

Price: 1,876

Recommendation: Buy

Industry: Packaged Foods

Sector: Fast Moving Consumer Goods

Report Date: 03-Apr-2025

The Bombay Burmah Trading Corporation Limited (BBTCL) is strategically enhancing its growth by divesting its coffee business for INR 291 crores to reduce debt and focus on profitable ventures. The auto electric components business, Electro Mags, and the healthcare division have shown significant growth, driven by increased demand and market expansion. BBTCL's focus on auto components and healthcare sectors reflects a strategic shift towards sustainable business segments, aiming for long-term growth and profitability.

Sales		Profit & Loss		Profitability Matrix	
Current Year	283 Cr	Operating Profit(Year)	-37.9 Cr	Operating Profit Margin	-13.4 %
Previous Year	245 Cr	Operating Profit(Quarter)	-7.18 Cr	EBITDA Margin	25.44 %
Current Quarter	73.8 Cr	PAT (Year)	-2.17 Cr	Net Profit Margin	-0.83 %
Previous Quarter	72.9 Cr	PAT (Quarter)	119 Cr	EPS	22.6
Revenue (QYoY)	59.8 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	66.7	Sales Growth	11.5 %	Sales Growth	1.23 %
PEG Ratio	4.88	PAT Growth	-101.11 %	Sales Growth QYoY	23.41 %
EV/EBITDA	52.5	EPS Growth	2790.48 %	PAT Growth	-1125.86 %
P/B	70.8	Dividend Yield	0.91	PAT Growth QYoY	-481.41 %
Capital Allocation		Holdings		Leverage	
RoE	-1.08 %	Promoter	74.0 %	Debt/Equity	2.07
RoA	-0.23 %	FII	9.64 %	Debt	383 Cr
RoCE	7.59 %	DII	1.48 %	Market Cap	13090 Cr
RoIC	-83.1 %	Public	14.8 %	Enterprise value	13392 Cr
		No of Shares	6.98 Cr	Cash Equivalents	81.1 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

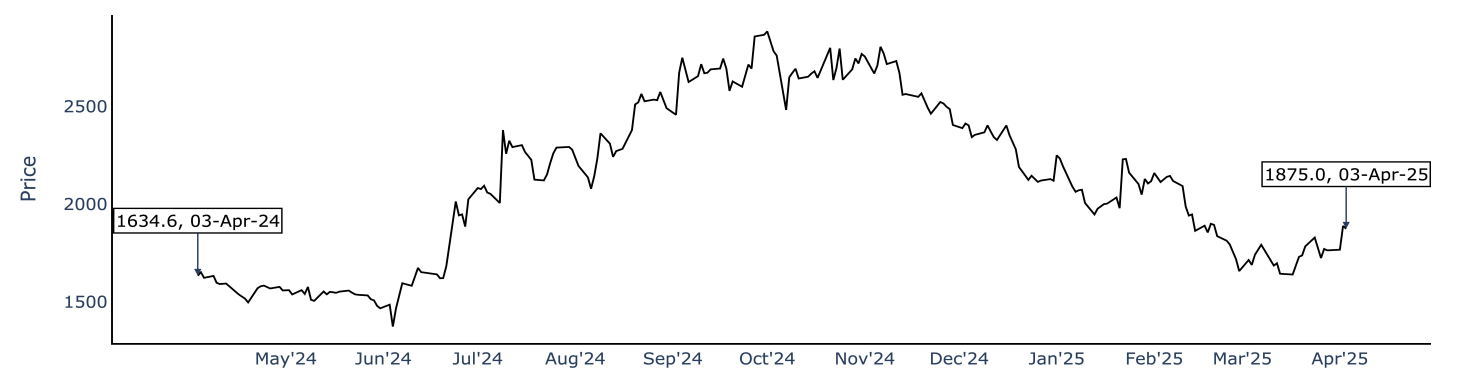
The recent meeting of The Bombay Burmah Trading Corporation Limited (BBTCL) highlighted several strategic initiatives and business strategies aimed at enhancing the company's growth trajectory. The company has divested its coffee business for INR 291 crores to reduce overall debt and pay off secured loans, marking a significant step in financial restructuring. This move is expected to streamline operations and focus resources on more profitable ventures. The auto electric components business, Electro Mags, has shown remarkable growth, with total revenue for the year 2022-23 reaching INR 151.7 crores, up from INR 133 crores the previous year. This growth is driven by increasing demand for automobiles and the expansion of the Indian auto components industry, which is projected to reach USD 200 billion in revenue by 2026. The healthcare division also reported a significant increase in turnover to INR 29.17 crores, primarily due to the reopening of dental colleges and clinics post-COVID, better product mix, and higher prices for alloys.

The company's diversification strategy includes a focus on the auto components and healthcare sectors, which have shown promising growth. The auto components industry is expected to benefit from strong international demand and a resurgence in local and regional markets. The healthcare division's growth is attributed to the increased demand for dental products, driven by lifestyle changes and the affordability of dental courses in India. The company is also exploring opportunities in the dental sector, recognizing the potential for growth due to the rising demand for dental care. The management's decision to divest the coffee business and focus on these high-growth areas reflects a strategic shift towards more lucrative and sustainable business segments.

Looking ahead, BBTCL is poised for growth, leveraging its strong market position in the auto components and healthcare sectors. The company's strategic initiatives are expected to drive revenue growth and improve profitability. The management is optimistic about the future, with plans to capitalize on the growing demand for auto components and dental products. The company's focus on reducing debt and optimizing its business portfolio is expected to enhance financial stability and support long-term growth. The management's commitment to innovation and operational excellence is expected to drive the company's success in the coming years.

While the company's strategic initiatives are promising, there are areas for improvement. The company could benefit from further diversification to mitigate risks associated with reliance on specific sectors. Additionally, enhancing operational efficiency and cost management could improve profitability. The management's focus on innovation and customer satisfaction will be crucial in maintaining a competitive edge. Overall, BBTCL's strategic initiatives and growth prospects are positive, with opportunities for further improvement in operational efficiency and diversification.

BBTC Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Samvardh. Mothe.	90746.75	22.00	11.80%	-0.52%	7.89%	-0.13%	61.97%
Bosch	81892.93	40.47	15.97%	1.62%	6.19%	-1.39%	4.33%
Uno Minda	49667.66	52.76	18.89%	-1.43%	18.77%	-2.79%	20.21%
Exide Inds.	31679.48	39.95	7.05%	-9.74%	0.93%	-32.20%	-21.69%
Sona BLW Precis.	27932.32	46.82	20.91%	-5.89%	11.01%	2.06%	16.75%

Aspect	Commentary
Revenue	The company shows a steady increase in revenue, with a notable year-over-year growth of 11.5%. This indicates a positive trend in sales performance, suggesting effective market strategies and product demand. The quarterly growth is modest, reflecting stable operations and consistent market presence.
Profit & Loss	The company faces challenges with a negative operating profit and net profit margin, indicating cost management issues. However, the significant quarterly profit suggests potential for recovery. Strategic cost control and revenue enhancement are crucial for sustainable profitability.
Profitability Matrix	The profitability metrics reveal a mixed performance. While the EBITDA margin is strong, the negative operating and net profit margins highlight inefficiencies. Improving operational efficiency and cost management could enhance overall profitability.
Valuation Matrix	The valuation metrics suggest the company is highly valued, with a high P/E ratio and PEG ratio. This indicates market optimism about future growth, but also suggests potential overvaluation. Investors should consider growth prospects and risk factors.
Growth (YoY)	Year-over-year growth shows a positive sales trend, but a significant decline in PAT growth. This disparity suggests revenue growth is not translating into profit, highlighting the need for improved cost management and operational efficiency.
Growth (QoQ)	Quarterly growth analysis shows stable sales growth, but a sharp decline in PAT growth. This indicates potential short-term challenges in profitability, necessitating strategic adjustments to enhance profit margins and operational efficiency.
Capital Allocation	The capital allocation metrics indicate a focus on improving returns, with a positive RoCE. However, negative RoE and RoA suggest inefficiencies in asset utilization. Strategic investments and cost management could improve returns.
Holdings	The holdings structure shows strong promoter confidence with a high promoter stake. Institutional and public holdings are balanced, indicating diversified investor interest. This structure supports stability and potential for strategic growth initiatives.
Leverage	The leverage metrics indicate a high debt-to-equity ratio, suggesting reliance on debt financing. This could pose risks if not managed effectively. Strategic debt reduction and improved cash flow management are essential for financial stability.

Analyst viewpoint: The Bombay Burmah Trading Corporation Limited (BBTCL) demonstrates robust performance and promising growth prospects, making it a compelling option for investment in the short to mid-term. The strategic shift towards high-potential sectors like auto components and healthcare is already yielding positive results, reflected in the impressive quarter-on-quarter sales growth of 1.23% and a notable 23.41% growth year-on-quarter. This aligns with the company's focus on reducing debt by divesting non-core businesses such as the coffee segment, effectively optimizing capital allocation and enhancing financial stability. The auto electric components business shows heightened potential with revenue climbing from INR 133 crores to INR 151.7 crores, a testament to its strategic market positioning and strong demand within the expanding automobile sector.

In the context of valuation, despite a high P/E ratio indicating strong market optimism, BBTCL's strategic initiatives underscore significant future growth, warranting such valuation sentiments. Moreover, a trailing P/E of 66.7 and a PEG ratio of 4.88 support a bullish outlook, driven by innovation and market expansion strategies. The company's superior performance in the healthcare division, led by an increase in dental product turnover, further cements its diversified growth trajectory. However, it should be noted that challenges persist in the form of a high debt-to-equity ratio, necessitating prudent financial management to maintain long-term sustainability. Nonetheless, BBTCL stands poised to outperform in its peer group, capitalizing on its strategic realignments and operational efficiency advancements.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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