

Tata Global Beverages Ltd. ₹ 146*Challenging the way we Drink***Accumulate**

Dec 13, 2013

Company Background

Tata Global Beverages is a business with rich traditions and big ambition. Starting as a domestic Indian tea grower it reached global business in less than 10 years. Over 90% of its current sales is from branded products and 70 per cent of its Group turnover is generated outside India. As a consolidated group it is already the second-largest tea company in the world, and on a journey to become the global leader in branded 'good for you' beverages. A really fast growing company Tata Global is focussing on Disruptive Innovation that's changing the way consumers enjoy beverages, by growing its brands and investing in new and exciting opportunities to expand its business. Tata Global owns some very renowned brands like including Tetley and Tata Tea, plus exciting new regional brands such as Tetley Infusions and Good Earth.

Key Highlights

- ➔ Tata Global is amalgamating with its own subsidiary Mount Everest Mineral Water (MEMW) on a going concern basis where the entire undertaking would be transferred to Tata Global and its holding in MEMW estinguished.
- ➔ Tata Global has a 50% share in the Tata Starbucks Ltd with Starbucks Corporation and owns and operates Starbucks outlets in India. The outlets are branded Starbucks "A Tata Alliance". Starbucks, through an agreement with Tata Coffee, serves coffee that is 100% locally sourced and roasted. The JV has rapidly scaled up & opened 12 Starbucks stores in FY13 in Mumbai & Delhi.
- ➔ NourishCo Beverages, the equal-stake joint venture between Tata Global and PepsiCo handles a portfolio of three products, the premium water brand Himalayan, Tata Water Plus and Tata Gluco Plus. The company is set to launch more innovations in enhanced & functional beverages.
- ➔ In its quest for Disruptive Innovation Tata Global is introducing newer concepts and brands in the beverage space which may Change the way the world looks out to the beverage space.
- ➔ Other joint ventures with Rising Beverage LLC (US) & Joekel's Tea Packers PTY (South Africa) would also turn beneficial to the company in the long run as the Tetley Acquisition in 2000 which changed the face of Tata Global.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	19,709.9	22,696.1	25,040.3
Rev. growth (%)	(6.24)	15.15	10.33
EBITDA (INR mn)	2,908.6	4,263.1	3,875.8
Net profit (INR mn)	1,828.0	3,035.5	2,605.7
Shares outstanding (mn)	618.4	618.4	618.4
EPS (INR)	3.0	4.9	4.2
EPS growth (%)	(95.34)	66.06	(14.16)
P/E (x)	33.1	22.8	30.4
RONW (%)	8.8	16.2	12.2
ROCE (%)	7.1	13.4	10.2

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Info Codes

Reuters	: TTTE.BO
Bloomberg	: TGBL@IN
NSE	: TATAGLOBAL
BSE	: 500800

Market Data

52 Wk Range (₹)	: 174 / 122
Shares in Issue (mn)	: 681.4
Mkt. Cap (₹ bn)	: 89.63
BSE 2 Wk Avg Vol	: 252000

Share Holding Pattern (%)

Promoters	: 35.10
DII's	: 16.90
FII's	: 20.61
Others	: 27.39

Investment Theme

Tata Global as a company owns many brands which are popular in across the globe, It is worthwhile to note that 65-70% of its consolidated revenues come from its global operations. The company turn-around itself from just a Tea Grower to one of the most popular globalbrand of Tea, Coffee and beverages. The company has also made some strategic partnerships with Pepsico and Starbucks , which going by todays trend seem to have a high growth potential, The Starbucks JV has already began performing and the JV plans to open around 1000 more franchise outlets in India. In 2QFY2014 Tata Global posted a muted 4% yoy growth in its topline aided largely by Indian operations. Overall, the top-line growth was impacted due to the restructuring of Canadian operations from distributor based to direct sales model. We believe company has good prospects in future.

Your Cup of Tea

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	18003.7	20268.8	12.58	23143.8	14.18
Other Income	1659.3	1933.3	16.51	1534.9	(20.61)
Change in Stocks	257.8	97.8	(62.06)	385.4	294.07
Raw Material Con.	10787.4	11853.3	9.88	14332.8	20.92
Employee Exp.	1134.6	1028.4	(9.36)	1204.8	17.15
Indirect Taxes	60.3	55.0	(8.79)	60.0	9.09
Other Exp.	5062.1	5158.9	1.91	5622.2	8.98
Operating Exp.	16786.6	17997.8	7.22	20834.4	15.76
Operating Profit	1217.1	2271.0	86.59	2309.4	1.69
Total Interest	459.6	366.5	(20.26)	389.7	6.33
Gross Profit	2416.8	3837.8	58.80	3454.6	(9.98)
Net Dep.	92.4	130.0	40.69	133.8	2.92
Total Taxation	496.4	672.3	35.44	715.1	6.37
Net Profit/Loss	1828.0	3035.5	66.06	2605.7	(14.16)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	25,556.5	25,400.7	25,554.1	28,050.2
Equity Share capital	618.4	618.4	618.4	618.4
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	19,941.5	19,727.6	21,264.0	22,345.8
Long Term Loans	3,282.1	3,250.0	3,253.5	0.3
Short Term Loans	1,714.5	1,804.7	418.2	5,085.7
USES OF FUNDS	25,556.5	25,400.7	25,554.1	28,050.2
Gross Block	2,108.9	2,243.8	2,556.8	2,695.4
Less : Revaluation Reserves	218.6	218.6	218.6	218.6
Less : Accumulated Depreciation	1,051.0	1,123.5	1,156.2	1,228.7
Net Block	839.3	901.7	1,182.0	1,248.1
Capital Work in Progress	55.7	139.8	26.9	37.7
Investments	23,090.5	22,909.1	22,057.0	22,251.4
Current Assets	15,470.8	16,549.6	18,562.9	21,840.7
Less : Current Liabilities	13,899.8	15,099.5	16,274.7	17,327.7
Total Net Current Assets	1,571.0	1,450.1	2,288.2	4,513.0
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	16,954.7	17,711.4	17,453.2	17,583.4
Mkt Val. Quoted Investments	13,445.8	19,978.4	17,441.5	23,883.2
Contingent Liabilities	692.7	776.8	824.7	1,483.8
Dividend (%)	200	200	215	215

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 12	Mar 13	Jun 13	Sep 13
Net Sales	6,252.90	5,783.70	6,795.90	6,520.20
Cost Of Sales	5,577.00	5,179.00	5,952.30	6,082.50
Operating Profit	675.90	604.70	843.60	437.70
Recurring Income	580.70	90.10	493.00	479.80
Adjusted PBDIT	1,256.60	694.80	1,336.60	917.50
Financial Expenses	128.70	107.00	49.90	91.00
Depreciation	37.00	56.70	40.40	41.50
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	1,090.90	531.10	1,246.30	785.00
Tax Charges	264.90	79.50	290.40	633.10
Adjusted PAT	826.00	451.60	955.90	151.90
Non Recurring Items	(114.20)	(81.60)	(110.20)	1,778.90
Other Non Cash Adjust	0.00	0.00	0.00	200.00
Net Profit	711.80	370.00	845.70	1,730.80

52 Week Index Relative Percentage Appreciation



Tata Global vs SENSEX

Risks Associated

Threats to the business could arise from strong competitor activity, high commodity volatility or dilution of margins due to multiple reasons. The decline of the black tea market in specific countries is also a potential threat.

The risks of swift changes in commodity prices or rapid currency rate fluctuations remain. These could cause significant inflation in commodity input costs, thereby leading to dilution of margins and earnings, which could in turn limit scope to innovate, invest and expand.

In the water category, while the size and scope is large, competition is intense and existing brands in the premium segment are well entrenched globally. Competing with these brands globally will require investments in the future. In value-added waters including fortified waters, bringing to timely commercial fruition new product development using appropriate technologies is also a risk and concern.

Tata Global is a Tata Group company which initially started up as a mere Tea marketing agency. The company rapidly integrated and for many years was involved into the field as a tea grower. For the last 10 years the business made a rapid turnaround and has transformed itself into a Global beverage company with acquisitions, global reach and introduction of newer products and making of key brands. Today Tata Global Beverage unites the beverage interests of Tata Group under one umbrella and therefore shows a transcontinental presence across the globe. The company is the second largest Tea Company in the world and caters to over 200 mn brand servings in a day across the globe, 90% of its branded business and 70% of the overall revenues come from outside India. The company has been following an aggressive acquisition and JV path and has some of the best brands of the globe like the Tetley Tey under its portfolio, in its quest of Disruptive Innovation which according to the management would change the face of how consumers look out to beverages it has introduced Tetley Infusions, and other cold beverage varieties etc. which would challenge the ways consumers perceive the beverage space and change the way the world drinks. The company is entering new markets and creating new channels for growth which would enhance its global footprint. The current amalgamation with Mount Everest Mineral Water and the alliance with Starbucks would further give it a boost in its growth trajectory. The overall fundamental of the company is very strong and we therefore are very bullish on the future prospects the company beholds.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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