March 18, 2025

Big Bags International Pvt Ltd: Ratings reaffirmed; assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term Loan	25.00	90.00	[ICRA]A (Stable); reaffirmed and assigned for enhanced amount
Long-term – Unallocated	25.00	10.00	[ICRA]A (Stable); reaffirmed
Long-term Fund-based facilities – Sub-limit	(26.00)	(0.00)	-
Short-term Fund-based Facilities	50.00	50.00	[ICRA]A1; reaffirmed
Short-term Fund-based Facilities – Sub-limit	(122.00)	(110.00)	[ICRA]A1; reaffirmed
Short-term Non-fund Based facilities – Sub-limit	(72.00)	(100.00)	[ICRA]A1; reaffirmed and assigned for enhanced amount
Total	**100.00**	**150.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation factors in ICRA's expectation that Big Bags International Pvt Ltd (Big Bags) will continue to maintain a healthy credit profile, characterised by growth in the scale of operations and margins, comfortable debt metrics, and strong liquidity position on the back of its established presence in the flexible intermediate bulk container (FIBC) industry and a diversified customer base across various end-user industries. The company witnessed a revenue decline of 14% in FY2024 owing to a fall in realisations with moderation in raw material prices, and modest volume growth because of subdued global demand. However, it recorded a healthy revenue growth of 26% in 10M FY2025 on the back of a 21% volume growth, driven by sales to new markets and improved demand from existing customers. Over the last few years, the company incurred ~Rs. 60.0-crore capex to expand its installed FIBC production capacity to 21,000 MTPA (from 16,800 MTPA), which has been fully operational from November 2024. Expanded capacity of FIBC bags and steady global demand are expected to result in healthy demand for the company in the near term. Moreover, the company is setting up a manufacturing facility for a new product line, Biaxially Oriented Polypropylene (BOPP) bags, at an estimated cost of Rs. 250-300 crore over three phases. A part of the capacity is expected to be operational from Q2 FY2026. Successful ramp-up of the new product sales would be a key monitorable. Big Bags' margins are supported by its ability to pass on the raw material price fluctuations to its customers. Its debt protection metrics are comfortable, with a gearing of 0.2 times, DSCR of 4.4 times, and an interest coverage ratio of 25.9 times as of 9M FY2025, which are expected to remain comfortable, going forward.

The ratings are, however, constrained by Big Bags' relatively moderate scale of operations and high customer concentration risk, with the top five customers contributing ~89% to its export revenues in FY2024. However, ICRA notes that the end customer base is diversified. The ratings also factor in the working capital-intensive nature of operations due to high inventory holding requirements. The ratings consider the exposure of profitability to fluctuations in polypropylene granules (the key raw material) prices and foreign currency exchange rates (because of high proportion of export sales in its revenue mix). However, Big Bags has so far been able to pass on the increase in raw material prices to its customers.

The Stable outlook reflects ICRA's expectation that Big Bags will continue to record a healthy growth in its earnings, aided by enhanced capacity and heathy demand from its customers, which would support the company in maintaining comfortable debt metrics.

Key rating drivers and their description

Credit strengths

Extensive experience in FIBC industry and a diversified revenue base – The company's promoters have significant experience in the FIBC industry and enjoy strong relationships with customers across various industries such as pharmaceutical, raw foods, processed foods, construction, chemicals, and defence industries. Big Bags sells its products through distributors/dealers. However, the diversified end-user industry base insulates it from the risk of slowdown in any industry.

Comfortable debt protection metrics – The company has a comfortable financial profile, characterised by low debt level, a healthy net worth and comfortable debt protection metrics with a gearing of 0.2 times and DSCR of 4.4 times as of 9M FY2025. ICRA notes that the company's net worth and leverage remain comfortable despite share buyback of ~Rs. 60.0 crore (including taxes) in 9M FY2025. The company is expected to incur a sizeable capex of over Rs. 100 crore in the next two years, to be funded through an undrawn term loan of ~Rs. 60.0 crore and internal accruals. Despite the increase in the company's overall debt levels, its debt protection metrics are expected to continue to remain comfortable, going forward, supported by its healthy earnings.

Capacity additions to drive growth in scale and earnings – Big Bags had invested over Rs. 60 crore to increase its FIBC manufacturing capacity by 25% to 21,000 MTPA, which became fully operational in November 2024, besides an input manufacturing facility for tapes, fabrics and other backward integration processes. It has also started the construction (to be completed in three phases) of its new facility for BOPP bags for a total project cost of over Rs. 100 crore. This has been financed partially by internal accruals, and partially by a term loan of Rs. 75 crore. The phase 1 is expected to have a manufacturing capacity of 4,200 MTPA and is likely to be fully operational in by H1 FY2026, enabling the company to scale up its volumes and aid revenue growth.

Credit challenges

Moderate scale of operations in the highly fragmented and competitive industry; working capital intensive nature of operations – Big Bags' scale of operation is moderate with an operating income of Rs. 303.9 crore in FY2024, a drop of 14% YoY, owing to a decline in realisations amid moderation in raw material prices and subdued demand from key export destinations such as the US, Europe, and Australia. Inflationary pressure impacted production in key end-user industries. However, the company's revenues are expected to recover by 25-30% in FY2025 (Rs. 286.6 crore in 9M FY2025), supported by improved realisations owing to increase in raw material prices, higher demand from its existing customers, and onboarding of new customers. Further, the margins are likely to remain healthy at 16-18%, supported by better fixed cost absorption. ICRA expects Big Bags' revenue to further grow by 18-22% in FY2026 on the back of improving demand from its existing customers and addition of new products.

Vulnerability of profitability to fluctuations in raw material prices and foreign currency exchange rate – Polypropylene granules are the key raw materials needed to manufacture FIBC bags. Hence, the company's profitability remains exposed to fluctuations in its prices, which in turn depends on the price of crude oil. It enters into cost plus margin contracts with its customers, mitigating the impact of fluctuating raw material costs to an extent. Big Bags is exposed to fluctuations in foreign currency exchange rates because of high proportion of export sales in its revenue mix. However, foreign currency denominated loans act as a natural hedge and the company hedges its receivables partially, mitigating the risk to an extent.

Customer concentration risk with top 5 customers contributing to ~89% of sales; however, end customer base is diversified - The top five customers contributed ~89% to the company's export revenues in FY2024. However, Big Bags has an established relationship with customers spanning over two decades, which provides stability to its top line. Big Bags' direct customers are distributors that sell to various end customers. The end customers would include players in pharmaceutical, raw foods, processed foods, defence, chemicals and construction industries.

Liquidity position: Strong

BBIPL's liquidity is strong with expected retained cash flow of Rs. 25-35 crore in the next 12 months and free cash and bank balance of ~Rs. 14.1 crore and buffer in the working capital facilities of ~Rs. 16.0 crore as on December 31, 2024. Against these sources of funds, the company has capex plans of Rs. 60-70 crore in the next 12 months, to be funded through an undrawn term loan of ~Rs. 60.0 crore and internal accruals, and debt repayment obligations of ~Rs. 10.0 crore.

Rating sensitivities

Positive factors – ICRA could upgrade Big Bags' ratings if the company demonstrates a significant improvement in its scale while sustaining its earnings and debt protection metrics.

Negative factors – Pressure on Big Bags' ratings could arise owing to any sharp contraction in earnings or any large debt-funded capex, which impacts its debt indicators. Specific credit metrics, which could result in ratings downgrade include Total Debt / OPBITDA > 2.3 times on a sustained basis. Any material stretch in working capital cycle or sizeable payouts to shareholders affecting the company's liquidity position, could also impact the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Big Bags, incorporated in 2000, has its headquarters in Mangalore (India). It manufactures FIBC bags with a production capacity of 21,000 MTPA. It exports to over 20 countries from five continents. The company's infrastructural facilities include extrusion, circular looms, Sulzer fabric looms, lamination plants, lifting belts, fabric cutting facilities, four-colour printing, PE Liner, and bag finishing. It has implemented hazard analysis critical control point in its clean room facility.

Key financial indicators (audited)

BBIPL(Standalone)	FY2023	FY2024
Operating income	351.9	303.9
PAT	31.7	29.6
OPBDIT/OI	16.4%	16.1%
PAT/OI	9.0%	9.7%
Total outside liabilities/Tangible net worth (times)	0.6	0.3
Total debt/OPBDIT (times)	1.4	0.8
Interest coverage (times)	17.4	27.1

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

ICRA

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years							
	Type	Amount Rated (Rs Crore)	Mar 18, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long term-term loan-fund based	Long Term	90.00	[ICRA]A (Stable)	03-Apr-24	[ICRA]A (Stable)	-	-	28-Mar-23	[ICRA]A (Stable)	06-Apr-21	[ICRA]A (Stable)
				-	-	-	-	-	-	30-Mar-22	[ICRA]A (Stable)
Short term-others-fund based	Short Term	50.00	[ICRA]A1	03-Apr-24	[ICRA]A1	-	-	28-Mar-23	[ICRA]A1	06-Apr-21	[ICRA]A1
				-	-	-	-	-	-	30-Mar-22	[ICRA]A1
Short term-others-interchangeable	Short Term	(110.00)	[ICRA]A1	03-Apr-24	[ICRA]A1	-	-	28-Mar-23	[ICRA]A1	06-Apr-21	[ICRA]A1
				-	-	-	-	-	-	30-Mar-22	[ICRA]A1
Short term-others-interchangeable	Short Term	(100.00)	[ICRA]A1	03-Apr-24	[ICRA]A1	-	-	28-Mar-23	[ICRA]A1	06-Apr-21	[ICRA]A1
				-	-	-	-	-	-	30-Mar-22	[ICRA]A1
Long term-unallocated-unallocated	Long Term	10.00	[ICRA]A (Stable)	03-Apr-24	[ICRA]A (Stable)	-	-	28-Mar-23	[ICRA]A (Stable)	06-Apr-21	[ICRA]A (Stable)
				-	-	-	-	-	-	30-Mar-22	[ICRA]A (Stable)
Long term-others-interchangeable	Long Term	0.00	-	03-Apr-24	[ICRA]A (Stable)	-	-	28-Mar-23	[ICRA]A (Stable)	06-Apr-21	[ICRA]A (Stable)
				-	-	-	-	-	-	30-Mar-22	[ICRA]A (Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term Loan	Simple
Long-term – Unallocated	Not Applicable
Short-term Fund-based Facilities	Very Simple
Short-term Fund-based Facilities – Sub-limit	Very Simple
Short-term Non-fund Based facilities – Sub-limit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan 1	FY2021	-	FY2026	15.00	[ICRA]A (Stable)
NA	Term Loan 2	FY2025	-	FY2030	75.00	[ICRA]A (Stable)
NA	Unallocated – Long Term	-	-	-	10.00	[ICRA]A (Stable)
NA	Cash Credit (sublimit)	-	-	-	(0.00)	[ICRA]A (Stable)
NA	Export Credit – PCFC/EPC	-	-	-	30.00	[ICRA]A1
NA	PCL/PCFC	-	-	-	20.00	[ICRA]A1
NA	Post Shipment Finance (sublimit)	-	-	-	(30.00)	[ICRA]A1
NA	FDBP/FUBP/EBRD (sublimit)	-	-	-	(20.00)	[ICRA]A1
NA	Working Capital Demand Loan (sublimit)	-	-	-	(30.00)	[ICRA]A1
NA	Buyers Credit (sublimit)	-	-	-	(30.00)	[ICRA]A1
NA	Bank Guarantee (sublimit)	-	-	-	(20.00)	[ICRA]A1
NA	Letter of Credit (sublimit)	-	-	-	(20.00)	[ICRA]A1

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis- Not Applicable

ANALYST CONTACTS

Shamsher Dewan
+91 12 4454 5300
shamsherd@icraindia.com

Srikumar Krishnamurthy
+91 44 4596 4318
ksrikumar@icraindia.com

Nithya Debbadi
+91 40 6939 6416
nithya.Debbadi@icraindia.com

Nikhil Parakh
+91 44 4596 4321
nikhil.parakh@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches