

BKM Industries Limited

February 25, 2019

Ratings

Facilities	Amount(Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	80.00	CARE D; ISSUER NOT COOPERATING* (Single D)	ISSUER NOT COOPERATING; Based on best available information
Short-term Bank Facilities	28.50	CARE D; ISSUER NOT COOPERATING* (Single D)	ISSUER NOT COOPERATING; Based on best available information
Total	108.50 (Rupees one hundred and eight crore and fifty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

BKM Industries Ltd. (BKM) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on BKM's bank facilities will now be denoted as CARE D; ISSUER NOT COOPERATING.

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

The rating assigned to the bank facilities of BKM Industries Ltd (BKM) takes into account the ongoing delays in interest servicing due to tight liquidity position.

Detailed description on Key Rating Driver

At the time of last review on September 17, 2018, following were the rating weaknesses (updated for the latest information available in the company's website):

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 since Q1FY19 due to weak demand scenario.

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 Q1FY18) 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 .

Analytical approach: Standalone

Applicable Criteria

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

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

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

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

About the Company

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate ; Based on best available information

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. The company currently has manufacturing facilities located in West Bengal, Telengana and Dadra & Nagar Haveli. In July 2019, the company has strategically planned to discontinue its manufacturing operations at the Barjora (Bankura, West Bengal)..

Brief Financials of BKM (Rs. in crore)	FY17(A)	FY18(A)
Total Operating Income	122.8	156.9
PBILDT	16.4	21.3
PAT	6.9	5.3
Overall Gearing	0.78	0.81
Interest Coverage	1.70	1.78

Figures of FY17 & FY18 have been computed as per Ind-AS

Status of non-cooperation with previous CRA: Nil

Any other information: Not Available

Rating History (Last three years): Please refer Annexure-2

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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 Issuer not cooperating; Based on best available information
Fund-based - LT-Cash Credit	-	-	-	60.00	CARE D; ISSUER NOT COOPERATING Issuer not cooperating; Based on best available information
Non-fund-based - ST-BG/LC	-	-	-	28.50	CARE D; ISSUER NOT COOPERATING Issuer not cooperating; 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	20.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (17-Sep-18) 2)CARE BBB; Negative (24-Aug-18)	1)CARE BBB+; Stable (07-Mar-18) 2)CARE BBB+; Stable (12-Apr-17)	1)CARE A- (13-May-16)	1)CARE A (31-Dec-15) 2)CARE A (10-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	60.00	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (17-Sep-18) 2)CARE BBB; Negative (24-Aug-18)	1)CARE BBB+; Stable (07-Mar-18) 2)CARE BBB+; Stable (12-Apr-17)	1)CARE A- (13-May-16)	1)CARE A (31-Dec-15) 2)CARE A (10-Apr-15)
3.	Non-fund-based - ST-BG/LC	ST	28.50	CARE D; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE D (17-Sep-18) 2)CARE A3+ (24-Aug-18)	1)CARE A2 (07-Mar-18) 2)CARE A2 (12-Apr-17)	1)CARE A2+ (13-May-16)	1)CARE A1 (31-Dec-15) 2)CARE A1 (10-Apr-15)
4.	Commercial Paper	ST	-	-	-	1)Withdrawn (12-Apr-17)	1)CARE A2+ (13-May-16)	1)CARE A1 (31-Dec-15) 2)CARE A1 (10-Apr-15)

*Issuer did not cooperate; Based on best available information

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