

The Bombay Burmah Trading Corporation Limited

June 21, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	-	-	Reaffirmed at CARE AA-; Stable and Withdrawn
Short-term bank facilities	-	-	Reaffirmed at CARE A1+ and Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited has reaffirmed and withdrawn the outstanding ratings of 'CARE AA-, outlook Stable/ CARE A1+' [Double A Minus; Outlook: Stable/ A One Plus] assigned to the bank facilities of HDFC Bank Limited and Axis Bank Limited with immediate effect. The above action has been taken at the request of The Bombay Burmah Trading Corporation Limited. and 'No Objection Certificate' received from the bank(s) that have extended the facilities rated by CARE Ratings Ltd.

Analytical approach:

Standalone. BBTCL is one of the holding companies of the Wadia group; hence, the ratings are driven by value of its investments in the Wadia group companies like Britannia Industries Limited (BIL), The Bombay Dyeing & Manufacturing Company Limited (BDMCL) and National Peroxide Limited (NPL).

Key strengths

Reputed and well-established promoter group

BBTCL is one of the flagship companies of the Wadia group and has been in existence for over 150 years. The Wadia group, founded in the year 1736 by Lovji Nusserwanjee Wadia, is among the oldest conglomerates in India having a diversified presence in consumer goods, healthcare, real estate, aviation, chemicals and auto electrical components.

Investments in group companies (BIL, BDMCL & NPL) with strong credit profile

BBTCL through step down subsidiaries holds 50.54% stake in BIL, directly and through step-down subsidiaries holds 24.28% stake in NPL and 44.39% stake in the BDMCL. The investments have significant market value. The company also holds 32.61% in Go Airlines (India) Limited, which is currently under Insolvency and Bankruptcy Proceedings, however the value of investments made in Go Airlines India Limited till March 31, 2023 have been fully absorbed by the company's share of loss in Go Airlines India Limited at consolidated level.

BIL is one of the largest food processing companies in India with total revenues of ₹16,516.41 crore and PAT of ₹2,316.32 crore during FY23.

BDMCL is the flagship company of the Wadia group, engaged primarily in the business of textiles with total revenue of ₹2,674 crore and PAT of (₹517 crore) during FY23.

NPL manufactures hydrogen peroxide and hydrogen gas. For FY23, the company reported total income of ₹385.62 crore and PAT of ₹42.5 crore.

Well-established presence in diversified businesses

BBTCL at a standalone level has presence into diversified business viz. plantations, auto electric components and dental products. The revenue stream and cash flow of BBTCL are therefore, diversified, mitigating the risk and volatility from any one particular business segment.

Tea: The tea plantation division of the company continues to report losses. In FY23, the segment revenue was ₹66.21 crore as compared to ₹70.05 crore in FY22. However, the PBIT in FY23 deteriorated to (₹37.13 crore) from (₹29.94 crore) in FY22.

Coffee: The company has entered into a binding agreement with Orange County Resorts and Hotels Private Limited to transfer its Coffee Business by way of itemized sale for a consideration of ₹291.05 crore. Hence, coffee segment's exceptional gain for the quarter and year ended March 31, 2023 amounting to ₹243.73 crore on such transfer is presented separately in the standalone statement of profit and loss, after netting off the expenses incurred against sale consideration.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Auto Electric Components Business (Electromags): Turnover for the year was 13.62% higher at ₹151.70 crore in FY23 as compared to ₹133.51 crore in FY22.

Health Care: Dental products business reported a turnover of ₹27.97 crore in FY23 compared to ₹18.65 crore in FY22.

Monetization of real estate assets

The company has entered into a binding agreement with Orange County Resorts and Hotels Private Limited to transfer its coffee business by way of itemized sale for a consideration of ₹291.05 crore. The company has received ₹240 crore from sale of coffee estate in April 2023 which has been used to repay outstanding debt. The balance ₹51 crore has also been received in May 2023. For FY24, the company proposes to dispose the land in Kanjurmarg, Mumbai for a consideration of ₹75 crore. While for FY25, the company plans to sell other properties like go-downs/flats for ₹20 crore. The proceeds from property/land sale are expected to be utilized to repay the debt in order to improve the capital structure of the company.

Key weaknesses

Moderate operational and financial risk profile

On a standalone basis, the company achieved a total operating income of ₹332.95 crore during FY23 (vis-à-vis ₹408.41 crore during FY22) along with net profit of ₹8.79 crore (vis-à-vis ₹9.90 crore during FY22). The EBITDA margins of the company have dropped to 15.37% in FY23 (vis-à-vis 26.16% in FY22). BBTCL's standalone debt coverage indicators and financial risk profile continued to remain weak with Total Debt to PBILDT of 18.54 times in FY23 as against 9.47 times in FY22. As a result of the Go Airlines India Limited plea being admitted under Insolvency and Bankruptcy Code 'IBC', the company has booked an exceptional loss of ₹186.22 crore on standalone basis and ₹1,865.66 crore on consolidated basis. The company has entered into a binding agreement with Orange County Resorts and Hotels Private Limited to transfer its Coffee Business by way of itemized sale for a consideration of ₹291.05 crore thereby improving the profitability for the year. However, the market value of unencumbered investments to external debt continues to provide a healthy debt cover. As on June 13, 2023, the value of investments is ₹61,178.20 crore and with an external debt of ₹351 crore (as on May 04, 2023) provides a healthy debt cover of 174 times.

Support to group companies

BBTCL has been supporting some of the group companies from time to time in the form of ICDs. As on March 31, 2023, ICDs extended to group companies aggregated to around ₹430 crore as against ₹479.21 crore as on March 31, 2022. As a result of the Go Airlines India Limited plea being admitted under 'IBC', the company has booked an exceptional loss of ₹89.98 crore towards ICD (including interest) given to Go Airlines. In FY22, Leila Land Limited, Mauritius (a subsidiary of BBTCL) had raised debt to provide support to companies within the group. The company has kept cash collateral with Deutsche Bank against which the bank has issued Standby Letter of Credit (SBLC) to other banks to provide working capital lines to Go Airlines (India) Limited and The Bombay Dyeing & Manufacturing Co Ltd. in relation to the same, the company has booked an exceptional loss of ₹1,320 crore in the consolidated financials towards cash collateral given for working capital limits availed by Go Airlines as provision for expected encashment of Fixed deposit given. Furthermore, ABIL UK limited (a step down overseas subsidiary of the company) had given guarantee of USD 50 million to Go Airlines (Singapore) Pte. Ltd in relation to the lease liability, of which USD 10 million was invoked in February 2023 for which the company booked exceptional loss of ₹93 crore and for balance uninvoked amount of USD 40 million, the company has booked an exceptional loss (Provision for contingency) of ₹322 crore as expected SBLC invocation in the consolidated financials. Furthermore, in relation to the guarantee given the company had charged arranger fees of USD 4.8 million (₹41 crore) from Go Air (Singapore), which was due however now has been written off in FY23 on consolidated level.

Liquidity: Adequate

The company's cash & bank balance has reduced to ₹59.74 crore in FY23 from ₹89.66 crore in FY22 as a result of fixed deposit of ₹40 crore which was placed for NCD prepayment to be made in April 2023. The average working capital utilization of BBTCL on a standalone basis was 30.96% for the 12 months ended January 2023. The company is supported by regular income which includes interest on inter-corporate deposits and dividends received from subsidiaries. The company is also able to refinance its debt on regular basis due to its significant quantum of the market value of its investments. BBTCL's market value of holdings vis-à-vis the external debt is significant as on March 31, 2023 providing a strong cover. The market value of investments is ₹61,178.20 crore as on June 13, 2023 and the external debt is ₹351.29 crore as on May 04, 2023 providing a healthy debt cover. Debt obligation payable in FY24 is ₹113.44 crore.

Assumptions/Covenants: Not Applicable

Environmental, Social, and Governance Risk

CARE Ratings believes that BBTCL's environment, social, and governance (ESG) profile has minimal impact on its credit risk profile. Initiatives taken by the company include rainwater harvesting, conversion of effluents into bio-methane gas and recycling of waste water from coffee processing plant. The company's social impact is characterised by higher focus on employee safety and wellbeing and the impact on the local community.

BBTCL has to the extent possible, focused on reducing its environmental and social risks. Key highlights of the ESG initiatives are as below:

- Replacement of old motors with energy-efficient motors in all tea factories along with use of electricity generated through wind energy.
- For the auto electric components business, the company has replaced the existing light fittings with low electricity consumption LED light fittings.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Investment Holding Companies](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Incorporated in 1863, The Bombay Burmah Trading Corporation Limited (BBTCL) under the Wadia group is engaged in plantation business, auto-ancillary manufacturing and dental products. The company owns tea estates in the South Indian states of Tamil Nadu and Karnataka as well as Tanzania, dental products division at Uttarakhand and the auto ancillary division at Chennai, Tamil Nadu.

The Wadia group, controlled by Nusli Wadia (Chairman) and his family, is one of the oldest corporate houses of India having diversified interests in consumer goods and products, healthcare, real estate, plantations, chemicals, electronics and aviation. BBTCL also has significant investments (individually and via subsidiaries) in BIL and BDMCL.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	306.88	408.41	332.95
PBILDT	79.67	106.85	51.45
PAT	2.80	9.89	8.79
Overall gearing (times)	4.56	4.80	4.64
Interest coverage (times)	1.06	1.29	0.59

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash Credit	LT	-	-	1)CARE AA-; Stable (07-Apr-23)	1)CARE AA; Stable (07-Apr-22)	1)CARE AA; Stable (07-Apr-21)	1)CARE AA; Stable (03-Apr-20)
2	Non-fund-based - ST-BG/LC	ST	-	-	1)CARE A1+ (07-Apr-23)	1)CARE A1+ (07-Apr-22)	1)CARE A1+ (07-Apr-21)	1)CARE A1+ (03-Apr-20)
3	Term Loan-Long Term	LT	-	-	1)Withdrawn (07-Apr-23)	1)CARE AA; Stable (07-Apr-22)	1)CARE AA; Stable (07-Apr-21)	1)CARE AA; Stable (03-Apr-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated.

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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