BOMBAY DYEING

Date: May 16, 2023

BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001
051
BSE Scrip Code: 500020

National Stock Exchange of India Ltd.
Exchange Plaza, 5th floor,
Plot No. C/1, 'G' Block, Bandra-Kurla
Complex, Bandra (E), Mumbai- 400
NSE Symbol : BOMDYEING

Dear Sirs,

SUB: REVISION IN RATINGS BY CARE RATINGS LTD.

REF: REGULATION 30 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

CARE Ratings Ltd. has vide its letter dated May 15, 2023 revised ratings for the bank facilities and fixed deposit programme of the Company as follows:

Facilities/Instruments	Amount (Rs. crore)	Existing Rating	Revised Rating
Long Term Bank Facilities	2,405.32	CARE BBB; Stable	CARE BBB-; Negative
Short Term Bank Facilities	450.00	CARE A3+	CARE A3
Fixed Deposit	0.28	CARE BBB; Stable	CARE BBB-; Negative

Rating Rationale issued by the CARE Ratings Ltd. is enclosed for your reference.

You are requested to take the same on record.

Yours faithfully,
For **The Bombay Dyeing and Manufacturing Company Limited**

Sanjive Arora
Company Secretary
FCS No. 3814
Encl: as above

THE BOMBAY DYEING & MANUFACTURING CO. LTD.
C-1, Wadia International Center, Pandurang Budhkar Marg, Worli, Mumbai - 400 025, India. **Regd. Office:** Neville House, J.N. Heredia Marg, Ballard Estate, Mumbai - 400 001, India.
Office: +91 22 666 20000. Fax: +91 22 661 92001. Website: www.bombaydyeing.com. Email: corporate@bombaydyeing.com. CIN: L17120MH1879PLC000037

BOMBAY DYEING

C.C. National Securities Depository Ltd.,
Trade World, 4th floor, Kamala Mills Compound,
S. Bapat Marg, Lower Parel,
Mumbai-400013.

Central Depository Services (India) Ltd., Marathon
Futurex, A Wing, 25th Floor
N. M. Joshi Marg, Lower Parel
Mumbai- 400 013

Bourse de Luxembourg,
Societe de La Bourse de Luxembourg,
Societe Anonyme, R. C. 36222, BP 165, L-2011,
LUXEMBOURG.

Citibank N.A.,
DR Account Management,
Citigroup Corporate & Investment Bank, 14th Floor,
388, Greenwich Street,
New York, NY (USA) 10013.

M/s KFin Technologies Ltd.
Selenium Building, Tower B, Plot
31-32, Gachibowli,
Financial District, Nanakramguda, Hyderabad - 500
032

The Bombay Dyeing & Manufacturing Co. Limited

May 15, 2023

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

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 weaker than expected overall business risk and financial profile with widening of cash losses, both for the financial quarter and financial year ended March 31, 2023 resulting in further erosion of the networth and consequent deterioration of debt metrics. The company has reported PAT loss of Rs. 517 crore in FY23 (P.Y. Rs. 460 crore) due to continued high interest and inventory write down in the real estate segment in Q4FY23. During FY23, the scheduled debt repayments have continued to be partly supported by promoter infusion (ICD) and sale of shares held by it in group companies. The sale of shares and part of cash balance being liquidated has consequently resulted in tapering of the liquidity cushion available with the company.

The rating action also factors the delay in completion of rights issue of Rs. 940 crore and planned asset monetization from the envisaged timelines which was expected to improve liquidity and enable faster deleveraging. The rights issue was expected to be completed by March 31, 2023 subject to receipt of regulatory approvals as per CARE's earlier PR dated January 12, 2023. The aforementioned PR can be accessed on this link here.

The company has significant repayments due in FY24 and FY25. Repayments in FY24 are tightly matched with expected cash flows and available liquidity whereas FY25 repayments needs to be refinanced if the company is not able to raise funds through rights issue and asset monetisation. 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 in FY24. Timely asset monetization/fund raising plans for debt repayments would thus continue to remain key monitorables.

Furthermore, there has been few hearings on the 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. The matter remains still sub judice and any adverse outcome could constrain its fund-raising capabilities from capital markets. CARE continues to closely monitor the legal developments and also engage with BDMCL management to gain more clarity.

The above rating continues to be tempered by cyclicality 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.

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. However, CARE is also closely monitoring the events pertaining to the recent insolvency of Go First Airline held by the group and assessing its impact on the overall risk profile of the Wadia group. 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 96% of the inventory sold. 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.

[1]Complete 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

• 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 factors
• Inability to carry out deleveraging with debt continuing to remain at higher levels
• Decline in operating performance on a sustained basis with cash losses continued impacting the liquidity profile
• 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 or constraining its fund-raising ability.

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: Negative
The Negative Outlook reflects that continued loss-making operations and erosion of networth coupled with further delay in fund-raising and monetization plan could result in weakening of credit risk profile. The outlook could be reinstated to 'Stable' in the event of improvement in the company's risk profile in the medium term with early completion of fund-raising/monetization plans

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 (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.

Y-o-Y growth in revenue, albeit quarterly & annual cash losses continues
For FY23, BDMCL has reported total income (including other income) of Rs. 2,776 crore vis-a-vis total income of Rs. 2,106 crore for FY21, 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. 146.96 crores and Rs. 147.25 crores during the quarter and 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.

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 95% 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.

Key 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 which has further deteriorated in FY23. 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 outstanding at Rs. 3,642 crore as on March 31, 2023 (P.Y. Rs. 4,442 crore) with high scheduled debt repayment maturities amounting to Rs. 942 crore and Rs. 2,655 crore due in, FY24 & FY25 respectively (including group debt)

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 was expected to be completed by March 31, 2023 subject to receipt of regulatory approvals, however it continues to face delays.

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, and liquid investments in the form of equity shares held in Wadia group companies for servicing debt repayments in FY24. However, these resources continue to remain inadequate over the long term debt horizon, necessitating BDMCL to resort to alternative avenues to support debt repayment especially for FY25.

CARE takes cognizance of the fact that adequate financial support is continued being extended by Wadia group. 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 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 and the matter is scheduled to be listed shortly. 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: Stretched
As on March 31, 2023 BDMCL maintained cash & cash equivalents of Rs. 134 crore (P.Y. Rs. 416 crore). Further BDMCL holds equity shares in Group entities (Bombay Burmah & National Peroxide) worth Rs 194 crore as on March 31, 2023, which has come down from Rs. 367 crore March 31, 2022. With company utilizing its existing cash & sale proceeds from share sale as seen above, the liquidity buffer has thus tapered.

The 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. 3,642 crore as on March 31, 2023 with high scheduled debt repayment maturities amounting to Rs. 810 crore and Rs. 2,455 crore due in FY24 & FY25 respectively. The company receives need based funding support from Wadia group entities and CARE believes that the same would continue going forward.

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 and liquid investments in the form of equity shares held in Wadia group companies for servicing debt repayments in FY24, with any shortfall to be supported by the group. However, these resources continue to remain inadequate over the long-term debt horizon especially for FY25, necessitating BDMCL to resort to alternative avenues to support debt repayment.

Covenants

- Borrower to make good any shortfall in the DSRA during the facility tenor within 7 days of happening of the shortfall.
- Borrower shall not change its shareholding pattern or share capital which leads to any change in control of the borrowers.

Environment, social, and governance (ESG) risks

Environment, Health and Safety continue to be key focus areas and the Company strives to reduce its environmental impact through various initiatives in the field of Energy Efficiency and Conservation. The Company supports the principle of inclusive growth and equitable development through its Corporate Social Responsibility initiatives and also through its core business

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): Consol	March 31, 2022 (A)	March 31, 2023 (Abr.)
Total operating income	2,106	2,674
PBILDT	22	68
PAT	(460)	(517)
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

A: Audited; Abr.: Abridged; 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		-	-	-	0.28	CARE BBB-; Negative
Fund-based - LT-Cash Credit		-	-	-	50.00	CARE BBB-; Negative
Fund-based - LT-Term Loan		-	-	30-11-2029	2355.32	CARE BBB-; Negative
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 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	0.28	CARE BBB-; Negative	-	1)CARE BBB; Stable (12-Jan-23)	-	-
2	Fund-based - LT-Term Loan	LT	2355.32	CARE BBB-; Negative	-	1)CARE BBB; Stable (12-Jan-23)	-	-
3	Non-fund-based - ST-Letter of credit	ST	450.00	CARE A3	-	1)CARE A3+ (12-Jan-23)	-	-
4	Fund-based - LT-Cash Credit	LT	50.00	CARE BBB-; Negative	-	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	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Letter of credit	Simple
4	Fixed Deposit	Simple

Annexure-5: Lender details

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

Annexure 6: List of subsidiaries

Sr. No	Name of Entity	% holding as on March 31, 2023	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.

Contact us

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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.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in