

CMP: INR 928

Outlook: Positive

Stock Info

BSE 501425

NSE BBTC

Bloomberg BBTC.IN

Sector Holding Company

Face Value (INR) 2

Equity Capital (INR Mn) 140

Mkt Cap (INR Mn) 64,590

52w H/L (INR) 1,167/839

Average Yearly Vol (in 000') 70

Shareholding Pattern %

(As on Sep, 2022)

Promoters 65.93%

FII 7.71%

DII 1.18%

Public & Others 25.17%

The Bombay Burmah Trading Corporation Ltd (BBTCL) is a 150-year-old company with interests in plantations, foods, textiles, chemicals, electronics, light engineering, healthcare, and real estate. Bombay Burmah, Bombay Dyeing, and Britannia are the mastheads of the Wadia Group. It is the second oldest publicly quoted company. The BBTCL Group has an annual consolidated turnover of 1.2 billion dollars. The Company has diversified its interests into tea, coffee, other plantation products, biscuit, dairy products, auto electric & white goods parts, weighing products, horticulture and landscaping services, healthcare products dental, orthopedic and ophthalmic products.

Investment Rationale

Diversified Holdings: In FY22, the contribution of different segments to revenue was Food- bakery & dairy products – 87%, Plantation Tea & Coffee – 0.6%, Healthcare – 0.1%, Horticulture – 0.4%, Auto Electric Component – 0.7% and Investments – 11%.

Holding in Britannia Industries Ltd: BBTCL has a 50.54% stake in Britannia Industries Ltd and has invested INR 3,900 million in the company. Britannia has strong positioning in the biscuit segment. A strong liquidity position makes the company a strong player in the FMCG space. With consistent market share gains and increasing penetration in the rural markets, Britannia Industries Ltd is expected to post good numbers moving forward.

Holdings in Bombay Dyeing and Manufacturing Company Ltd: BBTC has a 44.36% stake in Bombay Dyeing and Manufacturing Company Ltd. BBTCL has invested INR 3,546.3 million in the company. Bombay Dyeing and Manufacturing Company Ltd has posted good revenue growth in recent years and is expected to show similar results in the coming quarters.

Holdings in Go Airlines India Ltd: BBTCL has a 32.61% stake in Go Airlines India Ltd and has invested INR 9,479.35 million in Go Air India Ltd, which evaluates the company at INR 29,068.8 million. If the company's market capitalization comes above INR 29,068.8 million after the filing of the IPO, then it will be positive for the company and BBTCL will benefit from it too.

Standalone Business: The company entered the tea plantation business in 1913. Currently, the company produces 5 million Kgs of tea annually, resulting in INR 631.49 million in gross sales. BBTCL holds the distinction of being among the most reputed manufacturers of "Organic Tea". The coffee production business of the company has a yearly production of 562 million ton. Total coffee sales reported for the year were INR 370.43 million. BBTCL is also involved in the auto electric components business, dental products business, and horticulture business with a turnover of INR 1,335.0 million, INR 186.2 million, and INR 685.9 million respectively as of FY22.

Base Case Scenario

We are considering the current structure of the company, we value the listed companies (Britannia Industries Ltd & Bombay Dyeing and Manufacturing Company Ltd) at 80% hold co. discount and Go Airlines India Ltd at 2x of the Invested amount, while standalone business at 1x of sales.

The current structure of the company is complicated with many step-down subsidiaries and inter-company loans.

BBTCL's Holding Value Per Share

<i>Company (Listed)</i>	<i>CMP (INR)</i>	<i>Market Cap (INR Mn)</i>	<i>% Holding</i>	<i>Holding value (INR Mn)</i>	<i>Holding company discount (%)</i>	<i>number of equity shares (BBTC)</i>	<i>Holding Value per share (INR)</i>
Britannia Industries Ltd**	4,293.25	1,034,107.8	50.54%	522,638.08	80%	69,771,900	1,498.13
Bombay Dyeing and Manufacturing Company Ltd	79.95	16,450.5	44.36%	7,297.44	80%	69,771,900	20.92

**For Britannia Industries Ltd, we have a price rating of INR 4,468, which gives an upside of 5.13% from current levels.

<i>Company (Unlisted)</i>	<i>Investment (INR Mn)</i>	<i>Valuation Multiple (on invested amount)</i>	<i>Investment Value (INR Mn)</i>	<i>Number of shares</i>	<i>Value per share (INR)</i>
Go Airlines India Ltd (32.61% holding)	9,479.35	2x	18,958.70	69,771,900	271.72

<i>BBTC Standalone Divisions</i>	<i>Revenue (INR Mn)</i>	<i>Valuation Multiple</i>	<i>Investment Value (INR Mn)</i>	<i>Number of shares</i>	<i>Value per share (INR)</i>
Tea	631.49	1x	631.49	69,771,900	9.05
Coffee	254.75	1x	254.75	69,771,900	3.65
Auto Electric Components	1,335.00	1x	1,335.00	69,771,900	19.13
Health Care	186.2	1x	186.2	69,771,900	2.67
Total	2,407.44	1x	2,407.44	69,771,900	34.50

On Summing these holding values per share, we get the value of each share of BBTCL at INR 1,825

Blue Sky Scenario

We believe this is a prudent time for the company to monetize its investments in aviation space (INR 9,470 Mn for a 32.61% stake in Go Airlines India Ltd). We have seen a green shoot in the business as the market share of the company has increased by 100 bps.

After multiple attempts to launch the IPO, the company failed to file the IPO, owing to the Ukraine-Russia war, the Omicron variant coronavirus spread, and the declining airline business.

If the transaction goes through then we believe it will lead to the re-rating of Bombay Burmah Trading Co. This will be due to the strengthening of the Balance sheet, simplification of group structure, and offloading of certain stakes in the company through IPO (we also expect the repayment of loans made from BBTC to Go Air).

In this case we are considering the new structure of the company, we value the listed companies (Britannia Industries Ltd & Bombay Dyeing and Manufacturing Company Ltd) at 70% hold co. discount and Go Airlines India Ltd at 3x of the Invested amount, while standalone business at 2x of sales.

BBTCL's Holding Value Per Share

<i>Company (Listed)</i>	<i>CMP (INR)</i>	<i>Market Capitalization (INR Mn)</i>	<i>Holding (%)</i>	<i>Holding value (INR Mn)</i>	<i>Holding company discount (%)</i>	<i>number of equity shares (BBTC)</i>	<i>Holding Value per share (INR)</i>
Britannia Industries Ltd	4,293.25	1,034,107.8	50.54%	522,638.08	70%	69,771,900	2,247.20
Bombay Dyeing and Manufacturing Company Ltd	79.95	16,450.5	44.36%	7,297.44	70%	69,771,900	31.38
<i>Company (Unlisted)</i>	<i>Investment (INR Mn)</i>	<i>Valuation Multiple (on invested amount)</i>	<i>Investment Value (INR Mn)</i>	<i>Number of shares</i>	<i>Value per share (INR)</i>		
Go Airlines India Ltd (32.61% holding)	9,479.35	3x	28,438.05	69,771,900			407.59
<i>BBTC Standalone Divisions</i>	<i>Revenue (INR Mn)</i>	<i>Valuation Multiple</i>	<i>Investment Value (INR Mn)</i>	<i>Number of shares</i>	<i>Value per share (INR)</i>		
Tea	631.49	2x	1,262.98	69,771,900			18.10
Coffee	254.75	2x	509.5	69,771,900			7.30
Auto Electric Components	1,335.00	2x	2,670.00	69,771,900			38.27
Health Care	186.2	2x	372.4	69,771,900			5.34
Total	2,407.44	2x	4,814.88	69,771,900			69.01

On Summing these holding values per share, we get the value of each share of BBTCL at INR 2,755

Outlook: BBTCL has been trading at a discount to its peer holding companies due to its complex holding structure of its subsidiaries and its investments and advances in group companies specially in aviation business. With the recovery in the airline sector, and softening of crude prices, the aviation sector is facing multiple tailwinds along with sharp growth in passengers, crossing pre-Covid levels. We believe this is right time for BBTC to monetize its investments in Go Airlines India Ltd and can monetize its stake via going public or raising capital from markets, which will be beneficial for BBTCL. In our base case scenario we value BBTCL with its holdings in Britannia Industries Ltd, Bombay Dyeing and Manufacturing Company Ltd, and the company's standalone businesses plus investments in aviation business has been valued at conservative multiples and arrived at price objective of INR 1,825 which gives an upside of 96.7% from current levels.

In our blue sky scenario, we are trimming holding company discount to 70% with monetization of investment in aviation space which would strengthen its balance sheet and arrived at price objective of INR 2755 which gives an upside of 197% from current levels.

Thus, we believe BBTCL has been trading at a discount and is great buy.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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