

### Company's Profile

Tata Global Beverages Ltd is the world's second largest tea company incorporated in the year 1964. It is a global beverage brand having a presence in over 40 countries. The company is engaged in trading, production and distribution of tea, coffee and water. Further, Tata Global has continued to maintain a leadership position driven by strong brands like Tata Tea, Tetley, Himalayan natural mineral water, Tata Gluco+, Tata Water Plus, Good Earth Tea and Eight O, clock coffee.

#### • Financial for the year 2017-18

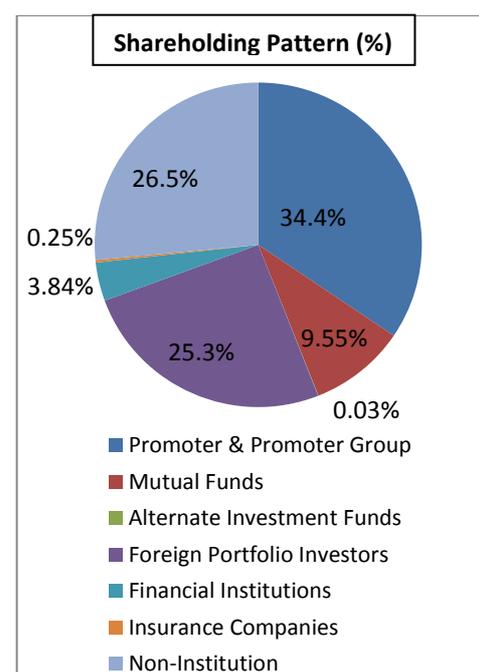
1. Revenue from operation for Q4FY19 stood at Rs.1775.46 crores against Rs. 1688.40 crores in Q4FY18. It increased by 8% on a YoY basis. The revenue from operations increased by 2% at underlying terms QoQ and 5.2% on a YoY basis.
2. Revenue from the international business declined by 0.2% YoY from Rs. 834 crores in Q4FY18 to Rs. 832 in Q4FY19. The decline was due to various reasons namely, the US performance of the company was flat on a QoQ basis (-9% in terms of underlying volumes) due to a decline in the sales and increase in advertisement cost incurred by the company. Also in Australia business of the company, they restructured their business. In Australia, the company exited the arrangement they had earlier and entered into a new business arrangement due to the change in the licensing and other arrangements led to drag in the international business.
3. EBITDA for Q4FY19 stood at Rs. 176 crores up by 16.3% YoY as compared to Rs. 151 crores in Q4FY18. EBITDA Margins for Q4FY19 was at 9.9% Vs 9% in Q4FY18
4. Profit before exceptional items and tax grew by 24% on a YoY basis in Q4FY19 it stood at Rs. 161.04 crores as compared to Rs. 126.37 crores driven by robust sales in the quarter and lower commodity cost in the international markets in Q4FY19.
5. Profit before Tax (PBT) for Q4FY19 stood at Rs. 153 crores against Rs. 128 crores in Q4FY18. It was up by 20% YoY mainly due to the pickup of the performance of the instant coffee business and the company's coffee plantation segment (Non-branded segment).
6. The Profit after tax declined by -18.1%, from Rs. 115 crores in Q4FY18 to Rs. 94 crores in Q4FY19. The decline in profit was mainly due to the hike in the tax expenses for Q4FY19 of Rs. 58.83 crores as compared to Rs. 13.02 crores in Q4FY18. It was due to a one-time tax credit that the company had to pay in this quarter. The decline in the profits was also driven by the share of losses from the company's Joint venture and associates rose due to the impact of seasonal disruption from North-Indian plantation business and one-off items. The consolidated profits decreased on YoY basis also due to changes in the legislation ruling in the UK for UK pension scheme which is a one-time expense incurred this quarter.
7. The Board of director has recommended a dividend of Rs. 2.50 per share for FY19.
8. KDHP, the plantation business in Kerela had an improvement in the performance despite unseasonal rains in the region.

## Tata Global Beverages

CMP	Rs. 209.10
BSE Code	500800
NSE Code	TATAGLOBAL
Market CAP	Rs. 13,288 Cr.
52 Week High	Rs. 300
52Week Low	Rs. 177.05

1. **Net profit:** Rs. 93.82 crores
2. **P/E :** 32.31x
3. **ROE :** 10.14%
4. **ROA:** 5.67%
5. **Dividend Yield:** 1.19%
6. **EPS:** Rs. 6.47
7. **ROCE:** 10.53%
8. **ROIC:** 7.47%

Shareholding pattern	%
Promoter & Promoter Group	34.45%
Mutual Funds	9.55%
Alternate Investment Funds	0.03%
Foreign Portfolio Investors	25.37%
Financial Institutions	3.84%
Insurance Companies	0.25%
Non-Institution	26.50%



**9. Segmental Performance:**

Top line growth in the branded business for Q4FY19 has begun to yield returns, India business grew by 12% YoY in terms of volume and 11% in terms of value. During this quarter, Chakra Gold became the third largest brand in India in the branded tea portfolio. Tata cha was launched in Bangalore in this year; it is a retail venture of the company. They have opened 6 stores until now which is spanning 3 different formats i.e. High street Kiosk and abbreviated.

The US business for FY19 grew by 20% YoY and 11% in the underlying terms. Further, in the US business, the US coffee revenue grew 28% and underlying by 18%, driven by K-Cup model change and lower branded bags sales. But for Q4FY19 the growth was flat or -9% in terms of underlying volumes led to an impact in the margins.

On the UK front, the company saw robust traction in terms of volume, and revenue. For Q4FY19 the company posted revenue growth of 4% in terms of underlying driven by volume growth of 8% QoQ and on a YoY basis the revenue growth was 1% and volumes grew by 8%. Led by new launches i.e. cold infusion and squash by Tetley which is a new segment created in the UK in FY19.

The sales in Canada business of the company was impacted YoY due to the black tea performance which was partly compensated by speciality aided by Tetley super teas. The company was awarded the 2019 Best New Product Award from Brand Spark during the quarter.

**10. Joint Venture:**

The joint venture of the company Starbucks reported 30% revenue growth YoY. The company added 30 new stores in FY19 which adds up to 146 stores of Starbucks across India.

The second Joint Venture of the company Nourishco posted a top line growth of 10% YoY. The company launched Himalayan natural mineral water in a premium glass bottle packaging for both still and sparkling water in FY19. Post-GST classification for different categories led to a setback this year.

**11. Non-Branded Business:**

Sales for Q3FY19 for Tata Coffee had an improved performance led by instant coffee which recorded the highest sales volume in this quarter.

The plantation business of the company in the non branded segment had an adverse performance this quarter due to unseasonal rainfall disruption.

**12. New Project in Q4FY19:**

Tata Global inaugurated a new coffee plant in Vietnam on March 6, 2019. It is the Greenfield freeze-dried instant coffee facilities launched by the company during this quarter.

**13. Acquisition:**

Tata Global Beverages has entered into a non-binding agreement to acquire the branded tea business i.e. Dhunseri Tea & Industry Ltd for worth Rs. 101 crores. Dhunseri tea owns 2 large brands namely 'Lal Ghoda' and 'Kala Ghoda'; they are one of the leading local brands in Rajasthan holding a market share of 6%. The overall branded tea market size in Rajasthan accounts to 1,300 crores and in non branded market share in Rajasthan is 800 crores.

**Future Expectation:**

1. Tata Global aims to increase its sales and distribution network and also plans to create a fully digitally transformed end to end system.
2. The company plans to improve plantation performance and build order pipeline for Vietnam Plant that was launched in this quarter.
3. Tata Global aims to encourage hyper growth in TATA Gluco+ by entering into different states in India.

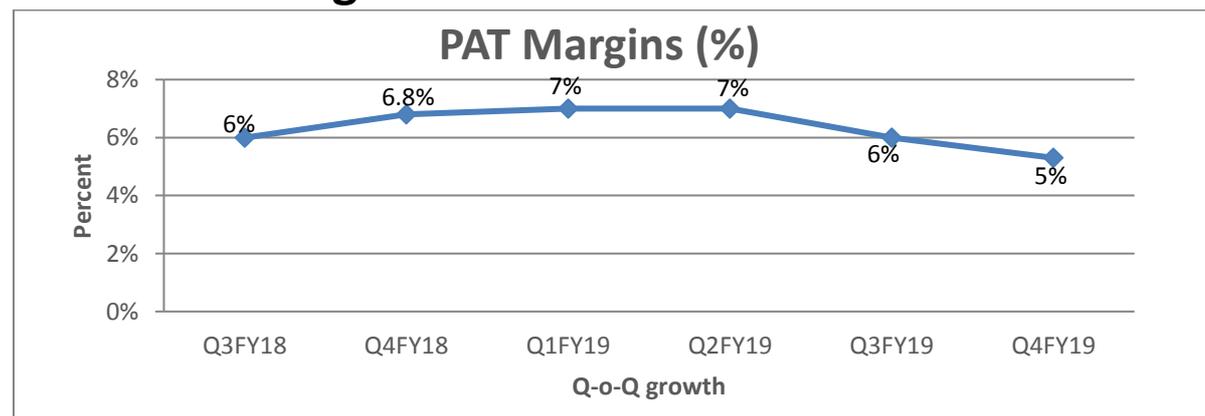
The company reported weak quarterly results mainly due to an increase in tax expenses and other one-off items dragged the profits for Q4FY19.

**Valuation:**

At CMP of Rs. 208.90, the stock is quoting at a P/E multiple of 32.31x. The company's ROE is at 10.14% and ROA of 5.67%. Despite weak results in the quarter, the company has a robust portfolio with the branded segment which contributes 89% of the revenue for the company. Along with this Tata Global holds a leadership position in their branded tea segment. Further, The Joint Venture with Starbucks continues to gain traction (30% Revenue growth YoY). To reduce the losses in its joint venture the company has taken various cost restructuring methods. The recent acquisition of Dhunseri Tea & Industry Ltd will increase its penetration in India. The company is expected to increase its market share across geographies driven by its innovative premium product offerings. Considering all these factors, we maintain **HOLD** recommendation on this stock with a target price of Rs. 225.

**Financial Highlights -**

Particulars	(In crores)					
	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19
Net Revenues	1730.40	<b>1688.4</b>	1802.6	1936	1936	<b>1810.69</b>
EBITDA	235.10	<b>145.7</b>	248.8	166.7	196.2	<b>176</b>
EBITDA Margin	13.6%	<b>8.6%</b>	13.8%	9.5%	10.3%	<b>9.9%</b>
Net Profit	188.60	<b>73.20</b>	140.9	184	108.9	<b>94</b>
PAT Margin	6%	<b>6.8%</b>	7%	7%	6%	<b>5.3%</b>

**Net Profit Margin:**

**Terms and Conditions:**

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