the back of an improvement in the performance of its key specific business units (SBU). The performance of the industrial packaging (IP) segment, which was adversely impacted in FY2023, is estimated to improve on the back of stability in steel prices and healthy demand from the end-user industries. A healthy revenue growth is also likely in travel & vacation (T&V) services and the grease & lubricants (G&L) manufacturing division. However, the performance of its logistics services division was impacted by intense competition in the industry. Nonetheless, the operating margins are estimated to be better in FY2024 compared to the previous fiscal. In FY2025, the performance is expected to remain steady, resulting in continued healthy debt protection metrics and liquidity position.

While reaffirming the ratings, ICRA also notes the company's significant capex plans over the next three years, including Rs. 230 crore for setting up a free-trade warehousing zone (FTWZ) at JNPA Navi Mumbai and Rs. 339 crore for a 200-KLPD grain-based ethanol plant in Andhra Pradesh. Both the capex is likely to be funded through a mix of debt and internal accruals. However, BLL's liquidity position is expected to remain strong with support from its large cash balance, steady accruals from different business verticals and undrawn bank lines. Also, once operationalised, the new units are likely to improve the operating profile of the entity.

The ratings also consider the entity's healthy diversification across business segments and customers which protects BLL from any downturn in a particular business. The ratings also consider the Central Public Sector Undertaking (CPSU) status of BLL, which enables it to generate stable revenues from other PSUs and Government departments, especially in logistic services (LS) and the T&V business.

The ratings are, however, constrained by the vulnerability of the company's profitability to adverse movements in raw material prices in the industrial packaging and the grease and lubricant divisions. Additionally, the revenues and margins in the container handling business remain susceptible to changes in Government policies. The ratings also remained constrained by the sizeable exposure to a weak subsidiary - Visakhapatnam Port Logistics Park Limited (VPLPL) - which continues to impact BLL's consolidated financials. While BLL had provided support for the principal repayment in the last fiscal, the entity's stated strategy of not providing any direct financial support to the subsidiary/JV limits incremental financial exposure.

The Stable outlook on the long-term rating reflects ICRA's opinion that BLL would be able to generate healthy free cash flows across a diversified business portfolio and the gearing and coverage indicators are expected to remain comfortable despite a large debt-funded capex.

Key rating drivers and their description

Credit strengths

Conservative capital structure, strong debt protection metrics and comfortable liquidity position – BLL’s financial risk profile remained strong with an expected improvement in profits and cash accruals in FY2024. The debt protection metrics remained strong, reflected in an interest coverage of ~21 times in 9M FY2024 (FY2023 - 20.5 times). In FY2025, the performance is expected to remain steady, resulting in continued healthy debt-protection metrics and liquidity position. The entity has project capex plans of Rs. 339 crore and Rs. 230 crore over the next 2-3 years to set up an ethanol plant and a warehousing facility. The capex is likely to be funded through a mix of debt and internal accruals. However, BLL’s liquidity position is expected to remain strong with support from its large cash balance, steady accruals from different business verticals and undrawn bank lines.

Diversified operations and established position across business segments cushion against downturns in a particular segment – BLL’s business profile is diversified across business segments and customers, which protects it from any downturn in a particular business. The company is organised into five main divisions – logistics infrastructure, logistics services, grease & lubricants, industrial packaging and travel & vacations, besides other smaller divisions. The business profile remains adequately diversified, with logistics services, industrial packaging and grease & lubricants being the key revenue contributors, constituting ~16%, ~34% and ~27%, respectively, of BLL’s revenues in 9M FY2024.

PSU status provides stable revenues from the Government sector – The competitive advantage of BLL’s service-related SBUs is supported by its PSU status, which results in stable revenues from PSU/Government sector customers. The PSU status is expected to benefit the overall business risk profile of BLL, going forward as well. ICRA notes that BLL is the Government’s preferred partner in providing logistics services for defence imports, and ticketing services for the travel needs of officials from the armed forces. Such services are likely to provide a stable source of revenue to the company. ICRA also notes that BLL has added several private sector clients over the years and is expected to considerably increase the sectors’ share, going ahead.

Credit challenges

Vulnerability of profitability to adverse movements in raw material prices and intense competition – The key manufacturing verticals - industrial packaging and grease & lubricants - are characterised by moderate margins. While many unorganised players and low entry barriers keep the margins of the IP division under check, intense competition from global and local players restricts the margins of the G&L segment. In addition, volatile prices of cold-rolled coil and base oil used as raw materials in the IP and G&L segments, respectively, expose the profitability to adverse movements in raw material prices.

Logistics division business susceptible to Government policies – The revenues and margins in the container handling business remain susceptible to volatility in the Government policies. The implementation of the Direct Port Delivery/Direct Port Entry (DPD/DPE) scheme by the Government of India, which has now been implemented across all major ports, continues to impact BLL’s top line and bottom line from the segment.

Sizeable investment in weak subsidiary continues to impact consolidated financials – BLL has an equity investment of ~Rs. 81 crore in its subsidiary, Visakhapatnam Port Logistics Park Limited (VPLPL), which started commercial operations from October 2019. Such a large capital blockage in investments that do not yield returns continues to affect BLL’s return on capital employed. However, the company’s stated strategy of not providing any direct financial support to the subsidiary limits incremental financial exposure.

Liquidity position: Strong

BLL’s liquidity position is strong with healthy cash flow from operations, large free cash and bank balances of ~Rs. 450 crore as on March 31, 2024, no debt repayment obligations and adequate buffer in the form of unutilised working capital limits (100% fund-based limits). While the entity has project capex plans of Rs. 339 crore and Rs. 230 crore for the next 2-3 years, it is expected to be funded by a mix of debt and internal accruals.

Rating sensitivities

Positive factors - ICRA could upgrade BLL's ratings if the RoCE improves and remains above 25% on a sustained basis. Moreover, the debt protection metrics need to be sustained at the current level.

Negative factors - Pressure on BLL's ratings could arise if a sustained slowdown in BLL's end-user industries pulls down its operating cash flows. High dividend outflow, leading to weakening of the liquidity, could also be a trigger for downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	Although BLL has several subsidiaries/JVs/associate companies, ICRA has analysed the standalone financial profile as BLL has indicated that no direct financial support will be extended to any of its subsidiaries, JVs and associates. Further, no corporate guarantee has been extended to any its subsidiaries, JVs and associates. For subsidiary VPLPL, there is a cross-default clause in one bank sanction letter, but ICRA does not foresee any adverse impact on the financial risk profile of Balmer Lawrie. In case of any change in stance, ICRA will take appropriate action, as required.

About the company

Balmer Lawrie & Company Limited (BLL) was established in 1867 as a partnership firm to deal in freight forwarding and imports clearing in India. It is a Central PSU and has been under the administrative control of the Ministry of Petroleum and Natural Gas, GoI, since 1972. In 1924, it was incorporated as a private limited company, and in 1936, it was converted into a public limited company. In 2006, BLL attained the Miniratna-I status. It has many strategic business units (SBU), with presence in both the manufacturing and services sectors. The key manufacturing verticals are industrial packaging and grease & lubricants, while the key services divisions are travel & vacation, logistics infrastructure and logistics services.

Key financial indicators

BLL Standalone	FY2023	9M FY2024
	Audited	Unaudited
Operating income	2315.8	1749.3
PAT	153.9	152.1
OPBDIT/OI	8.7%	11.9
PAT/OI	6.6%	8.7
Total outside liabilities/Tangible net worth (times)	0.5	-
Total debt/OPBDIT (times)	0.2	-
Interest coverage (times)	20.5	21.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore ; *from latest quarterly results

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2024 (Rs. crore)	Date & rating	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				May 10, 2024	Jul 07, 2023	May 17, 2022	N/A
1 Cash credit	Long-term	50.00	-	[ICRA]AA+(Stable)	[ICRA]AA+(Stable)	[ICRA]AA+(Stable)	--
2 Non-fund based bank facilities	Long-term	130.00	--	[ICRA]AA+(Stable)	[ICRA]AA+(Stable)	[ICRA]AA+(Stable)	--
3 Fund-based bank facilities*	Short-term	(50.00)	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	--

*sublimit of Cash credit

Complexity level of the rated instruments

Instrument	Complexity Indicator
Cash credit	Simple
Non-fund based bank facilities	Very Simple
Fund-based bank facilities*	Simple

*sublimit of cash credit

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	Cash credit facilities	--	--	--	50.00	[ICRA]AA+ (Stable)
NA	Non-fund based facilities	--	--	--	130.00	[ICRA]AA+ (Stable)
NA	Short-term fund-based facilities*	--	--	--	(50.00)	[ICRA]A1+

Source: Company; *sublimit of cash credit

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 9324026665

girishkumar@icraindia.com

Sumit Jhunjhunwala

+91 33 7150 1111

sumit.jhunjhunwala@icraindia.com

Vikram V

+91 9676603030

vikram.v@icraindia.com

Rishin Devnath

+91 8240058424

rishin.devnath@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@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



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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