

Bombay Burmah Trading ₹ 123

Pick your Cup

Accumulate



Jun 07, 2013

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.

Key Highlights

- ➔ The implementation of the restructuring has begun with the divestment of Sunmica Laminates and BCL Springs Divisions, which has resulted in significant debt reduction and corresponding strengthening of the Balance Sheet.
- ➔ BBTCL has worked closely with major Blenders in UK & Europe to develop unique blends, consolidating its position in their blends and improving returns. As the pioneer of Organic Tea, BBTCL will be well placed to derive benefit from increased health awareness.
- ➔ BBTCL's CTC Teas are also in demand in the Indian subcontinent and have shown some impressive growth in the South and West Indian regions.
- ➔ BBTCL Plans to increase its processing capacities, mechanization, state-of-the-art effluent management to capitalize on its market reputation which will allow it to become a larger player in the speciality coffee business.
- ➔ Every year, 5,000 fresh graduates enter the Dental workforce in India which is the largest in the world. Further growth rates as forecasted by IDA for the dental market is estimated at 10% to 12% in years to come.

Key Financials

Year Ended 31 st	Mar 10	Mar 11	Mar 12
Revenue (INR mn)	3,127.1	4,077.8	4,440.8
Rev. growth (%)	7.91	30.40	8.90
EBITDA (INR mn)	534.8	1,309.9	2,113.6
Net profit (INR mn)	136.6	765.4	1,364.9
Shares outstanding (mn)	14.0	14.0	14.0
EPS (INR)	9.8	54.9	97.8
EPS growth (%)	(198.41)	460.32	78.33
P/E (x)	7.2	1.5	1.2
RONW (%)	18.9	67.2	(16.2)
ROCE (%)	3.7	19.5	(7.9)

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Previous Report

Date	: Jun 22, 2012
Recommendation	: Accum @ 113
Target	: 124
Reached on	: Jul 13, 2012

Info Codes

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

Market Data

52 Wk Range (₹)	: 99 - 159
Shares in Issue (mn)	: 70
Mkt. Cap (₹ bn)	: 8.52
BSE 2 Wk Avg Vol	: 26522

Share Holding Pattern (%)

Promoters	: 65.91
DII's	: 3.26
FII's	: 0.23
Others	: 30.60

Investment Theme

BBTCL a Wadia Group Conglomerate is now working on strengthening its Financials. It has divested from some of its non-core units to bring debt reduction in its Balance Sheet. It is also focussing on vertical growths by preparing newer blends of its Tea & Coffee plus introduction of newer varieties like Organic Teas. It also plans to invest in technology with mechanisation & capacity additions to increase output and reduce costs to remain competitive in the market. It has also converted its Prime Properties into Stock in trade which may signify that shortly it will extract those and convert to profits. We therefore maintain our Accumulate Rating on it.

Organic Growth

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 10	Mar 11	% Chg	Mar 12	% Chg
Total Sales + Excise	3046.9	3240.8	6.36	2633.4	(18.74)
Other Income	151.2	950.4	528.57	1926.2	102.67
Change in Stocks	155.5	90.3	(41.93)	46.0	(49.06)
Raw Material Con.	1376.9	1431.3	3.95	1103.0	(22.94)
Employee Exp.	522.7	551.6	5.53	552.7	0.20
Indirect Taxes	83.8	123.4	47.26	98.0	(20.58)
Other Exp.	835.8	865.5	3.55	738.3	(14.70)
Operating Exp.	2663.7	2881.5	8.18	2446.0	(15.11)
Operating Profit	383.2	359.3	(6.24)	187.4	(47.84)
Total Interest	301.9	249.9	(17.22)	186.0	(25.57)
Gross Profit	232.5	1059.8	355.83	1927.6	81.88
Net Dep.	115.4	99.3	(13.95)	131.2	32.12
Total Taxation	(19.5)	195.1	(1100.51)	431.5	121.17
Net Profit/Loss	136.6	765.4	460.32	1364.9	78.33

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 09	Mar 10	Mar 11	Mar 12
SOURCES OF FUNDS	4,240.0	3,526.0	4,155.9	4,303.9
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	576.3	647.8	1,298.2	2,557.2
Long Term Loans	3,405.3	2,335.2	2,382.9	1,605.5
Short Term Loans	118.8	403.4	335.2	1.6
USES OF FUNDS	4,240.0	3,526.0	4,155.9	4,303.9
Gross Block	1,718.3	1,808.4	1,981.8	1,123.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	755.1	812.8	895.0	531.2
Net Block	963.2	995.6	1,086.8	592.2
Capital Work in Progress	20.1	36.9	23.6	4.6
Investments	1,067.4	1,067.3	1,067.7	1,118.4
Current Assets	2,750.5	2,190.1	3,042.2	3,700.8
Less : Current Liabilities	561.2	763.9	1,064.4	1,112.1
Total Net Current Assets	2,189.3	1,426.2	1,977.8	2,588.7
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	80.5	80.4	80.8	131.5
Mkt Val. Quoted Investments	995.8	3,277.8	2,172.3	3,438.6
Contingent Liabilities	102.0	122.8	41.4	84.2
Dividend (%)	10	35	70	70

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 12	Sep 12	Dec 12	Mar 13
Net Sales	404.70	671.10	673.30	550.40
Cost Of Sales	343.00	608.60	617.60	501.10
Operating Profit	61.70	62.50	55.70	49.30
Recurring Income	20.60	33.70	34.00	50.10
Adjusted PBDIT	82.30	96.20	89.70	99.40
Financial Expenses	33.60	31.80	34.00	40.40
Depreciation	10.40	16.40	15.10	17.30
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	38.30	48.00	40.60	41.70
Tax Charges	20.70	18.10	12.50	20.40
Adjusted PAT	17.60	29.90	28.10	21.30
Non Recurring Items	0.00	0.00	61.60	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	17.60	29.90	89.70	21.30

52 Week Index Relative Percentage Appreciation



BBTCL vs SENSEX

Risks Associated

- 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 inventories. Higher costs of inputs with global increase in crude oil prices alongwith inflationary pressures could affect margins. Recession in Europe could put pressure on Organic Tea exports. Another issue 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. Further the yield always depends on environmental factors and Plant Disease attacks by new pests like tea mosquito bugs are areas of concern.
- The quantity of quality washed Robusta Coffee, due to difficulty in processing, stringent effluent control norms and lack of skilled manpower, has seen a year on year reduction in the number of growers able to produce the same. 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.
- 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.
- A large number of foreign players as well as Indian manufacturers have entered the Dental market in the last three years with low price product portfolio and good quality products. This will increase the competition in the Healthcare Division.

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, 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 more attractive at current rates. Apart from planning to open new avenues in Real Estate the company is also started its journey in the growth trajectory by focussing on its core sectors viz. Tea and Coffee. The company has also started making its financials attractive by reducing debt and has also split its Shares from a Face Value of 10 to 2 in recent times. All this indicated that there will be more liquidity trading which may happen further at attractive prices. We therefore maintain our accumulate rating on it,

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Rating Interpretation

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

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