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Tata Global Beverages (TGB) is the second-largest tea company in the world. In FY15, TGB derived 74% of its turnover from tea sales. Its brands have presence in over 40 countries. The company's 62% of the consolidated revenues coming from markets outside India such as UK, USA, Canada etc. Apart from tea, TGB derived 25% & 1% of its turnover from coffee & water sales respectively.

Key Developments

Prominent brands of the company:

TGB is the second-largest packaged tea company in the world after Unilever. In FY15, branded products contributed 90% to the total revenues. The major brands of TGB include Tetley, Eight O' Clock, Grand, Map and Tata Tea. About 250 million servings of its brands are consumed everyday around the world.

Focus on Green & Specialty Tea:

In FY15, TGB derived 74% of its consolidated turnover from tea sales. In the domestic market, TGB is building its green tea portfolio under the Tetley brand. Currently, TGB has green tea brands in its portfolio, namely Tetley Green Tea and Tata Tea Acti Green. In UK, TGB launched a range of Tetley Super Green Teas in various flavors. In 2015, a premium line of specialty teas, called the Tetley Signature collection was launched in Canada. Similarly, in the UK market, Tetley recently launched Tetley Super Fruits. With 37 green tea, 27 specialty tea and 180 herbal blends in its portfolio, TGB has been able to cater to the green and herbal tea markets.

Change in revenue mix:

The revenue contribution from coffee has increased from 20% in FY12 to 25% in FY15. Coffee segment, the second highest contributor to the total revenues, derives revenue from branded coffee, coffee plantations and from JVs. Further, it has recently launched its first instant coffee, TATA Coffee Grand, in the Indian coffee market. Similarly, Eight O'Clock Coffee (EOC) launched an instant coffee offering recently.

India's contribution to the total revenues:

The revenue contribution of India to TGB's consolidated topline has risen from 30.3% in FY12 to 38% in FY15. The revenue growth of subsidiaries moderated to 0.5% in FY15 pulling down the consolidated sales growth to 2.8% YoY in FY15.

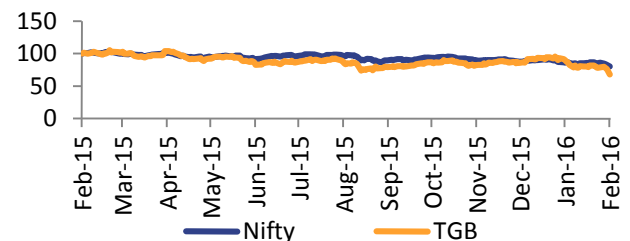
Market Data

CMP (Rs.)	105
Face Value	1.0
52 week H/L (Rs.)	165/100
Adj. all time High (Rs.)	181
Decline from 52WH (%)	36.6
Rise from 52WL (%)	4.5
Beta	1.9
Mkt. Cap (Rs.Cr)	6,465
Enterprise Value(Rs. Cr)	7,318

Fiscal Year Ended

	FY13	FY14	FY15
Total revenue (Rs.cr)	7,351	7,738	7,993
Adj. Profit (Rs.cr)	401	392	378
Share Capital (Rs.Cr)	62	62	62
EPS (Rs.)	6.5	6.3	6.1
P/E (x)	19.7	23.7	24.4
P/BV (x)	1.4	1.6	1.7
ROE (%)	7.1	6.8	6.7

One year Price Chart



Shareholding	Dec15	Sep15	Diff.
Promoters	34.4	34.4	0.0
Public	65.6	61.9	3.7
Others	0.0	3.7	(3.7)

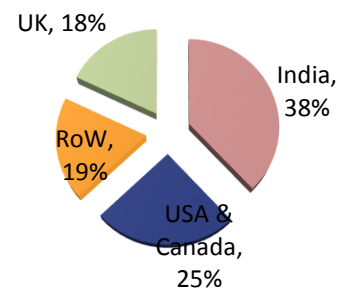
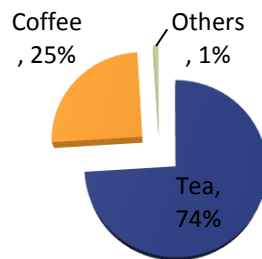
Tata Global Beverages (TGB) is the second-largest tea company in the world. Nearly 62% of its consolidated revenues are coming from markets outside India.

Tata Global Beverages Ltd: Business overview

Tata Global Beverages (TGB) is the second-largest tea company in the world. In FY15, TGB derived 74% of its turnover from tea sales. Its brands have presence in over 40 countries. Nearly 62% of its consolidated revenues are coming from markets outside India such as UK, USA, Canada etc. Further, Tata Coffee is a 57% subsidiary of TGB.

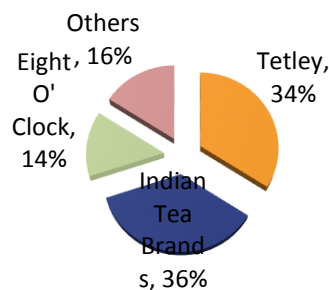
In terms of region-wise sales mix, India contributed the maximum 38% to the total revenues followed by USA & Canada (25%), RoW (19%) and UK(18%). Segment-wise, 74% of its sales come from tea segment, 25% come from coffee segment and the remaining 1% from sale of water products and other businesses. Similarly, brand-wise, 36% of its sales come from Indian tea brands (Tata Tea Premium, Gold, Kanan Devan, Chakra Gold etc.) followed by Tetley (34%), Others & speciality brands (16%) and Eight O' Clock (14%). While other brands include Grand coffee, Himalayan water etc., specialty regional brands include Good Earth, Vitax etc.

Segment and Geography-wise sales mix (FY15)

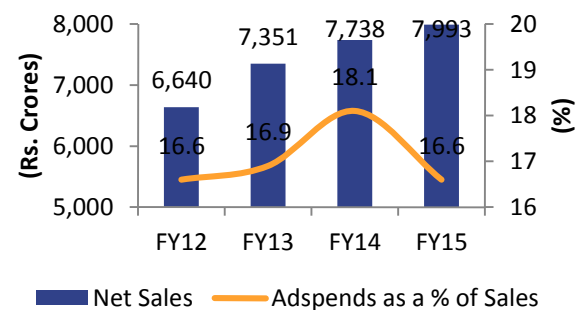


Source: Company

Brand-wise Sales mix (FY15)



Higher investments on brands



Source: Company

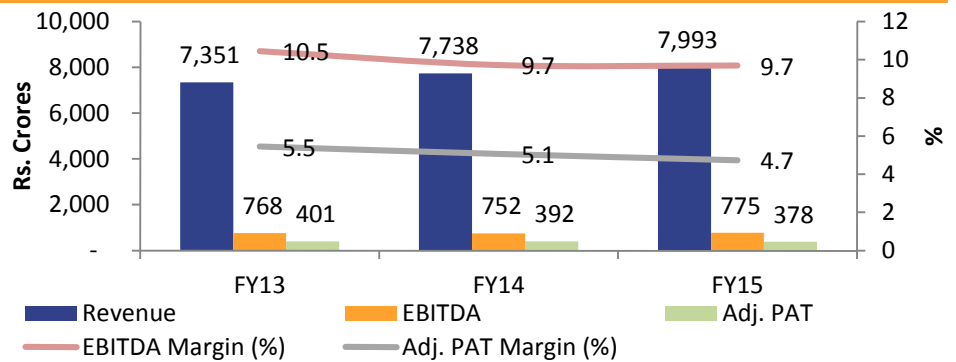
TGB's brands have presence in over 40 countries.

TGB's Brand Portfolio

Region	Brand		
	Tea	Coffee	Water
North America & Canada	Tetley, Teapigs, Tata Tea, Good Earth	Eight O'clock	-
Europe, Russia & Middle East	Tetley, Jemca, Vitax, Tata Tea, Teapigs	Grand	-
Africa	Tetley, Laager	-	-
Australia	Tetley, Teapigs	Map	-
South Asia	Tetley, Tata Tea	-	Tata Gluco+, Tata Water Plus, Himalayan

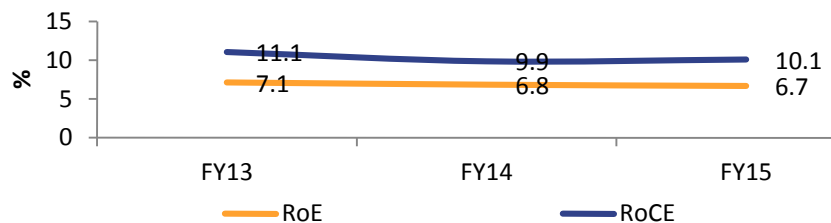
Source: Company

Financial snapshot of Tata Global Beverages Ltd.



Source: Company, Inhouse research

Return Ratios Trend



Source: Company, Inhouse research

TGB has broadened its product portfolio through key acquisitions & JVs

Year	Target	Country
2000	Tetley	UK
2005	Good Earth	USA
2006	Eight O' Clock Coffee	USA
2006	Jemca	Czech Republic
2007	Mount Everest Mineral Water	India
2007	Vitax	Poland
2009	Grand	Russia
2011	JV with PepsiCo India	India
2012	JV with Starbucks	India
2014	Bronksi Eleven	Australia

Source: Company

Q3FY16 Performance

In Q3FY16, consolidated revenues of the company stood at Rs. 2,081.5 crores registering a de-growth of 2.8% over the corresponding quarter last year. The revenues primarily declined because of timing of sales in international markets and currency translation. While tea segment witnessed a de-growth of 4.4% YoY in Q3FY16, the revenue growth of coffee segment was merely 0.8% YoY in Q3FY16. EBIT margin of tea segment declined by 150 bps YoY to 9.2%. However, EBIT margin of coffee segment increased by 240 bps YoY to 11.7%. Consolidated EBITDA declined by 13.6% YoY to Rs. 172.1 crores and EBITDA margin contracted by 100 bps YoY to 8.4%. Consequently, reported profit of TGB declined by 29.8% to Rs. 59.2 crores (including Rs. 10.5 crores of exceptional loss). Exceptional item for Q3FY16 included the cost pertained to business restructuring & retrospective amendment of legislation related to employee benefits. Hence, adjusted profit declined by 17.4% YoY to Rs. 69.6 crores.

With 37 green tea, 27 specialty tea and 180 herbal blends in its portfolio, TGB has been able to cater to the green and herbal tea markets.

Revenue contribution from the coffee segment has risen from 20% in FY12 to 25% in FY15.

Focus on green tea

In FY15, TGB derived 74% of its consolidated turnover from tea sales. In India, TGB operates with brands like Tata Tea, Tata Tea Gold, Agni and Kanan Devan. In the domestic market, TGB is building its green tea portfolio under the Tetley brand. Currently, TGB has green tea brands in its portfolio, namely Tetley Green Tea and Tata Tea Acti Green. In UK, TGB launched a range of Tetley Super Green Teas in various flavors to tap growing green tea market. Likewise, in 2015, a premium line of specialty teas, called the Tetley Signature collection was launched in Canada. Similarly, in the UK market, Tetley recently launched Tetley Super Fruits.

Key Brands of Tata Global Beverages



Source: Company

Change in revenue mix

The revenue contribution from coffee has increased from 20% in FY12 to 25% in FY15. Coffee segment, the second highest contributor to the total revenues, derives revenue from branded coffee, coffee plantations and from JVs. TGB is also present in the pods segment in USA (through Eight O'Clock Coffee). The company receives royalty income from pod sales for which it entered an agreement with Keurig. Further, it has recently launched its first instant coffee, TATA Coffee Grand, in the Indian coffee market. Similarly, Eight O'Clock Coffee (EOC) launched an instant coffee offering recently.

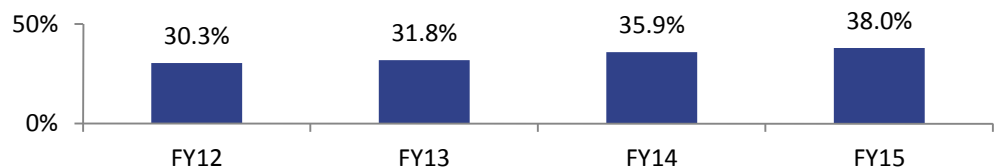
Starbucks JV

Tata Starbucks Pvt. Ltd., the 50:50 JV between TGBL and Starbucks Coffee International Inc US), was formed in 2012, owns and operates Starbucks stores in India. In the first year alone, the JV opened 12 stores across Mumbai & Delhi. As of Q3FY16, Tata Starbucks has set up 79 stores across various Indian cities. So far, TGB has invested Rs. 150 crores in this JV. Starbucks JV incurred a loss of Rs. 47 crores in FY15.

Increasing contribution from the Indian market

The revenue contribution of India to TGB's consolidated topline has risen from 30.3% in FY12 to 38% in FY15. The sales growth of subsidiaries moderated to 0.5% in FY15 pulling down the consolidated sales growth to 2.8% YoY in FY15.

India's contribution to the total revenues on the rise



Source: Company, Inhouse research

Thrust on Water business

NourishCo, the 50:50 JV with PepsiCo India, produces and markets Tata Water Plus (India's 1st nutrient water) and Tata Gluco Plus (glucose-based flavoured drink). Even, Himalayan water is marketed through this JV. Tata Water Plus & Tata Gluco Plus have been rolled out only in Tamil Nadu, Andhra Pradesh, MP, Maharashtra, Karnataka, Gujarat and UP. Further, Himalayan is now also available at some mainstream super-markets in Singapore.

Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	62	62	62
Reserve and surplus	4,748	5,787	5,431
Net Worth	4,810	5,849	5,493
Minority Interest	814	924	876
Total Debt	1,389	1,438	1,324
Other non-current liabilities	350	432	461
Total Equity & Liabilities	7,362	8,643	8,154
Fixed Assets	927	1,052	1,077
Goodwill	3,598	4,188	3,892
Investments	578	611	622
Net current assets	2,176	2,498	2,249
Other non-current assets	84	293	314
Total Assets	7,362	8,643	8,154

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
Pre-tax profit	637	707	500
Net cashflow from operating activities	173	422	418
Net cash used in investing activities	16	(120)	(175)
Net cash used from financing activities	186	(363)	(392)
Net inc/dec in cash and cash equivalents	375	(62)	(149)

Financial performance snapshot

Net sales of the company stood at Rs. 7,993 Crores in FY15, a growth of 3.3% as compared to Rs. 7,738 Crores in FY14. The operating expenses of the company also increased by 3.3% YoY to Rs. 7,219 Crores from Rs. 6,986 Crores during the year. The company's EBITDA grew by 3.1% YoY to Rs. 775 Crores in FY15 from Rs. 752 Crores in FY14. EBITDA margins remained unchanged at 9.7% in FY15. Adjusted profit decreased by 3.6% to Rs. 378 Crores in FY15 from Rs. 392 Crores in FY14. The Adj. profit margins tapered by 34 bps to 4.7% from 5.1% during the above period.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Net revenue	7,351	7,738	7,993
Expenses	6,583	6,986	7,219
EBITDA	768	752	775
Depreciation	105	129	133
EBIT	663	623	642
Interest cost	84	87	82
Other Income	86	82	70
Profit Before Tax	665	618	630
Tax	164	184	216
Profit After Tax	501	434	414
Minority Interest	72	29	26
P/L from Associates	(28)	(13)	(11)
Adjusted PAT	401	392	378
E/o income / (Expense)	(28)	89	(130)
Net Profit	373	480	248

Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	10.5	9.7	9.7
EBIT Margin (%)	10.2	9.1	8.9
Adj. NPM (%)	5.5	5.1	4.7
ROCE (%)	11.1	9.9	10.1
ROE (%)	7.1	6.8	6.7
EPS (Rs.)	6.5	6.3	6.1
P/E (x)	19.7	23.7	24.4
BVPS(Rs.)	90.9	94.6	88.8
P/BVPS (x)	1.4	1.6	1.7
EV/EBITDA (x)	12.2	14.5	14.0



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