The Bombay Dyeing & Manufacturing Company Limited (Revised)

January 12, 2023

Rating

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2,405.32	CARE BBB; Stable	Assigned
Short Term Bank Facilities	450.00	CARE A3+	Assigned
Fixed Deposit	0.28	CARE BBB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of The Bombay Dyeing & Manufacturing Company Limited (BDMCL) draws strength from its long and established track record in the PSF/Textile industry and its lineage to the established Wadia Group. The ratings also take into account the y-o-y improvement in scale of operations of the company, albeit it continues to remain loss making at PAT level. CARE has also considered the fact that there is low execution risk for the real estate project as construction is completed. The Occupancy Certificate (OC) project is largely received and is likely to drive sales momentum for unsold inventory going forward. Further CARE also notes that the company has its own land banks and there is scope for monetizing them which would unlock positive cashflows in the future which would be utilized for deleveraging plans.

The ratings also factor the weak financial risk profile of the company marked by a highly leveraged capital structure with a negative networth over the past two fiscals ending FY22. There has been consistent cash losses since last two fiscals with debt repayment being supported by infusion from promoter group companies and external refinancing. CARE also takes cognizance of the fact that quantum of financial support being extended by Wadia group has increased. CARE believes that improvement in financial risk profile of BDMCL is likely to happen only after substantial deleveraging which will result from successful implementation of proposed monetization and fund-raising plans. Timely asset monetization/fund raising plans for deleveraging would remain key monitorable.

The above rating strengths are also tempered by challenging market conditions and high-ticket size of flats which exposes BDMCL to marketing/saleability risk for the unsold inventory in the real estate. The real estate market is highly cyclical in nature inherently. The textile industry is also cyclical in nature and is sensitive to general economic conditions and factors such as consumer demand, inflation, disposable income levels and demographic trends. Margins are exposed to volatility in raw material prices and competition in Textile segment. The profitability margins are also susceptible to fluctuations in key raw material prices and forex fluctuation risks.

CARE also notes that BDMCL's matters involving SEBI's order is still sub judice. CARE would continue to closely monitor the developments and engage with BDMCL officials, pertaining to the sub judice matter to gain more clarity on further hearings.

Rating sensitivities

Positive rating triggers: Factors that could lead to positive rating action/upgrade

(+) Deleveraging of balance sheet achieved by successful implementation of monetization, fund-raising and timely sale of unsold inventory of flats thereby resulting in significant improvement of debt metrics with Overall Gearing at 1.75x on a sustained basis.

(+) Improvement in profitability of the company, with company reporting positive PAT on sustained basis

Negative rating triggers: Factors that could lead to negative rating action/downgrade

(-) Inability to carry out deleveraging with debt continuing to remain at higher levels
(-) Decline in operating performance on a sustained basis
(-) Any significant dilution of Wadia Groups stake in Bombay Dyeing or curtailment of support
(-) Adverse outcome with respect to ongoing legal matters resulting in additional liabilities arising on the company

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Analytical approach: CARE Ratings has taken a consolidated approach in analysing the financials of BDMCL. The list of companies which have been consolidated is presented in **Annexure 6**. CARE Ratings has taken consolidated approach owing to high degree of financial, managerial and business linkages between the entities. CARE has also applied group support factor, based on the ability and willingness of Wadia group to support its group company

Detailed description of the key rating drivers

Key rating strengths

Belongs to an established promoter group which has been extending continuous financial support

BDMCL is a part of Wadia group which has presence across textile, real estate, aviation, FMCG, engineering and healthcare. BDMCL has a long track record in PSF industry, a growing presence in Real Estate in MMR region & a well-recognized brand name in home textiles industry. BDMCL is headed by Chairman Mr. Nusli N. Wadia (age 78) and his son Mr. Ness Wadia (age 51) is also a Promoter Director in BDMCL. He is the MD of Bombay Burmah Trading Corporation Ltd. (rated CARE AA; Stable/CARE A1+), a company which has holdings in most of the Wadia Group subsidiaries. The promoter group has demonstrated a long track record of continuously supporting BDMCL financially.

Revenue growth supported by improved demand

For FY22 BDMCL has reported total income (including other income) of Rs. 2,106crore vis-a-vis total income of Rs. 1,226 crore for FY21, registering a y-o-y growth of 72%. PSF industry saw a domestic sales volume growth of 10% during the year driven by downstream home textile and ready-made garments demand growth. Sales for H1FY23 was Rs. 1,427 crore vis-à-vis Rs. 905 crore for H1FY22. Real estate division continued to demonstrate good sales velocity. However high input costs flared by commodity inflation continued to pose challenges during the year. High interest burden continued to render BDMCL loss making at PAT level.

Real estate project – completed

The Island City Centre (ICC) project at Dadar, Mumbai construction has been completed. Therefore, there is low execution risk. This is expected to boost sales and result in improved collections going forward as witnessed from recent sales velocity, with more than 80% of the flats already sold. Based on management articulation, in line with current sales velocity trend, the balance flats are likely to be fully sold in the near-medium term. However, in view of high-ticket sizes and uncertain market conditions given high inflation, moderate marketing risk for unsold inventory exists. Nevertheless, factors such as premium location of property in MMR and brand name of developer continue to remain attractive factors for prospective investors.

Key rating weaknesses

Weak Financial Risk Profile, debt repayment is contingent on rights issue & asset monetization

BDMCL has a weak financial risk profile marked by high leverage and negative networth. Due to inadequate cashflow generation, BDMCL has been relying upon funding from group companies and refinancing to support its debt repayment obligations. The total debt continues to remain high at Rs. 4,040 crore as on September 30, 2022 with high scheduled debt repayment maturities amounting to Rs. 736 crore, Rs. 810 crore and Rs. 2,455 crore due in FY23, FY24 & FY25 respectively. Debt repayment due for H2FY23 is ~Rs. 480 crore. BDMCL has planned asset monetization which includes its monetization/development of its own land parcels in MMR region. BDMCL has also announced a rights issue of Rs. 940 crore which shall be largely used towards debt reduction. The rights issue is expected to be completed by March 31, 2023 subject to receipt of regulatory approvals.

BDMCL management has articulated that in the event of unanticipated delay in rights issue and planned monetization, BDMCL would still have receivables from sold flats, expected cashflows from sales of balance inventory, lease rentals, expected cashflow from PSF division and liquid investments in the form of equity shares held in Wadia group companies for servicing debt repayments in the near-medium term. However, these resources are inadequate over the long term debt horizon, necessitating BDMCL to resort to alternative avenues to support debt repayment. Although CARE takes cognizance of the fact that adequate financial support is being extended by Wadia group, the quantum of support has been increasing.

In view of the above, proposed fund-raising (rights issue) and monetization plans of BDMCL shall remain key monitorable and shall be critical factors. Timely completion of the same would be critical in determining the financial risk profile of the entity going ahead.

Matter with SEBI sub judice

SEBI had passed an order on October 21, 2022 finding fault with interpretation of accounting standards by the company. The regulatory body has barred BDMCL promoters from accessing capital markets and also imposed monetary penalties on them. BDMCL has appealed against the SEBI order. On November 10, 2022, the Hon'ble Securities Appellate Tribunal (SAT) has stayed the SEBI's order against BDMCL and its promoters and the matter is scheduled to be listed in February 2023. The matter is thus still sub judice and any adverse outcome could have a bearing on the company's risk profile. CARE would continue to closely monitor the legal developments and also engage with BDMCL management to gain more clarity.

Exposed to competition, inherent cyclicality in textile & real estate industries
The textile industry is cyclical in nature and is sensitive to general economic conditions and factors such as consumer demand, inflation, disposable income levels and demographic trends. Real estate is cyclical and tends to follow a pattern where the market goes up and down. It tends to follow general economic trends since real estate is a major economic driver. The demand for real estate is heavily influenced by economic factors, with a traditionally outweighed supply.

Liquidity: Adequate
As on September 30, 2022, BDMCL maintained cash & cash equivalents of Rs. 139 crore. Further BDMCL holds equity shares in Group entities (Bombay Burmah & National Peroxide) with current market value of Rs 391 crore as on September 30, 2022. Company also has huge land bank in Worli and Dadar which has potential to be monetized/developed over the years. The company has pending receivables from sold residential flats which also provides support to liquidity.
The total debt continues to remain high at Rs. 4,044 crore as on September 30, 2022 with high scheduled debt repayment maturities amounting to Rs. 736 crore, Rs. 810 crore and Rs. 2,455 crore due in FY23, FY24 & FY25 respectively. Debt repayment due for H2FY23 is ~Rs. 480 crore. The company receives need based funding support from Wadia group entities and CARE believes that the same would continue going forward.

Applicable criteria

Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies
Rating methodology for Real estate sector
Policy on Withdrawal of Ratings

About the company

Bombay Dyeing and Manufacturing Company Limited (BDMCL or the Company), part of Wadia Group, was incorporated on August 23, 1879. It originated as an integrated textile mill however; it is currently engaged primarily in the business of Real Estate Development, Polyester Staple Fibre (PSF, hold 15% of market share) and textile retail. BDMCL is a public company limited by shares, incorporated and domiciled in India and is listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE).

Brief Financials (₹ crore): Consol	March 31, 2021 (A)	March 31, 2022 (A)	HYE Sept 30, 2022 (UA)
Total operating income*	1,226	2,106	1,427
PBILDT	116	22	96
PAT	(469)	(460)	(170)
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

A: Audited; UA: Unaudited; NM: Not meaningful, since it is very low
*Includes other income

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fixed Deposit	-	-	-	-	0.28	CARE BBB; Stable
Fund-based - LT-Cash Credit	-	-	-	-	50.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	-	30-11-2029	2355.32	CARE BBB; Stable
Non-fund-based - ST-Letter of credit	-	-	-	-	450.00	CARE A3+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fixed Deposit	LT	0.28	CARE BBB; Stable	-	-	-	-
2	Fund-based - LT-Term Loan	LT	2355.32	CARE BBB; Stable	-	-	-	-
3	Non-fund-based - ST-Letter of credit	ST	450.00	CARE A3+	-	-	-	-
4	Fund-based - LT-Cash Credit	LT	50.00	CARE BBB; Stable	-	-	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fixed Deposit	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure 6: List of subsidiaries

Sl	Name of Entity	% holding as on March 31, 2022	Relationship
1	Pentafil Textile Dealers Limited JV	49%	Associate
2	Bombay Dyeing Real Estate Company Limited	40%	Associate
3	P.T Five Star Textiles, Indonesia	97.36%	Subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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