30th June, 2020

National Stock Exchange of India Ltd.,
Exchange Plaza, 5th floor,
Plot No. C/1, 'G' Block, Bandra-Kurla Complex, Bandra (E),
Mumbai - 400 051.
NSE Symbol: BOMDYEING

Dear Sirs,

Sub.: Clarification on Credit Rating intimation to exchanges on 26.06.2020

Ref.: Your email dated 30th June, 2020

With reference to your email dated 26.06.2020 on the captioned matter, we enclose herewith the Rating Rationale provided by the rating agency Brickwork Ratings India Pvt. Ltd. for your reference. .

Please take the same on record.

Yours Faithfully,

For The Bombay Dyeing and Manufacturing Company Limited

SANJIVE ARORA
Digitally signed by SANJIVE ARORA
Date: 2020.06.30 19:57:23 +05'30'

Sanjive Arora
Company Secretary

Encl.: Copy of the Rating Rationale.

Rating Rationale

The Bombay Dyeing and Manufacturing Company Limited

26 June 2020

Brickwork Ratings downgrades the ratings for Bank Loan Facilities and Fixed Deposit instruments and assigns ratings for the Bank Loan Facility (LRD) of The Bombay Dyeing and Manufacturing Company Limited. The outlook is revised to Negative from Stable.

Particulars.

Facility **	Previous Amount (₹ Cr)	Present Amount (₹ Cr)	Previous Rating (March 2020)	Present Rating* (June 2020)
Fund Based – Bank Facility	129.57	199.55	BWR A Stable	BWR A- Negative
Fund Based LRD	-	80.0	-	BWR A- Negative
Fund Based. Fixed Deposit	0.83	0.81	BWR FA Stable	BWR FA- Negative
Non Fund Based	565.0	450.0	BWR A2+	BWR A2+
Total	695.4	730.36	Rupees Seven Hundred Thirty Crores and Thirty Six Lakhs Only/-	

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

** Breakup of the facility is given in the annexure.

Rating Action: 1) Downgrade in rating and revision in outlook to Negative from Stable 2) Rating assignment for Lease Rental Discounting (LRD) loan amounting to Rs. 80 Cr.

The downgrade in rating factors in weakened financial performance, as reflected from low earnings, profitability and coverage indicators. The downgrade also factors in high debt levels and reduced net worth.

Outlook: The rating is placed on a Negative outlook on account of uncertainties associated with respect to the financial performance, which may be impacted due to the current slowdown in the economy compounded by the COVID-19 pandemic.

The ratings continue to factor in the completion status of the project with low execution risk, receipt of a part occupation certificate (OC), which is likely to support sales and cash flows, and potential future cash flows from the land bank in Mumbai. The rating also draws comfort from the established track record of The Bombay Dyeing & Manufacturing Co Ltd (BDMC or the company) and resourceful promoter group and composition of BOD, with the majority five independent directors.

The ratings remain constrained on account of marketing risk for the unsold portion associated with the project on account of a relatively high ticket value and exposed to inherent cyclicality in real estate, along with volatility in the raw material price of the polyester staple fiber (PSF) industry due to its linkages to crude oil prices.

Key Rating Driver.

Credit Strength

Established track record of BDMC.

BDMC 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 realty and real estate.

Low project execution risk

The major construction work for both the towers of the project called Island City Centre is completed, and as such, the risk of project execution is minimal. The project consists of two towers, namely, ICC 1 and ICC 2. ICC 1 consists of 59 floors, while ICC -2 consists of 65 floors. The company has received OC for ICC tower 1 up to the 47th floor, and ICC tower 2 up to the 50th floor. Since the project is largely complete, finished inventories will lead to faster collections and support future sales velocity, thereby supporting cash flows. The OC for the remaining floors is expected to be received by Q2FY21; it was earlier expected to be received by April 2020.

Experienced board of directors and management team: The board is composed of eminent persons with considerable professional experience in diverse fields. The board consists of nine members with five independent directors, headed by Chairman Mr. Nusli N Wadia.

Credit Risk.

Financials Profile.

The total operating income of the company declined to Rs. 1894.62 Cr in FY20 from Rs. 4429.76 Cr in FY19. Revenue from real estate was higher in FY19 as the company had received the partial OC for both the towers. In FY20, revenue from real estate was significantly low, resulting in low income and EBITDA, consequently resulting in the weakening of the coverage ratio. The shortfall was funded through the liquidation of investments. In FY20, the company recognised deferred tax assets of Rs.531.59 Cr arising from unabsorbed depreciation and brought forward business losses, resulting in a profit after tax (PAT) of Rs.327.81 Cr. The inventory level increased to Rs. 2423.77

Cr in FY20 from Rs. 2200.52 Cr in FY19. The total debt, which was expected to reduce on prepayment continued to remain high at Rs. 4147.46 Cr with low net worth of Rs. 59.72 Cr. The Company currently has low debt to be serviced for FY21 at ~Rs.26.78 Cr; however, the majority of the company's repayment obligation is from FY22 onwards.

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 the receipt of the OC, sales are expected to improve on account of attracting zero GST.

Exposed to inherent cyclicality in real estate industry
The cyclical nature of the industry, coupled with subdued demand, puts pressure on sales realisations and consequently, cash flows. However, at present, the project has received satisfactory response in the market, as reflected from sales and collections.

Liquidity Profile: Adequate, with cash and cash equivalent of Rs. 56.97 Cr and low repayment obligation of ~Rs. 26.79 Cr for FY21. The company has an investment in the listed shares of Bombay Burmah Trading Corporation Limited (E. Share 46,56,942) amounting to ~Rs. 487 Cr and National Peroxide Limited of (E. Share 2,85,000) amounting to Rs. 59.33 Cr (as per market value as on 18 June 2020), which can be liquidated at any time.

Relief measures, such as the moratorium on debt servicing over a three-month period, as notified by the Reserve Bank of India (RBI) on 27 March 2020, are being availed by the Company for its bank loan facilities

Rating Sensitivities:
Positive: Significant debt repayment and improvement in capital structure, satisfactory and significant new sales, collections and improvement in profitability are key rating positives.

Negative: Increased debt levels and decline in net worth, further weakening of profitability and liquidity profile, and inability to sell unsold inventories are key negative sensitivities.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA
BWR has taken a consolidated approach for the rating The Bombay Dyeing and Manufacturing Company Limited. The list of entities consolidated is given in the annexure. Please refer to the links to applicable criteria at the end of this rationale.

About the Project: Island City Centre
The Company is currently developing a project called Island City Centre, in Dadar, Mumbai (Maharashtra). The project consists of two towers, namely, ICC 1 and ICC 2. ICC-1 consists of 59 floors, and ICC-2 is of 65 floors. The OC has been received for ICC-1 up to the 47th floor and ICC-2 up to the 50th floor. The OC for the remaining floors was expected to be received by April 2020; however, the same is expected to be received by Q2FY2. The total units in the project are 530, of

which 257 have been sold. During FY20, 21 units overall were forfeited, and the company sold 20 units in FY20 and 1 unit in Q4FY20. The balance to be received from the sold portion is Rs. 598 Cr, which is expected to be received in the current financial year. The unsold inventory in both towers is 273 and expected valuation is of ~Rs. 2250 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 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 realty.

Shareholding Pattern: The promoters and promoter group hold around 53.06%, and the balance is a public shareholding of 46.94%

Board of Directors: 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.

Consolidated Key Financials: BDMC

Result Type	31 March 2019	31-Mar-20
Particulars (Rs in Crs)	Audited	Audited
Total Operating Income	4429.76	1894.62
OPBDIT	1711.17	327.82
PAT (Loss)	1228.21	327.81
Net Worth	182.47	59.72
Total Debt	3971.41	4147.46
ISCR (times)	3.49	0.59
DSCR (times)	3.09	1.58

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 (Including Rating Withdrawal and Suspended)

Sr. No	Instrument /Facility	Type	Amt (Rs in Cr)	Current Rating 2020 (June)	Rating History 2020 (March)	2019	2018	2017
1	FB- Term Loan Working Capital	LT	29.55 170.45	BWR A- Negative	BWR A Stable	BWR A Stable	BWR BBB+ Stable	BWR BBB+ Stable
2	FB - Fixed Deposit	LT	0.81	BWR FA- Negative	BWR FA Stable	BWR FA Stable	BWR FBBB+ Stable	BWR FBBB+ Stable
3	NFB- LC/ BG	ST	450.0	BWR A2+	BWR A2+	BWR A2+	BWR A3+	BWR A3+
4	LRD	LT	80.0	BWR A- Negative	-	-	-	-
Total			730.36	Rupees Seven Hundred Thirty Crores and Thirty Six Lakhs Only/-				

Hyperlink/Reference to applicable Criteria

- **General Criteria.**
- **Approach to Financial Ratios.**
- **Service Sector.**
- **Short Term Debt.**

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

Analytical Contacts	Investor and Media Relations
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Annexure 1

The Bombay Dyeing and Manufacturing Company Limited

Details of Bank Loan Facilities

Facility/Bank	Amount (Rs. Cr)
Term Loan	
Kotak Mahindra Bank	29.55
ICICI Bank	80.0
Cash Credit/ OD	
Kotak Mahindra Bank	120
Bank of Baroda	50
Total Fund Based - A	279.55
Non Fund Based	
LC/BG	
Bank of Baroda	450
Total Non Fund Based - (B)	450
Total Bank Limits (A+B)	729.55

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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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