

Bombay Burmah

₹ 507

Hot and still Boiling!**Accumulate**

Jul 03, 2015

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

- ➔ BBTCL has performed wonderfully in the last quarter and has achieved a profit of Rs 108.1 mn against consecutive losses in the previous 3 quarters. This reemphasizes that the focus of the company on its core sectors is returning.
- ➔ 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 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.
- ➔ The net market value of its quoted investments stands at Rs. 20.77 bn which is nearly 3/5th of its Market Cap. There is a lot of scope still with the large plantation properties it possesses and its Shareholding in Britannia through its subsidiary. If all of the above are taken into account BBTCL would be valued at least twice its current price.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	4,440.8	2,718.6	2,914.7
Rev. growth (%)	8.9	(38.8)	7.2
EBITDA (INR mn)	2,113.6	468.6	382.6
Net profit (INR mn)	1,364.9	189.3	51.3
Shares outstanding (mn)	14.0	69.8	69.8
EPS (INR)	97.8	2.7	0.7
EPS growth (%)	1,123.0	(97.2)	(72.9)
P/E (x)	1.2	41.6	132.1
RONW (%)	(18.1)	4.6	0.7
ROCE (%)	(8.8)	2.8	0.4

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Info Codes

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

Market Data

52 Wk Range (₹)	: 122 / 555
Shares in Issue (mn)	: 69.8
Mkt. Cap (₹ bn)	: 35.01
BSE 2 Wk Avg Vol	: 32000

Share Holding Pattern (%)

Promoters	: 65.91
FII's	: 0.04
DII's	: 5.00
Others	: 29.05

Previous Report

The Equity share was recommended Accumulate on Jun 07, 2013 at Rs 123 and has multiplied to nearly 5 times the price since then.

Investment Theme

BBTCL is one of the flagship companies of the Wadias. Over last few years it has divested from some of its non-core units to bring debt reduction in its Financials. It is also focussing on vertical growths by preparing new blends of its Beverages plus introduction of 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.

**Tea from the Company & Biscuits
from its Subsidiary**

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	1383.6	2510.8	81.47	2815.1	12.12
Other Income	1965.5	282.9	(85.61)	178.6	(36.87)
Change in Stocks	46.0	232.1	404.57	(85.1)	(136.67)
Raw Material Con.	1102.9	949.3	(13.93)	985.6	3.82
Employee Exp.	552.7	620.6	12.29	730.2	17.66
Indirect Taxes	98.0	96.1	(1.94)	89.9	(6.45)
Other Exp.	738.4	891.2	20.69	720.3	(19.18)
Operating Exp.	2446.0	2325.1	(4.94)	2611.1	12.30
Operating Profit	(1062.4)	185.7	(117.48)	204.0	9.85
Total Interest	186.0	149.0	(19.89)	231.5	55.37
Gross Profit	717.1	319.6	(55.43)	151.1	(52.72)
Net Dep.	(1079.3)	77.9	(107.22)	76.5	(1.80)
Total Taxation	431.5	52.4	(87.86)	23.3	(55.53)
Net Profit/Loss	1364.9	189.3	(86.13)	51.3	(72.90)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	4,155.9	4,303.9	4,278.0	4,523.1
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	1,298.2	2,557.2	2,501.2	2,475.8
Long Term Loans	2,382.9	1,605.4	1,291.5	704.1
Short Term Loans	335.2	1.7	345.7	1,203.6
USES OF FUNDS	4,155.9	4,303.9	4,278.0	4,523.1
Gross Block	1,981.8	1,123.4	1,790.7	1,942.7
Less : Revaluation Reserves	0.0	0.0	44.7	44.0
Less : Accumulated Depreciation	895.0	531.2	797.3	875.9
Net Block	1,086.8	592.2	948.7	1,022.8
Capital Work in Progress	23.6	4.6	51.3	31.8
Investments	1,067.7	1,118.4	1,654.9	1,655.3
Current Assets	3,042.2	3,700.8	3,097.0	2,964.9
Less : Current Liabilities	1,064.4	1,112.1	1,473.9	1,151.7
Total Net Current Assets	1,977.8	2,588.7	1,623.1	1,813.2
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	80.8	131.5	667.9	668.3
Mkt Val. Quoted Investments	2,172.3	3,438.6	2,595.1	1,640.4
Contingent Liabilities	41.4	94.3	443.7	526.9
Dividend (%)	70	70	150	50

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 14	Sep 14	Dec 14	Mar 15
Net Sales	629.6	644.2	524.6	801.2
Cost Of Sales	599.0	611.6	495.0	619.2
Operating Profit	30.6	32.6	29.6	182.0
Recurring Income	31.0	36.4	42.5	53.6
Adjusted PBDIT	61.6	69.0	72.1	235.6
Financial Expenses	53.7	60.3	73.3	82.1
Depreciation	16.8	16.9	19.6	15.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(8.9)	(8.2)	(20.8)	138.1
Tax Charges	0.0	0.0	0.0	30.0
Adjusted PAT	(8.9)	(8.2)	(20.8)	108.1
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	(8.9)	(8.2)	(20.8)	108.1

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.

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 Britania & Bombay Dyeing. 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

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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