

Tata Global Beverages (TGB) is an integrated natural beverage company that derives ~70% of revenues from branded tea business. It is a global player with about 60% of the consolidated revenues coming from markets outside India such as UK, US, Canada etc. Some of its key brands are Tata Tea, Tetley and Eight O'Clock Coffee & Himalayan.

Key Events

Successful transformation into a global beverages player:

Starting off as a tea plantation company, TGB is now an integrated beverage player. It has established itself as a global beverage company through several acquisitions across geographies in the tea, coffee & water categories. Thereby, TGB has a robust portfolio of global & regional brands including Tata Tea, Tetley, Eight O'Clock & Himalayan. In FY17, branded business contributed 88% to the total revenues. Notably, about 60% of the consolidated revenues come from markets outside India such as UK, USA, Canada etc. In India, TGB continues to maintain leadership position in the packaged tea segment (No. 2 in world). While tea (tea portfolio includes black, green, herbal and fruit ones) is the mainstay of TGB with 71% of revenue coming from branded tea sales, it has growing interests in other businesses including coffee & water.

Focus on non-black tea portfolio – the next growth engine:

While black tea consumption is on a decline in some developed markets, green tea and specialty tea (fruit & herbal tea) are witnessing robust growth across the geographies. Notably, green tea comprises ~ 27% of the global tea market. Likewise, the fruit and herbal tea (F&H) segment constitutes ~16% of the global tea market. Globally, the green tea and fruit/herbal tea is expected to witness a CAGR of ~9% & 7% respectively over the next five years. With 37 flavoured green tea, 27 specialty tea and 180 herbal blends in portfolio, TGB has enhanced its focus on green and herbal tea categories to offset the decline in the black tea category. Importantly, the green and herbal tea categories enjoy higher margins when compared to the conventional black tea. TGB has adopted disruptive innovative strategies to launch new products & its key focus areas are 1) health & wellness, 2) indulgence and 3) ready to Drink (RTD).

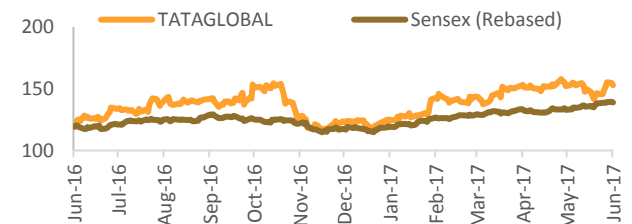
Market Data

CMP (Rs.)	Rs175
Face Value	Rs1
52 week H/L (Rs.)	179/115
Adj. all time High (Rs.)	179
Decline from 52WH (%)	2.2
Rise from 52WL (%)	51.2
Beta	1.2
Mkt. Cap (Rs.Cr)	11,038
Enterprise Value(Rs. Cr)	11,105

Fiscal Year Ended

	FY15	FY16	FY17
Total revenue (Rs.cr)	7,993	6,637	6,780
Adj. PAT (Rs.cr)	378	327	384
Share Capital (Rs.Cr)	63.1	63.1	63.1
EPS (Rs.)	6.0	5.2	6.1
P/E (x)	29.2	33.7	28.7
P/BV (x)	2.0	1.8	1.8
ROE (%)	6.7	5.6	6.1

One year Price Chart

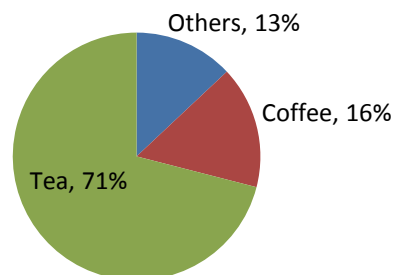


Shareholding	Mar-17	Dec-16	Diff.
Promoters (%)	35.7	35.7	-
Public (%)	24.5	24.9	0.4
Others (%)	39.8	39.4	-0.4

Tata Global Beverages Ltd: Business overview

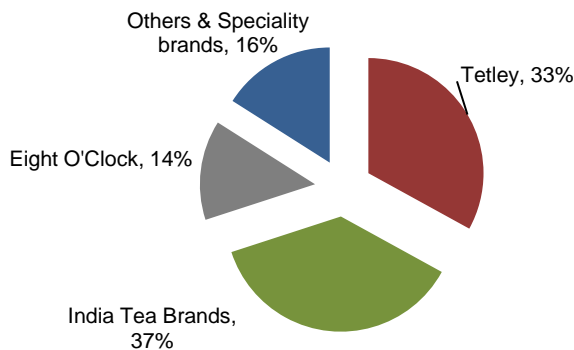
Tata Global Beverages (TGB) is the second-largest branded tea company in the world. In FY17, TGB derived 71% of its turnover from branded tea sales. TGB has transformed itself from being a mere tea player to a global beverage giant through acquisitions and strategic alliances with global brands like Pepsi and Starbucks. Its brands have presence in over 40 countries. It is a global natural beverage player with ~60% of the consolidated revenues coming from markets outside India such as UK, USA, Canada etc. Notably, Tata Coffee is a 57.48% subsidiary of TGB. TGB's operations are divided mainly into three regions: India (revenue contribution @41%), Canada, Australia & Americas (23%) and Europe, Middle East & Africa (23%). Likewise, in terms of segment-wise sales mix, 71% of its sales come from branded tea segment, 16% come from branded coffee segment and 13% come from Others segment. Others segment include sale of water products and non-branded business (coffee & tea plantation business).

Revenue break-up



Source: Company, In-house research

Brand-wise Sales mix



Source: Company, In-house research

Growing beyond Tea...

While tea (tea portfolio includes black, green, herbal and fruit ones) is the mainstay of TGB with 70% of revenue coming from branded tea sales, the integrated structure helps the company to focus on its 'good for you' beverage strategy that aims to tap the rising demand of consumers for health beverages (mineral water, RTD). The coffee business has also witnessed traction over the years with branded coffee contribution rising to 16% of TGB's consolidated sales in FY17. Besides, it has invested in companies and JVs to expand its product range. TGB has a 50:50 JV with PepsiCo—NourishCo Beverages—to focus on health and wellness beverage products. TGB is marketing the Himalayan mineral water brand in India under NourishCo. Similarly, TGB has a 50:50 JV with Starbucks Coffee Company named Tata Starbucks Ltd to own and operate Starbucks Cafes in India.

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, Joekels	-	-
Australia	Tetley, Teapigs	Map	-
India	Tetley, Tata Tea	Tata Coffee Grand	Tata Gluco+, Tata Himalayan Water Plus,

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

Expansion of non-black tea portfolio to aid growth

TGB is the second-largest branded tea player in the world after Unilever. Notably, in India, it is a market leader in tea segment with a 25% share. Notably, green tea comprises ~ 27% of the global tea market. Likewise, the fruit and herbal tea (F&H) segment constitutes ~16% of the global tea market. With 37 flavoured green tea, 27 specialty tea and 180 herbal blends in portfolio, TGB has enhanced its focus on green and herbal tea categories to offset the decline in the black tea category.

Constant innovation has been the forte for TGB

TGB has adopted a disruptive innovation strategy for new product launches & its key focus areas are 1) health & wellness, 2) indulgence and 3) ready to Drink (RTD). During 2015, TGB launched a range of Tetley Super Green Teas in UK in various flavors to tap growing demand for green tea. 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. These are teas fortified with vitamins & are called functional teas.

Betting big 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). Further, Himalayan brand (mineral water) is marketed through this JV. While Himalayan brand has a pan-India presence, the other two have been rolled out in some states including Tamil Nadu, Andhra Pradesh, MP, Maharashtra, Karnataka, Gujarat and UP. Moreover, Himalayan is now also available at some mainstream super-markets in Singapore. In Q4FY17, it launched Himalayan Sparkling and Flavoured Himalayan water in test cities. Besides, it has also launched new variants of Tata Gluco Plus (Jeera & Panner (Rose)).

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 Q4FY17, Tata Starbucks operates 93 stores in leading Indian cities such as Mumbai, Delhi, Bengaluru, Chennai, Pune & Hyderabad. So far, TGB has invested Rs178cr in this JV. Tata Starbucks JV is still in investment phase and incurred a loss of Rs40cr in FY16.

Balance Sheet (Consolidated)

(Rs.Cr)	FY15	FY16	FY17
Share Capital	62	63	63
Reserve and surplus	5,431	6,184	6,202
Net Worth	5,493	6,247	6,266
Minority Interest	876	862	920
Total Debt	1,324	913	770
Other non-current liabilities	461	495	423
Total Equity & Liabilities	8,154	8,516	8,378
Net Fixed Assets	1,030	1,022	1,075
Capital WIP	47	39	63
Goodwill	3,892	3,710	3,498
Investments	622	1,296	1,451
Net current assets	2,249	2,074	1,989
Other non-current assets	314	375	303
Total Assets	8,154	8,516	8,378

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
Net profit/loss before tax & extraordinary items	707	500	545
Net cashflow from operating activities	422	418	112
Net cash used in investing activities	(120)	(175)	293
Net cash used from financing activities	(363)	(392)	(429)
Net inc/dec in cash and cash equivalents	(62)	(149)	(24)

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY15	FY16	FY17
Net revenue	7,993	6,637	6,780
Expenses	7,219	5,982	5,988
EBITDA	775	654	791
Depreciation	133	117	126
EBIT	642	538	665
Interest cost	82	117	92
Other Income	70	82	83
Profit Before Tax	630	503	657
Tax	216	200	198
Profit After Tax	414	303	458
Minority Interest	26	(32)	65
P/L from Associates	(11)	(7)	(9)
Adjusted PAT	378	327	384
E/o income / (Expense)	(130)	(333)	5
Reported Profit	248	(6)	389

Key Ratios (Consolidated)

	FY15	FY16	FY17
EBITDA Margin (%)	9.7	9.9	11.7
EBIT Margin (%)	8.9	9.3	11.0
NPM (%)	4.7	4.9	5.7
ROCE (%)	10.1	8.9	10.5
ROE (%)	6.7	5.6	6.1
EPS (Rs.)	6.0	5.2	6.1
P/E (x)	29.2	33.7	28.7
BVPS (Rs.)	87.0	99.0	99.3
P/BVPS (x)	2.0	1.8	1.8
EV/EBITDA (x)	16.4	18.6	15.2



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