



Proxy Advisory Report Bombay Dyeing & Manufacturing

BSE Code: 500020 | NSE Code: BOMDYEING | ISIN: INE032A01023

Sector: Textiles | Meeting Type: Postal Ballot

e-Voting Platform: [Karvy](#)

e-Voting Period: From 12th April, 2017 to 11th May, 2017

Voting Deadline: 11th May, 2017

Cut-Off date to be eligible for voting: 07th April, 2017

Notice: [Click here](#) | Annual Report: [FY 2015-16](#)

Company Email: grievance_redressal_cell@bombaydyeing.com

Company Phone: +91 22 6662 0000 | Company Fax: +91 22 6619 3262

Company Registered Office: Neville House, J. N. Heredia Marg, Ballard Estate, Mumbai – 400001

REPORT SNAPSHOT**TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS**

S. No.	Resolution	Type	Recommendation	Concern #
1	Increase in Borrowing Limit.	S	AGAINST	G
2	Creation of Charge.	S	AGAINST	G

*S - Special Resolution***RESEARCH ANALYST: MUKESH SOLANKI****#Concern Terminology**

C - Compliance F - Fairness G - Governance T - Disclosures & Transparency



COMPANY BACKGROUND

TABLE 2 - MARKET DATA (As on 17th April, 2017)

Price (₹)	70.85	52 Week High/Low (₹)	90.65/41.20	Market Cap. (₹ Cr.)	1,463	Net Worth* (₹ Cr.)	377.7	PE Ratio"	N.A.
-----------	-------	----------------------	-------------	---------------------	-------	--------------------	-------	-----------	------

Standalone Data ; Source: Capitaline

* As on 31st March, 2016 "Loss for FY 16

TABLE 3: FINANCIAL INDICATORS (STANDALONE)

(In ₹ Crores)	2016	2015	2014
Revenue	1,845.01	2,378.27	2,656.23
Other Income	39.38	54.91	39.75
Total Income	1,884.39	2,433.18	2,695.98
PBDT	-51.33	81.76	93.16
Net Profit	-85.24	24.56	24.34
EPS (₹)	-4.13	1.19	1.18
Dividend per share (₹)	0.50	0.80	0.80
Dividend Pay-Out (%)	N.A.	80.98	81.67
Face Value per share (₹)	2.00	2.00	2.00
OPM (%)	12.54	12.99	10.70
NPM (%)	-4.62	1.03	0.92

Dividend pay-out includes Dividend Distribution Tax. Source: BSE

TABLE 4: PEER COMPARISON (2016)

	Alok Industries Ltd	Raymond Ltd
	11,752.39	2,810.81
	86.98	99.75
	11,839.37	2,910.56
	-4,983.70	215.68
	-3,722.80	82.09
	-27.03	13.37
	0.00	3.00
	N.A.	27.01
	10.00	10.00
	-20.92	12.52
	-31.68	2.92

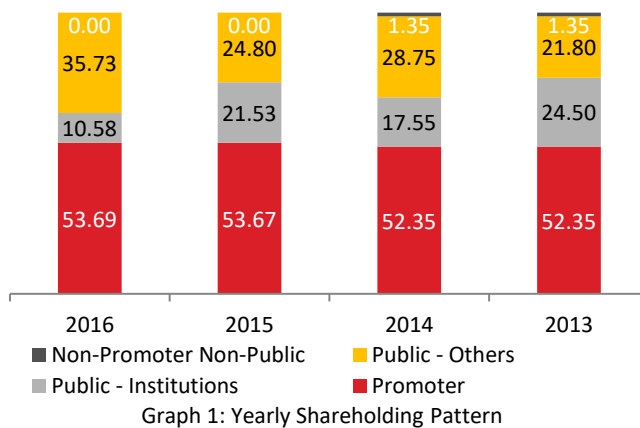
TABLE 5: MAJOR PUBLIC SHAREHOLDERS (DEC' 16)

East Bridge Capital Master Fund Limited	3.98%
Life Insurance Corporation of India	3.21%
Chinappa M B	1.56%
The Oriental Insurance Company Limited	1.02%

TABLE 6: MAJOR PROMOTERS (DEC' 16)

The Bombay Burmah Trading Corporation Limited	14.35%
N W Exports Limited	13.55%
Sunflower Investments and Textiles Private Limited	10.72%
Ben Nevis Investments Ltd	4.98%
Nowrosjee Wadia And Sons Limited	3.13%

SHAREHOLDING PATTERN (%) (DECEMBER)



DISCUSSION (01st Jan, 2016 to 31st Dec, 2016)

Shares at the start of period: 20,65,34,900

Shares at the end of period: 20,65,34,900

- No new shares were issued.
- There was no major change in the promoter shareholding.
- The shareholding of 'public institution' decreased from 21.53% to 10.58% and that of 'public others' increased from 24.80% to 35.73%.
- The promoters have pledged/encumbered 0.59% of their shareholding.



RESOLUTION ANALYSIS**RESOLUTION 1 & 2: INCREASE IN BORROWING LIMITS & CREATION OF CHARGE**

#1: Special Resolution under Section 180(1)(c) of the Companies Act, 2013 for borrowing upto ₹4,500 crore.

#2: Special Resolution under Section 180(1)(a) of the Companies Act, 2013 for creating charges, mortgages and hypothecations in connection with the borrowing upto ₹4,500 crore.

SES RECOMMENDATION

#1: The Company is seeking approval to increase its present borrowing limits by ₹1,500 crores and to create charge on the said enhanced borrowing. The Company has provided very generic reason (i.e. to meet the fund requirements) for increasing the borrowing limit and has not provided adequate justification or purpose for increasing the borrowing limit, especially when approval of shareholders for previous increase was obtained just 7-8 month ago. The debt-equity ratio of the Company as at 31st March 2016, as per SES, is 5.40. Since, increased borrowings will further weaken the debt-equity ratio, SES is of the opinion that any additional borrowings should be adequately justified. Therefore, SES recommends that shareholders vote **AGAINST** the resolution.

#2: Since, SES has recommended voting against the increase in the borrowing limit, SES also recommends **AGAINST** proposal for creation of charge which is consequential to the borrowings of the Company.

SES RATIONALE

#1 & #2: Inadequate disclosure. Increased borrowings will further weaken the debt-equity ratio.

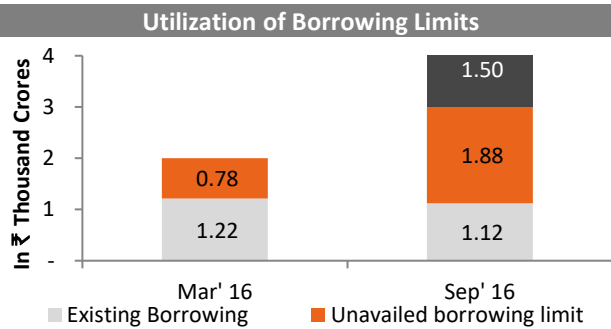
SES ANALYSIS**PURPOSE OF THE INCREASED BORROWING LIMITS (AS STATED BY THE COMPANY)**

The Members of the Company, at the 136th Annual General Meeting of the Company held on 10th August, 2016, had Accorded by way of a Special Resolution, their approval to the Board of Directors of the Company and/or a Committee thereof for borrowing monies on behalf of the Company, from time to time, up to an aggregate amount (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) up to ₹3,000 Crore. As per Section 180(1)(c) of the Companies Act, 2013, borrowings (apart from temporary loans obtained from the Company's bankers in ordinary course of business) by the Company beyond the aggregate of the paid-up capital of the Company and its free reserve requires approval of shareholders. To meet its fund requirements, the Company may require to borrow from time to time by way of loans and/or issue of Bonds, Debentures or other securities and the existing approved limit may likely to be exhausted in near future and it is therefore recommended to enhance the borrowing limits of the Company upto ₹4,500 Crore (Rupees Four Thousand Five Hundred Crore). This requires approval from the shareholders of the Company by way of a Special Resolution given at Item No. 1 of the Notice.

The borrowings of the Company may, if necessary, be secured by way of charge / mortgage / pledge / hypothecation on the Company's assets comprising of the movable and / or immovable, tangible / intangible properties of the Company, present or future, in favour of the lender(s) / agent(s) / trustee(s) from time to time, in such form, manner and ranking as mentioned in the Resolution at Item No. 2. The documents relating to charge and/or mortgage and/or pledge and/or hypothecation in favour of the lender(s) / agent(s) / trustee(s) may contain the provisions to take over substantial assets of the Company in certain events with a power to take over the management of the business and concern of the Company, which may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 180(1) (a) of the Companies Act, 2013.



CHANGES IN REMAINING BORROWING CAPACITY



Capacity to sustain borrowings: The Company has an existing borrowing limit of ₹3,000 crores. At end of quarter ended September 2016, the long-term borrowings stood at ₹1,119.68 crores. The Company's unutilised borrowing limit is ₹1,880.32 crores. The Company has proposed to further increase the borrowing limit from ₹3,000 crores to ₹4,500 crores.

Graph 02: Changes in the borrowing limits

Note: The Shareholders of the Company in AGM held on 10th August, 2016 increased the Borrowing Limits from ₹2,000 crores to ₹3,000 crores.

SES VIEW

SES in its [PA Report](#) for AGM held on 10th August, 2016 had raised concern regarding resolution for increase in Borrowing Limit to ₹3,000 due to inadequate justification and high Debt Equity ratio of the Company.

The Company is now seeking approval to increase its present borrowing limit by ₹1,500 crores (i.e. from ₹3,000 crores to ₹4,500 crores) and to create charge on the said enhanced borrowing. The Company has provided very generic reason (i.e. to meet the fund requirements) for increasing the borrowing limit and has not provided adequate justification or purpose for increasing the borrowings, especially when shareholders' approval was obtained for previous increase just 7-8 month ago.

According to SES, the debt-equity ratio of the Company as at 31st March, 2016 is **5.40:1**. However, the Company in its Annual Report 2015-16 (page no. 14) has stated that the debt equity ratio is **0.93:1**. The Company states that the difference between the market value and cost of the freehold land on conversion to stock in trade is credited to revaluation reserve. The calculation of debt equity ratio by the Company and SES is given below:

As per Company:

(Value in Crore)	2016	2015
Share Capital + Reserves+ Revaluation Reserve	1,312.12	1,572.28
Net Worth (A)	1,312.12	1,572.28
Total Debt (B) (Long Term)	1,215.07	906.03
Debt Equity Ratio (B/A)	0.93	0.58

As per SES:

(Value in Crore)	2016	2015
Share Capital + Reserves + Revaluation Reserve (X)	1,312.12	1,572.28
Less: Revaluation Reserve (Y)	934.42	1098.28
Net Worth (A) = (X-Y)	377.70	474.00
Total Debt (B) (long Term + Short Term)	2,039.14	1,336.53
Debt Equity Ratio (B/A)	5.40	2.82

Since, increased borrowings will further weaken the debt-equity ratio, therefore, SES is of the opinion that any additional borrowings should be adequately justified.



DISCLAIMER**Sources**

Only publicly available data has been used while making the report. Our data sources include: BSE, NSE, SEBI, Capitaline, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The analysts involved in development of this report certify that no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature. SES understands the different investment needs of our clients. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

While SES has made every effort and has exercised due skill, care and diligence in compiling this report based on publicly available information, it neither guarantees its accuracy, completeness or usefulness, nor assumes any liability whatsoever for any consequence from its use. This report does not have any approval, express or implied, from any authority, nor is it required to have such approval. The users are strongly advised to exercise due diligence while using this report.

This report in no manner constitutes an offer, solicitation or advice to buy or sell securities, nor solicits votes or proxies on behalf of any party. SES, which is a not-for-profit Initiative or its staff, has no financial interest in the companies covered in this report except what is disclosed on its website. The report is released in India and SES has ensured that it is in accordance with Indian laws. Person resident outside India shall ensure that laws in their country are not violated while using this report; SES shall not be responsible for any such violation.

All disputes subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

C - Compliance: The Company has not met statutory compliance requirements

F - Fairness: The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

G - Governance: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

T - Disclosures & Transparency: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information

Stakeholders Empowerment Services

SEBI Reg. No. INH000000016

This Report or any portion hereof may not be reprinted, sold, reproduced or redistributed without the written consent of Stakeholders Empowerment Services

Contact Information**Stakeholders Empowerment Services**

A 202, Muktangan,
Upper Govind Nagar,
Malad East,
Mumbai – 400097
Tel +91 22 4022 0322

research@sesgovernance.cominfo@sesgovernance.comwww.sesgovernance.com