

**Bombay Burmah**

₹ 566

*Diversi TEA in Businesses***Accumulate**

Jun 22, 2012

**Company Background**

The Bombay Burmah Trading Corporation Limited (BBTCL) was founded in 1863 and is based in Mumbai. BBTCL, together with its subsidiaries, primarily provides plantation, building, dental, auto ancillary, and weighing products in India and internationally. BBTCL produces and trades in tea, coffee, timber, cardamom, and pepper; phenolic laminates, such as industrial laminates, including copper clad laminates and surfacing laminates; health care/dental products consisting of dental cement, dental fillings, and impression compounds; auto ancillary products comprising precision springs for automobile and other industries; and weighing products, such as analytical and precision balances, and weighing scales. It also invests in various listed securities, as well in unlisted securities and in property development activities. BBTCL also provides orthopedic products, ophthalmic products, auto electrical components. Additionally, the company engages in horticultural activities, such as decorative plants and landscaping services; and bakery and dairy products.

**Investment Rationale**

- ➔ BBTCL continues with the programme of uprooting low yielding fields & replacing them with superior clones to increase their planting density from 13,500 Plants/Ha to 18,000 Plants/Ha. Also Fertigation trials that were instituted last year in 5Ha, has shown positive results in increasing the yield in clonal tea. It intend to continue these trials.
- ➔ BBTCL has produced and promoted Organic teas for over two decades and this experience will consolidate its position in the major Organic markets around the Globe. The Company has worked closely with major Blenders in UK & Europe to develop unique blends, consolidating its position in their blends and improving returns. The Company's superior CTC's have penetrated the quality sensitive markets in the west & south of India.
- ➔ Due to a shortfall in world production and relatively high prices of coffee, there has been an opportunity to increase volumes through outsourced procurement. Cost efficiency and consistent quality standards are ensuring a better foot print worldwide for the company's coffees. BBTCL scores over many due to its experience.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 09	Mar 10	Mar 11
Revenue (INR mn)	2898.0	3127.1	4077.7
Rev. growth (%)	15.88	7.91	30.40
EBITDA (INR mn)	552.1	534.4	1303.2
Net profit (INR mn)	(138.8)	136.6	765.5
Shares outstanding (mn)	14.0	14.0	14.0
EPS (INR)	(9.9)	9.8	54.9
EPS growth (%)	(232.57)	(198.41)	460.40
P/E (x)	(13.7)	35.9	7.3
ROCE (%)	(3.79)	3.66	19.38

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**Info Codes**

Reuters	: BBRM.BO
Bloomberg	: BBTC@IN
NSE	: BBTC
BSE	: 501425

**Previous Report**

Date	: Oct 08, 2010
Recommendation	: Buy
Price	: ₹ 586
High Reached	: ₹ 601

**Market Data**

52 Wk Range (₹)	: 631 / 338
Shares in Issue (mn)	: 13.95
Mkt. Cap (₹ bn)	: 7.82
BSE 2 Wk Avg Vol	: 6376

**Share Holding Pattern (%)**

Promoters	: 65.91
DII's	: 2.14
FII's	: 0.19
Others	: 31.76

**Investment Theme**

BBTCL continues to sustain its growth trend by introducing better methods for horticulture and plantations. It is the time leader in various blends of tea and coffee. Further the diversification into so many sectors & segments horizontally works good for the company. The Company also has a good amount of investment in listed securities which will pay off in the long term. The company is also into real estate development and a lot of other upcoming segments like joint replacement implants and ophthalmic implants. This also augurs well for the company.

**Tea Time!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	2697.4	3046.9	12.96	3253.0	6.76
Other Income	292.2	151.2	(48.25)	937.8	520.24
Change in Stocks	21.9	155.5	610.05	90.3	(41.93)
Raw Material Con.	1131.7	1376.9	21.67	1431.2	3.94
Employee Exp.	486.8	522.7	7.37	551.6	5.53
Indirect Taxes	98.4	83.8	(14.84)	123.4	47.26
Other Exp.	742.5	835.8	12.57	871.7	4.30
Operating Exp.	2437.5	2663.7	9.28	2887.6	8.41
Operating Profit	259.9	383.2	47.44	365.4	(4.65)
Total Interest	476.7	301.9	(36.67)	243.7	(19.28)
Gross Profit	75.4	232.5	208.36	1059.5	355.70
Net Dep.	196.4	80.9	(58.81)	89.6	10.75
Total Taxation	17.8	15.0	(15.73)	204.4	1262.67
Net Profit/Loss	(138.8)	136.6	(198.41)	765.5	460.40

### 4 Years Balance Sheet

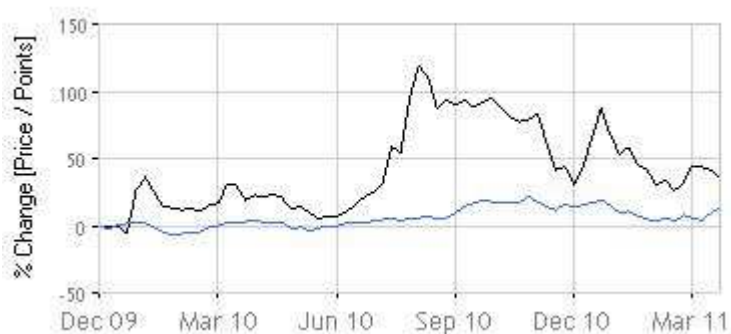
(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 08	Mar 09	Mar 10	Mar 11
<b>SOURCES OF FUNDS</b>	<b>3582.8</b>	<b>3974.5</b>	<b>3513.3</b>	<b>4155.6</b>
Equity Share Capital	139.6	139.6	139.6	139.6
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	743.0	310.9	635.2	1,298.4
Secured Loans	2,700.2	3,523.1	2,437.2	2,417.1
Unsecured Loans	0.0	0.9	301.3	300.5
<b>USES OF FUNDS</b>	<b>3582.8</b>	<b>3974.5</b>	<b>3513.3</b>	<b>4155.6</b>
Gross Block	1,630.2	1,718.5	1,808.3	1,981.7
Less: Revaluation Reserves	0.0	0.0	0.0	0.0
Less: Accum. Depreciation	687.1	755.3	812.7	894.9
Net Block	943.1	963.2	995.6	1,086.8
Capital Work in Progress	17.5	20.1	36.9	23.6
Investments	1,185.7	1,067.4	1,067.3	1,067.7
Current Assets	1,994.1	2,409.2	2,094.0	2,971.1
Less: Current Liabilities	557.6	485.4	680.5	993.6
Net Current Assets	1,436.5	1,923.8	1,413.5	1,977.5
Misc. Expenses not written	0.0	0.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	198.8	80.5	80.4	80.8
Mkt Val. Quoted Investments	3,642.2	995.8	3,277.8	2,172.3
Contingent Liabilities	73.7	86.3	96.5	59.7
Dividend (%)	30	10	35	70

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Jun 11	Sep 11	Dec 11	Mar 12
Net Sales	861.1	865.3	599.5	404.7
Cost of Sale	744.9	760.0	538.5	343.1
Operating Profit	116.2	105.3	61.0	61.6
Recurring Income	10.2	10.2	26.1	20.6
Adjusted PBDIT	126.4	115.5	87.1	82.2
Financial Expenses	50.7	55.8	45.2	33.6
Depreciation	23.7	20.9	16.5	10.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	52.0	38.8	25.4	38.2
Tax Provision	14.1	6.8	359.1	20.7
Adjusted PAT	37.9	32.0	(333.7)	17.5
Non Recurring Adjustments	(2.0)	(18.8)	1,631.8	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	35.9	13.2	1,298.1	17.5

**52 Week Index Relative Percentage Appreciation**

**BBTCL vs SENSEX**
**Risks Associated**

- One of the main issues with plantations is associated with working staff, Increase in wage costs would damage the company margins. Strikes and Other Issues in manpower is also a potential risk.
- Another area of concern is the atmospheric issue specifically for good harvest the temperature and other factors need to be good.
- Plant disease/attack by new pests like tea mosquito bugs are areas of concern.
- Overall pressures on Indian Tea exports due to political uncertainties in major Tea drinking countries coupled with higher shipping costs could lead to increase in pipeline inventories.
- Higher costs of inputs and inflationary pressures could affect margins. Shortage of man-power for regular operation of estates is a industry wide problem.
- The Company has repeatedly increased Dearness Allowance resulted in an increase of 13.86% in wages. This could have increased cost of production.
- An over priced Arabica market could impact the company by roasters reducing the content of Arabicas in their blends, or switching to cheaper origins.
- Also at risk is buyers moving away from Indian coffees due to availability of cheaper alternatives in both Arabica and Robusta.

**In a Nutshell**

BBTCL is a company which operates in a variety of sectors and segments. Its one of the oldest companies in India and a holding company of Companies like Britannia. The company has a lot of real estate at key destinations (read as possible hill stations) since its into the production of tea which grows at high altitude and cold climate. This value of land has possibly not yet disclosed itself in the Share prices. The company is a leading concern of the Wadia Group, a reputed Indian business house with interests in plantations, foods, textiles, chemicals, laminates, electronics and light engineering, health care and real estate. The acts of management like conversion of Real Estate at Mumbai Pune & Coimbatore into stock in trade indicate that it will continue to be their endeavor to unlock shareholder value in BBTCL through restructuring & other measures over the next few years. There appears to be a substantial gap in the current price & the hidden value making it an attractive buy at current rates.

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**Rating Interpretation**

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

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