

The Bombay Dyeing & Manufacturing Co. Limited

December 11, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	50.00	CARE BBB+; Stable	Revised from CARE BBB-; Negative
Short Term Bank Facilities	450.00	CARE A2+	Revised from CARE A3
Long Term Bank Facilities	-	-	Withdrawn
Fixed Deposit	0.25 (Reduced from 0.28)	CARE BBB+; Stable	Revised from CARE BBB-; Negative

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in ratings assigned to the bank facilities and instruments of The Bombay Dyeing & Manufacturing Company Limited (BDMCL) factors significant development with respect to the company which was announced on September 13, 2023 relating to land monetisation wherein BDMCL sold a 22-acre Worli land to Sumitomo for Rs. ~5,200 Cr, receiving Rs. 4,686 Cr in Phase-I, which has been utilised for prepayment of debts amounting to Rs 3,359 crores till October 2023 and balance Rs 216 crores would be paid till December 2023, thereby the company is expected to be net debt free in FY24 thereby leading to significant improvement in capital structure and debt coverage metrics. Further, Phase-II is expected to complete in Q4 FY24 for Rs. 525 Cr which is subject to certain conditions, alongside pretax surplus funds of about Rs. 1250 Cr, now in investments, aims for projects to secure future revenue, profits and strong liquidity position.

In FY23, BDML reported losses due to high raw material costs and energy costs and high interest cost burden. Profitability of the company was further impacted due to write down of inventories to net realisable value by Rs 147.25 crores during the year ended March 31, 2023 for Real Estate segment. However, in Q2FY24, EBITDA margins improved to 7% as a result of the real estate division as compared to Q4FY23 which was negative due to real estate inventory write down, with 4.33% EBITDA margin in H1FY24, though was loss making at PAT level however, PAT is expected to turn positive in FY24 with income from land sale.

Care continues to note BDMCL's subjudice matter with SEBI since the Hon'ble Securities Appellate Tribunal (SAT) stayed the SEBI's order against BDMCL and its promoters on November 10, 2022. CARE continues to closely monitor the legal developments and also engage with BDMCL management to gain more clarity. Hearings have already taken place and final order from SAT is awaited.

The ratings however continue to draw strength from its long and established track record in the PSF/Textile industry and its lineage to the Wadia Group which has diversified business interests. The ratings also draw comfort from the low execution risk for the real estate project as construction is completed with sales velocity gathering pace, with almost 99% of the inventory sold. Further CARE also notes that the company has its own land bank and there is scope for real estate plans which would unlock positive cashflows in the future.

The above rating continues to be tempered by cyclicity in the real estate market. 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.

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

Rating sensitivities: Factors likely to lead to rating actions.**Positive factors**

- Significant improvement in topline and operating profitability of the company with operating margins above 8% on sustained basis with positive PAT.
- Timely launch, execution and healthy sales velocity of new projects with higher customer advances ensuring substantial cash flow from operations.
- Sustained Net Debt Free Profile.

Negative factors

- Decline in operating performance on a sustained basis with cash losses at PAT level continued impacting the liquidity profile.
- Deterioration in overall gearing beyond 1.3x and significant erosion of liquidity with high debt funded projects/capex plan.

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.

Outlook: Stable

The Stable Outlook reflects the expected improvement in the company's risk profile in the medium term with improvement in PSF business and launch of new real estate projects. The stable outlook reflects the sustenance of the improvement in the operating and financial risk profile of the company amidst healthy cash flow generation from operations and absence of any large debt-funded capex or acquisition plans in the medium term.

Detailed description of the key rating drivers:**Key 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 and his son Mr. Ness Wadia is also a Promoter Director in BDMCL. He is the MD of Bombay Burmah Trading Corporation Ltd, 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.

Y-o-Y growth in revenue, albeit quarterly & annual cash losses continue.

For FY23, BDMCL has reported total income (including other income) of Rs. 2,776.13 crore vis-a-vis total income of Rs. 2,106 crore for FY22, registering a y-o-y growth of 32%. The growth was driven by Real estate division which continued to demonstrate good sales velocity. The PSF division's revenue grew at a comparatively slower pace of 8% y-o-y, in light of headwinds in overseas downstream segments and volatility in input prices. In the real estate division, there was a write down of inventories to net realisable value by Rs. 147.25 crores during the year ended March 31, 2023, which impacted the EBIDTA and widened the PAT losses. High interest burden continued to render BDMCL loss making at GCA level. However, with the land sale, the company is expected to be cash positive in FY24 and further, the company is also expected to generate cashflows from the new real estate project in future years.

Real estate project.

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 99% 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. Factors such as premium location of property in MMR and brand name of developer continue to remain attractive factors for prospective investors and is also expected launch to a new real estate project in Dadar to create about 3.5 million square feet of residential / commercial property.

Key weaknesses

Weak financial profile in FY23, however expected to improve significantly on completion of asset monetization for debt reduction:

BDMCL has a weak financial risk profile marked by high leverage and negative networth which has further deteriorated in FY23. due to inadequate cashflow generation. Further, high quantum of debt and borrowing costs continue to keep debt metrics weak. However, with the monetisation of the WIC Worli land for ~ Rs 5200 crores and repayment of Rs 3,359 crores debt being completed in October 2023 and with another repayment to be done in Q3FY24 of Rs 216 crores, the company is expected to be net debt free in FY24 thereby leading to significant improvement in capital structure and debt coverage metrics.

Matter with SEBI is still 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. 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. Hearings have already taken place and final order from SAT is awaited.

Exposed to competition, inherent cyclicity 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: Strong

As on September 30, 2023, BDMCL maintained cash & liquid investment balance of Rs.166 crore. These are in the form of balances in current account and investment in fixed deposits with banks. With monetisation of Worli land for ~ Rs 5200 crs, pretax surplus funds of about Rs.1250 Cr after the debt repayment have been invested in Fixed Deposits and liquid funds and which is sufficient for the remaining debt payment of around Rs 216 crores (expected to be repaid by Dec 2023). Further, about Rs 700 crores of funds are expected to be maintained over the medium term considering the receipt of phase 2 funds of Rs 525 crores and payment of taxes and other debt.

The company also has huge land bank in 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.

Environment, social, and governance (ESG) risks

Particulars	Risk factors
Environmental	<ul style="list-style-type: none"> The PSF operation of the Company is investing in efficient technologies to reduce its impact on the environment. Some are specific areas where R&D is carried out by the Company- Installation of energy efficient compressor. Draw line up gradation of CINAMICS Drives & PLC. Hardware procurement for new product development. Provision of high pressure compressed air in spinning. New energy efficient pump for Cooling Tower. Additional ducting facility for rainwater harvesting. Modified heating coil for AHU system. PTA conveying compressor up gradation with modified internals. Spare VFD for energy efficient chiller. Up gradation of Cooling Tower cell to improve energy efficiency
Social	<ul style="list-style-type: none"> Company through its CSR Activities as and when applicable contributes to various social causes like child health care / natural calamities. Bombay Dyeing has been working for education, health & nutrition, sanitation and wellbeing of marginalized sections of the society. Through its CSR Activities as and when applicable contributes to various social causes like child health care / natural calamities. Over the years, Bombay Dyeing's continuous efforts have resulted in better education, better health, better employment, better infrastructure and better

Particulars	Risk factors
	<ul style="list-style-type: none"> Sanitation for the local communities, in addition, Wadia Group has a community hospital that provides medical services that improve people's quality of life.
Governance	<ul style="list-style-type: none"> Governance risk discussed w.r.t. ongoing proceedings with SEBI.

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](#)

[Manmade Yarn Manufacturing](#)

[Manufacturing Companies](#)

[Rating methodology for Real estate sector](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

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) 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) Consolidated	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24(UA)
Total operating income*	2,106	2,776.13	961.42
PBILDT	22	67.71	41.66
PAT	(460)	(517)	(172)
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

*Includes other income

A: Audited UA: Unaudited; NM: Not meaningful, since it is very low/negative

Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of 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		-	-	-	0.25	CARE BBB+; Stable
Fund-based - LT-Cash Credit		-	-	-	50.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	-*	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	450.00	CARE A2+

*term loan has been prepaid

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 2023-2024	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
1	Fixed Deposit	LT	0.25	CARE BBB+; Stable	1)CARE BBB-; Negative (15-May-23)	1)CARE BBB; Stable (12-Jan-23)	-	-
2	Fund-based - LT-Term Loan	LT	-	-	1)CARE BBB-; Negative (15-May-23)	1)CARE BBB; Stable (12-Jan-23)	-	-
3	Non-fund-based - ST-Letter of credit	ST	450.00	CARE A2+	1)CARE A3 (15-May-23)	1)CARE A3+ (12-Jan-23)	-	-
4	Fund-based - LT-Cash Credit	LT	50.00	CARE BBB+; Stable	1)CARE BBB-; Negative (15-May-23)	1)CARE BBB; Stable (12-Jan-23)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not applicable

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](#)

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.

Annexure 6: List of subsidiaries

SI	Name of Entity	% holding as on March 31, 2023	Relationship
1	Pentafil Textile Dealers Limited	49%	Associate
2	Bombay Dyeing Real Estate Company Limited	40%	Associate
3	P.T Five Star Textiles, Indonesia	97.36%	Subsidiary

Contact us.

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About us:

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