

Stock Idea

Tata Tea

25 Mar 2010

Global Beverages Company

Key Data

M Cap (Cr)	5750
Book Value	580
EPS(e)	80
PE	11
52 Week H/L	1074/535

Share Holding (%)

Promoters	36
FII	8
MF / Ins Cos	16
Fin Inst / Banks	21
Public	19

Key Financials

	200903	201003E	201103E
Sales	4847	5800	6400
Net Pr	372	500	550
EPS	61	80	88
PE	15	11	10

**Tata Tea Limited** is one of the oldest Tata group companies and is now aspiring to become a global player in Beverages Business. Tata Tea is recognized as a **'Super Brand'** in India for its undisputed leadership position in terms of value and volume in tea and coffee segments. The company owns global brands **Tetley, Tata Tea, Good Earth** and **Himalayan** natural mineral water and regional brands **Eight O' Clock** in the US, **Vitax** and **Jemca** in Europe and **Chakra Gold & Kannan Devan** in India.

**Consolidation to create more value**

Tata Group is planning to consolidate the beverages business into one entity and go really global. Merger of Tata Coffee into Tata Tea is also expected soon. Bottled-at-source mineral water commands attractive premium in the international market and the acquisition of **'Himalayan'** natural mineral water will enable Tata Tea to compete against premium global brand 'Evian' in the international market. Last year, the company acquired 51% stake in Russian beverages company, SunTyco Holdings Limited through its subsidiary Tata Tea (GB).

**Health & Wellness to drive growth**

The company intends to build Health and Wellness segment to contribute 50% of the total revenues in future. The company has launched **'Tion'** a cold beverage with combined benefits of tea, fruits and ginseng and as per the management has double the market potential of branded tea. Tata Tea is now focusing on global expansion and brand management through more acquisitions in the beverages and health drink space.

**Potential Value**

We expect Tata Tea to report revenues of Rs.5800 Cr and net profit of Rs.500 Cr in the current financial year. The company's market capitalisation is just Rs.5750 Cr which means the current Sales to Market Cap Ratio is just 1. The company intends to build Health Drinks segment to contribute 50% of the total revenues in future. Since most of the FMCG companies have a Market Cap to Sales Ratio of 2-3, we believe Tata Tea will catch up to those higher levels proving ample upside. Finally, trustworthy management and high value brands make it a long term value bet.