

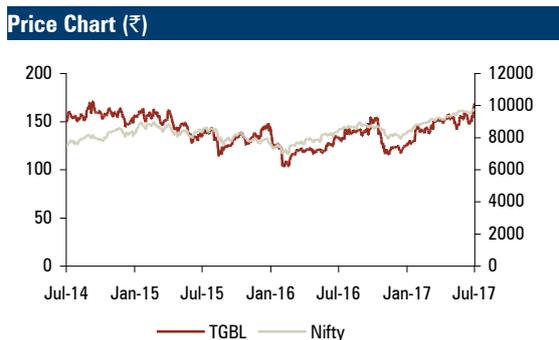
Rating matrix	
Rating	Buy
Target	₹ 195
Target Period	12-15 months
Potential Upside	15%

What's Changed?	
Target	Changed from ₹ 147 to ₹ 195
EPS FY18E	Unchanged
EPS FY19E	Unchanged
Rating	Changed from Hold to Buy

Key financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Total op income	6,636.5	6,779.6	7,137.1	7,503.5
EBITDA	654.3	791.1	812.7	847.0
PAT	(37.1)	454.8	485.4	515.6
EPS (₹)	(0.6)	7.2	7.7	8.2
Adj. Profit	(96.4)	451.1	485.4	515.6
Adj. EPS (₹)	(1.5)	7.1	7.7	8.2

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E	NA	23.5	22.0	20.7
Target P/E	NA	27.1	25.4	23.9
Mcap/Sales	1.6	1.6	1.5	1.4
Dividend Yield	1.3	1.5	1.5	1.8
RoNW (%)	(1.5)	7.2	7.7	7.8
RoCE (%)	7.2	8.8	9.1	9.3

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	10,697.1
Total Debt (FY17) (₹ Crore)	770.3
Cash and Investments (FY17) (₹ Crore)	741.2
EV (₹ Crore)	10,726.3
52 week H/L	173 / 114
Equity capital	₹ 63.1 crore
Face value	₹ 1



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Tata Global Beverages (TATGLO) ₹ 170

Change of guard may restore investors' faith...

As per media reports, Tata Global Beverages (TGBL) may sell its stake in various Tata group's listed companies to its parent, Tata Sons, in the coming months. TGBL currently owns ~₹ 725 crore worth of stake in other Tata group firms, viz. Tata Chemical and Tata Investment Corporation. TGBL has a 4.39% stake in Tata Chemicals and 0.29% stake in Tata Investment Corporation. With new Chairman, N Chandrasekaran, coming in, the company seems to be taking steps towards improving the return on investments which may restore investors' confidence.

Apt allocation of cash may result in better return on investments

As on March 31, 2017, the company had ₹ 574.8 crore cash and ₹ 1284.7 crore of total investment on its books along with total debt of ₹ 770.3 crore. The net cash (cash + liquid investment – debt) with the company as on date stood at ~10% of its market capitalisation. We believe that with materialisation of the stake sale in the aforesaid companies, the investment would go down by ~₹ 725 crore while there would be a similar increase in cash levels. We believe the company may utilise the funds towards a) brand building activities or b) payoff of the debt or c) dividend payout, or a combination of these. In any case, we do not see any substantial impact on our estimates. Additionally, we believe that if the company goes for a dividend payout with the above mentioned cash level; the dividend yield may reach ~10%. Further, there were additional news flows of selling off of the non-branded (plantation and extraction) business of the company, which contributed ~13% to the total revenue for FY17.

Positive news flows may lead to re-rating; upgrade to Buy

We maintain our estimates and expect revenues to grow at a CAGR of 5.2% with profit growing at a CAGR of 6.5% in FY17-19E. We believe these news flows post the change in the leadership, may be taken positively by investors with an increase in visibility of return on investment. We expect that with materialisation of these restructuring plans, the company may become a re-rating candidate. We are upgrading our recommendation to Buy with a revised target price of ₹ 195 per share based on a 24x multiple (against 18x earlier) of FY19E EPS of ₹ 8.2.

ANALYST CERTIFICATION

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