

The Bombay Burmah Trading Corporation Limited

March 07, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	7.11 [Reduced from Rs.13.00 crore]	CARE AA; Stable (Double AA; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	30.00	CARE A1+ (A One Plus)	Reaffirmed
Total	37.11 (Rupees Thirty Seven Crore and Eleven Lakhs only)		

Details of instruments/facilities in Anneuxre-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 FY18 (refers to period April 01, to March 31,) and 9MFY19 (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, 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.

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 Weakness

Moderate operational and financial risk profile: On a standalone basis, the company achieved a total operating income of Rs.232.03 crore during FY18 (vis-à-vis Rs.294.71 crore during FY17) along with net loss of Rs. 25.83 crore (vis-à-vis loss of Rs.3.20 crore during FY17). BBTCL's standalone debt coverage indicators and financial risk profile continued to remain weak in FY18. Overall gearing was 1.23x as on March 31, 2018 (vis-à-vis 1.02x as on March 31, 2017) on account of increase in total debt during the year. Total Debt to GCA ratio remained weak as on March 31, 2018. The company utilized sale proceeds from monetization of Bunglow in Kochi for a consideration of Rs.13.00 crore towards servicing of debt

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

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

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 Wadia Group companies like Britannia Industries Limited (BIL) and The Bombay Dyeing and Manufacturing Company Limited (BDMCL).

Liquidity Analysis:

BBTCL's market value of investments in BIL and BDMCL as on December 31, 2018 continue to remain high at Rs.38,738 crore as compared to its overall debt of Rs.395 crore as on December 31, 2018. The company has a total repayment obligation of Rs.176.74 crore to be done in FY19-21 period. As on February 27, 2019 the company has fully repaid the debt due to be paid by in FY19. Further, presence of cash (Rs.13.60 crore as on March 31, 2018) and unutilized bank lines (Rs.88.38 crore as on March 31, 2018) also provide liquidity comfort to BBTCL.

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.

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

Brief Financials (Rs. crore) – Standalone	FY17 (A)	FY18 (A)
Total operating income	294.71	232.03
PBILDT	23.68	-3.73
PAT	-3.20	-25.83
Overall gearing (times)	1.02	1.23
Interest coverage (times)	0.70	Negative

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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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

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	March 2020	7.11	CARE AA; Stable
Fund-based - ST-Working Capital Demand loan	-	-	-	29.00	CARE A1+
Non-fund-based - ST-BG/LC	-	-	-	1.00	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	29.00	CARE A1+	1)CARE A1+ (06-Apr-18)	1)CARE A1+ (05-Apr-17)	-	1)CARE A1+ (20-Aug-15)
2.	Fund-based - ST-Working Capital Demand loan	-	-	-	1)Withdrawn (06-Apr-18)	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+ (06-Apr-18)	1)CARE A1+ (05-Apr-17)	-	1)CARE A1+ (20-Aug-15)
4.	Term Loan-Long Term	LT	7.11	CARE AA; Stable	1)CARE AA; Stable (06-Apr-18)	1)CARE AA; Stable (05-Apr-17)	-	1)CARE AA (20-Aug-15)

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