



India Ratings Downgrades The Bombay Burmah Trading Corporation to 'IND A+' / Negative; Rates NCDs

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India Ratings and Research (Ind-Ra) has downgraded The Bombay Burmah Trading Corporation Limited's (BBTCL) Long-Term Issuer Rating to 'IND A+' from 'IND AA'. The Outlook is Negative. The instrument-wise rating actions are as follows:



Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	-	FY28	INR1,725 (reduced from INR2,635.8)	IND A+/Negative	Downgraded
Working capital facilities	-	-	-	-	INR950 (reduced from INR1,540)	INDA+/Negative	Downgraded
Non-fund-based facilities	-	-	-	-	INR10	IND A1	Downgraded
Commercial paper (CP)	-	-	-	-	INR1,500	IND A1	Downgraded
Non-fund-based facilities					INR10	IND A1	Assigned
Proposed Non-convertible debentures (NCDs)	-	-	-	-	INR1,000	IND A+/Negative	Assigned
NCDs	INE050A07071	28 March 2023	9.25	23 April 2024	INR500	IND A+/Negative	Downgraded
NCDs	INE050A07030	30 April 2020	8.8	30 April 2023	INR500	WD	Withdrawn; Paid in full
NCDs	INE050A07048	28 September 2020	8.8	28 September 2023	INR750	WD	Withdrawn; Paid in full
Principal Protected market linked debentures (PP-MLD) *	INE050A07063	25 October 2021	Up to 7.25	25 January 2024	INR500	WD	Withdrawn; Paid in full
PP-MLD	INE050A07055	30 March 2021	Up to 7.5	29 March 2023	INR1,250	WD	Withdrawn; Paid in full



* PP-MLD refers to full principal protection in the equity linked notes wherein the issuer is obligated to pay the full principal upon maturity. Ratings of the market-linked debentures is an ordinal assessment of the underlying credit risk of the instrument and do not factor in the market risk that investors in such instruments will assume. This market risk stems from the fact that coupon payment on these instruments will be based on the performance of a reference index or equity share (detailed in the information memorandum of the issue).

Analytical Approach: Ind-Ra continues to take a consolidated view of BBTCL and its subsidiaries, including Britannia Industries Limited (BIL; 50.54% indirect stake held by BBTCL). The entities have three common directors, along with a common chairman.

The rating downgrade and the Negative Outlook reflect a sustained elevated consolidated net leverage (net debt/EBITDA; FY23: 1.49x, FY22: 1.96x, FY21: 0.30x) due to increase in external debt to support group entities. Ind-Ra expects the leverage to remain elevated over the near-to-medium term. The downgrade also considers an insolvency proceeding of Go Airlines India Limited (GoAir; 33% associate), a Securities and Exchange Board of India's (SEBI) action to ban Bombay Dyeing and Manufacturing Company Limited (BDMCL; 44% associate) and its promoters from the securities market for two years, and continued EBITDA losses at the BBTCL standalone level. However, the ratings benefit from the consistent upstreaming of dividends from BIL to BBTCL.

Key Rating Drivers

Sustained Elevated Credit Metrics: The consolidated credit metrics remained elevated in FY23 with a net leverage of around 1.5x and an interest coverage of 6.55x (FY22: 8.83x, FY21: 17.05x). The net leverage had increased exponentially to 1.96x in FY22 (FY21: 0.3x) due to the incremental debt in the books of the foreign subsidiary Leila Lands Limited (LLL), Mauritius. LLL raised loans of USD370 million in FY22 and a further sum of USD23 million in FY23, secured by the corporate guarantees extended by its subsidiaries and a letter of support from BBTCL. The company provided a cash collateral of up to USD470 million (FY22: USD514 million) as security by way of a fixed deposit for banking facilities to GoAir and BDMCL for meeting its fund requirements. In view of the bankruptcy proceedings of GoAir, LLL has impaired the fixed deposits offered as collateral by USD160 million as of FY23.

BBTCL's consolidated revenue increased 14.6% yoy to INR166,229 million in FY23, as the food-bakery and dairy products division, which contributes 98% to the top-line, reported a growth of 15.4% yoy to INR163,532 million. The consolidated EBITDA margin improved slightly to 16.7% in FY23 (FY22: 15.3%), led by price revisions to offset input cost inflation. Ind-Ra believes that while the consolidated operating profile is likely to remain healthy, large dividend pay-outs and potential support requirements to group entities would keep the credit metrics elevated over the near term.

Significant Impairment owing to Insolvency of Go Airlines: GoAir, an associate of BBTCL, filed for insolvency proceedings in May 2023, post which, BBTCL made an impairment of INR19.2 billion (FY23: INR18.7 billion, 1QFY24: INR0.5 billion), to provision for its total exposure to the entity, in which it held 33% stake at FYE23. The impairment amount in FY23 included INR2,238 million towards inter-corporate deposits (ICDs) and investments (INR1,862 million at the standalone level) and the balance as provision for the encashment of pledged fixed deposits (FDs) and stand by letter of credit (SBLC) invocation. In addition, in 1QFY24, the company provisioned for a further amount of INR502 million in its consolidated financial statements, in lieu of interest and other receivables from GoAir. The management has communicated that the amount of provisioning is sufficient to cover for the total exposure to GoAir and no further provisioning would be needed.

Weak Financial Profile of Key Associate Bombay Dyeing; Large Debt Service Obligations in Other Subsidiaries: BDMCL reported an EBITDA (ex-other income) loss in FY23 (FY22: profit of INR1.5 billion, FY21: INR0.3 billion), owing to headwinds in the textile segment and inventory write-down in the real estate business. The company's total debt stood at INR36.4 billion at FYE23, of which INR29.6 billion was external debt. BBTCL has been supporting BDMCL through ICDs and pledge of cash to support borrowings. With a likely debt service obligation of over INR10 billion in FY24, BDMCL is likely to require support from the group though it has asset monetisation plans. BDMCL has also announced a rights issue of INR9.4 billion to reduce debt reduction by FYE23 but the same has been delayed. BBTCL (consolidated) holds a 44% stake in BDMCL. Any large support outgo would impact BBTCL's consolidated financial profile.

Besides, BBTCL and its subsidiaries (other than BIL) have debt repayment obligations of around INR20 billion over the next two years, for which fund infusion or support would be required.



SEBI Matter Against Promoters and Group Company Sub-judice: On 21 October 2022, the SEBI charged BDMCL under the Prevention of Fraudulent and Unfair Trade Practices Regulations for alleged misrepresentation of financial statements. In its order, the SEBI barred BDMCL and its promoters Nusli N Wadia, Ness Wadia, and Jehangir Wadia from the securities market for two years, and from being a director or holding any key managerial position in a listed company or an intermediary registered with SEBI for one year from the date of the direction coming into force, in addition to imposing a penalty of INR22.5 million on BDMC. Subsequently, BDMC filed an appeal with Securities Appellate Tribunal (SAT) against the aforesaid order of SEBI and has obtained a stay on operation of the said matter. The hearing on the subject matter is underway and the final order will be issued post conclusion of hearings in due course.

Weakened Standalone Operating Performance; Cash Flows Supported by Other Income: During FY23, BBTCL's standalone revenue declined 19.1% yoy to INR2,446 million, led by the weak performance of the tea plantation business and some one-off gains recorded in FY22; adjusting for these one-off gains, revenue increased by 10.4% yoy. The EBITDA stood at negative INR386 million in FY23 (FY22: INR283 million); BBTCL has historically reported EBITDA losses, with FY22 being a positive aberration. The margins from the tea segment remained negative, on account of high labour costs, pest attacks, and weaker than expected realisations from the export markets. Other businesses contributed positively to the overall margins. However, the company recorded gains from the sale of coffee plantation business in FY23, and tea plantations of three estates in Tanzania in 1QFY24.

Furthermore, the company is converting its normal tea cultivation area into organic tea cultivation as there is a huge demand of organic tea in the international market and it fetches better realisation. Normal tea sells at INR115 per kg while organic tea sells at around INR340 per kg. This will likely reflect in an increase in yields from FY24 and would sustain over the medium term.

BBTCL is a holding-cum-operating company and it generates sufficient income in the form of interest, dividend, and through the sale of assets to service interest obligations. Its non-operating income was INR901 million in FY23 (FY22: INR718 million). The company reported a positive profit after tax of INR88 million in FY23 (FY22: INR99 million) because of the receipt of dividends and interest on ICDs extended to group concerns, gain on sale of coffee plantations, and offset by provisioning for GoAir's insolvency. The dividend income stood at INR490 million in FY23 (FY21: INR300 million). At the standalone level, the interest coverage was not meaningful on account of the EBITDA loss, whereas cash flows continue to depend on liquidity support from subsidiaries. When accounting for dividend income, the EBITDA stood at INR104 million in FY23 (FY22: INR583 million).

Increased External Debt to Support Weaker Group Entities: While the treasury operations of the group entities are separate, outstanding ICDs extended by BBTCL to Wadia group entities stood at INR4,300 million at end-June 2023. The ICDs received by BBTCL from BIL stood at INR3,750 million on 30 June 2023 (FYE22: INR3,900 million), which were partially used to support other group entities and partially for bolstering the liquidity position. BBTCL's external gross debt, at the standalone level, reduced to INR3,237 million at June 30, 2023 (FYE23: INR5,732 million, FYE22: INR6,158 million); on a consolidated basis, total outstanding debt stood at INR65,415 million as of FYE23 (FYE22: INR58,616 million). Any further support to these entities from the Wadia group will be a key monitorable.

High Financial Flexibility from Strong Subsidiary BIL: BBTCL is part of the Wadia group, among the oldest conglomerates in India that has a diversified presence in consumer goods, healthcare, real estate, aviation, chemicals and electronics sectors. BBTCL is one of the flagship holding-cum-operating entities of the group and has been in existence for over 150 years. BBTCL's subsidiary, BIL, continues to hold a leading market position in the biscuits industry (over 28% market share in value terms), with many of its products having a strong brand recall. BIL has also entered into new segments such as croissants and value-added dairy products to leverage its distribution strength and has been able to grow its market share through increased distribution reach and new product launches.

Apart from its stake in BIL, BBTCL holds a 44.43% stake (16.77% directly and remaining through its subsidiaries) in BDMCL 32.61% stake in GoAir. The total market value of BBTCL's share of listed investments in BIL was INR552,471 million as on 30 August 2023, which was about 58x of BBTCL's total outstanding debt. The company, thus, has high financial flexibility and the ability to raise/refinance debt through bank loans as well as capital market instruments.



Liquidity Indicator - Adequate: At the consolidated level, BBTCCL had cash and cash equivalents of INR15,274 million at FYE23 (FYE22: INR15,274 million). Moreover, being the parent of BIL, BBTCCL benefits from the upstreaming of dividends declared by BIL; in FY23, BBTCCL received INR490 million in dividends from BIL (FY22: INR300 million). Ind-Ra believes the overall liquidity at the consolidated level depends on BIL's payment of dividends over FY24-FY25 to repay the loan raised by LLL.

On a standalone basis, BBTCCL had been reporting consistent losses and negative cash flows due to the poor performance of its tea and coffee divisions until FY21. While the liquidity position improved in FY22 with improved performance across all the segments, the company reported losses in FY23 again. The company's operational cash flows are supported by a steady inflow of other income, which includes interest on ICDs and dividend income from its subsidiaries. The company has satisfactory relationships with multiple banks for its working capital requirements. Its overall utilisation of the fund-based working capital limits of INR2,000 million remained at around 72% for the 12 months ended July 2023.

BBTCCL can manage liquidity from various sources across the subsidiaries. BBTCCL, at a standalone level, holds a 17.01% stake (increased from 16.75% shares in FY21) in BDMCL, which was valued at INR4,739 million at end-August 2023. If required, BBTCCL can generate additional liquidity by way of stake sales to its 100% subsidiary, Baymanco Investments Limited. BBTCCL also expects additional cash inflows to the tune of INR240 million through asset monetisation during FY24. The total external debt was around INR3,237 million at end-June 2023. The cash and bank balance at end-June 2023 stood at around INR207 million.

Rating Sensitivities

Positive (Outlook revision to Stable): The strengthening of the consolidated credit profile, as well as an improvement in the standalone credit profile and liquidity on a sustained basis.

Negative: Future developments that could, individually or collectively, lead to a negative rating action include:

- any significant dilution of BBTCCL's stake in BIL
- a weakening of the consolidated credit profile with net leverage exceeding 2x and/or weakening of liquidity position
- a significant increase in external debt or a weakening of the standalone liquidity position



ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on BBTCCL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

Company Profile

Incorporated in 1863, BBTCCL is engaged in the business of tea and coffee plantation, and the manufacturing of auto ancillary components and dental products.

CONSOLIDATED FINANCIAL SUMMARY

Particulars	FY23 (Audited)	FY22 (Audited)
Revenue (INR million)	166,229	145,443
EBITDA (INR million)	33,182	27,834
EBITDA margin (%)	16.7	15.5

EBITDA gross interest coverage (x)	6.55	8.83
Net adjusted leverage (x)	1.49	1.96
Sources: Ind-Ra, BBTCL		

STANDALONE FINANCIAL SUMMARY

Particulars	FY23 (Audited)	FY22 (Audited)
Revenue (INR million)	2,446	3,024
EBITDA (INR million)	-386	283
EBITDA margin (%)	-15.8	9.3
EBITDA gross interest coverage (x)	N.M.	0.34
Net adjusted leverage (x)	N.M.	32.64
Sources: Ind-Ra, BBTCL		

Non-Cooperation with previous rating agency

Not applicable

Solicitation Disclosures

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APPLICABLE CRITERIA

Parent and
Subsidiary Rating
Linkage

Evaluating
Corporate
Governance

Short-Term Ratings
Criteria for Non-
Financial
Corporates

Corporate Rating
Methodology

The Rating Process

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook				
	Rating Type	Rated Limits (million)	Rating	18 October 2022	19 October 2021	22 March 2021	16 October 2020	18 May 2020



Issuer rating	Long-term	-	IND A+/Negative	IND AA/Negative	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable
CP	Short-term	INR1,500	IND A1	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Working capital limits	Long-term	INR950	IND A+/Negative	IND AA/Negative	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable
Term loan	Long-term	INR1,725	IND A+/Negative	IND AA/Negative	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable
Non-fund-based limits	Short-term	INR20	IND A1	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
NCDs	Long-term	INR1,500	IND A+/Negative	IND AA/Negative	IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable
PP-MLD	Long-term	INR1,750	WD	IND PP-MLD AAemr/Negative	IND PP-MLD AAemr/Stable	IND PP-MLD AAemr/Stable	-	-
Working capital demand loan	-	-	-	WD	IND A1+	IND A1+	-	-



Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Working capital facilities	Low
CP	Low
Term loan	Low
Non-fund-based facilities	Low
NCDs	Moderate
PP-MLD	High

For details on the complexity level of the instrument, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

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