



## Press Release

### Bambino Agro Industries Limited

January 25, 2023

#### Rating

Instrument Facility /	Amount (Rs. crore)	Rating	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	75.91	IVR BB+ Under Rating Watch with Developing Implications (IVR Double B Plus under Rating Watch with Developing Implications)	Revised from IVR BBB- Under Credit Watch with Developing Implications (IVR Triple B Minus under Credit Watch with Developing Implications)	Simple
<b>Total</b>	<b>75.91</b> <b>(Seventy five Crore and ninety one lakh)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the rating assigned to the bank facilities of Bambino Agro Industries Limited (BAIL) considers expected moderation in its operational and financial performance leading to lower than expected gross cash accruals vis-à-vis the expected performance of the company for FY23. Further, Infomerics also notes gross deviation between FY22 (Audited) and projected results of the company. However, the rating continues to derive strength from its strong brand recognition, widespread distribution network and its moderate capital structure. Further, the rating also note completion of its expansion project at Sonipet, Haryana in November 2022 with a time overrun. However, these rating strengths are partially offset by its exposure to intense competition and exposure to raw material price fluctuation & quality risks. Moreover, the rating continues to remain under rating watch with developing implications owing to uncertainty in respect to an outcome of a petition filed in National Company Law Tribunal (NCLT) against the company by its shareholders. Infomerics will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.

#### Key Rating Sensitivities:

##### Upward Factors



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- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure with overall gearing below 1x and improvement in debt protection metrics with interest coverage ratio over 4x
- Improvement in liquidity

### **Downward Factors**

- Decline in operating income and/or profitability on a sustained basis impacting the debt protection metrics with moderation in interest coverage to below 2x
- Deterioration in the capital structure with moderation in overall gearing to above 1.5x
- Any negative developments/outcome with regard to the petition filed against the company by two of its shareholders

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Strong brand recognition**

The company enjoys strong brand recognition with its long presence in the food industry for over three decades. The company is engaged in manufacturing and selling vermicelli, macaroni and other pasta products under the brand name “Bambino”. Its established name in pasta industry give it a competitive advantage in the market.

##### **Widespread distribution network**

BAIL is reasonably well positioned in the domestic market, supported by its strong brand presence and widespread distribution network, which enable the company to increase its market penetration. BAIL sells its products through a network of over 80 stockists and 1050 distributors spread across eastern, northern, central and northeastern India.

##### **Expected moderation in its operational performance and gross cash accruals vis-à-vis its expected performance in FY23**

The company has witnessed ~8% y-o-y drop in its topline in FY22 as company’s operations and expansion plan was impacted due to sudden demise of Mr. M K Rao on January 12, 2021. However, lower raw material prices provided support to its profitability. Further, during H1FY23, the company has earned a PAT of Rs.6.81 crore on a revenue of Rs.158.17 crore.



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However, the profitability and gross cash accruals achieved by the company is lower than the estimations considered by Infomerics for FY23.

### **Moderate capital structure**

The capital structure of the company remained moderate with overall gearing of 1.13x as on March 31, 2022. Total indebtedness remained comfortable as reflected by TOL/TNW of 1.54x as on March 31, 2022.

### **Key Rating Weaknesses**

#### **Exposure to intense competition**

BAIL operates in a fragmented and unorganised food industry, facing competition from local manufacturers (unorganised) as well as established participants (organised).

#### **Exposure to raw material price volatility risk**

The company's profit margins are exposed to adverse movements in its raw material prices. However, BAIL's ability to partially pass on the price hikes to its customers due to its established brand name mitigate this risk to an extent.

#### **Quality risks**

Being in the foods industry, quality and reputation risks remain high for the company.

#### **Exposure to litigation risks**

A family dispute with respect to shareholding and management of BAIL is yet to be settled and the hearings and proceedings are under progress in the National Company Law Tribunal (NCLT). Infomerics will continue to monitor the developments with respect to the abovementioned case and will take appropriate rating action on the outcome of the same.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)



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### [Criteria of assigning rating outlook](#)

#### **Liquidity – Stretched**

The liquidity position of the company is expected to remain stretched due to its expected tightly matched gross cash accruals vis-à-vis its debt repayment obligations in FY23. However, the company has adequate gearing headroom marked by its satisfactory overall gearing ratio at 1.13x as on March 31,2022.

#### **About the Company**

Bambino Agro Industries Limited (BAIL), incorporated in 1983 was promoted by late Mr. M Kishan Rao. The company is engaged in manufacturing and selling vermicelli, Macaroni and other pasta products under the brand name “Bambino”. Its manufacturing unit is located in Begumpur Khatola village, Gurgaon (Gurugram), Haryana with an installed capacity of 116110 MT per annum.

#### **Financials (Standalone):**

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022	H1FY23
	Audited	Audited	UA
Total Operating Income	278.60	257.32	158.17
EBITDA	20.30	23.97	14.47
PAT	8.62	8.85	6.81
Total Debt	85.05	85.80	-
Tangible Net worth	68.09	75.66	-
EBITDA Margin (%)	7.29	9.32	9.1
PAT Margin (%)	3.06	3.44	6.1
Overall Gearing Ratio (x)	1.25	1.13	-

\*As per Infomerics' Standard

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

#### **Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (March 22,2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term loan/GECL	Long Term	66.41	IVR BB+/ Rating Watch with	IVR BBB - / Credit Watch with	-	-



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				Developing Implications	Developing Implications		
2.	Cash Credit	Long Term	9.50	IVR BB+/ Rating Watch with Developing Implications	IVR BBB-/ Credit Watch with Developing Implications	-	-

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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we



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accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term loan/GECL	-	-	December 2028	66.41	IVR BB+/ Rating Watch with Developing Implications
Cash Credit	-	-	-	9.50	IVR BB+/ Rating Watch with Developing Implications

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/Len-Bambino-Agro-jan23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).