

The Bombay Burmah Trading Corporation Limited

April 06, 2018

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term fund based bank limits	13.00 [reduced from Rs.80 crore]	CARE AA; Stable (Double A; Outlook: Stable)	Reaffirmed
Short-term non- fund /fund based bank limits	30.00 [reduced from Rs.50 crore]	CARE A1+ (A One Plus)	Reaffirmed
Total	43.00 (Rupees Forty Three crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to bank facilities of The Bombay Burmah Trading Corporation Limited (BBTCL) continues to derive strength from BBTCL's strategic importance for promoter group (being holding company of the various group companies) having equity investments in major companies of the group like Britannia Industries Limited (BIL) and The Bombay Dyeing & Manufacturing Company Limited (BMCL) that have significant market value, and reputed and well established promoter group. The rating also takes into account 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 FY17 (refers to period April 01, to March 31,) and 9MFY18 (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.

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 and chemicals.

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 (50.75% stake) and BDML (39.67% stake). The investments have significant market value.

Well established presence in diversified businesses: BBTCL at standalone level has presence into diversified business viz. Tea and Coffee Plantations, and manufacturing of Auto Ancillaries and Dental Products. 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 expects to save interest cost of Rs.3.00 crore annually by refinancing with NCD.

Key Rating Weakness

Moderate operational and financial risk profile: BBTCL, on a standalone basis, achieved a total operating income of Rs.283.00 crore during FY17 (vis-à-vis Rs.263.70 crore during FY16) along with net loss of Rs.3.21 crore (vis-à-vis loss of Rs.32.71 crore during FY16). Furthermore, its debt coverage indicators and financial risk profile continued to remain weak in FY17. Overall gearing was 1.03x as on March 31, 2017 (vis-à-vis 1.21x as on March 31, 2016) on account of increase in value of equity instruments through other comprehensive income. Total Debt to GCA ratio remained weak as on March 31, 2017. The company utilized sale proceeds from monetization of flat in Mumbai (Rs.14.25 crore) towards servicing of

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

debt obligations. In order to improve overall financial risk profile, the company plans to monetize real estate assets of the company.

Analytical approach: Standalone. Furthermore, equity investments in major companies of the group like Britannia Industries Limited (BIL) and The Bombay Dyeing & Manufacturing Company Limited (BMCL) that have significant market value has been factored in.

Applicable Criteria

[CARE's criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[CARE's methodology for Short-term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

[CARE's methodology for manufacturing companies](#)

[Rating Methodology: Factoring Linkages in Ratings](#)

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.

The company also has significant investments (individually and via subsidiaries) in Britannia Industries Limited and The Bombay Dyeing and Manufacturing Company Limited.

Brief Financials (Rs. crore) – Standalone	FY16 (A)	FY17 (A)
Total operating income	263.70	283.00
PBILDT	4.19	11.95
PAT	-32.71	-3.21
Overall gearing (times)	1.21	1.03
Interest coverage (times)	0.13	0.35

Note: Financials are re-classified as per CARE standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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
Term Loan-Long Term	-	-	June 2020	13.00	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	1.00	CARE A1+
Fund-based - ST-Working Capital Demand loan	-	-	-	0.00	Withdrawn
Fund-based - ST-Working Capital Demand loan	-	-	-	39.00	CARE A1+

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - ST-Working Capital Demand loan	ST	39.00	CARE A1+	-	1)CARE A1+ (05-Apr-17)	-	1)CARE A1+ (20-Aug-15)
2.	Fund-based - ST-Working Capital Demand loan	ST	-	-	-	1)CARE A1+ (05-Apr-17)	-	1)CARE A1+ (20-Aug-15)
3.	Non-fund-based - ST-BG/LC	ST	1.00	CARE A1+	-	1)CARE A1+ (05-Apr-17)	-	1)CARE A1+ (20-Aug-15)
4.	Term Loan-Long Term	LT	13.00	CARE AA; Stable	-	1)CARE AA; Stable (05-Apr-17)	-	1)CARE AA (20-Aug-15)

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