

## BKM Industries Limited

September 17, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	80.00	CARE D	Revised from CARE BBB; Negative (Triple B; Outlook: Negative)
Short-term Bank Facilities	28.50	CARE D	Revised from CARE A3+ (A Three Plus)
<b>Total Facilities</b>	<b>108.50</b> <b>(Rupees one hundred eight crore and fifty lakhs only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to the bank facilities of BKM Industries Ltd (BKM) takes into account the ongoing delays in debt servicing due to liquidity mismatch.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### Ongoing delays in debt servicing

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 the 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.

**Analytical approach:** For arriving at the ratings, CARE has considered the standalone operations of BKM Industries Limited.

### Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

[CARE's methodology for manufacturing companies](#)

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

### 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 aluminium 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).

In Q1FY19, BKM Industries Limited reported loss of Rs -5.50 crore (as against PAT of Rs.1.81 crore in Q1FY18) on total income of Rs.17.30 crore (Rs.45.05 crore in Q1FY18).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	122.92	153.38
PBILDT	14.75	16.96
PAT	8.32	5.27
Overall gearing (times)	0.80	0.72
Interest coverage (times)	1.67	1.54

A: Audited

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

**Any other information:** Not Applicable

**Rating History for 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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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.

**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	-	-	June, 2022	20.00	CARE D
Fund-based - LT-Cash Credit	-	-	-	60.00	CARE D
Non-fund-based - ST-BG/LC	-	-	-	28.50	CARE D

## 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	1)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	1)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	1)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)

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