

Rating Update
March 21, 2025 | Mumbai**The Baroda Rayon Corporation Limited****Update as on March 21, 2025**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Booking of more than 60% of units under the project, and healthy customer advances above Rs 120 crore on a cumulative basis
- Improvement in cash buffer ratio to more than 1.50 times.

Downward factors:

- Considerable delay in completion of projects leading to decline in cash buffer ratio to less than 1.0 time
- Significantly low cash accrual of less than Rs 10 crore, due to lower-than-expected bookings in the initial phase of operations

Crisil Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, Crisil Ratings seeks regular updates from companies on the business and financial performance. Crisil Ratings is, however, awaiting adequate information from The Baroda Rayon Corporation Limited (TBRCL) which will enable us to carry out the rating review. Crisil Ratings will continue provide updates on relevant developments from time to time on this credit.

Crisil Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

TBRCL was incorporated in 1958 and started commercial production of viscose filament yarn i.e., rayon yarn in 1962. However, all operations under the textile segment are on standstill since August 2008. Listing of the company's equity shares on the Bombay Stock Exchange (BSE) Limited was suspended in 2002. The suspension has been revoked by BSE with effect from May 30, 2022. The management plans to develop industrial units on its existing land at Udhna in Surat and will construct 121 units in the first phase, out of 380 units. The company also plans to relocate and commence manufacturing of viscose filament yarn. It is setting up a greenfield project with capacity of 15,000 MTPA and a captive power plant (12 MW per day) at Gujarat. Mr Damodar Patel is the current chairman & managing director.

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Rating Rationale

November 15, 2024 | Mumbai

The Baroda Rayon Corporation Limited

Rating reaffirmed at 'CRISIL B-/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.75 Crore
Long Term Rating	CRISIL B-/Stable (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL B-/Stable' rating to the long term bank facilities of The Baroda Rayon Corporation Ltd (TBRCL).

The rating reflects exposure to risks related to construction of the industrial project, cyclicity inherent in the real estate sector and uncertainty on settlement of unsecured loans and pending dues towards employees. These weaknesses are offset by the longstanding presence of the promoter and his funding support, revenue diversification due to the real estate business and the moderate financial risk profile.

Analytical Approach

CRISIL Ratings has considered the standalone business and financial risk profiles of TBRCL.

Key Rating Drivers & Detailed Description

Weaknesses:

- **Exposure to risks related to the industrial project:** All operations of the textile segment were on a standstill since August 2008. In the interest of revival, the management undertook efforts to settle dues with banks and financial institutions.

During fiscals 2022 and 2023, capital assets i.e. land were converted into stock-in-trade valued around Rs 604 crore in the past two years. The company plans to construct 380 industrial units in Phase 1, out of 1,030 units in all, and 503 units in Phase 4, along with sale of open plots.

Operating performance of real estate projects remains susceptible to timely completion and flow of customer advances. Funding risk is moderate as 75-80% of debt has been disbursed by banks as on October 31, 2024. The company will be exposed to intense competition from other players in the civil construction business. Thus, timely completion of construction of phase-1 will be a key rating sensitivity factor.

Under Phase –1, 80% of construction has been completed and nearly 37% of the units are booked. Under Phase – 4, construction is fully completed and around 70% units have been booked.

Going forward, the management plans to start manufacturing viscose filament yarn and set up a greenfield project with 15,000 metric tonne per annum in Gujarat.

- **Exposure to cyclicity inherent in the Indian real estate industry:** Cyclicity in the domestic real estate sector causes fluctuations in cash inflow, because of volatility in saleability and realisations, while outflow related to construction cost and debt obligation are fixed in nature. Lower-than-expected demand could reduce collections and adversely impact cash flow.
- **Uncertainty related to settlement of unsecured loans and dues towards employees and statutory authorities:** The company has taken unsecured loans (outstanding at Rs 157.29 crore as on March 31, 2024) from various investors, and does not pay any interest on these loans. Also, no provision has been made towards these loans on the books. In addition, the company has to pay dues towards its employees (Rs 22.70 crore) and statutory dues to government authorities (Rs 14.62 crore). Timely settlement of dues is a key monitorable.

Strength:

- **Longstanding presence of the promoter and funding support from them:** The diversified entrepreneurial experience of the promoter across businesses has helped them develop healthy business relationships in the region. These factors should enable the company to ramp up operations quickly.

Liquidity: Stretched

The company is likely to fund the construction of ongoing and upcoming projects, through a mix of customer advances, unsecured loans and bank loans. Customer advances for ongoing projects have been modest. Although cash flows from real estate projects should suffice to cover the term debt obligation, any unforeseen delay in construction might result in cost overruns, thereby affecting term debt repayment. Any delay in receipt of advances from customers could also exert significant pressure on liquidity. Current ratio was healthy at 4.95 times on March 31, 2024.

Outlook: Stable

CRISIL Ratings believes TBRCL will continue to benefit from the diversified entrepreneurial experience of its promoter and their established relationships with clients.

Rating sensitivity factors**Upward factors**

- Booking of more than 60% of units under the project, and healthy customer advances above Rs 120 crore on a cumulative basis
- Improvement in cash buffer ratio to more than 1.50 times.

Downward factors

- Considerable delay in completion of projects leading to decline in cash buffer ratio to less than 1.0 time
- Significantly low cash accrual of less than Rs 10 crore, due to lower-than-expected bookings in the initial phase of operations

About the Company

TBRCL was incorporated in 1958 and started commercial production of viscose filament yarn i.e., rayon yarn in 1962. However, all operations under the textile segment are on standstill since August 2008. Listing of the company's equity shares on the Bombay Stock Exchange (BSE) Limited was suspended in 2002. The suspension has been revoked by BSE with effect from May 30, 2022. The management plans to develop industrial units on its existing land at Udhna in Surat and will construct 121 units in the first phase, out of 380 units. The company also plans to relocate and commence manufacturing of viscose filament yarn. It is setting up a greenfield project with capacity of 15,000 MTPA and a captive power plant (12 MW per day) at Gujarat. Mr Damodar Patel is the current chairman & managing director.

Key Financial Indicators

As on / for the period ended March 31		2024	2023
Operating income	Rs crore	76.83	58.44
Reported profit after tax	Rs crore	34.22	272.74
PAT margin	%	44.54	466.7
Adjusted debt/Adjusted networth	Times	0.64	0.82
Interest coverage	Times	3.47	35.39

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Term Loan	NA	NA	31-Mar-28	45.00	NA	CRISIL B-/Stable

NA	Term Loan	NA	NA	31-Mar-28	10.00	NA	CRISIL B-/Stable
NA	Term Loan	NA	NA	31-Mar-28	20.00	NA	CRISIL B-/Stable

Annexure - Rating History for last 3 Years

Current				2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	75.0	CRISIL B-/Stable		--	31-08-23	CRISIL B-/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Term Loan	45	The Mehsana Urban Co-Op. Bank Limited	CRISIL B-/Stable
Term Loan	10	The Surat Mercantile Co-op Bank Limited	CRISIL B-/Stable
Term Loan	20	The Sutex Co-Op. Bank Limited	CRISIL B-/Stable

Criteria Details

Links to related criteria
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISILs Rating criteria for Real Estate Developers
CRISILs Approach to Financial Ratios

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