

Rating Rationale

02 Nov 2022

The Bombay Dyeing and Manufacturing Company Limited

Brickwork Ratings places the issuer rating and the ratings for the rated bank loan facilities and fixed deposit instrument amounting to Rs. 558.14 Crs of The Bombay Dyeing and Manufacturing Company Limited on credit watch with negative implications.

Particulars

Entity	Rating Type	Tenure	Previous Rating (September,2022)	Present Rating*
The Bombay Dyeing and Manufacturing Company Limited	Issuer	Long Term	BWR BBB+/Negative	BWR BBB+ Credit Watch with Negative Implications

Instrument/ Facilities**	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Tenure	Previous Rating (September,2022)	Present Rating*
Fund Based (Bank Facilities)	107.6	107.6	Long Term	BWR BBB+/Negative	BWR BBB+ Credit Watch with Negative Implications
Fund Based (Fixed Deposit)	0.54	0.54	Long Term	BWR BBB+/Negative	BWR BBB+ Credit Watch with Negative Implications
Non Fund Based	450.00	450.00	Short Term	BWR A2	BWR A2 Credit Watch with Negative Implications
Total	558.14	558.14	(Rupees Five Hundred Fifty Eight Crores and Fourteen Lakhs Only)		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

**Details of bank loan facilities are provided in Annexure-I



Rationale:

Brickwork Ratings (BWR) has placed the issuer rating as well as the ratings for the rated bank loan facilities and fixed deposit instrument amounting to Rs. 558.14 Crs of The Bombay Dyeing and Manufacturing Company Limited (BDMC or the company) on credit watch with negative implications i.e. at BWR BBB+/A2 (Credit Watch with Negative Implications) following the announcement by BDMC on 22 October 2022 that the company has received an order passed by SEBI wherein the regulator has imposed both monetary and non monetary penalties [including restraints on accessing securities markets and buying, selling or otherwise dealing in securities for a period of two years (BDMC and BDMC Noticees) and one year (SCAL Services Limited (Scal) Noticees), respectively; and associating with the securities markets, including as a director or key managerial personnel in a listed company or registered intermediary for one year (BDMC Noticees)]. The company has issued press releases to BSE as per the hyperlink given below.

SEBI has imposed a penalty of Rs. 2.25 Crs on BDMC and the other entities involved including Scal have to pay a penalty of Rs. 13.5 Crs. BWR understands that the aforesaid penalty is to be paid within 45 days of receipt of the order and in these 45 days, the company has an option to appeal.

The order specifies that “the noticees were involved in a fraudulent scheme of misrepresentation of financial statements of BDMC by inflating sales of Rs. 2492.94 crores and profit of Rs. 1302.20 crores, arising from the alleged sale of flats (through MoUs) by BDMC to Scal, over, over the period from FY2011-12 to 2017-18.” The Order also mentions the representation made by the Company “the recognition of revenue of Rs. 2492.94 crores and profit of Rs. 1302.20 crores has been rightly recognised and accounted by BDMC, as Scal was not a subsidiary of BDMC at the relevant time and thereby, eliminating the requirement of consolidated financial statements” Further, the order mentions that “SCN does not allege any diversion of funds/misutilization or siphoning of assets of the listed company, for the benefit of promoters or directors of BDMC/Scal”.

Based on the discussions with the company’s management, BWR understands that the company is in the process of seeking legal advice as to its future course of action and will be exercising its statutory right to appeal against the aforementioned order.

The credit watch with negative implications factors in the materiality of the SEBI’s action against the promoters/BDMC. While the promoters/company have stated that all transactions were entirely legitimate and in compliance with law and, the Company would file an appeal against the order before the Securities Appellate Tribunal (SAT), the outcome of these matters, including any punitive action, may have a bearing on the credit risk profile of the company. BWR will continue to monitor the developments in this regard.

The erstwhile negative outlook was on account of continued uncertainties associated with timely monetization of land parcels, sale of FSI and reducing the debt level from the current level. The credit watch with negative implications reflects the uncertainties on account of the likely impact of the SEBI order on BDMC’s credit profile and continued uncertainties associated with timely monetization of land parcels, sale of FSI and reducing the debt level from the current level.



About the Company

BDMC, a flagship company, was founded in 1879 by Mr. Nowrosjee Wadia. Currently, the Wadia group (founded by Lovji Wadia) has a presence across textiles, real estate, aviation, foods and plantations, engineering and chemicals, and healthcare. BDMC is engaged in the home textiles, polyester and real estate businesses. Over the years, BDMC has extended its presence from textiles and fabric to PSF and real estate.

The promoters and promoter group holds around 53.66 % and the balance is public shareholding of 46.34% as of 30 June 2022. The board is composed of eminent persons with considerable professional experience in diverse fields, headed by Chairman/ Non-Executive/ Promoter Director Mr. Nusli N Wadia.

LIQUIDITY INDICATORS (ADEQUATE):

As on 30 June 2022, the company has investments in shares of listed group companies (The Bombay Burmah Trading Corporation Limited and National Peroxide Limited) amounting to Rs. 400 Crs. Cash & cash equivalents as of 30 June 2022 stood at Rs. 182.74 Crs which includes cash on hand of Rs. 0.04 Cr, balance with banks in the current account of Rs. 57.70 Crs and fixed deposit with banks of Rs. 125 Crs (fixed deposit against lien: Rs. 44 Crs). The Company is also making various attempts to monetize the land parcel and inventories and is in talks with few developers/investors for sale of FSI/Joint Development and the discussions are in process. The liquidity along with various measures the company is undertaking including the right issue is expected to remain adequate for repayment obligations amounting to Rs. 996.97 Cr (o/s as of July 2022) for the balance part of FY23.

Please refer the link to the rating rationale dated 26 September 2022 for more details: [BDMC](#)

Non-Cooperation with Previous Credit Rating Agency If Any: Not Applicable

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

Sr. No	Entity Type /Instrument/Facilities			Current Rating	Rating History			
		Type	Amt (Rs in Cr)		November 2022	September 2022	December 2021	2020
1	Fund Based (Bank Facilities, excluding LRD)	Long Term	50.00	BWR BBB+ Credit Watch with Negative Implications	BWR BBB+ Negative Reaffirmed	BWR BBB+ Negative	BWR A/Stable March -2020 BWR A-/Negative June-2020 BWR BBB+/Negative November 2020	BWR A Stable
2	Fund Based ¹ (Fixed Deposit)	Long Term	0.54	BWR BBB+ Credit Watch with Negative Implications	BWR BBB+ Negative Reaffirmed	BWR F BBB+ Negative	BWR F A/Stable March- 2020 BWR FA-/Negative June – 2020 BWR F BBB+/Negative November 2020	BWR FA Stable
3	Non Fund Based	Short Term	450.00	BWR A2 Credit Watch with Negative Implications	BWR A2 Reaffirmed	BWR A2	BWR A2+ March/June 2020 BWR A2 November 2020	BWR A2+
4	Fund Based (LRD)	Long Term	57.60	BWR BBB+ Credit Watch with Negative Implications	BWR BBB+ Negative Reaffirmed	BWR BBB+ Negative	BWR A-/Negative June- 2020. BWR BBB+/Negative November 2020	-
5	Issuer Rating	Long Term	-	BWR BBB+ Credit Watch with Negative Implications	BWR BBB+ Negative Assigned	-	-	-
Total			558.14	(Rupees Five Hundred Fifty Eight Crores and Fourteen Lakhs Only)				

¹BWR had removed the prefix ‘F’ from its Long Term rating i.e. to BWR BBB+ from BWR F BBB+ subsequent to revision in Rating Symbols pursuant to SEBI and RBI Guidelines vide BWR press release dated 29 June 2022.

N/A: Not Available

Any other information: NIL

COMPLEXITY LEVELS OF THE INSTRUMENTS:

Fixed Deposit Instrument: Simple

Bank Loan Facilities: Simple

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Manufacturing Companies](#)
- [Rating Criteria – Rating of Real Estate - Residential Projects](#)
- [Policy for placing Ratings on Credit Watch](#)

1. [Link to press release issued by the company](#)
2. [Link to press release issued by the company](#)

Analytical Contacts	
Satish Jewani Manager - Ratings [Board:+91 22 2831 1426] satish.j@brickworkratings.com	Bal Krishna Piparaiya [Principal Director– Ratings] [Board:+91 22 2831 1426] piparaiya.bk@brickworkratings.com
1-860-425-2742	media@brickworkratings.com

The Bombay Dyeing and Manufacturing Company Limited

ANNEXURE I

Details of Bank Loan Facility rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)
1	ICICI Bank	LRD	57.60	-	57.60
2	Bank of Baroda	Cash Credit	50.00	-	50.00
		Inland/Import Letter of Credit	-	450.00	450.00
TOTAL					557.6

(Rupees Five Hundred Fifty Seven Crores and Sixty Lakhs Only)



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