Balmer Lawrie & Company Limited

November 12, 2018

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**	

Rating action

ICRA has reaffirmed the [ICRA]AA+ (pronounced ICRA double A plus) rating assigned to the Rs. 50.00-crore[2] cash-credit facility and Rs. 130-crore non-fund-based facilities of Balmer Lawrie & Company Limited (BLL)[3]. The outlook on the rating is Stable. ICRA has also reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating assigned to the Rs. 50.00-crore short-term fund-based bank facilities of BLL. The short-term fund-based limit is a sub-limit of the cash credit facility.

Rationale

The ratings consider BLL's healthy level of annual cash accruals from businesses 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, 2018 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. Nevertheless, BLL's strong liquidity position arising from its large cash balance, strong accruals from business and its undrawn bank lines, provides comfort to its ratings.

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[1] Sub-limit of the cash credit facilities

[2] *100 lakh = 1 crore = 10 million*

[3] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

Outlook: Stable

ICRA believes that BLL would generate healthy free cash flows on account of its established position across a diversified portfolio of businesses. The outlook may be revised to Positive if there is a significant increase in the company's market share in its businesses in the domestic market. The outlook may be revised to Negative if there is a steady contraction in scale of operations or business margins.

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.

Slow progress in investment and capex activities – BLL's progress in its new business initiatives over the years have been slow, which has restricted its topline growth

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.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:

[Corporate Credit Rating Methodology]

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 Q1 FY2019, BLL registered a profit after tax of Rs. 38.9 crore on an operating income of Rs. 488.9 crore.

In FY2018, BLL registered a net profit of Rs. 185 crore on the back of net sales of Rs. 1,726 crore. The company had registered a net profit of Rs. 170 crore in FY2017 on the back of net sales of Rs. 1,706 crore.

Key Financial Indicators (Audited)

	FY 2016	FY 2017	FY2018
Operating Income (Rs. crore)	1594.5	1706.4	1726.2
PAT (Rs. crore)	164.4	170.4	184.8
OPBDIT/ OI (%)	12.92%	12.39%	13.43%
RoCE (%)	25.09%	23.54%	22.05%
Total Debt/ TNW (times)	0.0	0.0	0.0
Total Debt/ OPBDIT (times)	0.0	0.0	0.1
Interest coverage (times)	45.3	46.6	54.8

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 November 2018	Date & Rating in FY2018 Sep-17	Date & Rating in FY2017 Oct-16	Date & Rating in FY2016 Jul-15
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[4]	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

[4] 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[5]	-	-	-	(50)	[ICRA]A1+

Source: Balmer Lawrie & Company Limited

[5] Sub-limit of the cash credit facilities

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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.

For more information, visit www.icra.in

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