



Press Release

Bambino Agro Industries Limited

March 22, 2022

Rating

Instrument / Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	75.91	IVR BBB-/ Credit Watch with Developing Implications (IVR Triple B Minus under Credit Watch with Developing Implications)	Assigned	Simple
Total	75.91 (Seventy five Crore and ninety one lakh)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Bambino Agro Industries Limited (BAIL) derive strength from its strong brand recognition, widespread distribution network and improvement in financial performance in FY21. Further, the rating also note its adequate debt protection metrics. However, these rating strengths are partially offset by its exposure to intense competition, exposure to raw material price fluctuation and quality risks. Moreover, the rating has been placed under credit 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 two of 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

- 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



Press Release

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 overall gearing 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.

Stable financial performance with improvement in FY21

Total operating income of the company remained stagnant in FY19 and in FY20. The sales were impacted in March 2020 and in Q1FY21 owing to the outbreak of covid-19 pandemic. However, despite business disruptions due to covid induced lockdown the company reported ~12% y-o-y growth in its revenue in FY21 driven by rise in sales volume coupled with increase in average sales realisation per kg attributable to high demand of food products. The operating margin of the company witnessed gradual improvement from 6.26% in FY19 to 6.59% in FY20 and then to 7.29% in FY21 driven by continuous improvement in sales realisation. PAT margin of the company has also improved from 1.98% in FY19 to 3.06% in FY21 with rise in absolute EBITDA. Moreover, recent capex towards capacity enhancement



Press Release

with modernization of machinery is expected to drive further revenue and profitability growth. During 9MFY22, the company has achieved a revenue of ~Rs.197 crore.

Moderate capital structure and adequate debt protection metrics

The capital structure of the company remained moderate with overall gearing of 1.25x as on March 31, 2021 as against 1.24x as on March 31, 2020. Total indebtedness remained comfortable as reflected by TOL/TNW of 1.62x as on March 31, 2021. The debt protection parameters reflected by the interest coverage ratio remained moderate at 2.39x in FY21 and Total debt to GCA stood at 8.35 years in FY21 (7.42 years in FY20).

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 risk

The company's profit margins are exposed to adverse movements in 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 petition has been filed against the company and its shareholder in the National Company Law Tribunal (NCLT) by two of its equity shareholders and hearings and proceedings are under progress. According to the company's management, the same is a family dispute with respect to shareholding and management. Infomerics will continue to monitor the developments with respect to the case and will take appropriate rating action on the outcome of the same.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)



Press Release

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity position of the company is expected to remain satisfactory in the near to medium term marked by adequate cushion in expected accruals of Rs.19-31 crore as against its repayment obligations of Rs.15-18 crore during FY22-24. Moreover, the average working capital limit utilisation was ~74% during the past twelve months ended September 2021 indicating adequate liquidity cushion.

About the Company

Bambino Agro Industries Limited (BAIL), incorporated in 1983 was promoted by 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	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	247.91	278.60
EBITDA	16.35	20.30
PAT	8.32	8.62
Total Debt	75.07	85.05
Tangible Net worth	60.75	68.09
EBITDA Margin (%)	6.59	7.29
PAT Margin (%)	3.30	3.06
Overall Gearing Ratio (x)	1.24	1.25

*As per Infomerics' Standard

Status of non-cooperation with previous CRA:

India Ratings & Research has moved the rating of BAIL to Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups vide its Press Release dated September 9, 2021.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facility	Current Ratings (Year 2021-22)	Rating History for the past 3 years
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Press Release

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1.	Term loan/GECL	Long Term	66.41	IVR BBB-/ Credit Watch with Developing Implications	-	-	-
2.	Cash Credit	Long Term	9.50	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

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Press Release

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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 BBB-/ Credit Watch with Developing Implications
Cash Credit	-	-	-	9.50	IVR BBB-/ Credit 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/Bambino-Agro-lenders-mar22.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.