

## Balmer Lawrie and Company Limited

December 18, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	150.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	20.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Balmer Lawrie and Company Limited (BLCL) continue to derive strength from the company's long and satisfactory track record with presence across diversified businesses and controlling equity stake held by the Government of India (GoI). Its diversified revenue stream de-risks its overall business from downturns in a particular segment. Furthermore, ratings are underpinned by its established relationship with reputed clientele apart from significant amount of business it derives from various government entities in some of its business segments.

Ratings also draw significant comfort from BLCL's robust capital structure, healthy debt coverage indicators and strong liquidity position. Low-debt level is expected to continue going forward and significant liquidity is expected to remain in the company's books notwithstanding the normal dividend pay-out.

Ratings take note of slight increase in the total operating income (TOI) of BLCL in FY24 over FY23 driven by the growth in industrial packaging division, travel and vacation division and lube division, which was cancelled out by decline in turnover in the logistic services division. However, operating profitability margin improved significantly due to improved margins in some divisions. Going forward, operating margin is expected to remain moderate, considering some of its divisions operating in mature market segments with intense competitive pressure, susceptibility to volatility in input prices, linkages with performance of overall economy and pressure on the Container Freight Station (CFS) in logistic business division post introduction of Direct Port Delivery (DPD) in ports. Nevertheless, the debt coverage indicators are expected to remain healthy with low reliance on debt to fund working capital and capex requirement and liquidity available with the company.

Ratings also take note of BLCL's exposure to its subsidiaries and joint ventures (JVs), with some of these entities having weak financial risk profile; albeit the stated stance of the company to not provide further support to these entities restricts incremental financial exposure, except a nominal support extended in FY24 and H1FY25 to one of its subsidiaries.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Significant growth in scale of operations marked by healthy performance of each of its divisions on a sustained basis by growing its market share.
- Improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin and return on capital employed (ROCE) to above 20% and 25%, respectively, on sustained basis.

#### Negative factors

- Any debt-funded capex leading to deterioration of its overall gearing ratio above 0.40x or net debt/PBILDT above 1x on a sustained basis.
- Increase in exposure to the group companies adversely impacting its credit profile.
- Significant dilution of stake in the company by GoI to below majority level.

**Analytical approach:** Standalone along with factoring GoI's majority ownership.

#### Outlook: Stable

The stable outlook reflects that BLCL is expected to sustain its strong financial risk profile, given its diversified business portfolio and strong market position in some of the key business divisions.

### Detailed description of key rating drivers:

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

## Key strengths

### **Diversified business model (revenue streams) acts as a de-risking strategy**

BLCL has a long and satisfactory track record of over 150 years of operations. In the initial years of its existence, BLCL was only into the trading business. Later, in 1937, BLCL entered manufacturing, when it set up its first grease plant in Kolkata. Over the years, BLCL forayed into several other activities such as manufacturing different types of barrels and containers, and offering varied services. The company operates under six broad strategic business units (SBUs), Industrial Packaging (IP), Greases & Lubricants (G&L), Travel & Vacation (TV), Logistics Infrastructure (LI), Logistics Services (LS), and others, which include Leather Chemicals division (LC) and Refinery & Oil related services.

The company has classified each vertical as a SBU to have greater focus on each vertical, leading to overall growth and profitability, which also helps in mitigating downturn of a particular business sector/SBU. In FY24, the contribution from manufacturing SBUs stood at ~60%, while from service SBUs stood at ~40%.

The revenue from almost all SBUs increased in FY24 except the SBU-Logistics Services, which reported a decline because of lower freight rates and non-maturing of certain high value/volume business. In H1FY25, the SBU - TV reported substantial increase in sales owing to surge in travel activities for business and leisure purpose. Logistics infrastructure, Industrial Packaging and Greases and Lubricants segments also witnessed growth in sales.

### **Diversified, reputed client base with established relationship across both Public Sector Undertakings (PSUs) and private sector**

BLCL, a 'Miniratna – I' Central PSU, has been under the administrative control of Ministry of Petroleum & Natural Gas, GoI, since 1972. Currently, GoI owns 61.80% of BLCL's equity through Balmer Lawrie Investments Limited.

BLCL's Central PSU status helps it generate revenue from other PSUs and Government departments, especially in service-SBUs. It has a strong clientele comprising central PSUs and oil companies, ISRO, defence entities, Indian Railways and reputed private sector players. Government departments/PSUs contribute ~78% to SBU-TV and ~65% to SBU-LS. Overall government departments/PSUs contributed ~25% in its total revenue in FY24.

The company has successfully broken away with its major dependence on Government & PSU clients in industrial packaging division and established relationship with private parties. To reduce client concentration in service-SBUs, BLCL is focusing on enhancing marketing strategies to cater to private sector clients as well.

### **Robust capital structure and healthy debt coverage indicators**

BLCL's overall gearing continued to remain robust as on March 31, 2024, at 0.02x. Coverage ratios too remained healthy with improvement in operating profit level and low reliance on debt. For FY24, interest coverage ratio and total debt/gross cash accruals (GCA) stood at 21.39x and 0.15x, respectively, against 18.67x and 0.15x in FY23. The company is planning for capex of ~₹569 crore, to be funded through mix of debt and internal accruals. However, capex is in planning stage only with process for land acquisition currently going on. Outflow towards routine capex is expected to be funded through internal accruals. Capital structure is expected to remain robust after considering the capex.

### **Healthy operating profitability**

BLCL reported nominal growth in TOI by 0.38% y-o-y in FY24 owing to increase in sales contribution from most of divisions cancelling out de-growth in turnover in Logistics Services division, which was affected by big shipment projects not commencing yet, alongside decrease in ocean freight rates. The travel and vacation division witnessed further revival in FY24 from the impact of COVID-19 with sales of ₹206 crore (PY: ₹146 crore) from increase in business and leisure travels. In H1FY25, the company reported growth of 8% in TOI y-o-y as except for greases and lubricants division, all other divisions reported improvement in sales.

The company's operating profitability of the company was impacted significantly in FY21 due to huge losses from SBU-TV, rising raw material prices and intense competition. With improvements in the last three years, it has got closer to pre-pandemic level in FY24 with PBILDT margin at 12.44% against 7.93% in FY23. In H1FY25, the overall PBILDT margin decreased to 10.27% from 11.68% in H1FY24, as margins decreased in most divisions.

### **Liquidity: Strong**

BLCL has strong liquidity profile marked by strong accruals against no debt repayment obligations and cash and liquid investments to the tune of ₹333 crore as on September 30, 2024. Average utilisation of sanctioned fund-based working capital limits remained low at 29% for 12-months ended September 30, 2024, providing further liquidity comfort. Going forward, the company is planning an ethanol plant in Andhra Pradesh with capex expected at ~₹339 crore and a free trade warehousing zone at JNPA, Navi Mumbai for ~₹230 crore, which would be funded through mix of debt and internal accruals (~70% from debt and rest from internal accruals). With gearing of 0.04x as September 30, 2024, BLCL has sufficient gearing headroom, to raise additional debt for its capex.

## Key weaknesses

### Exposure to raw material price volatility

Raw material consumption constitutes ~70%-77% of the company's cost of sales. Major raw material required by SBU-IP is cold-rolled steel product and for SBU-GL is lubricating base oil (LBO), together constituting ~76% of cost of raw material consumed in FY24 (74% in FY23). Price of LBO is highly volatile as it is linked to crude oil prices. In case of adverse movement in raw material prices, profitability margins are impacted due to inability to pass on to customers considering stiff competition or passed on with a time lag. Prices of cold-rolled steel witnessed increase in FY24, which led to increase in selling prices for BLCL's IP products and expansion in its profitability.

### Some SBUs operating in mature market segment with intense competitive pressure

**SBU-IP:** Industrial packaging industry is characterised by low entry barriers, large number of unorganised players, presence of low-cost substitute products (such as HDPE drums), and surplus capacities. Widespread market reach, large volume, competitive pricing and access to alternate markets would be major survival factors in the long run. BLCL is diversifying its customer base in private players.

**SBU-LIS:** Container freight station (CFS)/inland container depot (ICD) industry is under pressure due to implementation of direct port delivery, which hampered volumes and resulted in consequential lower utilisation. Going forward, the company is focussing on warehousing business and ICDs, which is expected to compensate revenue losses from DPD issue.

**SBU-GL:** The GL industry is divided into two major segments – industrial and automotive accounting for ~35% and 65% of the market, respectively. Companies with proven source of premium quality base stocks, sound R&D setup, wide distribution network and wide infrastructure of professionalised technical services will continue to survive and grow. BLCL has low market share in the GL industry with presence majorly in the industrial segment. It faces significant competition from other established and larger players in the industry.

**SBU-TV:** The travel and vacations industry witnessed significant adverse impact due to the pandemic. With receded impact of the pandemic, the outlook for travel & tourism industry has improved and volume of business is expected to grow significantly in the next few years. BLCL continues to face intense competition from online and offline travel portals.

### Exposure to weak subsidiaries; despite no incremental financial support envisaged

BLCL has one subsidiary and four JVs as on March 31, 2024, and total exposure to such entities stood at ₹96.59 crore on the same date. Some of these entities have weak financial and business profile, especially Visakhapatnam Port Logistics Park Limited (VPLPL), which has also impacted BLCL's ROCE. However, operations started in VPLPL in March 2023, following receipt of CFS/ICD licence in January 2023 and its revenue is expected to improve gradually going forward. BLCL provided limited support in FY24 and H1FY25 for meeting VPLPL's principal repayment (estimated at ~₹12 crore) in the form of unsecured loans. However, as in the past, BLCL has clearly stated that no further financial support would be provided to such entities restricting incremental exposure to such entities. BLCL has not provided guarantee for debt availed by of these entities.

## Environment, social, and governance (ESG) risks

The company has till date installed solar power plants with a total capacity of 1046 KWp in seven different sites at Asaoti, Navi Mumbai, Chennai, Patalganga, Rai and Silvassa (two locations). This helps BLCL to offset over 1000 tonnes of carbon dioxide per year from its manufacturing and cold chain operations. Single-use plastic is banned in all plants of BLCL. The wastewater is treated and is reused.

The company spent ₹4.42 crore on CSR in FY24. The composition of Board of Directors was not in conformity with Listing Regulations, Companies Act, 2013 and DPE Guidelines due to absence of adequate number of Independent Directors on the Board of the company.

## Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Notching by factoring linkages with government](#)  
[Service Sector Companies](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

Established in 1867 as a partnership firm to deal in freight forwarding and imports clearing into India, BLCL is a Central PSU under the administrative control of Ministry of Petroleum & Natural Gas, GoI, since 1972. The company has an established track record of over 150 years of operations with interest in business segments. In 1924, it was incorporated as a private limited company, and in 1936, it was converted into a public limited company. Currently, GoI owns 61.80% of BLCL's equity through Balmer Lawrie Investments Limited. In 2006, BLCL attained a Mini Ratna – I status.

BLCL is a diversified, multi-location and multi-product conglomerate, manufacturing steel barrels for IP, GL under the brand name BALMEROL and LC. It carries out service-based activities such as LIS, TV, project engineering & consultancy in oil & infrastructure sector. The company operates under six broad strategic business units.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	2,311.81	2,320.65	1,265.26
PBILDT	183.29	288.71	129.98
PAT	153.86	203.47	96.47
Overall gearing (times)	0.02	0.02	0.04
Interest coverage (times)	18.67	21.39	18.07

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Bank overdraft		-	-	-	20.00	CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	50.00	CARE AA+; Stable / CARE A1+
Non-fund-based - LT/ST-BG/LC		-	-	-	100.00	CARE AA+; Stable / CARE A1+

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	-	1)Withdrawn (20-Dec-22)	1)CARE A1+ (30-Dec-21)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	100.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (05-Jan-24)	1)CARE AA+; Stable / CARE A1+ (20-Dec-22)	1)CARE AA+; Stable / CARE A1+ (30-Dec-21)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	50.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (05-Jan-24)	1)CARE AA+; Stable / CARE A1+ (20-Dec-22)	1)CARE AA+; Stable / CARE A1+ (30-Dec-21)
4	Fund-based - ST-Bank Overdraft	ST	20.00	CARE A1+	-	1)CARE A1+ (05-Jan-24)	1)CARE A1+ (20-Dec-22)	1)CARE A1+ (30-Dec-21)
5	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (30-Dec-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Bank Overdraft	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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### About us:

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