

Initiating Coverage Tata Coffee Ltd.

28-June-2021



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Coffee	Rs.178	Buy at LTP and add on dips to 157-161 band	Rs.194	Rs.211	2 quarters

HDFC Scrip Code	TATCOFEQNR
BSE Code	532301
NSE Code	TATACOFFEE
Bloomberg	TCO IN
CMP June 25, 2021	178
Equity Capital (cr)	18.68
Face Value (Rs)	1
Eq- Share O/S(cr)	18.68
Market Cap (Rscr)	3321
Book Value (Rs)	73.2
Avg.52 Wk Volume	2576177
52 Week High	193.5
52 Week Low	77.6

Share holding Pattern % (Mar, 2021)	
Promoters	57.48
Institutions	6.07
Non Institutions	36.45
Total	100.0

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Our take

Tata Coffee Ltd (TCL), a 57.48% subsidiary of Tata Consumer Products Ltd (TCPL), is among the world's largest integrated coffee companies with its own coffee plantations, coffee-curing factories, roasted and ground (R&G) coffee facility, and instant coffee production plants. Besides, it is also the largest corporate producer of Indian origin pepper and has tea estates producing certified Orthodox and CTC teas. With a total area of around 18,000 acres under coffee cultivation, spread over two districts in Karnataka and one estate in Tamil Nadu, TCL accounts for around 3% of the total coffee produced in India. The company also has six tea plantations in south India, with a total area of around 5,900 acres, which produces around 5.6 million kg (MKg) of black tea. The whole plantation, apart from one small tea estate, is freehold land owned by TCL with around 22,500 acres of area under ownership. About 10,000 MT Arabica and Robusta coffee beans are produced every year by the company. It also owns a coffee curing plant at Kushalnagar with an installed capacity of over 20,000 MT, including a coffee roasting facility to cater to Tata Starbucks. The instant coffee business of TCL is supported by its manufacturing plants, which have an installed capacity of ~ 8,400 MT in Telangana and Tamil Nadu.

The company entered the US market by virtue of its acquisition of Eight O'Clock Coffee Company (EOC) in June 2006. Apart from being the fifth-largest bagged coffee brand, EOC has a vibrant portfolio of consumer brands. In May 2019, TCL commissioned a 5,000 MT freeze-dried instant coffee plant in the Robusta heartland of Vietnam. The company is an exclusive supplier to Tata Starbucks; it is gaining ground in a fairly new B2C business through Tata Coffee Grand and a premium brand Sonnets, which is marketed and distributed by TCPL.

Valuation and recommendation

TCL is Asia's largest integrated coffee company, the second largest exporter of instant coffee, and the foremost producer of specialty coffee in India. In our view, it remains an undervalued stock, primarily due to the volatile plantation business and relatively high debt (though D/E down to 0.6x in FY21 vs 0.9x in FY20). The plantation vertical is likely to grow in high-single digit, driven by higher crop produce (due to replanting in the past 4-5 years) and superior realisations. The strategy to produce high premium grade coffee, tea, and pepper and focus on profitable cash crops augur well for the company's margin. EOC is likely to build on to its growth momentum through dedicated brand building, revamped distribution, and product innovation. The instant coffee divisions (both in India and Vietnam) are already running at full capacity; thus, margin improvement is likely to be led by higher realisation and cost optimisation. Hence, with alignment of the growth levers, going ahead, we expect increasing profitability and debt reduction, as robust cash flows would prop up the returns. **We recommend**

a buy on the stock at LTP and add on further dips to Rs 157-161 band for a base case target of Rs. 194 (17x FY23E EPS) and a bull case target of Rs. 211 (18.5x FY23E EPS).

Financial Summary

Particulars (RsCr)	Q4FY21	Q4FY20	YoY-%	Q3FY21	QoQ-%	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	591	517	14.4	533	11.0	1804	1966	2255	2447	2684
EBITDA	94	77	22.4	96	(2.0)	243	321	387	433	483
APAT	43	32	36.4	10	335.9	69	82	134	173	213
Diluted EPS (Rs)	2.30	1.69	36.1	0.53	334.0	3.7	4.4	7.2	9.2	11.4
P/E (x)						48.3	40.3	24.9	19.3	15.6
EV/EBITDA						18.2	13.8	10.8	9.1	7.6
RoE-%						6.0	6.8	10.2	12.0	13.2

(Source: Company, HDFC sec)

Q4FY21 result update

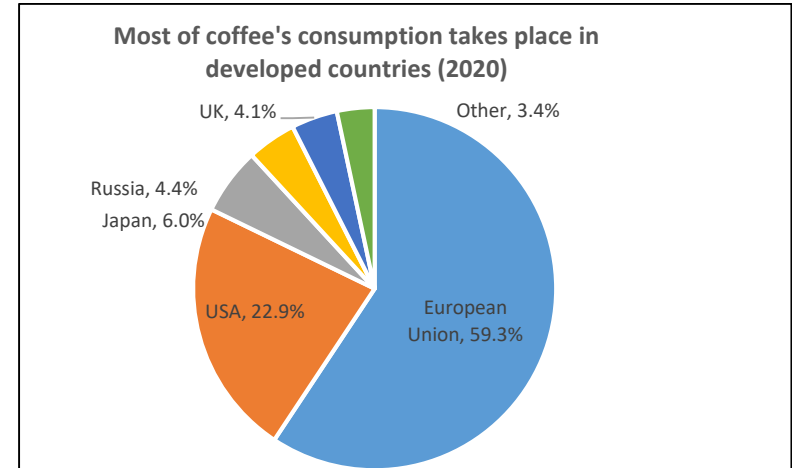
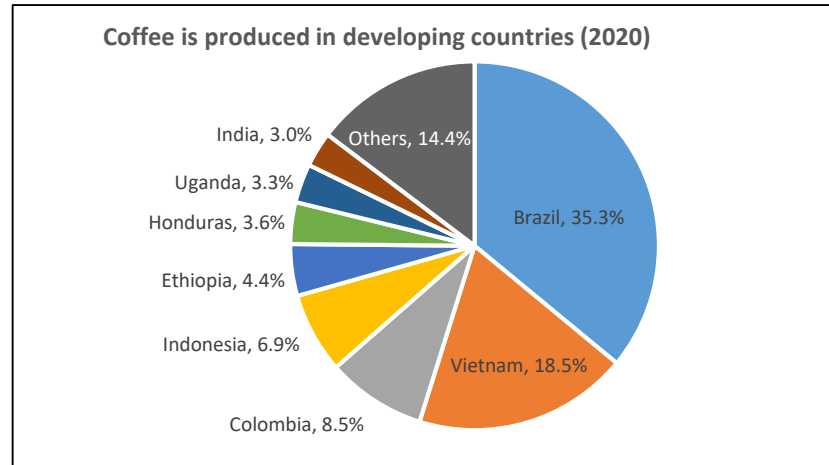
Revenue from operations for Q4FY21 stood at Rs.591 Cr, up by 5.3% Y-o-Y while PAT increased by 435% to Rs. 43 Cr (including one-off gains of Rs. 13 Cr from asset monetisation). The plantations revenue stood at Rs.97 Cr compared to Rs.67 Cr for Q4FY20, an increase of 44%, driven by higher coffee sales and improved realisations on tea. In Q4, improved performance from the plantations business was partly offset by the value-added businesses, which had a marginal decline due to the pandemic-induced logistics issues as well as muted demand in specific geographies. EOC reported decent operating performance, driven by higher sales realisations and favourable channel mix, while Vietnam operations continued to improve with robust sales to key customers and healthy order pipeline. The company further continues to drive aggressive cost optimisation initiatives across its operations.

Long-term triggers

Coffee industry - spreading the aroma

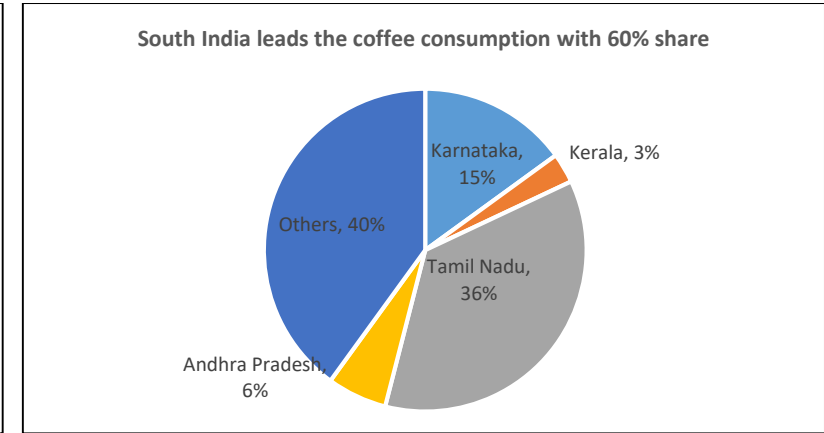
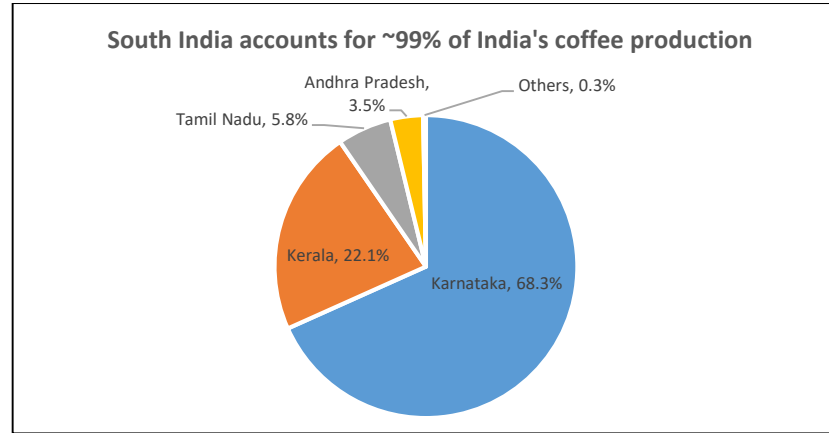
Coffee is more than popular: it's ubiquitous. With over 2.25 billion cups of coffee being consumed in the world daily, it is not incorrect to say that it is the most revered beverage across the globe. Growing demand for coffee, in the last 30 years, has resulted in the expansion of coffee production and exports. Global coffee production (in volume) has increased by more than 60% since the 1990s with the ratio of Arabica to Robusta reaching roughly 60/40. With only 30% of production consumed domestically, coffee remains an export commodity. The value of

annual cross-border coffee exports (all forms, i.e. green, roasted, soluble) has more than quadrupled from USD 8.4 billion in 1991 to USD 35.6 billion in 2018. According to the estimates of the International Coffee Organisation (ICO), for the coffee year 2020-21, global production is estimated to rise by 1.9% to 171.9 million bags vis-à-vis 168.7 million bags for the coffee year 2019-20. In the current coffee year, the share of Arabica production is 101.88 million bags, up 5.2% from that of last year and Robusta production at 70.02 million bags is likely to be lower by 2.6% vis-à-vis last coffee year.

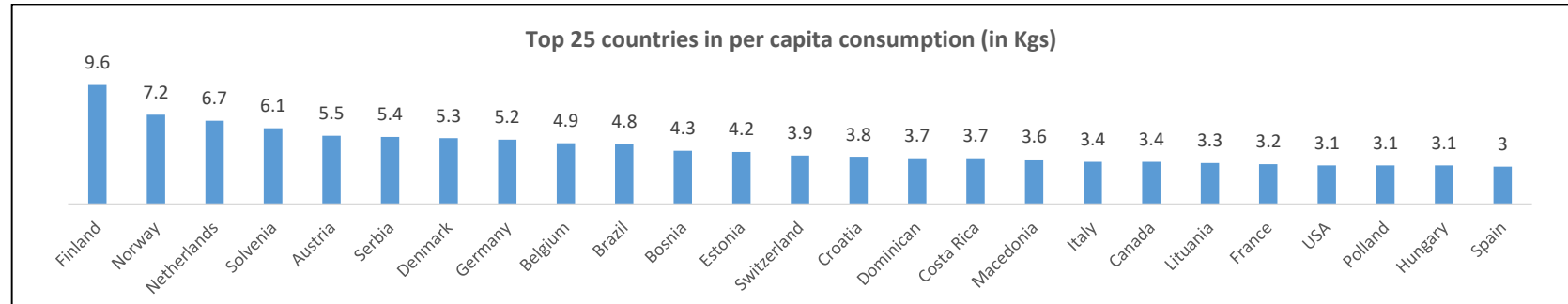


Indian coffee industry overview

India has largely been a tea-drinking nation since time immemorial. However, coffee has become an increasingly popular drink since the turn of the twentieth century. India accounts for 3.14% (2019-20) of global coffee production and is the third-largest producer and exporter of coffee in Asia; it is the sixth-largest producer and fifth-largest exporter of coffee in the world. However, the production is skewed to southern states of Karnataka, Kerala, Tamil Nadu and Andhra Pradesh contributing to 99.7% (of 2,98,000 MT production in FY19-20) of India's total produce. Likewise, southern India accounts for over 60% of domestic consumption.



The per capita consumption of coffee in India stands at 0.3Kg, which is way below the Asian per capita consumption of over 2 Kg, offering immense scope for double-digit growth, going ahead. A positive change in consumer lifestyle (specifically driven by western culture), higher disposable incomes, and the growing number of young professionals are some important factors that will push growth in coffee consumption in India. Additionally, increased access to coffee machines in offices and institutions triggered off interest in coffee among consumers, which indirectly drove sales in households, as people began to acquire a taste and, in turn, consumed coffee at home as well.



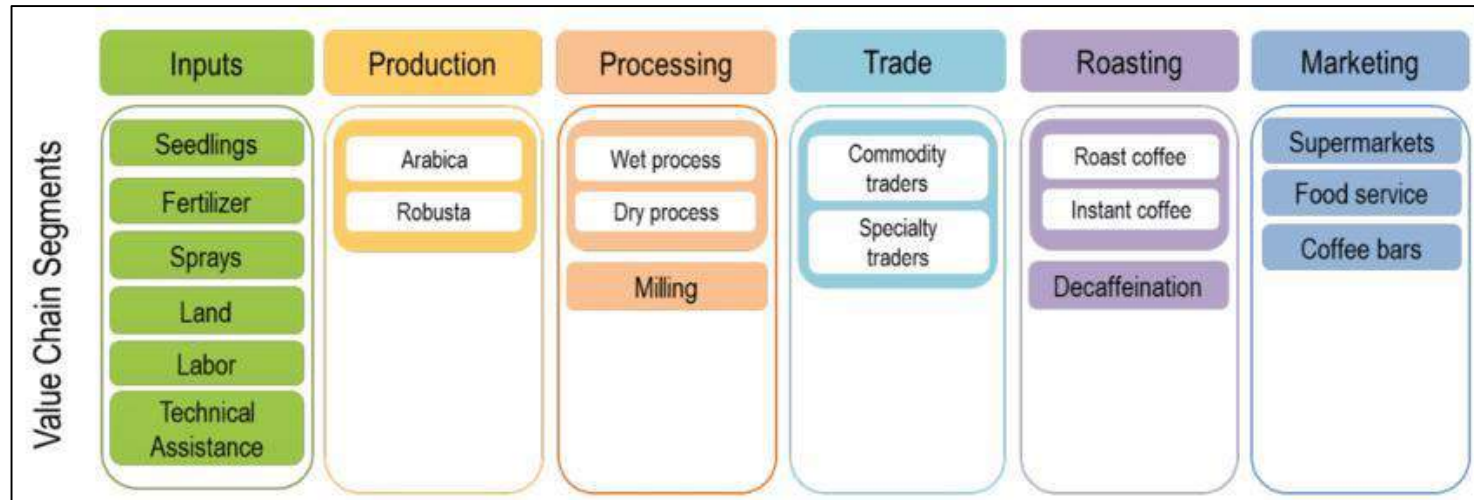


Bean-to-cup: a fully integrated coffee player

TCL is one of the largest fully-integrated coffee companies in the world with its own coffee plantations, curing unit, R&G coffee facility, and instant coffee production plants. The company has 19 coffee estates spread across 18,251 acres and produces both Arabica and Robusta coffees. It has the largest curing facility which is a processing hub for its entire coffee produce.

The company's uniqueness is its ability to produce large quantities of estate specific, strain specific, special and premium coffee, while maintaining strict consistency in quality. The integrated nature of its operations mitigates the adverse effects of the volatility in coffee prices. The company's focus on selling high quality value added and differentiated coffee results in higher realisations compared to market/terminal prices.

Value chain of a coffee business

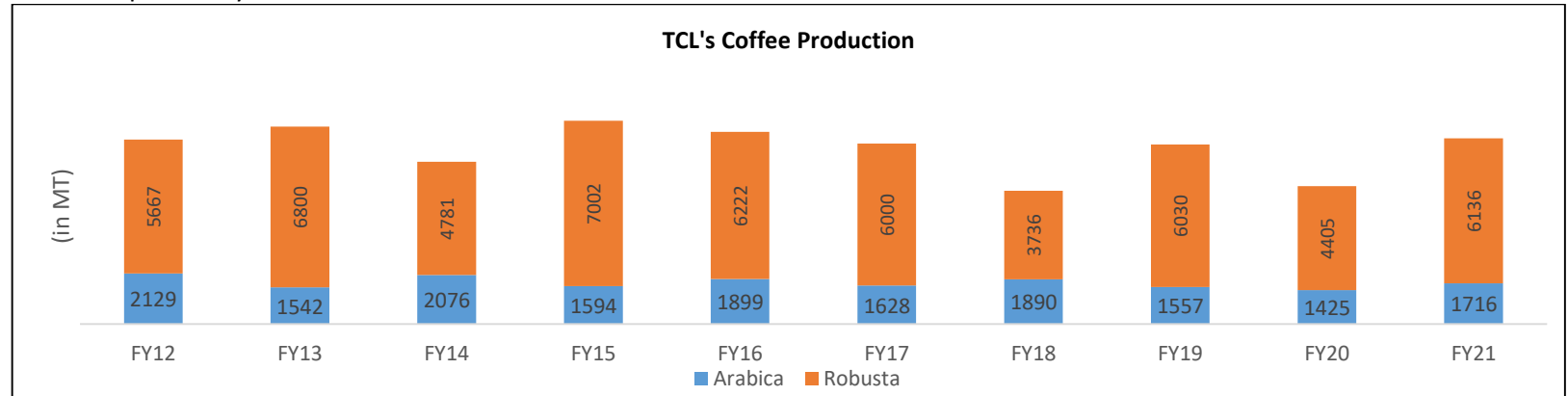


Green bean

Green coffee is simply raw, unroasted coffee beans. TCL offers premium and differentiated origins, such as estate specific, Arabica and Robusta in washed, monsooned and organic forms. 90% of its washed Arabica is being exported as premium green bean to roasters around the world with Europe contributing the most. In line with the strategy to premiumise, differentiate and disintermediate, it continues to develop its specialty coffees portfolio. Here, it offers Monsooned Malabar and Monsooned Robusta Coffee along with Microlots (refers to a small quantity of coffee sourced from an estate that has been specially cared for and grown to accentuate the unique taste profile of the estate).

Specialty coffee fetches higher realisation while helping the company target and develop new niche roasters across the world. Focused premiumisation symbolises TCL's drive to move away from commoditisation. We believe with roasters globally shifting their preference to more reliable and branded coffee companies known for their high 'Cup Scores', TCL is likely to emerge as the biggest beneficiary, given its ability to produce finest quality coffee while being at the forefront on sustainable environmental practices.

In FY21, green coffee sales of the company exceeded 10,000 MT, which is a record, out of which exports stood at 7,325 MT as against 6,701 MT in the previous year.





Instant coffee, continued growth

Instant coffee, also known as soluble coffee, coffee crystals, and coffee powder, is a beverage derived from brewed coffee beans that enables people to quickly prepare hot coffee by adding and stirring hot water or milk to the powder or crystals. Advantages of instant coffee include increased speed of preparation (instant coffee dissolves quickly in hot water), lower shipping weight and volume than beans or ground coffee (to prepare the same amount of beverage), and long shelf life.

TCL is India's second largest instant coffee manufacturer and exporter of instant coffee. Its portfolio includes freeze-dried coffees, spray dried coffees, agglomerated coffees and coffee mixes. It procures coffee beans from multiple origins and produces customised blends (driven by R&D), which suit the diverse tastes of customers across the world, giving the company a big competitive edge.

TCL has a production capacity of ~8,400 MT in India with two Export Oriented Units (EOUs) in Theni, Tamil Nadu (~6,000 MT) and Toopran, Telangana (2,400 MT). It has also set up a 5,000 MT capacity in Vietnam. It exports to brand owners and private label marketers in over 40 countries, from the Americas to the Oceania region and ranks among the top six freeze-dried coffee producers globally. Additionally, it has fully automated packing unit where bulk packaging along with glass, paper, kraft and tin SKU packaging is undertaken. Thus, it provides end-to-end solutions from sourcing beans to manufacturing instant coffee to offering shelf-ready packaging, giving it an edge over peers.

Customer stickiness is high in this business, given clients want to maintain consistency in quality of their offerings. The company continues to explore new geographies and customised blends to grow its clientele. The company's plants are running at <90% capacity, leaving room for expansion. Increasing contribution of this segment will enable margin growth as it generates higher margins compared to cured coffees.

Instant coffee industry

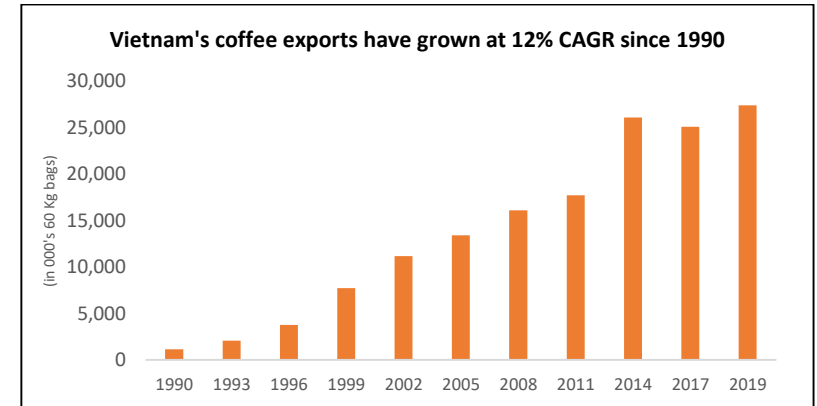
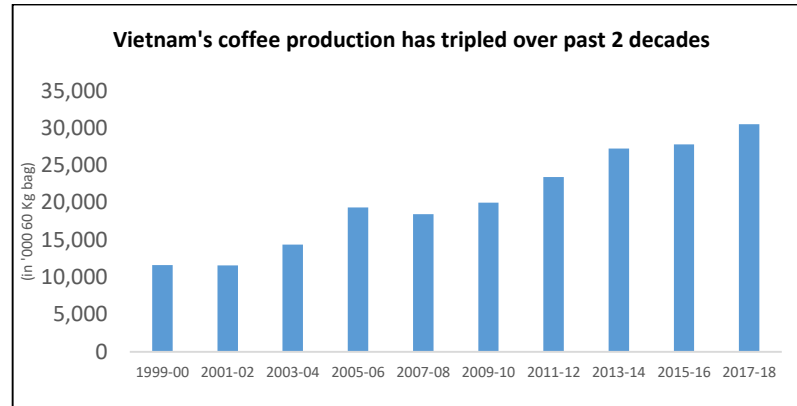
According to Euromonitor, the size of the global instant coffee market is ~9,50,000 MTPA. Nestle and Kraft Foods together account for >50% of the market. Nestle dominates the market with 30% of the world's total instant coffee volumes. Instant coffee is becoming increasingly popular all over the world. Over the past decade, the share of instant coffee in total consumption has increased from ~25% to ~35% whereas the share of fresh coffee (ground and roasted) declined from ~75% to ~65%. The European Union is the largest consumer of instant coffee, followed by Russia, the US, UK, Japan, etc. While consumption has increased in low single digits in developed countries, it has grown >10% CAGR in south-east Asian countries over the past decade. TCL's strategy of market diversification and product portfolio expansion has enabled the company to seek growth opportunities in major consuming markets and new growth markets. The company, with its full chain presence in bean to instant coffee and a diversified market presence, is well-poised to navigate the anticipated uncertainty and we believe it would continue to grow.



Strategic expansion in Vietnam to bolster growth

With the intent to tap into the fast-growing and profitable category of freeze-dried coffees, TCL, through its wholly owned subsidiary Tata Coffee Vietnam Company Ltd, has set up a freeze-dried coffee plant in Vietnam, which was commissioned in May 2019. The reason to set it up in Vietnam was that the country is the heartland of Robusta coffee. The unit is among the few to have a pilot plant, which helps in new product development through working closely with customers to co-create and develop customized and niche blends.

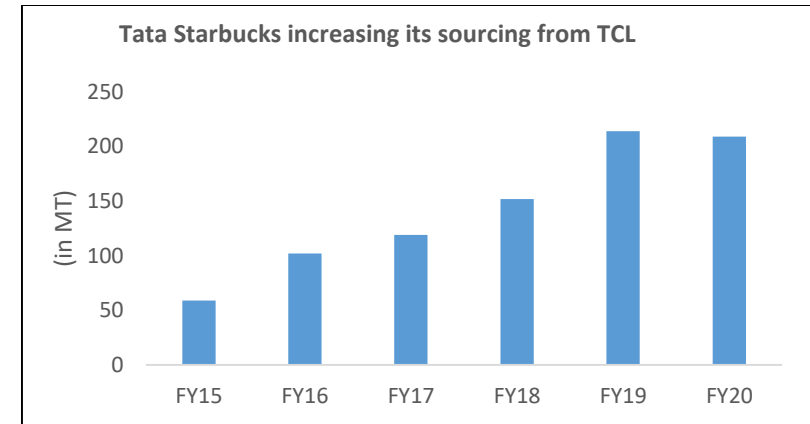
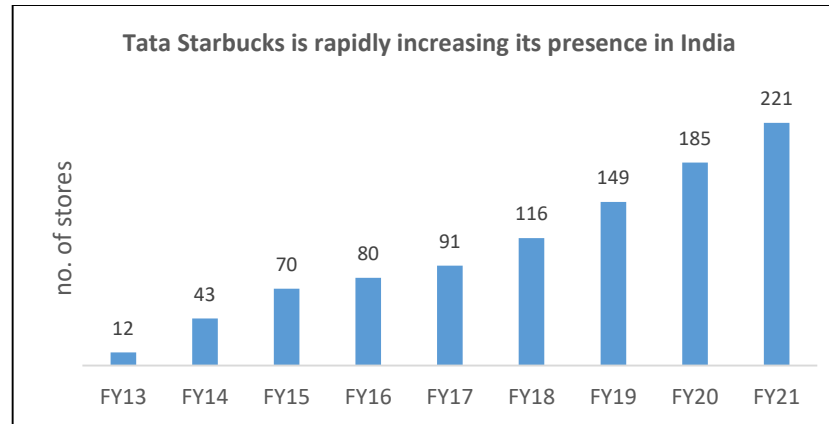
The plant has successfully ramped up capacity to the level of up to 90% within two years of commencement. It generated revenue worth Rs. 228 Cr in FY21 vs Rs. 126 Cr in FY20. It is also enjoying a tax holiday for five years.



Exclusive supplier to Tata Starbucks

Given the company's partnership with Starbucks, it has set up an exclusive roastery to cater to the requirements of Tata Starbucks outlets across India. The plant for Tata Starbucks is located at Kushalnagar and it produces single-origin coffee from India, Kenya and Sumatra, as well as cold brew and espresso variants. It is an exclusive supplier of premium roasted and ground Arabica beans to Tata Starbucks stores in India. In FY21, additional roasting and automated packing line were added to cater to the growth plans of Tata Starbucks.

Tata Starbucks operates 221 outlets across 18 cities in India. In FY21 alone, it added a record 39 stores in seven cities despite the ongoing pandemic. The supply has steadily increased, although it was affected in FY21 by the onset of the pandemic and subsequent lockdowns. The long-term prospects remain strong, given the trends on increasing coffee consumption among the youth along with rising café culture. The aggressive expansion of Tata Starbucks will further benefit TCL.



Starbucks, the world's largest coffeehouse chain, operates more than 32,600 stores over 83 countries. In 2016, Nullore Estates microlot was selected by Starbucks Reserve. It became the first-ever Starbucks Reserve coffee sourced exclusively from India to be roasted and sold at Starbucks home city of Seattle. The coffee was later rolled out across Starbucks outlets in the United States. Since then multiple microlots have been selected reflecting the company's capability to deliver high-quality coffees. 13 coffee estates of TCL are Starbucks C.A.F.E. Practices certified. There's great potential for the company to become one of the suppliers to Starbucks outlets worldwide for varying blends, any positive development in which direction could result in good growth for TCL.

B2C portfolio to drive the growth

In B2C portfolio, TCL manufactures 'Tata Coffee Grand', (launched in 2016) - a filter coffee variant for sales in the domestic market, which is being distributed and marketed by the holding company TCPL. It produces a blend of roasted and ground coffee laced with chicory from



coffee beans sourced primarily from the company's own coffee estates. Last year, new premium brand 'Sonnets' was introduced. It is a range of single-origin Arabica bean coffee, marking the company's entry in the premium roast and ground coffee segment. It has been well-received by customers, according to the management. It is sold through a dedicated e-commerce website.

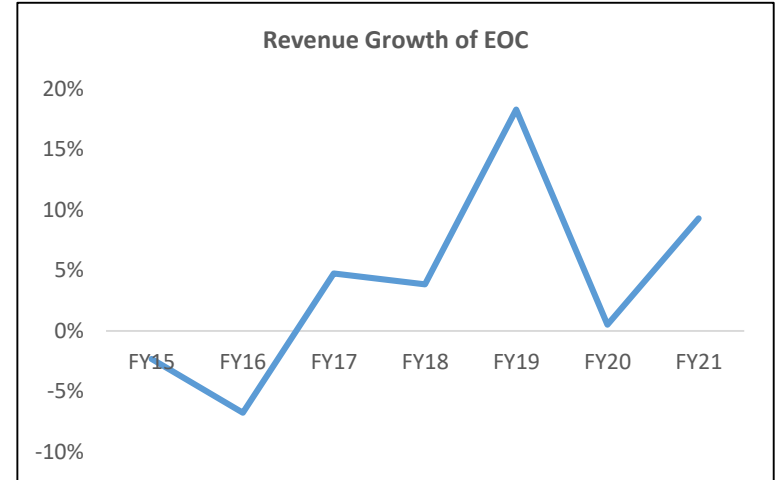
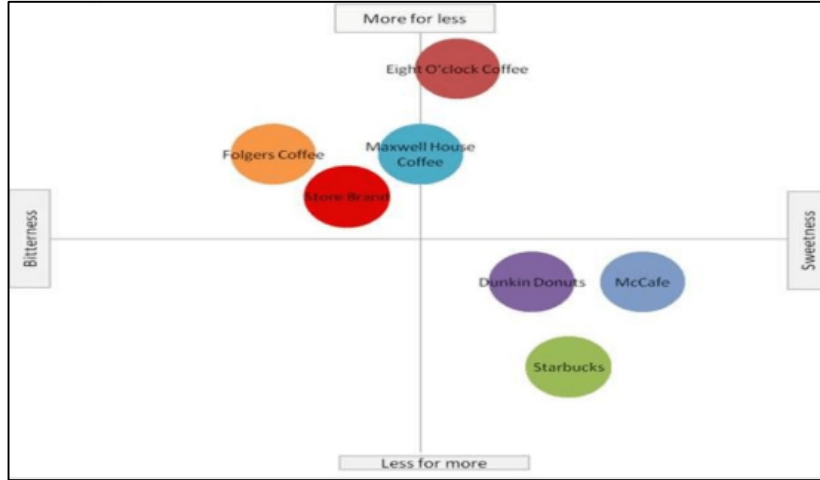


Despite having an established coffee plantation and extraction business in India (under Tata Coffee), TCPL is a relatively new entrant in the branded coffee market that already has well-entrenched brands from players like Nestle and HUL (combined market share of >90%). TCPL has strong sourcing capabilities, given Tata Coffee's heritage coffee plantation and extraction businesses. We believe it can leverage its pan-India distribution and brand to drive growth in the category.

Eight O'Clock Coffee

Tata Coffee acquired Eight O'Clock Coffee (EOC) in 2006, a US based company, to enter in the US market. It is holding a 50.08% stake in EOC while the rest is held by TCPL. It accounts for ~57% of company's consolidated revenue. It is the fifth-largest bagged coffee brand in the US in terms of value and volume. In addition to the branded bag, it also sells Eight O'Clock branded K-cups (a fast growing single serve coffee segment), and has introduced new sub-brands like Barista Blends, Flavors of America, and Early Riser to expand its consumer reach. Eight O'Clock Coffee also manufactures private label products for some of the largest US retailers including Walmart.

EOC ranks no. 1 in 'best taste for best price' in USA



Eight O' Clock Coffee has diversified portfolio offering SKUs across multiple brands

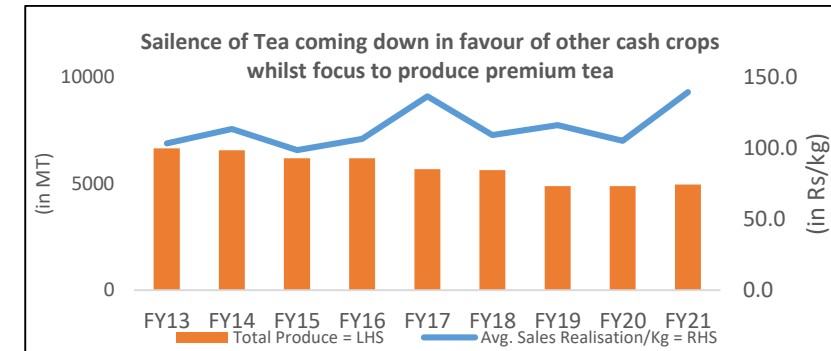
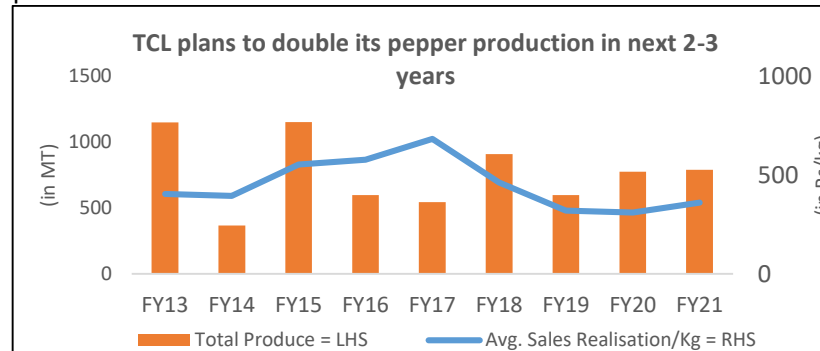




EOC has grown in low-single digits over the past few years, and it remains a relatively small player with ~2% market share, while its share in the bags' coffee segment is higher at ~5%. EOC has a more meaningful presence on the east coast with 10% bags coffee share. However, the US business is a source of healthy cash flow generation with strong EBIT margins of ~20%. The company has a healthy pipeline of launches and is also investing in new capabilities on the e-commerce side. We expect mid-single digit growth and expect the margins to be sustainable, going ahead, though these may be impacted in the near term by rise in coffee prices (as it sources beans from open market). Recently the company made announcement regarding its plans to introduce EOC's brands in India which should enhance the growth given the increasing demand for premium coffee in domestic markets. However, we haven't accounted for its sales in India in our projections but will continue to monitor performance over coming quarters.

Largest corporate producer of pepper

TCL is the world's largest corporate producer of Indian origin black pepper, which produces 27 varieties of pepper. Pepper is intercropped across its tea and coffee estates. It has 1.8 mn trees with pepper spread across its estates in Karnataka, Kerala and Tamil Nadu, accounting for ~1,000 MT capacity. Over the years, the pepper vertical has emerged as a reliable growth engine. Besides supplying domestically, it also exports pepper to the US. It is focused on maximising pepper productivity through a cost-effective and responsible operating model. The company has initiated action to increase the production base of pepper in the coming years and has completed extensive planting of pepper vines, which are in the process of establishing and maturing. The total sales of pepper for the company stood at 885 MT in FY21 as against 513 MT in FY20. The company has managed to place certified pepper in the export market, capitalising on increased demand of sustainable produce in the market.





Focus on premium offerings in tea

TCL has seven tea estates that cover an area of 2,456 hectares with an output of around 7.50 mn kg of tea annually. It offers premium orthodox and CTC teas in India. The tea is sold through auctions and directly to businesses in the domestic market. Here, TCL is working to enhance production with focus on uprooting and replanting initiatives; it is planting intensive pepper in its tea gardens that are home to many rare endemic species, which might increase the salience of spices (with scope of fetching higher realisations) in its portfolio and reduce that of tea, going ahead. In FY21, tea's sales volume was higher by 9.58% and averages of tea were higher by 31% vis-à-vis that of previous year, owing to sharp increase in tea prices.

Short-term triggers

New calibrations to explore new opportunities

As a part of its growth strategy across business segments and to diversify the product suite, TCL is exploring new possibilities across high-growth, high-margin opportunities like avocado and dragon fruit. Further, it is also strategizing on the reduction and replacement of poor-yielding coffee areas with crops that yield better results. Large-scale multi-cropping projects with longer maturity periods as well as ones with shorter maturity periods are part of the plan. The course of action includes venturing into new geographies with new products, expanding the current portfolio of monsoon coffee vertical and scaling up operations in the pepper vertical. TCL aims to double its pepper output in the next 3-4 years.

Plantation business stable, value added segment to drive growth

On the plantation front, TCL had a decent FY21 with higher crop produce. Given the favourable forecasts for FY22, the agricultural produce should be marginally higher while better realisations due to recent run-up in commodity prices will drive revenue growth. The company is focused on its replanting strategy and higher traded volumes in coffee. While it intends to double the production of pepper, its favourable mix will also improve margins.

The out-of-home consumption is likely to improve in the US and Europe with economies opening up, which should drive performance of the value-added products segment. Though recent run-up in green coffee prices may put pressures on margins in the near term for EoC, we expect the company to carry its recent growth momentum, driven by sustained brand buildings efforts and completely revamped distribution in addition to strong product innovation (which has helped maintain market share in the bags business and helped increase it in the fast growing k-cups segment).



In instant coffee, TCL has already been running at full capacity in Vietnam within two years of commercialisation, while in India it is operating at <90% utilisation levels. In Vietnam, we expect realisations to improve, going ahead, with gradual recovery in demand and margin growth should lead on account of cost efficiencies. Even though operating at its peak capacity, management has not given any guidance for incremental capex in the instant coffee segment. While expansion seems to be on the cards, the company is also building up its market portfolio with new products.

Margin growth, leaner balance sheet to drive return ratios

While debt for the standalone entity only comprises working capital loans, the consolidated debt includes term loans towards EOC business as well as the instant coffee plant in Vietnam. Debt coverage indicators marginally improved with the interest cover and net debt/EBITDA at 7.0 times and 2.5 times respectively in FY21. While a significant portion of the long-term debt (~Rs. 486 Cr) of the consolidated entity is due for repayment in the near term, proven ability of the company to refinance debt at favourable terms in the past provides comfort. We expect the operating profile of the consolidated entity to strengthen as per factors discussed above, while robust cash flows should lead to debt reduction, which in turn would enhance profitability and add to likelihood of stock rerating. We expect consolidated revenue to increase by ~8.5% CAGR over FY21-FY23E. Margin expansion could take place on account of a favourable mix, better realisation aided by demand recovery, and aggressive cost rationalisation.

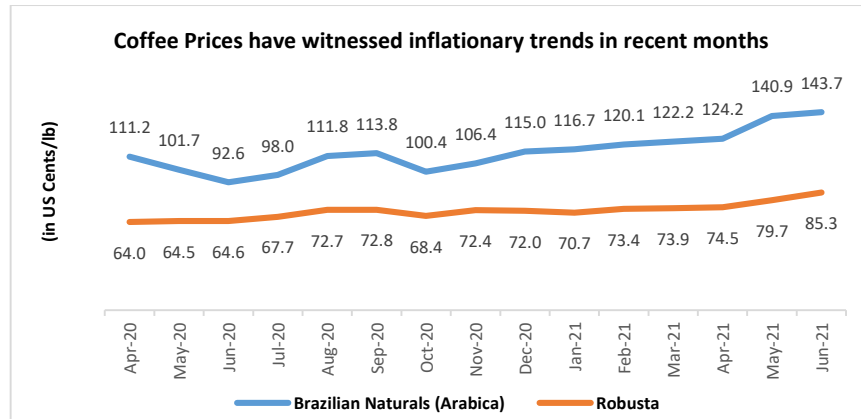
Key risks

Ecological concerns

The plantation industry is weather dependent with factors such as rainfall, distribution pattern, temperature, relative humidity and light intensity having an impact on coffee and pepper yields. However, as plantations are susceptible to weather vagaries, the company has increased its capacity to artificially irrigate the Robusta plantation by adopting rainwater harvesting in its catchment areas. It has sufficient water to irrigate 100% area of its Robusta plantation, and uses mechanised watering for the pepper plantations.

Exposure to volatile coffee prices

While the integrated nature of operations mitigates the adverse effects of volatile coffee prices, the overseas operations of TCL, namely EOC, are exposed to fluctuations in Arabica coffee prices, which is the primary raw material. However, given that pricing is directly linked to exchange terminals traded in ICE, the company has a robust hedging policy in place.



Changes in export subsidies in India could affect margin

The government of India has replaced the existing MEIS system from Jan 2021 onwards with a new scheme ROTDP. TCL has accounted for the entire ~Rs. 15 Cr benefit it received in Apr'20-Dec'20. There is lack of clarity in terms of the impact of this change on the subsidies receivables. The newly announced scheme has not mentioned EOUs and SEZs for incentives, going ahead, but the company is confident of passing on any shortfall to customers.

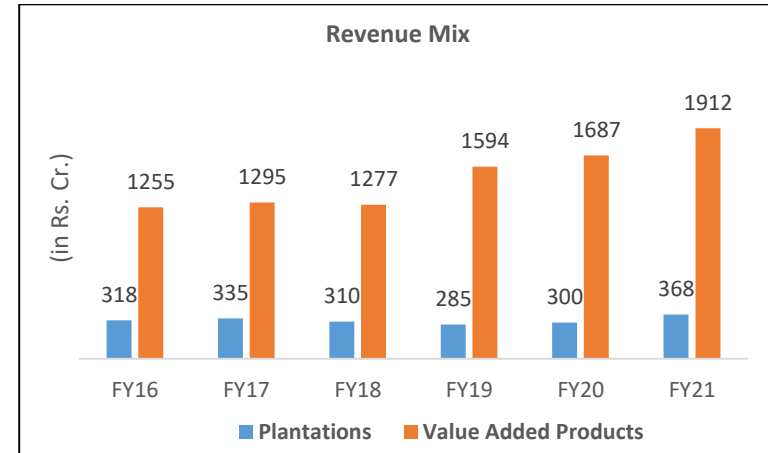
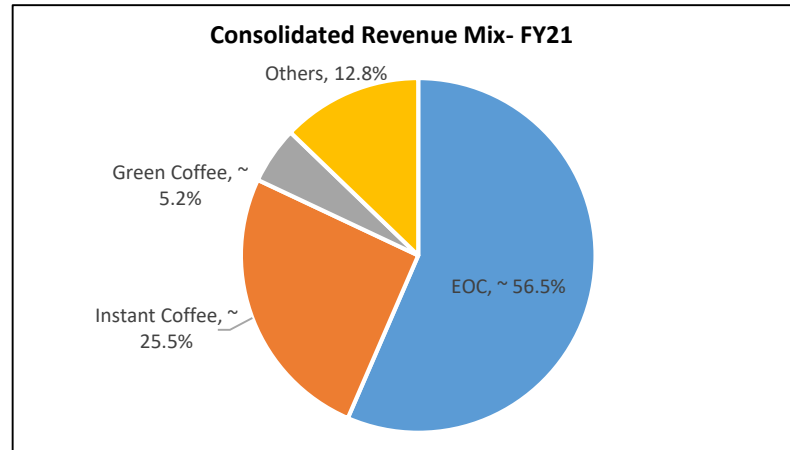
Recent inflation in input costs

Apart from coffee, input costs such as those on packing material and ocean freight have witnessed inflationary trends, which can be attributed to the short supply during the pandemic. The spikes in ocean freight are particularly sharp in Vietnam and India, which can affect TCL's global competitiveness. However, we believe this is transitory and the situation is likely to normalise as the threat of the pandemic subsides globally.

About the company

Tata Coffee Ltd (TCL) is a subsidiary of Tata Consumer Products Limited (TCPL), formerly known as Tata Global Beverages Ltd. It is Asia's largest integrated coffee company, the second largest exporter of instant coffee, and foremost producer of specialty coffee in India. The company produces between 8,000 - 10,000 MT of shade grown Arabica and Robusta coffee at 19 estates in south India. Tata Coffee's estates are

certified by three agencies - UTZ, Rainforest Alliance and SA 8000 - reaffirming its commitment to people and the environment. TCL exports green coffee to countries in Europe, Asia, Middle East and North America. The company is also the largest corporate producer of pepper in India. It also has six tea estates in south India. The company's two instant coffee manufacturing facilities in India have a combined installed capacity of 8,400 MT. It is the exclusive and sole supplier of premium specialty Arabica roaster beans to Tata Starbucks stores in India. It entered the US market by virtue of acquisition of Eight O'Clock Coffee Company (EOC) in June 2006. It has also launched the coffee brand Sonnets, which has single origin specialty Arabica beans, on its e-commerce portal. It also manufactures coffee for Tata Coffee Grand, which is marketed and distributed by TCPL. TCL, through its wholly owned subsidiary, Tata Coffee Vietnam Company Ltd, had commissioned a state-of-the-art freeze-dried instant coffee manufacturing facility in Vietnam with a capacity of 5,000 MT per annum, which has become operational in Q1FY20.



(Source: Company, HDFC sec)

Financials

Income Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	1804	1966	2255	2447	2684
Growth (%)	15.10%	9.00%	14.70%	8.50%	9.70%
Operating Expenses	1561	30144	31326	34270	37215
EBITDA	243	321	387	433	483
Growth (%)	-4.0%	31.8%	20.7%	11.9%	11.6%
EBITDA Margin (%)	13.5%	16.3%	17.2%	17.7%	18.0%
Depreciation	57	81	83	86	90
Other Income	30	25	34	37	40
EBIT	216	265	338	384	433
Interest expenses	46	65	54	47	39
PBT	170	200	284	337	394
Tax	63	59	73	84	99
APAT	69	82	134	173	213
Growth (%)	3.80%	4.20%	5.90%	7.10%	7.90%
EPS	3.7	4.4	7.2	9.2	11.4

Balance Sheet

As at March	FY19	FY20	FY21	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	19	19	19	19	19
Reserves	1162	1236	1351	1495	1680
Shareholders' Funds	1180	1255	1370	1514	1699
Borrowings	1155	1226	1157	942	777
Net Deferred Taxes	129	134	139	139	139
Long Term Provisions and Others	39	141	130	132	167
Minority Interest	362	430	450	530	613
Total Source of Funds	2866	3185	3246	3258	3395
APPLICATION OF FUNDS					
Net Block	1864	2461	2351	2339	2345
CWIP	391	61	47	23	12
Investments	60	50	33	33	33
Other Non-current assets	79	19	28	30	30
Total Non Current Assets	2394	2591	2459	2426	2420
Inventories	370	416	428	495	540
Trade Receivables	172	243	213	255	257
Cash & Equivalents	51	110	285	312	424
Other Current Assets	202	203	185	181	191
Total Current Assets	794	972	1111	1243	1413
Trade Payables	113	154	129	161	169
Other Current Liab & Provisions	210	225	195	250	268
Total Current Liabilities	323	379	324	411	438
Net Current Assets	471	594	787	832	976
Total Application of Funds	2866	3185	3246	3258	3395

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Reported PBT	208.6	225.3	284.3	336.7	394.5
Interest Expenses	57	80.7	82.8	85.8	90.2
Depreciation	70.6	113.9	109.8	116.3	162.4
Working Capital Change	-47.5	-1.3	-18.9	-1.3	-29
Tax Paid	-48.4	-51.8	-73.2	-84.2	-98.6
OPERATING CASH FLOW (a)	183.4	286.2	302	367.5	429.2
Capex	-195	-67.6	-33.6	-50	-85
Free Cash Flow	-11.6	218.6	268.4	317.5	344.2
Investments and Others	44.5	28.9	-112.6	0	0
INVESTING CASH FLOW (b)	-167.9	-27	-29	-50	-85
Debt Issuance / (Repaid)	104.3	-36.8	-21	-215	-165
Interest Expenses	3.1	15.3	47.8	45	35
Share Capital Issuance	0	0	0	0	0
Dividend	-68.7	-69.7	-72.4	-28	-28
Others	101.1	-5.1	3.9	0	0
FINANCING CASH FLOW (c)	91.9	-174.2	-140.9	-290.3	-231.7
NET CASH FLOW (a+b+c)	107.5	84.9	132.2	27.3	112.5

Key Ratios

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
EBITDA Margin	13.5	16.3	17.2	17.7	18
EBIT Margin	12	13.5	15	15.7	16.1
APAT Margin	3.8	4.2	5.9	7.1	7.9
RoE	6	6.8	10.2	12	13.2
RoCE	9.7	11	13.5	15.4	17.6
Solvency Ratio					
Net Debt/EBITDA (x)	4.5	3.5	2.3	1.5	0.7
Net D/E	0.9	0.9	0.6	0.4	0.2
EPS	3.7	4.4	7.2	9.2	11.4
CEPS	6.7	8.7	11.6	13.8	16.2
BV	63.2	67.2	73.3	81.1	91
Dividend	1.5	1.5	1.5	1.5	1.5
Cash Conversion Cycle (days)	94.9	103.3	93	98.6	96.6
Debtor days	34.7	45.2	34.5	38	35
Inventory days	86.6	92.4	83.7	89.7	89.6
Creditors days	26.4	34.2	25.2	29.2	28
VALUATION					
P/E	48.3	40.3	24.9	19.3	15.6
P/BV	2.8	2.6	2.4	2.2	2
EV/EBITDA	18.2	13.8	10.8	9.1	7.6
EV / Revenues	2.5	2.3	1.9	1.6	1.4
Dividend Yield (%)	0.80%	0.80%	0.80%	0.80%	0.80%

(Source: Company, HDFC sec)

Tata Coffee Ltd.



598.71	685.65	685.65	685.65	203.88	118.92	118.92
(-22.11)	(-14.00)	(-7.74)	(-10.00)	(-11.00)	(-11.00)	(-11.00)
142.09	167.22	154.12	393.13	-62.95	-187.58	-42.88
(-35.11)	(-17.00)	(-7.84)	(-7.00)	(-11.00)	(-71.40)	(-11.00)

One Year Price Chart



(Source: Company, HDFC sec)



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