



Rating Rationale

The Bombay Dyeing and Manufacturing Company Limited

27 March 2019

Brickwork Ratings assigns and upgrades the ratings for bank loan facilities and fixed deposit instrument of The Bombay Dyeing and Manufacturing Company Limited (BDMC) amounting to Rs. 802 Cr

Particulars of Ratings.

Facility	Previous Limit (Rs Cr)	Current Limit (Rs. Cr)	Tenure	Previous Ratings	Current Rating [^]
Fund Based Term Loan Cash Credit	- 75.0	134.0 100.0	Long Term	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable	BWR A (Pronounced as BWR A) Outlook: Stable Assign/Upgrade
Non Fund Based Letter of Credit/ Bank Guarantee	543.0	565.0	Short Term	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A2+ (Pronounced as BWR A Two Plus Plus) Assign/Upgrade
Non Fund Based Fixed Deposit	80.0	3.0	Long Term	BWR FBBB+ (Pronounced as BWR F Triple B Plus) Outlook: Stable	BWR FA (Pronounced as BWR F A) Outlook: Stable Upgrade
Total	698.0	802.0	Rupees Eight Hundred and Two Crores Only		

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings



Brickwork Rating has relied on BDMC's financial results upto FY18 and for 9M ended December 2018, projected financial performance for the year ending 2019 and publicly available information and other information/clarifications provided by the client.

Rating Rationale.

The rating upgrade takes into account expected significant revenue and profitability from the real estate division, near completion status of the project with low execution risk, partial occupation certificate (OC) received for both the residential towers (at Dadar, East, Mumbai) which is likely to support the sales & cash flows, adequate financial risk profile and potential cash flows from land bank in Mumbai. The rating also draws comfort from established track record of the company, resourceful promoter group and composition of BOD; with majority Independent Non-Executive Directors.

The ratings are however constrained on account of marketing risk for the unsold portion associated with the project on account of relatively high ticket value and exposed to inherent cyclicity in real estate industry.

Rating Sensitivities: Achieving revenue, sales and profitability as projected, maintain sales momentum and collections, receipt of OC for the balance project within expected timelines are the key rating sensitivities.

Key Rating Driver

Expected significant revenue and profitability.

A significant portion of the revenue and profitability previously reported (upto 31 Mar 2018) was reversed as on 01.04.2018 due to application of IND AS 115. This has resulted in negative net worth of Rs.857.67 Cr as on 30-09-2018. On account of near completion status of the project and with partial OC received for both the towers (uptil 37 floors) in March 19, the company is expected to once again recognize major revenue & profits in Q4FY19, resulting in decent positive reserves as on March 2019. Since the project is largely completed the finished inventories and booked sales are expected to be converted into revenues and the apartments handed over in the near term; this will lead to faster collections and support future sales velocity thereby supporting the cash flows.

Low Project Execution Risk

The major construction work for both the towers of the project- Island City Centre is completed as such the risk of project execution is minimal. Both the towers have received OC uptil 37 floors. The OC for the remaining floors is expected to be received in 1Q FY19

Company's plans to prepay the debt



The Company currently has low debt to be serviced for next two years (FY20 and 21). Majority of the debt payment obligation will commence from FY22 onwards. The company is planning to prepay a significant portion of this debt from the sales proceed of ICC Towers. The Cash flows from the project are expected to be adequate to cover the debt obligation.

Experienced Management Team and Board of Directors: The Board is composed of eminent persons with considerable professional experience in diverse fields and comprises a majority of Non-Executive Directors. The board comprises of 11 members with seven independent Director (Non Executive) head by Chairman Mr. Nusli N Wadia.

Exposed to inherent cyclicity in real estate industry

Cyclical nature of the industry coupled with subdued demand puts pressure on sales realizations and consequently the cash flows. However, at present the project have received satisfactory response in the market as reflected from sales and collection figures.

Marketing risk for the project which if of relatively high-ticket value.

Challenging market conditions and relatively high ticket sizes for the project exposes BDMC to some market risk with respect to the balance unsold inventory. However, post receipt of OC the sales are expected to improve on account of attracting zero GST.

Liquidity Profile: Cash and cash equivalent of Rs, 93 Cr as on September 2018. The Equity investment in Bombay Burmah Trading Corporation Limited amounting to Rs. 983 as per the current market price.

Rating Outlook: Stable

BWR believes the The Bombay Dyeing and Manufacturing Company Limited's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Negative' if the revenues or customer collections go down and revenue, profitability and net worth show lower than expected figures

About the Project: Island City Centre

The Company is currently developing project called Island City Centre (ICC), which is located at Dadar- Mumbai Maharashtra. The Project Consist of two tower- ICC 1 and ICC 2. ICC 1 is of 59 floors, while ICC -2 is of 65 floors. The project is nearing completion as the company has already spend ~80% of its estimated cost. Also the project have received partial Occupation



Certificate (OC) upto 37 floors for both the towers. For the balance, the OC is expected to be received 1Q FY20. Since the project is largely completed and partial OC received for both the towers the finished inventories are expected to be handed over in the near term, leading to faster collections and underpin future sales velocity thereby supporting the cash flows. The total cost of the project is Rs. 1904 Cr of which Rs. 1510 Cr has incurred. The total saleable area is 10.88 lakh sq.ft of which 5.29 lakh sq. ft is sold with total sales value of Rs. 2153 Cr and amount collected of Rs. 1314 Cr. The sales revenue reversed as on 01.04.2018 is expected to be booked in ensuing quarters.

The Ministry of Corporate Affairs vide notification dated 28th March, 2018 has made Ind AS 115 “Revenue from Contracts with Customers” applicable w.e.f. 1st April, 2018. The Company has opted to apply the modified retrospective approach to contracts which were not completed as on 1st April, 2018 and the cumulative effect of applying this standard is recognized at the date of initial application i.e. 1st April, 2018 by reducing the opening balance of Retained Earnings by Rs. 1773.23 crore as per the requirements of the Ind AS 115 pertaining to recognition of revenue based on satisfaction of performance obligation at a point in time and hence the networth of IHFY19 stood negative Revenue on such contract would be recognised on its completion, that is upon receipt of Occupation Certificate, corresponding profits would get reported to profit and loss account. Had the company continued to POCM (percentage of Completion Method) basis accounting as in the past years, the other equity as on 30th September 2018 would stand increased by Rs. 2309.57 Cr and would have been reported positive of Rs. 1140.59 Cr (31st March 2018- Rs. 595.34 Cr)

The Bombay Dyeing and Manufacturing Company Limited (BDMC)

The Bombay Dyeing & Manufacturing Co Ltd (BDMC) a flagship was founded in 1879 by Mr. Nowrosjee Wadia. Currently, the Wadia group (founded by Loeji Wadia) has a significant presence across textiles, real estate, aviation, foods and plantations, engineering & chemicals and healthcare. BDMC is engaged in home textiles, polyester and real estate business. Over the years BDMC has extended its presence from textiles & fabric to polyester staple fibre and realty.

Shareholding Pattern: The promoters and promoter group holds around 53.06 % and the balance is public shareholding of 46.94% **Board of Directors:** The Board is composed of eminent persons with considerable professional experience in diverse fields and comprises a majority of Independent Non-Executive Directors head by Chairman Mr. Nusli N Wadia.

Segment Revenue Contribution FY18 (FY17): Realty 43.9% (25.5%) , PSF 46.5% (60.1%) and Retail Textile 9.6% (14.5%).

Consolidated Key Financials: BDMC

Result Type	31-Mar-17	31-Mar-18
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Particulars (Rs in Crs)	Audited	Audited
Total Operating Income	2028	2692.8
OPBDIT	276.4	585.5
PAT (Loss)	(126.5)	35.2
Net Worth	333.7	636.8
Total Debt	2541	2721

List of Subsidiaries and Joint Venture forming as part of Consolidation Financials

Name	Nature	% of holdings
Pentafil Textile Dealers Limited JV	Associate	49%
Bombay Dyeing Real Estate Company Limited	Associate	40%
P.T Five Star Textiles	Subsidiary	97.36%

Rating History for the last three years

Sr. No	Instrument /Facility	Current Rating			Rating History		
		Type	Amt (Rs in Cr)	2019	2018	2017	2016
1	FB- Term Loan Cash Credit	LT	134.0 100.0	BWR A (Pronounced as BWR A) Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable	BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable
2	FB - Fixed Deposit	LT	3.00	BWR FA (Pronounced as BWR F A) Outlook: Stable	BWR FBBB+ (Pronounced as BWR F)	BWR FBBB+ (Pronounced as BWR F)	BWR FBBB+ (Pronounced as BWR F)



					Triple B Plus) Outlook: Stable	Triple B Plus) Outlook: Stable	Triple B Plus) Outlook: Stable
3	NFB- LC/ BG	ST	565	BWR A2+ (Pronounced as BWR A Two Plus)	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus)
Total			802	Rupees Eight Hundred and Two Crores Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Service Sector](#)

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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