

Tata Global Beverages Limited (TGBL) is an emerging player in the global beverage market. Established in 1983, the company has made a strategic shift from being a local tea company to a global beverage company through various acquisitions and strategic partnerships with global beverage giants like PepsiCo and Starbucks, thereby strengthening its position among the top 10 global companies in the beverage industry. TGBL today owns a vast portfolio of leading global brands like Tetley, Eight O' Clock and local brands like Tata Tea.

### Investor's Rationale

Under TGBL's strategy to grow inorganically through strategic alliances beside organic growth, TGBL is all set to mark its entry into the fast growing café retail market of India with its alliance with the iconic international coffee brand, Starbucks Coffee Company under the name TATA Starbucks Limited (TSL). With the proposed \$80 million investment in TSL, TGBL has only entered the quick-service restaurant business in India but has also made a significant move in enriching its portfolio of branded beverage with the inclusion of an international brand like the 'Starbucks'.

The Starbucks Corp's deal with Tata Coffee Limited (TCL), a subsidiary of TGBL, is likely to energize TSL's growth not only in terms of regulatory needs for Starbucks entry into India but will also provide supply and cost advantage to TSL over its peers. Beside, coffee beans picked from the homeland will help TGBL to offer a perfect blend of Indianised taste and Specialty of Starbucks Coffee.

Two decades after reaping the benefits of the liberalization policies, educated Indians now present the most lucrative consumer market for the world with growing per capita income and the confidence to spend more money. So evidently, TGBL has chosen the perfect timing to bank on the café retail market through a global brand like the Starbucks in the exotic land of India.

TGBL's café retail venture is likely to confront major competition from existing players like Cafe Coffee Day, which runs the largest chain of coffee retail stores in India, as well as other players such as the Luigi Lavazza-run Barista Lavazza and Whitbread-operated Costa Coffee. However, we expect TGBL strategic approach to launch Starbucks not in just the café format but also in premium hotels will work to its advantage.

Through TSL, TGBL will also be working with Starbucks to develop co-branded premium tea for the global market apart from placing its products-like the Himalayan packaged water-in Starbucks' global portfolio.

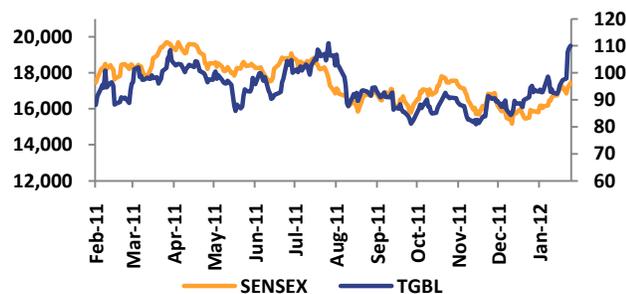
### Market Data

Rating	<b>BUY</b>
CMP (₹)	119
Target (₹)	<b>140</b>
Potential Upside	~18%
Duration	Long Term
52 week H/L (₹)	126.4/80
All time High (₹)	132.9
Decline from 52WH (%)	5.9
Rise from 52WL (%)	48.8
Beta	1.05
Mkt. Cap (₹ bn)	73.8
Enterprise Value (₹ bn)	85.2

### Fiscal Year Ended

	FY10A	FY11A	FY12E	FY13E
Revenue (₹bn)	57.8	59.8	65.2	71.0
Net Profit(₹bn)	3.9	2.5	3.3	4.2
Share Capital	0.6	0.6	0.6	0.6
EPS (₹)	6.3	4.0	5.3	6.8
P/E (x)	18.9	29.5	22.4	17.6
P/BV (x)	2.0	1.9	1.8	1.8
EV/EBITDA (x)	16.3	16.7	13.9	11.6
ROE (%)	10.4	5.4	8.4	10.2
ROCE (%)	5.9	4.1	5.4	6.8

### One year Price Chart



### Shareholding Pattern

	Dec'11	Sep'11	Diff.
Promoters	35.2%	25.6%	-
FII	9.9%	9.2%	0.7
DII	30.4%	31.4%	(1.0)
Others	24.5%	24.2%	0.3



## Starbucks Coffee “A Tata Alliance”, to enrich TGBL’s branded beverage portfolio

TGBL has recently signed an equal joint venture deal with iconic international coffee brand, Starbucks Coffee Company under the name TATA Starbucks Limited (TSL), in line with its strategy of growing through inorganic growth focused on strategic alliances in addition to organic growth. Marking the entry of the Tata Group into the quick-service restaurant business in India, especially in the fastest growing coffee retail segment within food retail, TSL intends to own and operate Starbucks cafés in the country, under the brand, Starbucks Coffee “A Tata Alliance”. The alliance is working for a speedy roll out its first Starbucks café, either Delhi or Mumbai, the two largest cities in the country as early as August-September 2012 followed by a total of 50 cafes in the country by the year end. The initial investment of the proposed venture is likely to be \$80 million.

Seattle based Starbucks Corporation is the largest coffeehouse company in the world, with more than 17,000 stores in 55 countries, including over 12,500 in the United States, over 1,200 in Canada and over 700 in the United Kingdom, 54 in Russia. The company’s business in the Asian Pacific region accounts for only 5% of its global sales but the coffee giant’s overall revenue from the region has seen good numbers for the December quarter, with its aggressive expansion in South Korea, Hong Kong, Taiwan, the Philippines, Singapore, Indonesia, Malaysia and Thailand.

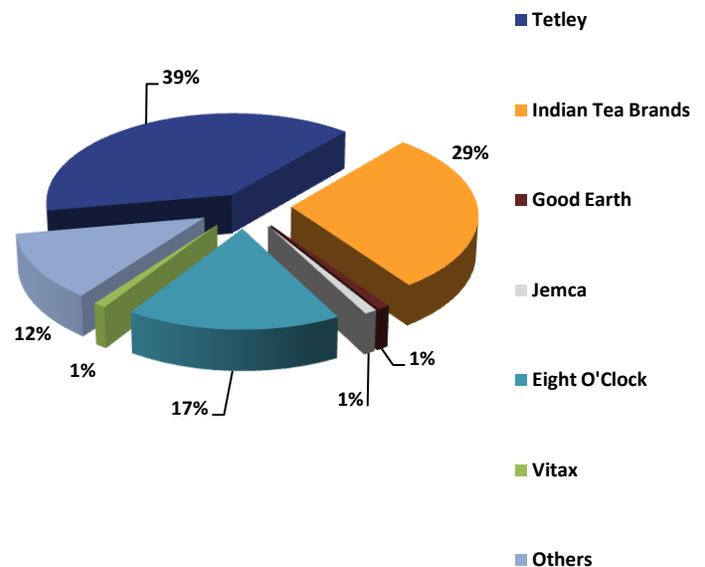
On the other hand, TGBL over the years has shifted its focus from tea plantation activities to branded beverages, to emerge as a global beverage player through various acquisitions in many geographical regions. The company has put immense amount of weight behind building its brands and emphasized on maintaining its existing ones, specially the legendary brands Tetley and Tata Tea. Today, with leadership position in the branded tea and coffee markets in several countries, over 90% of TGBL’s sales comes from branded products.

The coffee shop retail’s recent partnership with the second largest tea manufacturer of India is likely to help the former in capitalizing on the rising coffee consumption in the world’s fastest growing major economy after China. However, for the later, the partnership will not only help to experience unique retail expertise and a shared sense of business values with Starbucks Corps but will also enrich TGBL’s strong branded beverage portfolio while offering new beverage experiences to Indian consumers through a leverage of the global in-home expertise of TGBL and the global out-of-home expertise of Starbucks.

### Brand portfolio of TGBL

Brands	Category	Country
Tetley	Black tea, herbal tea, fruit tea	UK and Canada
Vitax	Fruit tea	Poland
Jemca	Black tea, green tea, herbal tea, fruit tea	Czech
Phendula	Tea	South Africa
Tata Tea	Tea	India
Eight O’Clock	Coffee	USA
Grand	Coffee and tea	Russia
Good Earth	Tea	USA
Himalayan	Mineral water	India
T4 KIDZ	Hot flavored drink	UK
Laager	Tea	South Africa
Activate	Flavored water	USA
Nourishco	Non carbonated RTD beverage	India & International markets
Sukk	Drinkable jelly snack	UK

### Brand-wise sales breakup FY11





## TGBL- first to bank on 100 per cent FDI in single brand retail opportunity

Strict limits on foreign ownership across a wide range of industries have long kept foreign competitors at bay in India. Even if foreign brands like Starbucks have been a catalyst for homegrown industries in India, the country hasn't allowed them to actually open stores in the past. Though Indian government's most recent attempt to loosen restrictions on the likes of big global retailers like Walmart met with popular disapproval and political outrage, Single-brand retailers like Starbucks however had an easier time after the recent Government's notification to raise foreign direct investment (FDI) limit single-brand retail to 100% from its prior 50%.

With the recently declared TGBL partnership with the largest coffeehouse company in the world, the owner of the Tata Tea brand has emerged to be the first mover to capitalize on the liberalized initiative of the Indian Government in the retail space, boosting the retail potential of Starbucks brand as the first foreign single brand retailer to enter India.

As per the provisions suggested by the Department of Industrial Policy & Promotion, for allowing FDI up to 100% in single brand product retail trading, the proposals involving FDI beyond 51% would need to ensure mandatory sourcing of at least 30% of the value of products sold, to be done from Indian 'small industries/village and cottage industries, artisans and craftsmen. Starbucks early 2011 deal with Tata Coffee Ltd, a unit of TGBL, to source and roast premium coffee beans from India completely meets the above regulatory requirements and hence will also work to the advantage of TGBL.

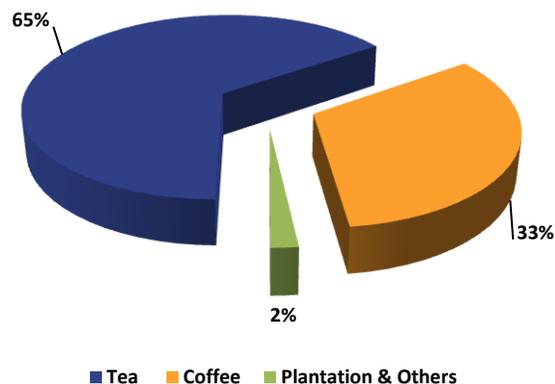
## TGBL to reap cost benefit from Tata Coffee- Starbucks partnership

TCL, a coffee subsidiary of TGBL is likely to materialize it's an year old discussion with Starbucks Corp. to supply premium coffee beans, as the later paces up for its much-awaited entry into India. As per the arrangement between the duo, TCL, the owner of the US based Eight O' Clock Coffee Co, will be roasting coffee produced in the company's estates using Starbucks know-how and technology and packaging, sale and distribution thereof to Starbucks Cafes to be set up by TGBL as well as Starbucks Corp's business operations in the overseas markets.

TCL is arguably the largest integrated coffee plantation company in the world. The company has a hand in every aspect of the coffee making process, with business activities ranging from growing and curing of coffee and tea to the manufacture and marketing of value-added coffee products. The alliance between TCL and Starbucks is likely to pave the way for consumers in India to enjoy the premium Starbucks Experience, while further discovering the unique taste of high quality Indian Arabica coffee worldwide.

TGBL derives 70% of its consolidated revenue from the overseas market with a contribution of 33% from TCL, whose overseas unit Eight O' Clock Coffee Co. has a firm grip in the US market. The TCL- Starbucks Corps' will help TGBL to enhance its revenue realization from the coffee segment in the domestic terrain. Beside, the Starbucks Corp's deal with TCL to source coffee bean from the homeland will help TSL to avoid the 100 percent duty that Coffee Bean, Gloria Jeans Coffee and Costa have to pay and hence provide a supply and cost advantage over its peers. Coffee costs account for 40-45% of total operating cost of the café retails chains of India. Hence we expect TCL-Starbucks deal to give TSL a better pricing edge in the Indian market.

TGBL's product-wise revenue contribution in FY11





## Right opportune time for TGBL for Starbucks Venture

Two decades after reaping the benefits of the liberalization policies, educated Indians now present the most lucrative consumer market for the world with growing per capita income and the confidence to spend more money. So evidently, there could have been no other opportune time for TGBL to bring the Starbucks Coffee brand in the exotic land of India.

TGBL’s proposal to open its first Starbucks outlet in the most populated cosmopolitan business city, Mumbai or the nation’s capital, New Delhi has been strategically picked to ensure success of the business venture and will serve as test locations for the future expansion purpose of the venture.

If the proposed 50 stores are highly profitable in the first year, TGBL may raise the count of its Starbucks café up-to 3000 in India. TGBL intends to customize their menu to meet the tastes of their new target market. This includes the addition of more tea items taking in accordance that Indians are known to be more a “tea-drinking” population, as well as adding some new flavors in their coffee selection.

## TGBL to attract consumers with Indian spices sprinkled over Starbucks recipes at premium prices

TGBL’s introduction of the legendary Starbucks experience, something the global café retailer is known for in the 57 markets across the world, in a highly tea drinking nation, is built on a strategic approach. Though TGBL-Starbucks venture proposes to offer some of Starbucks core products of espresso-based drinks like “frappuccino” and the “latte,” in its menu, it will also focus on differentiating itself from competition. Starting with the quality of products that it intends to serve, Starbucks intends to offer unique beverage experiences to Indian consumers through a blend of Indo-American taste. Besides, the sourcing of coffee beans from the homeland will help TSL to roll out the Indianised taste of coffee. The company is also in agreement with TajSATS to develop food products that matched the local taste and preference of the consumers across its Indian outlets.

A list of its Specialty beverages that Starbucks offers to its customers in other markets is also likely to be tested in the Indian sub-continent. Additionally, Starbucks packaged coffees and other products as well as famous loyalty programmes, which have been huge hits in emerging markets like China, are also on TSL’s cards. TGBL along with Starbucks is also working to develop co-branded premium tea. Apart from this, the alliance presents an opportunity to TGBL to place its products-like the Himalayan packaged water-in Starbucks’ global portfolio.

The Proposed items in the Starbucks-“ A Tata Alliance” menu are likely to be priced at a premium level, in line with Starbucks Pricing policy in China. We expect, Starbucks to charge around ₹125-150 for a cup of coffee and an average price of food items to be set at ₹80 in India.

### TSL’s competition against present Indianised menu of peers

Peer	Indianised Menu	Level of Customization
Barista Lavazza	Chai Latte	40-45%
	Caffe Chai Latte	
	Spicy Creamy Chicken Sandwich	
	Chicken Tikka Sandwich/Wrap/Pizza	
	Chicken Masala Wrap	
	Chicken Korma	
CCD	Paneer Korma	30%
	Spicy Chicken Calzone	
	Veg Samosa	
	Paneer Tikka Sandwich	
Costa Coffee	Murg Chole Sandwich	10%
	Paneer Tikka Sandwich	
	Tomato & Cucumber Sandwich	
	Chicken Tikka Sandwich	
Coffe Beans	Masala Paneer Cosanta	10%
	Masala Double Decker Sandwich	



## TGBL's Starbucks coffee targets wide consumer group

The Primary target market for TSL in India is the young both male and female from the ages of 16-38. This market is well educated and comes from middle class to upper middle class population. India, long a country of tea drinkers, has experienced an explosion in cafes and restaurants over the last decade because of its growing middle class and a large youth population

The two new proposed locations for Starbucks Coffee shops are strategically picked to ensure their success. Both Mumbai and New Delhi are home to many call centers where these younger spenders work, and many colleges and Universities are also located here. This will allow Starbucks to target the younger consumer generation with the advertisement campaign. These two cities are also major hot spots for tourists, who recognize a multinational brand such as Starbucks. The new Starbucks menu must cater to the India taste, mixing traditional menu items with those that a customized for the Indian tastes.

The secondary target markets for TGBL' Starbucks coffee is the tourists in the areas. Tourists will recognize Starbucks, as it is a multinational company, as most tourists in India come from the countries of U.S., England, Germany, and Japan. This market will also fall in the middle to upper middle class population and will find the TSL prices relatively cheap.

To have a better edge over the regional peers, TSL would not only sell premium coffee, tea and food in its Indian stores in its café format but also in Premium hotel chains, in partnership across carious cities. In fact, some of the Taj properties belonging to Indian Hotels would be roped in to sell products and food services belonging to Starbucks.

## TGBL to get brand royalty benefit

As per the legal arrangement of the mega alliance between two multi-billion-dollar brands, the JV will have to adhere to Tata Group's brand code and licence fee rules and pay royalty.

In the mid-1990s, Tata Sons, the closely held holding company for the group, had announced a royalty —or a “contribution” or a “fee” — to be charged from all Tata group companies for the use of the Tata name, either directly in the company’s name or indirectly. The fee ranged from 0.25% of the turnover (not exceeding 5% of net profit) from blue-chip group companies to 0.10%, depending on the brand leverage. Joint ventures where the foreign partner was offering its brand name gratis were exempted. Tatas are possibly the only Indian corporate house to have institutionalized a brand code of conduct and have a separate cell within Tata Sons called Brand Equity and Brand Promotion Fund to monitor all brand-related issues.

In 2011, according to the world’s leading brand valuation consultancy firm Brand Finance, the diversified Tata Group corporate brand was valued a little over \$15 billion. It was the only Indian conglomerate to have broken into the top 50 global brands in the elite Brand Finance 500. In the same year, Starbucks was ranked 184th, with a valuation of \$5.4 billion. This is perhaps the first time an Indian corporate has been able to command a value or a licence fee for an intangible asset like a brand. So, it’s an alliance of equals and Starbucks in India will not be an overriding foreign brand.

### Footfall Comparison-Upcoming TSL V/S Existing Peers

Company	Average customer footfall per outlet per day	No of outlets
CCD	450	1230
Barista Lavazza	400	230
Costa Coffee	175	75
TSL (Proposed)	250	50



## TSL to receive inspiration from Chinese success rate of Starbucks

Though the global coffee café retailer is expected to struggle in grabbing hot beverage market in the traditionally tea-drinking country, the TSL is confident that the brand value of Starbucks will see an overwhelming response in the India, especially after its success in China, a country much like India with its fast-growing economy and over a billion people. Under its strategic growth approach in China, Starbucks played into the growing Chinese middle class's love of American brands and conspicuous consumption at a premium pricing. Though Starbucks has emerged as a great success in China with 500 stores in mainland China by December 2011 and splendid revenue growth of ~40% in the region, TSL might confront some difficulty in playing with an exact replicated strategy in India. Though the two countries share many similarities, like a large population, rapid growth, and a history as a tea culture, India's per capita net income is less than half of China's.

However, with TSL emphasis on growing a business model to cater the local consumer wants of premium specialty drinks in India, instead of trying to force onto the market the same products that worked in the US like regular coffee, we expect, TSL to garner the favoritism of Indian coffee drinkers at a faster pace. Beside, the growing young population has always proved keen on owing anything with an international brand, starting from apparels to food habits, which has made India a very lucrative destination for the International retailers. Given the success of other American food chains in India, the exploding coffee market, and the company's track record in China, Starbucks' venture with Tata looks to be the next in line of winning growth opportunities for the coffee kings. Beside, Indian youth, with growing per capita income and desire to have a taste of an international brand like the Starbucks will be willing to pay a premium to visit the hip, new coffeehouses instead of older, cheaper ones that their parents' generation prefers.

## Indian's growing taste for coffee opens a wider market for TGBL

Starbucks' arrival in India may put the country's coffee market on the map, but Indian's growing taste for coffee has been years in the making. In coffee-producing southern India, coffee has long trumped tea as the drink of choice, but the industry has thrived on exports, rather than cultivating and deepening local consumption. Over the past decade, coffee consumption in the country has almost doubled. Coffee chains have sprouted nationwide from urban centers to highway rest stops. One thousand of them have opened in just the past 5 years — a number expected to grow five times over the next several years — catering to a coffee-drinking market that is growing by 25% each year.

The growth of coffee houses, as well as coffee consumption in India, however, hasn't always been about the coffee itself, if at all. In a country known for its tea drinking, the coffee itch has taken hold among India's youth, and Café Coffee growth from several dozen cafés in India's biggest metropolis, to over 1,200 outlets in 175 cities stands in testimony to it. The growth has also lured other foreign coffee brands, such as Italy's Lavazza, which opened Barista cafés, and the California-based Coffee Bean & Tea Leaf.

India's growing economy and its billion-plus population means there's plenty of room for Starbucks. Even if TSL were to target the top 20% of this population, it will be looking at a population which is potentially the same size as the entire US. In long run, we see no reason why India, like China, would not be able to support 3,000 Starbucks stores down the line.

### Indian economy V/S Chinese economy

Parameters	China	India
Population	1,341 million	1210 million
GDP	\$5,879 billion	\$1729 billion
GDP Growth rate	8.9%	6.9%
Per Capita GDP	\$2,425.47	\$822.76
Inflation Rate	4.50%	6.49%
Interest Rate	6.56%	7.50%
Industrial Production	12.80%	5.90%



## Stiff Competition ahead

Though the much awaited dream of Starbucks to enter the untrapped market of India has come to reality with the TSL venture, the global retailer might have to ride on a rough road, especially in a traditionally tea drinking nation. Overall annual coffee consumption of about 85 grams per capita in India also stays far below the 4.1 kilograms of consumption in the United States or even the 3.6 kilograms in Japan. However, Indians have lately been taking to ordering espressos and cappuccino at quick-service cafes as a growing young population are increasingly adapting to Western tastes. Domestic consumption of coffee also rose to an estimated 108,000 tonnes (119,000 tons) in 2010, up 80% in the past decade. Hence Starbucks as an international brand can be said to have entered the subcontinent at the right time to change the patent taste of the India.

TGBL Starbucks Coffee is also expected confront major competition from existing face competition from Cafe Coffee Day -- a unit of Amalgamated Bean Coffee Trading -- which runs the largest chain of coffee retail stores in India. Other players such as the Luigi Lavazza-run Barista Lavazza chain of espresso bars and Whitbread-operated Costa Coffee stores have a head-start over Starbucks as well. Leading coffee chains like Café Coffee Day and Costa Coffee have already registering double-digit growth rates and have maximum footfalls in the organized sector. However, the international popularity of the Starbucks brand along with superb marketing strategies and assurance of quality is likely to favor TSL in establishing brand loyalty among Indian consumers.

## Challenges

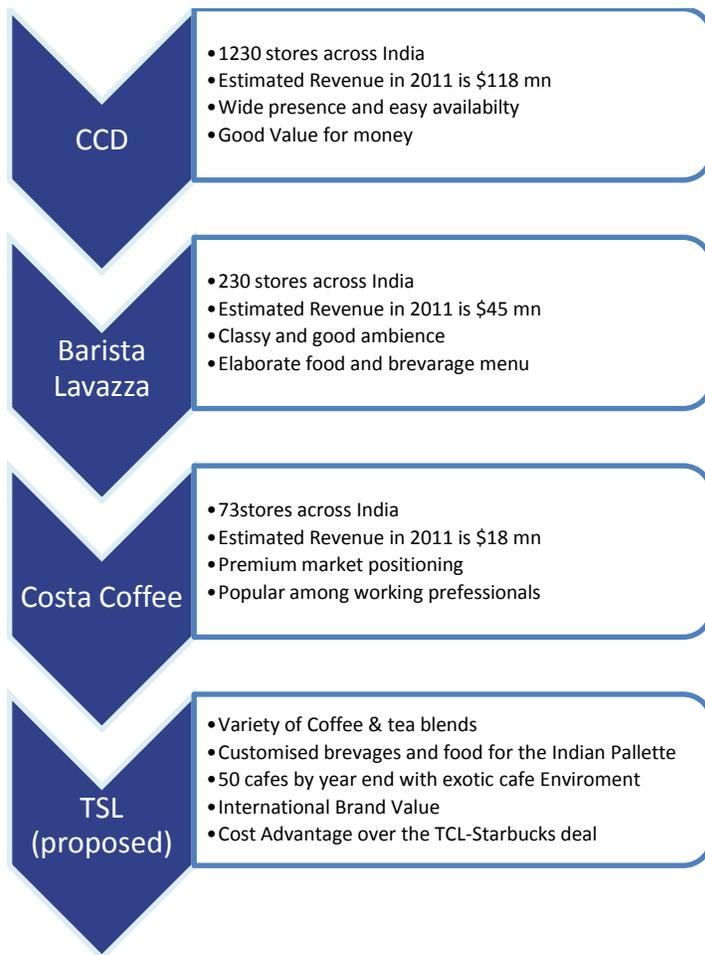
**Stiff Competition:** Domestic chains like Cafe Coffee Day and Barista are big hits as the value-for-money youth hangout. Global brands have already made their mark among the Coffee loving crowd.

**Location:** Suitable locations are hard to come by - news is Starbucks is driving hard bargains for swishy addresses at cheaper prices. Premium cafes are unique in India. Hence the expectations of target customers from the café environment are likely to be very high. So such coffee shops have to be more visible and located in high streets and premium malls with exorbitant rentals.

**Customization:** Starbucks is known to have integrated local colours with its signature style. But to attract the Indian coffee drinkers, the brand may have to churn out specialities suited to Indian tastes.

**Strategic Approach:** TSL sees Starbucks to operate a replicated business model used in China but though with similar population, the per capita income and ability to spend of an average individual between China and India has vast differences.

### TSL V/s Peers-Competitive Edge





### Cost for one year of Operation of TSL

Cost heads	Amount (₹ million)
Natural Resources: coffee beans, tea, spices, etc.	200
Land: store rental, utilities costs	204
Labor: approximately 50 Employees (including employees ex. Managers, marketing Specialists, human resource etc.)	96
Marketing- billboard and print Advertising. Costs listed in previous sections.	50
Licensing and Legal Work- USD 10,000	60
Miscellaneous Costs- repairs, emergency costs	20
<b>Total</b>	<b>630</b>

### Expected Revenue from TSL

We expect TSL to clock in revenue of around ₹927 million under a very conservative approach by the end of 2012. With operating expenses ranging at ~₹630 million, which is around 68% of the total revenue realized, the operating income would be pulled down to ₹296 million. After reducing a taxation of ~₹97 million, we see TSL striking a profit of ₹198 million by year end. Considering an equal distribution of revenue under the joint venture agreement between TGBL and Starbucks Corps, we expect TGBL to receive ~₹99 million profits from TSL venture.

### Assumptions

- TSL achieves its targeted 50 outlets by the end of 2012 in India
- Each outlet receives an average per day footfall of 250 coffee consumers
- An average customers makes an average pay of ₹125 per coffee and ₹80 for food item
- TSL closes its stores for only 3 days in the year for Diwali (Indian holiday) and Christmas.
- Higher store set up cost to weigh on first year operating income
- 33% taxation is paid on total operating income
- Rent to revenue ratio of a premium cafe kept ideally at around 15%

### TGBL vs. local peer's relative valuation

Company	Mcap (billion)	EPS	P/E (x)	P/BV	EV/EBITDA
ITC	1,527	6.5	31.0	9.5	20.6
HUL	864	10.5	36.9	31.0	29.9
Nestlé	399	84.9	50.5	48.3	28.0
Marico	85	4.6	34.7	10.9	23.8
TGBL	74	4.0	29.5	1.9	16.7
Britannia	52	11.2	43.9	18	27.4



## Balance Sheet (Consolidated)

(₹billion)	FY10A	FY11A	FY12E	FY13E
Equity Share Capital	0.6	0.6	0.6	0.6
Reserves & Surplus	36.6	38.9	39.7	41.5
Shareholders' Funds	37.2	39.5	40.3	42.1
Minority Interest	10.5	11.0	11.0	11.0
Total Loans	17.9	10.4	9.4	8.4
Deferred Tax Liability	0.7	0.6	0.6	0.6
<b>Capital Employed</b>	<b>66.5</b>	<b>61.7</b>	<b>61.5</b>	<b>62.2</b>
Gross fixed assets	14.7	15.6	17.0	18.5
Less: acc. depreciation	7.5	8.4	9.5	10.7
Net Block	7.1	7.2	7.5	7.8
Capital WIP	0.5	0.4	0.4	0.4
Goodwill	29.2	30.3	30.3	30.3
Investment	5.1	5.8	6.1	6.2
Net Current Assets	24.3	17.8	17.0	17.3
<b>Capital Deployed</b>	<b>66.5</b>	<b>61.7</b>	<b>61.5</b>	<b>62.2</b>

## Key Ratios

	FY10A	FY11A	FY12E	FY13E
EBITDA Margin (%)	8.8	8.5	9.2	10.1
EBIT Margin (%)	7.1	6.9	7.7	8.5
NPM (%)	6.7	4.2	5.1	5.9
ROCE (%)	5.9	4.1	5.4	6.8
ROE (%)	10.4	5.4	8.4	10.2
EPS (₹)	6.3	4.0	5.3	6.8
P/E (x)	18.9	29.5	22.4	17.6
BVPS	59.6	63.4	64.6	67.4
P/BVPS (x)	2.0	1.9	1.8	1.8
EV/Operating Income (x)	1.4	1.4	1.3	1.2
EV/EBITDA (x)	16.3	16.7	13.9	11.6
EV/EBIT (x)	20.3	20.8	16.7	13.9

## Profit & Loss Account (Consolidated)

(₹billion)	FY10A	FY11A	FY12E	FY13E
Net Sales	57.8	59.8	65.2	71.0
Total Expenses	52.6	54.6	59.1	63.9
EBITDA	5.1	5.1	6.0	7.2
EBITDA Margin %	8.8	8.5	9.2	10.1
Depreciation	1.0	0.9	1.1	1.2
EBIT	4.1	4.1	5	6
Interest	1.5	1.2	1.2	0.9
Other Income	3.8	2.0	1.9	1.9
Profit Before Tax	6.4	4.9	5.6	6.9
Tax	2.5	2.0	1.8	2.3
Profit After Tax	3.9	2.9	3.8	4.6
Minority Interest	0.3	0.6	0.6	0.6
Adj. Net Profit	3.9	2.5	3.3	4.2

## Valuation & Views

TGBL has a very ambitious plan to generate revenue of US\$5bn by 2015, which has recently reflected some sluggishness due to the slow growth in its key categories (tea and coffee) as well as slowdown due to the ongoing global as well as local macroeconomic scenario. TGBL has a long term strategy to bank on the fast growing consumer market of India. We expect the recent TGBL and Starbuck alliance to emerge as a prime revenue driver for TGBL in long run, by enhancing its portfolio of branded beverages and intensifying growth in its coffee segment. At a current CMP of ₹119, TGBL is attractively placed at P/E of ~17.6.x FY13E. Considering the above aspects, we rate the stock as 'BUY' with a potential upside of 18% for the coming 12 months.



Indbank Merchant Banking Services Ltd.  
I Floor, Khiviraj Complex I,  
No.480, Anna Salai, Nandanam, Chennai 600035  
Telephone No: 044 – 24313094 - 97  
Fax No: 044 – 24313093  
[www.indbankonline.com](http://www.indbankonline.com)

**Disclaimer**

@ All Rights Reserved

This report and Information contained in this report is solely for information purpose and may not be used as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. The investment as mentioned and opinions expressed in this report may not be suitable for all investors. In rendering this information, we assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available to us. The information has been obtained from the sources that we believe to be reliable as to the accuracy or completeness. While every effort is made to ensure the accuracy and completeness of information contained, Indbank Limited and its affiliates take no guarantee and assume no liability for any errors or omissions of the information. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information. No one can use the information as the basis for any claim, demand or cause of action.

Indbank and its affiliates shall not be liable for any direct or indirect losses or damage of any kind arising from the use thereof. Opinion expressed is our current opinion as of the date appearing in this report only and are subject to change without any notice.

Recipients of this report must make their own investment decisions, based on their own investment objectives, financial positions and needs of the specific recipient. The recipient should independently evaluate the investment risks and should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document and should consult their advisors to determine the merits and risks of such investment.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and is not meant for public distribution. This document should not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced, duplicated or sold in any form.