

## Tata Coffee

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NSE/BSE Code	TATACOFFEE/532301
Promoter's holding	57.48%
FV	10
Equity Share Capital (Rs. in mn)	186.77
Market Capitalization (Rs. in mn)	15,685
52 week high/low	Rs.948.8/672.2
CMP	839.85
Recommendation	Not rated

Tata Coffee is Asia's largest integrated Coffee Plantation Company and the largest grower – exporter of green coffee from India. The Company is the second largest exporter of instant coffee in the country and exports to countries in Europe, Asia and North America. Eight O' Clock coffee is a segment leader in the US retail market. It is the only company to have various certifications like Rainforest, UTZ and SA800. As per Nielsen, the Company's flagship brand, Eight O' Clock (EOC) coffee continues to be the No. 1 whole bean Coffee brand in the grocery segment in USA and 4<sup>th</sup> in the overall branded segment. EOC has entered into the fast growth single serve coffee segment in the US and this augurs well for the future. Domestic coffee consumption has been growing steadily over the last several years driven by double digit growth in the instant coffee category and out of home consumption. Tata Coffee is gearing up to supply coffee beans to cafes and the tie up with Starbucks will propel this growth in the coming years.

### Areas of business

Tata Coffee is the largest integrated coffee plantation company in the world .Tata Coffee has a hand in every aspect of the coffee making process, with business activities ranging from growing and curing of coffee and tea to the manufacture and marketing of value-added coffee products. Tata Coffee grows coffee on its own estates, processes the beans, exports green coffee, manufactures and exports Instant Coffee and retails coffee with its own branding in the domestic market.

### Plantations

**Coffee:** Tata Coffee owns 19 coffee estates located in ideal coffee growing highlands of Southern India, with fertile soils and invigorating climate. Spread over 8,037 hectares in Coorg, Chickmaglur and Hassan districts of Karnataka and in Valparai district of Tamil Nadu, Tata Coffee produces 10,000 metric tonnes of natural shade grown Arabica and Robusta coffees, in both washed and unwashed forms.

These estates are located at various altitudes, and the coffee produced possesses distinct cup characteristics.

Tata Coffee's uniqueness lies in its ability to produce large quantities of estate specific, strain specific, speciality and premium coffee, while maintaining a strict consistency in quality. Apart from coffee and tea, pepper and cardamom are also grown as inter crops on its estates.

Monsoon Malabar, Mysore Nugget Extra Bold, and Robusta Kappi Royale are three of the prominent speciality grades of Indian coffee it grows and processes apart from estate specific coffees. Mr. Bean, a quality product made from the finest coffee beans at its plantation, was recently introduced.

The Company's two main products are:

- a) Arabica Coffee
- b) Robusta Coffee

To improve the quality of its Coffee products, the Company is importing technology from Netherlands. With this the Company would be moving in the premium segment which would boost its margin profile.

The Company is now focusing towards producing Speciality Coffee. The Company has also developed new state of the art pulping facilities in Coffee estates.

**Coffee Curing:** The Company has the largest curing facility in the country at Kushal nagar with an installed capacity of 10,000mt. The coffee is cured in the company's state-of-the-art curing facility at Kushalnagar in Kodagu district. It has been awarded the prestigious certificate of approval for quality ISO-9002 through certification by Bureau Veritas Quality International, Netherlands. This unit is the first curing industry in India to receive ISO-9002 certification.

**Tea:** The Company also owns six tea estates which spans 4,755 hectares in Coorg and Chickmagalur districts of Karnataka and Annamalais district of TN and produce 6.5 million kilograms of tea. Recently, it has modernized Tea factories in Annamalais.

**Estate supplies:** Tata Coffee also deals in plantation requirements such as fertilizers and chemicals, estate implements, and tyres and tubes through it's estate supplies division.

**Instant Coffee:** Tata Coffee also has the capacity to produce 5,000 metric tonnes of Instant Coffee per annum, for which it has a sizable export market. International Tata Cafe, Mysore Gold and Malabar are the popular Instant Coffee brands which are exported. The Company sources instant Coffee from Vietnam to be cost effective. Coffee is not sourced from inhouse plantations as it is premium quality. Only 3 percent of the low grade coffee is moved to Instant Coffee Division.

**Timber:** Tata Coffee has abundant reserves of timber, which is grown for shade. The company's timber resources on its estates include Rosewood, Silver Oak, and other softwood trees. As part of its plans to optimize the utilization of the company's captive timber resources, the company has entered into 'Timber Value-Addition' industry by getting

its Silver Oak timber converted into plywood of different types and bearing the brand name 'Conswood'.

### Financial Performance (Consolidated)

Particulars	Q4FY12	Q3FY12	Q4FY11	YoY (%)	QoQ (%)	FY12	FY11	YoY (%)
Revenue	3746.48	4128.35	3,312.8	13.09	(9.25)	15,292.9	12,920.9	18.36
EBITDA	418.49	513.19	456.1	(8.26)	(18.45)	1,720.8	2,402.5	(28.37)
OPM (%)	11.17	12.43	13.7	260 bps	126 bps	11.2	18.5	734 bps
Depreciation	(99.7)	(92.3)	(95.5)	4.3	7.99	(370)	(366)	1.01
EBIT	318.7	420.83	360.5	(11.6)	(24.2)	1,350.8	2,036.2	(33.66)
Interest	(132.18)	(90.18)	(100.7)	31.27	46.5	(462.15)	(452)	2.25
Other Income	93.64	30.69	43.6	114.4	205.13	277.9	108.5	156.06
Profit before Tax and Exceptional items	280.2	361.34	303.5	(7.68)	(22.45)	1,166.5	1,692.7	(31.08)
Exceptional items	(46.8)	(17.5)	(13.05)	258.6	167.45	(167.27)	10.67	-
Profit before Tax	233.4	343.8	290.4	(19.6)	(32.12)	999.3	1,703.4	(41.34)
Tax	61.9	(103.4)	(68)	-	-	(163.93)	(606.31)	-
Profit after Tax & before Minority Interest (MI)	295.3	240.3	222.4	32.7	22.86	835.39	1,097.12	(23.86)
Minority Interest	(7.03)	(25.27)	47.1	-	-	(23.49)	(371.48)	-
Profit after Tax & MI	288.3	215.1	175.3	33.9	64.4	811.9	725.6	11.8
PAT Margin (%)	7.7	5.21	5.29	240 bps	248 bps	5.31	5.62	(31) bps
EPS	15.44	11.51	9.39	64.4	34.1	43.47	38.85	11.89

Source: Company, Ajcon Research

### Q4FY12 performance:

On a standalone basis, Tata Coffee witnessed record turnover and earnings in FY12. Total income was up by 27 percent at Rs. 509 crores and PAT was up by 43 percent to touch Rs. 79 crores. This performance was aided by improved performance of its instant coffee division and continued growth logged in the plantations division.

The Instant Coffee Division has shown dramatic turnaround as a result of the successful process-centric transformation it undertook with a focus on consolidation and growth.

On the other hand, its focus on the premium segment for speciality and certified coffees resulted in 28 percent increase in volumes sold, compared with the previous year. The Company also targeted the US market for its Robusta coffee and saw a manifold increase in

volumes. The triple certifications of Rainforest, UTZ and SA800 helped the Company to have a thrust into the premium market for differentiated coffees.

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**For research related queries contact Mr. Akash Jain – Vice President - Research at [research@ajcon.net](mailto:research@ajcon.net)**