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Tata Global Beverages Limited (TGB) 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.

Investor's Rationale

Q4FY'12 Net down by 36.4% YoY on exceptional loss item

TGB one of the leading tea companies in the world has posted 36.4% YoY decline in its consolidated net profit to ₹0.5billion for the fourth quarter of FY'12 due to exceptional loss of ₹0.4billion. In the fourth quarter of FY'11, it reported exceptional gain of ₹0.6 billion.

Sustained revenue growth on improved performance in major market

TGB's consolidated 10.7% YoY growth in revenues at ₹17.3billion was driven by both standalone and foreign operations, reflecting the improved performance in most major markets coupled with favourable foreign exchange translation impact. The revenue growth was modest owing to marginal 7% increase in revenues from tea business at ₹12.8billion while revenues from coffee and other products grew 20% to ₹4.3 billion.

Tata Coffee leads revenue contribution among subsidiaries

TGB's Subsidiaries, which includes operations from abroad (including Tetley, UK) and Tata Coffee and together form about 73% of the overall revenues, witnessed a healthy growth of 11.3% in sales. Here, the growth was led by Tata Coffee (22% of total revenues; sales up 13%) and favourable currency translation impact.

Better operational performance eased the pressure on operating profit margin

The company's operating profit margin improved 72bps YoY at 10.8%, for the first time in the past 12 consecutive quarters — thanks to price increases undertaken in some markets (UK, Canada), lower commodity prices (on YoY basis), lower advertisement spends and better control over other overheads. Along improved operational performance, interest costs also fell 58% due to repayment of debt (at UK subsidiary) and lower tax rate restricted the fall in net profit margin by 230bps to 3.1% on YoY basis.

Market Data

CMP (₹)	105.5
Target Price	121
Stop Loss	101
Duration	Mid-term
52-week High-Low (₹)	128.7/80.0
Rise from 52WL (%)	31.8
Correction from 52WH (%)	18.0
Beta	1.5
1 year Average Volume (mn)	0.3
	1M- (9.7)
Stock Return (%)	3M- (14.2)
	6M- (19.6)
Market Cap (₹bn)	65.2
Enterprise Value (₹bn)	77.5

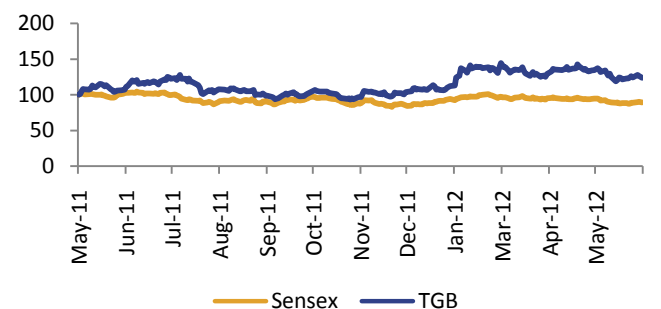
Shareholding Pattern

	Mar'12	Dec'11	Chg
Promoters (%)	35.2	35.2	-
FII (%)	15.2	9.9	5.3
DII (%)	25.5	30.4	(4.9)
Public & Others (%)	24.1	24.5	(0.4)

Quarterly Performance

(₹bn)	Q4 FY'12	Q4 FY'11	Q3 FY'12	%Y-o-Y Change	%Q-o-Q Change
Revenue	17.3	15.7	18.0	10.7	(3.7)
Op. exp	15.5	14.1	16.2	9.8	(4.5)
EBITDA	1.9	1.6	1.8	18.8	2.7
OPM (%)	10.8	10.1	10.1	0.7	0.7
Net profit	0.5	0.9	0.6	(36.4)	(15.4)
NPM (%)	3.1	5.4	3.5	(230bps)	(40bps)
EPS (₹)	0.9	1.4	1.0	(36.2)	(15.4)

One Year Price Chart





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