

BKM Industries Limited

April 05, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	80.00	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	28.50	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	108.50 (Rs. One Hundred Eight Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 25, 2019, placed the rating(s) of BKM Industries Limited (BKM) under the 'issuer non-cooperating' category as BKM had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. BKM continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated February 26, 2021, March 03, 2021 & March 08, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on April 02, 2020 the following were the rating weaknesses (updated for the information available from BSE):

Key Rating Weaknesses

Ongoing delays in the account

There have been instances of LC devolvement and the cash credit account remained overdrawn for a period of more than 30 days. This liquidity mismatch is primarily due to delay in collection from the debtors and decline in the revenue in FY19 due to weak demand scenario. As per the audit report (FY20) of BKM, the company's loan accounts in the banks and other financial institutions have got NPA due to overdue of interest and principal amounting to Rs 105.03 crore

Deterioration in financial performance of the company in Q1FY19 marked by cash losses

BKM's operating income declined by 58.32% from previous quarter to Rs.17.30 crore in Q1FY19 (as against Rs 45.05 crore in FY18) on the back of lower execution of orders. This coupled with under absorption of fixed cost and execution of less margin products lead to operational losses in Q1FY19. Further, higher interest expenses resulted in cash losses during the said quarter. This apart in July 2018, the company had also decided to discontinue its manufacturing operations at the Barjora (Bankura, West Bengal) and resultantly reported loss of Rs -0.57 crore in Q1FY19. During 9MFY19, BKM reported cash loss of Rs. 22.15 crore on a total operating income of Rs. 34.64 crores. BKM's operating income declined y-o-y by 73.54% from Rs. 156.9crore in FY18 to Rs.41.51crore in FY19. BKM reported loss at PAT level of Rs 56.42crore in FY19. The overall gearing ratio deteriorated from 0.81x as on March 31, 2018 to 2.37x as on March 31, 2019. In FY20, the total operating income of BKM has further declined to Rs 7.21 crore. BKM reported loss of Rs. 28.60 crore at the PAT level. The overall gearing ratio has also further deteriorated to 5.15x as on March 31, 2020.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook & Credit watch to Credit Ratings](#)

[CARE's Policy of Default Recognition](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology -Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

About the Company

BKM Industries Ltd (BKM) was incorporated on March 25, 2011. It was a dormant company till October 01, 2013 before the demerger of packaging division of Manaksia Ltd (ML) to BKM. BKM manufactures packaging products and aluminum semi-rigid containers. Major packaging products manufactured by the company includes (1) Roll on Pilfer Proof closures for the premium liquor and pharmaceutical sector, (2) Crown closures for carbonated soft drinks and beer, (3) Plastic closures for carbonated soft drinks and mineral water sectors, and (4) Metal containers for shoe polishes, cosmetics and tea.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	41.51	7.21
PBILDT	-39.49	-22.95
PAT	-56.42	-28.60
Overall gearing (times)	2.37	5.15
Interest coverage (times)	NM	NM

A: Audited NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	20.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	60.00	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC	-	-	-	28.50	CARE D; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	20.00	CARE D; ISSUER NOT COOPERATING*	1)CARE D; ISSUER NOT COOPERATING* (02-Apr-20)	-	1)CARE D; ISSUER NOT COOPERATING* (25-Feb-19) 2)CARE D (17-Sep-18) 3)CARE BBB; Negative (24-Aug-18)	1)CARE BBB+; Stable (07-Mar-18) 2)CARE BBB+; Stable (12-Apr-17)
2.	Fund-based - LT-Cash Credit	LT	60.00	CARE D; ISSUER NOT COOPERATING*	1)CARE D; ISSUER NOT COOPERATING* (02-Apr-20)	-	1)CARE D; ISSUER NOT COOPERATING* (25-Feb-19) 2)CARE D (17-Sep-18) 3)CARE BBB; Negative (24-Aug-18)	1)CARE BBB+; Stable (07-Mar-18) 2)CARE BBB+; Stable (12-Apr-17)
3.	Non-fund-based - ST-BG/LC	ST	28.50	CARE D; ISSUER NOT COOPERATING*	1)CARE D; ISSUER NOT COOPERATING* (02-Apr-20)	-	1)CARE D; ISSUER NOT COOPERATING* (25-Feb-19) 2)CARE D (17-Sep-18) 3)CARE A3+ (24-Aug-18)	1)CARE A2 (07-Mar-18) 2)CARE A2 (12-Apr-17)
4.	Commercial Paper	ST	-	-	-	-	-	1)Withdrawn (12-Apr-17)

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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