# The Bombay Burmah Trading Corporation Limited

April 3, 2020

**Ratings**

| **Facilities** | **Amount (Rs. crore)** | **Rating[1]** | **Rating Action** |
|---|---|---|---|
| Long term Bank Facilities | 7.11 | **CARE AA; Stable (Double A; Outlook: Stable)** | **Reaffirmed** |
| Long term Bank Facilities | 49.00 (enhanced from 29.00) | **CARE AA; Stable (Double A; Outlook: Stable)** | **Reaffirmed** |
| Short-term Bank Facilities | 1.00 | **CARE A1+ (A One Plus)** | **Reaffirmed** |
| **Total** | **57.11 (Rs. Fifty Seven Crore and Eleven Lakhs only)** | | |

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale & Key Rating Drivers**

*The reaffirmation of ratings assigned to the bank facilities of The Bombay Burmah Trading Corporation Limited (BBTCL) continues to derive strength from it being one of the holding company of Wadia Group. BBTCL has equity investments in group companies like Britannia Industries Limited (BIL) and The Bombay Dyeing & Manufacturing Company Limited (BMCL) that have significant market value. The rating also factors in the reputed and well-established promoter group, its presence in diversified businesses, expected monetization of real estate assets towards reduction of debt and issuance of NCDs to refinance its existing term loan facilities.*

*However, these rating strengths continue to be partially offset by moderation in operational performance resulting in moderate financial risk profile in FY19 (refers to period April 01, to March 31,) and 9MFY20 (April 01 to December 31).*

*Any large debt fund capital expenditure impacting financial risk profile of the company, dilution of stake in BIL, ability to recover the inter-corporate deposits (ICDs) from its group companies in a timely manner and delay in monetization of real estate assets would be key rating sensitivities.*

Rating Sensitivities

*Positive Factors*

- Significant improvement in the profitability of the company.

*Negative Factors*

- Higher than envisaged debt
- Any investment in group companies significantly impacting the capital structure and liquidity of the company.

**Detailed description of the key rating drivers**

**Key Rating Strengths**

***Reputed and well established promoter group:*** BBTCL (CIN L99999MH1863PLC000002) is part of the Wadia Group and has been in existence for over 150 years. The Wadia group, founded in the year 1736 by Mr. Loeji Nusserwanjee Wadia, is among the oldest conglomerates in India having a diversified presence in consumer goods, healthcare, real estate, aviation, chemicals and electronics.

***Investments in group companies (BIL & BMCL) with strong credit profile:*** BBTCL is the investing arm of the group and holds investments in many group companies including BIL (50.66% stake) and BDML (39.75% stake) as on December 31, 2018. The investments have significant market value.

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

***Well established presence in diversified businesses:*** BBTCL at standalone level has presence into diversified business viz. plantations, electromechanical, pneumatic and hydraulic components, dental products and weighing scales. The revenue stream and cash-flow of BBTCL are therefore, fairly diversified, mitigating the risk and volatility from any one particular business segment.

***Monetisation of real estate assets and refinancing:*** In order to improve overall financial risk profile, the company plans to monetize real estate assets of the company. The proceeds would be utilised towards reduction of term debt. Furthermore, the company raised NCDs of Rs.150 in May 2017 for a period of three years repayable in bullet in April 2020. The proceeds were utilised to repay existing term debt from Banks/FIs and reduce dependence on working capital borrowings. The company is planning to refinance the NCD in FY21

**Key Rating Weaknesses**

***Moderate financial risk profile:*** On a standalone basis, the company achieved a total operating income of Rs.274.56 crore during FY19 (vis-à-vis Rs.232.02 crore during FY18) along with net loss of Rs. 19.69 crore (vis-à-vis loss of Rs.25.83 crore during FY18). BBTCL's standalone debt coverage indicators and financial risk profile continued to remain weak in FY19. Overall gearing was 1.61x as on March 31, 2019 (vis-à-vis 1.23x as on March 31, 2018) on account of increase in total debt during the year.

The company raised NCDs of Rs.150 cr in May 2017 for a period of three years repayable by bullet payment in April 30, 2020. The proceeds were utilised to repay then existing term debt from Banks/FIs and reduce dependence on working capital borrowings. The company is planning to refinance the NCD in FY21. The company plans to raise NCD's of Rs. 350 crores to repay the NCD's and will deploy the additional funds for business requirement.

Liquidity : Adequate

As on March 31, 2019 the company has a free cash and bank balance of Rs. 9.10 crores and a repayment obligation of Rs. 17.16 crores. ICD of Rs. 57 crore was recovered from group company Go Air which will add to the liquidity of the company. The overall working capital utilization was around 70% for the 12 months ended January 2020 and provides significant back-up. The Company is supported by regular other 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.

**Analytical approach:**

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

**Applicable Criteria**

CARE's criteria on assigning Outlook to Credit Ratings
CARE's policy on Default Recognition
Factoring Linkages in Ratings
CARE's methodology for Short-term Instruments
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
Criteria on Loans by holding company

**About the Company**

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

The Wadia group, controlled by Mr. 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 Britannia Industries Limited (BIL, rated and The Bombay Dyeing and Manufacturing Company Limited.

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

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|---|---|---|
| Total operating income | 232.03 | 274.57 |
| PBILDT | -3.73 | 21.24 |
| PAT | -25.83 | -19.70 |
| Overall gearing (times) | 1.23 | 1.61 |
| Interest coverage (times) | Negative | 0.63 |

*A: Audited*

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | - | - | - | 49.00 | CARE AA; Stable |
| Non-fund-based - ST-BG/LC | - | - | - | 1.00 | CARE A1+ |
| Term Loan-Long Term | - | - | March, 2020 | 7.11 | CARE AA; Stable |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 |
| 1. | Fund-based - LT-Cash Credit | LT | 49.00 | CARE AA; Stable | - | 1)CARE A1+ (07-Mar-19)<br>2)CARE A1+ (06-Apr-18) | 1)CARE A1+ (05-Apr-17) | - |
| 2. | Fund-based - ST-Working Capital Demand loan | - | - | - | - | 1)Withdrawn (06-Apr-18) | 1)CARE A1+ (05-Apr-17) | - |
| 3. | Non-fund-based - ST-BG/LC | ST | 1.00 | CARE A1+ | - | 1)CARE A1+ (07-Mar-19)<br>2)CARE A1+ (06-Apr-18) | 1)CARE A1+ (05-Apr-17) | - |
| 4. | Term Loan-Long Term | LT | 7.11 | CARE AA; Stable | - | 1)CARE AA; Stable (07-Mar-19)<br>2)CARE AA; Stable (06-Apr-18) | 1)CARE AA; Stable (05-Apr-17) | - |

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities**

***Note on complexity levels of the rated instrument:*** *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.



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