

# Tata Global Beverages Ltd

Bloomberg Code: TGBL IN

India Research - Stock Broking

**BUY**

## Business of Branded Beverages

**Green and Specialty Tea to drive the growth:** With well placed green tea and specialty tea brands in portfolio, which are expected to witness global annual growth rate of 10% and 4% in the next five years along with premiumization trend and higher realizations are expected to drive the growth. Price realizations are higher as compared to black tea and profitability expected to increase as this segment share increases.

**Cooling of Green coffee bean and domestic tea prices:** Green tea leaf and Green coffee bean are trading around Rs.148.4/kg (North India) and Rs.222.8/kg (Arabica) and are down by 13% and 21% on YoY basis respectively. As the company is into conversion of commodity into brand and with strong market share (India: 24% market share, UK: 2nd largest in volume terms; and Canada: one of the market leaders) & good pricing power, any lower prices in commodity are likely to improve the profit margins.

**JVs and Acquisitions to drive the growth:** The topline growth is expected to get boost from the growth of its water segment and is expected to be profitable beyond FY17E. Revenue from its JV with Starbucks is growing at good pace and the losses from this segment are expected to decline. The company is looking to open new stores. Management is looking to make its latest acquired brand (2014) MAP, a power brand along with its key brands. It has significant presence in the roast and ground coffee; and in the pods categories in Australia.

## Valuation and Outlook

TGB gets 90% of its revenue from branded business. 73.6% of revenue comes from Tea, 25.1% is from Coffee segment and remaining is from Water division. Factoring the expected growth in operating margins, growth in operating cash flow of the business and discounting the listed company-Tata Coffee's share of EPS on consolidated EPS, we assign 5 year average PE multiple of 22.0x to FY17E EPS and give "BUY" rating for a target of Rs. 160, representing with an upside potential of 20%.

## Key Risks:

- Currency volatility. Volatile commodity prices. Weak growth in black tea sector.

### Exhibit 1: Valuation Summary

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Net Sales	73510	77376	79934	83244	90866
EBITDA	8545	8337	8448	8576	9689
EBITDA Margin (%)	11.5	10.7	10.5	10.2	10.6
Adj. Net Profit	3728	4805	2478	4117	4842
EPS (Rs.)	6.0	7.8	3.9	6.5	7.7
RoE (%)	7.7	8.2	4.5	7.2	8.0
PE (x)	24.6	19.3	34.0	20.6	17.5

Source: Company, Karvy Research. \*Represents multiples for FY13, FY14 & FY15 are based on historic market price

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### Recommendation (Rs.)

CMP (Dec 14, 2015)	134
Target Price	160
Upside (%)	20

### Stock Information

Mkt Cap (Rs.mn/US\$ mn)	84630 / 1248
52-wk High/Low (Rs.)	168/109
3M Avg. daily volume (mn)	1.1
Beta (x)	1.1
Sensex/Nifty	25151 / 7650
O/S Shares(mn)	631.1
Face Value (Rs.)	1.0

### Shareholding Pattern (%)

Promoters	34.4
FII	12.5
DII	19.9
Others	33.1

### Stock Performance (%)

	1M	3M	6M	12M
Absolute	3	7	(4)	(15)
Relative to Sensex	7	10	2	(5)

Source: Bloomberg

### Relative Performance\*



Source: Bloomberg; \*Index 100

### Analyst Contact

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**Company Financial Snapshot (Y/E Mar)**
**Profit & Loss (Rs. Mn)**

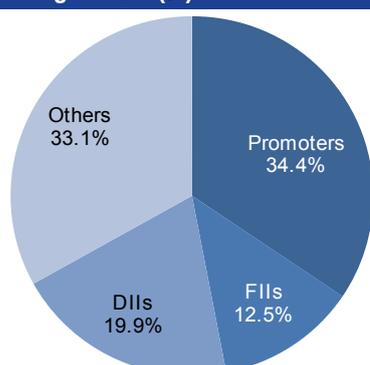
	FY15	FY16E	FY17E
Net sales	79934	83244	90866
Optg. Exp (Adj for OI)	72185	75375	81891
EBITDA	8448	8576	9689
Depreciation	1358	1462	1547
Interest	819	722	625
Other Income	700	707	714
PBT	4999	6392	7518
Tax	2155	1668	1962
Adj. PAT	2478	4117	4842
<b>Profit &amp; Loss Ratios</b>			
EBITDA margin (%)	10.5	10.2	10.6
Net margin (%)	3.1	4.9	5.3
P/E (x)	34.0	20.6	17.5
EV/EBITDA (x)	10.6	10.5	9.0
Dividend yield (%)	0.0	0.0	0.0

Source: Company, Karvy Research

**Balance sheet (Rs. Mn)**

	FY15	FY16E	FY17E
<b>Total Assets</b>	<b>95118</b>	<b>97603</b>	<b>100636</b>
Net Fixed assets	49217	49725	49778
Current assets	27899	29448	31698
Other assets	16988	17886	18615
<b>Total Liabilities</b>	<b>95118</b>	<b>97603</b>	<b>100636</b>
Networth	54915	57374	60546
Minority Interest	8762	9369	10083
Debt	12660	11160	9660
Current Liabilities	14159	14712	15269
Deferred Tax	4610	4988	5078
<b>Balance Sheet Ratios</b>			
RoE (%)	4.5	7.2	8.0
RoCE (%)	8.5	8.7	9.7
Net Debt/Equity	0.1	0.1	0.0
Equity/Total Assets	0.6	0.6	0.6
P/BV (x)	1.5	1.5	1.4

Source: Company, Karvy Research

**Exhibit 2: Shareholding Pattern (%)**


Source: BSE, Karvy Research

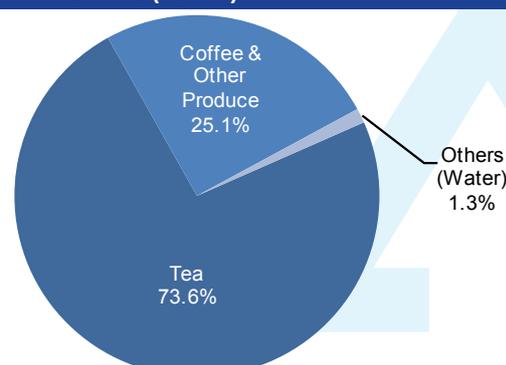
**Company Background**

Tata Global Beverages is a global beverage business; its brands have presence in over 40 countries. The company has significant interests in tea, coffee and water; and is the world's second largest tea company. 250 Mn servings of its brands are consumed everyday around the world. Tata Global Beverages' annual turnover is US\$1.3bn and it employs around 3,000 people across the world. The company focuses on natural beverages and has several innovative regional and global beverage brands, including: Tata Tea, Gemini, Chakra Gold, Tetley, Himalayan natural mineral water, Tata Water Plus and Tata Gluco+, Good Earth tea, Grand Coffee and Eight o'clock coffee. Tata Global Beverages owns the famous Tetley brand. The regional headquarters for Europe, Middle East and Africa is based in Greenford in the UK, with a manufacturing plant in Eaglescliffe. NourishCo Beverages Limited, the JV with PepsiCo, distributes water brands in India. It distributes the 'Himalayan' brand which operates in the premium segment, manufactures and distributes Tata Water Plus. It has 50:50 joint venture with Starbucks.

**Cash Flow (Rs. Mn)**

	FY15	FY16E	FY17E
PBT	4999	6392	7518
Depreciation	1358	1462	1547
Interest	819	722	625
Tax Paid	(1686)	(1534)	(1962)
Inc/dec in Net WC	(1320)	(1146)	(1586)
Other Income	(520)	(707)	(714)
<b>Cash flow from operating</b>	<b>4178</b>	<b>5433</b>	<b>5518</b>
Inc/dec in capital expenditure	(1792)	(1500)	(1600)
Inc/dec in investments	(725)	0	0
<b>Cash flow from investing</b>	<b>(1748)</b>	<b>(960)</b>	<b>(986)</b>
Inc/dec in borrowings	(1809)	(1500)	(1500)
Dividend paid	(1793)	(1670)	(1670)
Interest paid	(820)	(722)	(625)
<b>Cash flow from financing</b>	<b>(3924)</b>	<b>(3891)</b>	<b>(3795)</b>
Net change in cash	(1494)	582	737

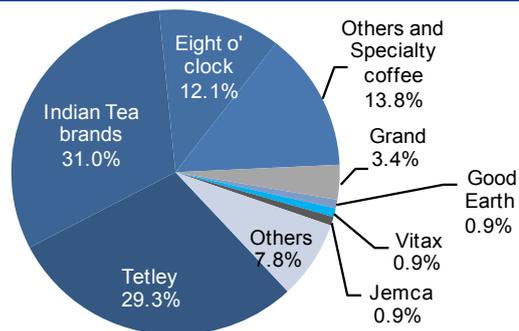
Source: Company, Karvy Research

**Exhibit 3: Segmental Revenue (Rs. Mn)**


Source: Company, Karvy Research

## Green and Specialty Tea to drive the growth

**Exhibit 4: Brand sales as % of total revenue**



Source: Company, Karvy Research

With 37 green tea, 27 specialty tea and 180 herbal blends in portfolio to cater to the green and herbal tea markets which are expected to witness annual growth rate of 10% in the next five years. Green tea comprises 27% of the global tea market. Various products are offered under brand name Tetley in about 13 countries to serve these markets. The green tea market in India is valued at Rs. 1,292 Mn with sizable branded tea market share. Focus on health and wellness seen across the global markets is driving the growth of Green Tea. Black Tea is leading in volumes than the green tea but green tea is growing at good rates of 10% in value terms. In India, TGB has pioneered the green tea segment with Tetley and has a portfolio of

delicious flavours available. Tata Tea has also launched a new variant of green tea called Acti Green to make it more accessible to all demographic segments.

Across other geographies, various products are offered from Tetley such as Super Green in the UK, Green Tea Plus in Canada, Steamed Green Tea in Australia and Black & Green in the USA. In Poland, herbal tea is the fastest growing segment by value; and so TGB has recently launched the Herbal Inspirations range. In the Indian market, TGB is building its green tea portfolio through its acquired Tetley franchise.

The fruit and herbal tea segment is US\$ 7 Bn market which constitutes 16% of the global tea market. Western Europe's fruit and herbal tea market is the largest, with Germany contributing to more than half of the region's absolute value growth. The US is the second largest market with higher growth.

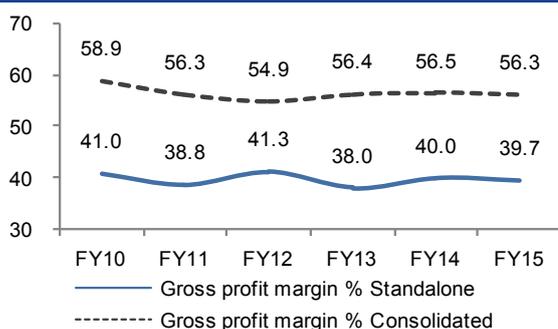
### Growth in Premium Tea segments:

Transition of customer base from black tea to green and specialty tea in the major markets like India and Europe led to weak growth in traditional black tea business. Considering the premiumization trend and higher realizations in this segment, the management is looking this segment as the main margin driver. The company is well placed with good various brand portfolio to tap this premiumization. The management's strategy to focus on these green and specialty tea is partly offsetting the weak growth from the black tea at lower volumes. But, the amount of realizations on specialty and green tea is higher than the traditional black tea. It has recently launched premium brand Tata Tea Fusion in two variants: Superior Assam & Green Tea and Superior Assam & Kenyan Tea in the domestic market. Tata Tea Premium, India's largest tea brand and flagship brand of Tata Global Beverages, announced the re-launch of its brand across all major cities in India. Few of its premium global brands are Teapigs, Vitax.

TGB is looking to tap this premiumization opportunity by launching new high quality flavors in the UK, exotic/seasonal flavors in Germany, dessert tea in Russia in innovative formats: sachets and cold-brewed tea bags.

### Cooling of commodity prices-Green coffee bean prices and domestic tea prices:

**Exhibit 5: Gross profit margins**



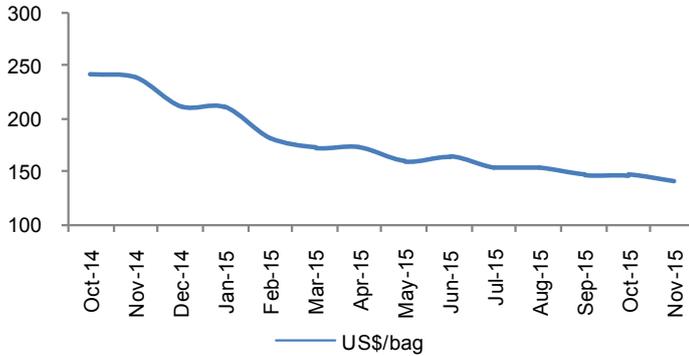
Source: Company, Karvy Research

Weak commodity prices backed by strong portfolio of brands are expected to improve the operating profit margins. Green tea leaves are sourced from 5 countries: China, India, Kenya, Rwanda and Argentina. Majority of leaves are sourced from Kenya and from Kolkata-for domestic consumption. Green tea leaf prices are currently trading at Rs.148.4 (28/11/2015, North India) and green coffee bean prices are at Rs.222.8/kg (Arabica, 12/9/2015). As the company is into conversion of green tea leaves and green coffee beans into brands, lower commodity prices are expected to improve the margins further. Around 90% of revenue is from Branded segment.

The Green leaf prices in Kenya are trading at high \$3.53/Kg (Nov 2015) as against \$2.43/Kg (Nov 2014). The company succeeded in transferring higher commodity prices with price hikes on its brands.

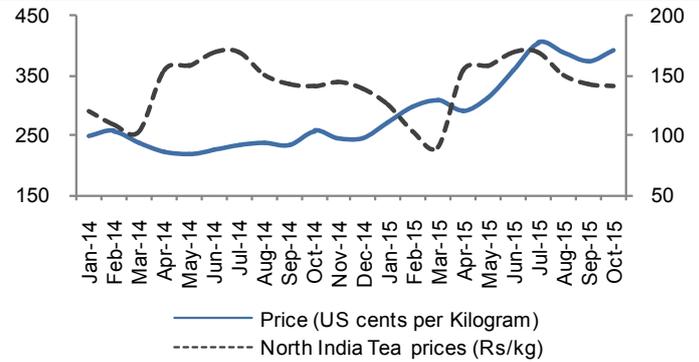
Tata Tea, Tetely, Jemča, Vitax, Eight O'Clock Coffee, Grand Coffee, MAP and Joekels are the main brands of TGB present across the major markets of the globe. Strong brands are the company's core strength which have good market share in their respective countries (India: 24% market share, UK: 2nd largest in volume terms; and Canada: one of the market leaders). It is looking to strengthen its power brands- Tetley, Tata Tea, Eight o' Clock (EoC) Coffee and Himalayan. Investment in brands is one of the key strengths of the company.

**Exhibit 6: Arabica coffee price (US \$/bag)**



Source: Bloomberg, Karvy Research

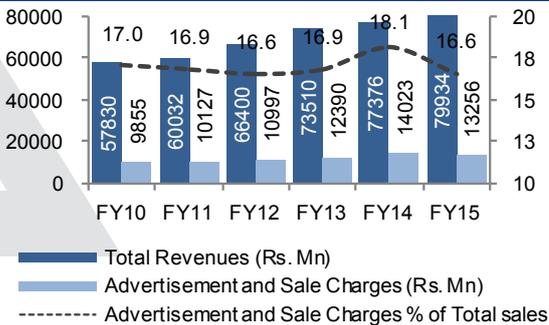
**Exhibit 7: Tea commodity prices**



Source: Bloomberg, Karvy Research

### Higher investments on Brands

**Exhibit 8: Brand expenses**



Source: Company, Karvy Research

The latest quarter results got hit by higher investment on advertisement and promotional expenses which are invested for building various brands in newer geographies. As the branded business contributes 90% of revenue, spending on the brand building exercises is one of the major investments of the company. The company is likely to maintain the current level of expenses on brand building as it is the key factor for growth in retail sales.

**Subdued growth in core business; Black Tea:** Muted demand for black tea which is traditional business in its main geographies like UK, India and Canada in the last few years led to lower sales and weak realizations. Increase in competition, higher share of unbranded market with lower prices, shift of customer base from Black tea to Green tea are some of the reasons for slow growth in black tea business. The company is likely to reduce the dependence on black tea business by increasing the share of the other segment sales. The Black tea category is growing at 4-5 per cent while green tea is at 50 per cent.

**New formats in branded coffee to drive the growth:** Around 25% of consolidated revenue is from Instant coffee and Branded coffee, Coffee plantations and from Joint ventures. Coffee is one of the three revenue verticals of the company which is expected to report good growth on the back of new acquisitions, recovery in the traditional format sales and the growth from Keurig K-Cups sales which is growing at 20% per annum. The company receives royalty income from Pod sales for which it entered an agreement with Keureigh. The company, over the last few years, is witnessing subdued growth in its traditional format sales which is served by various brands like Eight o' clock coffee.

**JVs and new acquisitions to drive the Water business growth but negative bottomline to continue:** TGB's water segments brands are: Himalayan (operates in premium segment), Tata Water Plus and Tata Gluco Plus. Strong distribution network of PepsiCo, with which TGB entered into Joint Venture to distribute these brands could increase the availability of these brands. Himalayan brand, also distributed in Singapore in agreement with Starbucks, is witnessing good growth in brand value and sales on par with other premium brands. Imposition of excise duty on the Himalayan brand has affected the bottomline of the company in FY15. Himalayan brand is focussing on profitable growth. A new TV advertisement for Himalayan went live on media in February. On the back of increase in retail foot print and new marketing campaigns, revenue growth is expected to be pushed further in the coming years. Tata Water Plus and Tata Gluco Plus, the other two energy drinks, are launched in new pack variants along with new advertisements for brand refresh.

The new coffee brand MAP (acquired in 2014 in Australia) gives TGB access to coffee market in Australia, New Zealand and Indonesia. Management expects it to become power brand in Asia.

Its 50:50 Joint Venture entity with Starbucks set to open, supply and operate retail coffee stores in India, which is expected to augur well for the growth of the company in the long run. Currently, it has 72 stores across India and invested Rs. 1500 mn in this JV. It generated revenue of Rs. 1712 Mn with negative bottomline. These losses are expected to decline by end of FY17E considering its pace. India's coffee retail market size is estimated at more than Rs. 17000 Mn and is growing at 20% a year.

**Exhibit 9: Business Assumptions**

Y/E Mar (Rs. Mn)	FY14	FY15	FY16E	FY17E	Comments
Revenue	77376	79934	83244	90866	Expected growth in line with sector growth in FY16E and more in FY17E.
Revenue Growth (%)	5.1	3.1	4.1	9.2	
EBITDA	8337	8448	8576	9689	
EBITDA Margins (%)	10.7	10.5	10.2	10.6	Gross profit margins improvement is expected to push the operating profit margins.
PAT (normalized)	4805	2478	4117	4842	Effective interest costs are taken in line with previous year costs.
Fully Diluted EPS (Rs.)	7.8	3.9	6.5	7.7	
Fully Diluted EPS Growth (%)	28.9	(49.4)	66.1	17.6	
Capex (ex. Acquisition) - cash capex	(2037)	(1792)	(1500)	(1600)	
Net CFO	4218	4178	5433	5518	Working capital cycle likely to improve marginally.
Net Debt	6730	7175	5098	2859	
Free Cash Flow	2180	2386	3933	3918	

Source: Company, Karvy Research

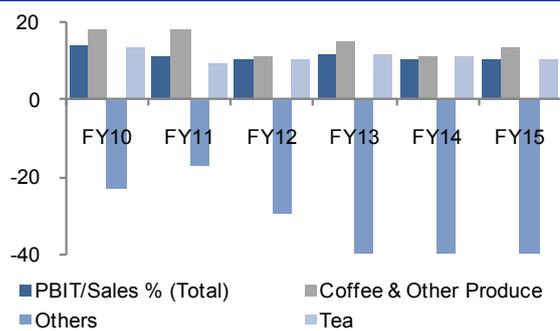
**Exhibit 10: Karvy vs Consensus**

	Karvy	Consensus	Divergence (%)	Comments
<b>Revenues (Rs. Mn)</b>				
FY16E	83244	84379	(1.3)	Growth in FY17E is expected to be more than FY16E on the back of growth from Green tea business.
FY17E	90866	90707	0.2	
<b>EBITDA (Rs. Mn)</b>				
FY16E	8576	7663	11.9	Expecting improvement in gross and operating profit margins.
FY17E	9689	8804	10.1	
<b>EPS (Rs.)</b>				
FY16E	6.5	6.6	(2.2)	
FY17E	7.7	7.8	(1.2)	

Source: Bloomberg, Karvy Research

## Operating profit margins expected to maintain

**Exhibit 11: Segmental PBIT/Sales %**

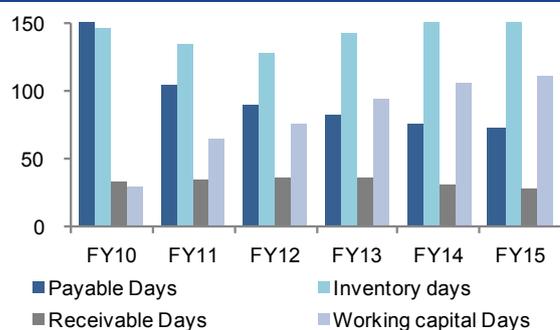


Source: Company, Karvy Research

Post the demerger of tea plantations in 2008, the operating profit margins dropped by around 100 bps and remained around 10.5%. In the same period over the last 7 years, the sales have grown at a CAGR of 8.6% on the back of growth from domestic and Canadian markets along with growth from acquisitions. As the company is into branded businesses, it has succeeded in passing-on the effect of the higher commodity prices to customers. On consolidated level, coffee segment PBIT margins are more volatile than the tea segment.

## Working capital cycle days like to improve

**Exhibit 12: Working capital cycle**

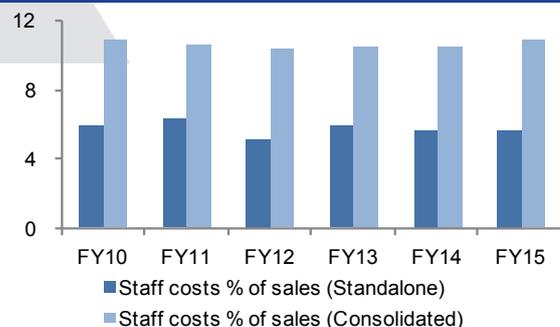


Source: Company, Karvy Research

High inventory expenses are the major costs of working capital cycle. Higher costs of green tea leaf prices and green coffee bean prices led to increase in inventory costs. The present working capital days are around 110 and expected to decrease marginally by FY17E.

## Other key expenses

**Exhibit 13: Staff Costs**

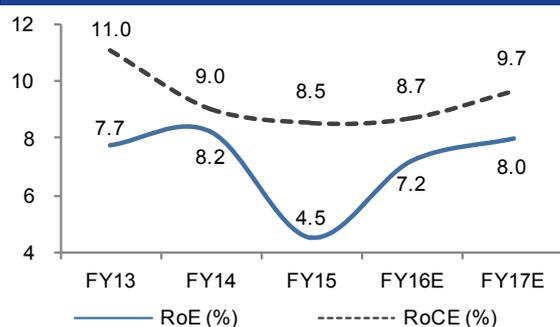


Source: Company, Karvy Research

The employee expenses over the years have grown in line with the revenue growth. However, they have grown more than the revenue growth in the last two fiscal years. The company contributes to pension scheme for its UK subsidiary. Standalone employee expenses as % of revenue are almost half than the consolidated basis.

## Lower RoCE% and RoE%

**Exhibit 14: RoCE% and RoE%**



Source: Company, Karvy Research

Most of the company's revenues over the years are driven by acquisitions of brands across the key geographies. This led to higher goodwill on the books. The capex in the coming years is expected to be in and around the depreciation costs. On few of the brands, management didn't amortized goodwill considering their growth potential. Considering the growth of the business in line with black tea sales growth and expected growth from green tea, the company is expected to improve the operating and profit margins of the business. With this growth, RoCE and RoE are expected to improve.

## Others

### UK:

UK is one of the major markets for TGB with good market share in Black tea. Black tea segment continues to dominate the market with around 80% of sales by volume and 63% by value. De-growth in this sector for the last few years is one of the major reasons for muted performance of TGB over last few years. Retailer consolidation, retailers price promotion strategies and increased competitor intensity along customer transition to Green tea and other specialty teas are the major factors led to de-growth in this sector.

Even in UK, Green tea is witnessing the significant growth on YoY basis. Tetley products under various blends are available in this market.

Growth from Green tea segment and significant growth in few premium products partly compensated the weak growth in this market. Tea Pigs, Tetley Decaf, which regained volume leadership recently are the major premium brands, which are driving the growth of the company. Tetley Super Green Tea is another strong product with four variants to address health benefits and taste issues. With the success of this product, Tetley is introducing four new products to market in the fruit and herbal category considering the strong market opportunity. As on Oct 2015, value growth of fruit and herbal teas is at 10.4 percent YoY with new product development. Tetley's in the green tea category has shown significant growth of 17.3 percent making them the second largest brand in green teas (as on 20/06/15). The new range of Tetley Super Fruits is available in packs of 20, for a retail selling price of £1.59.

For further growth, TGB has increased more investment behind brands by partnering with one of the large retailers to have strong in-store visibility and running impactful communication campaign showcasing 175 year heritage of Tetley. Retailers contribute sizable share of sales in the UK market.

### Canada:

Tetley has leadership position in Specialty Teas. Change in distribution model, increase in promotions along with presence of Indian diaspora led to good growth in Tea sales in the recent past.

In Canada, TGB is market leader in hot tea in value and volume terms with highest loyalty and penetration rates. It has history of successful innovation in Canada market. It has successful Tea pod relationship with Tassimo.

In FY15, in Canada, TGB's new launch in specialty teas called the Tetley Signature Collection to further strengthen Tetley's leadership position in Specialty teas in Canada.

The herbal tea category is currently the fastest growing category in Canada.

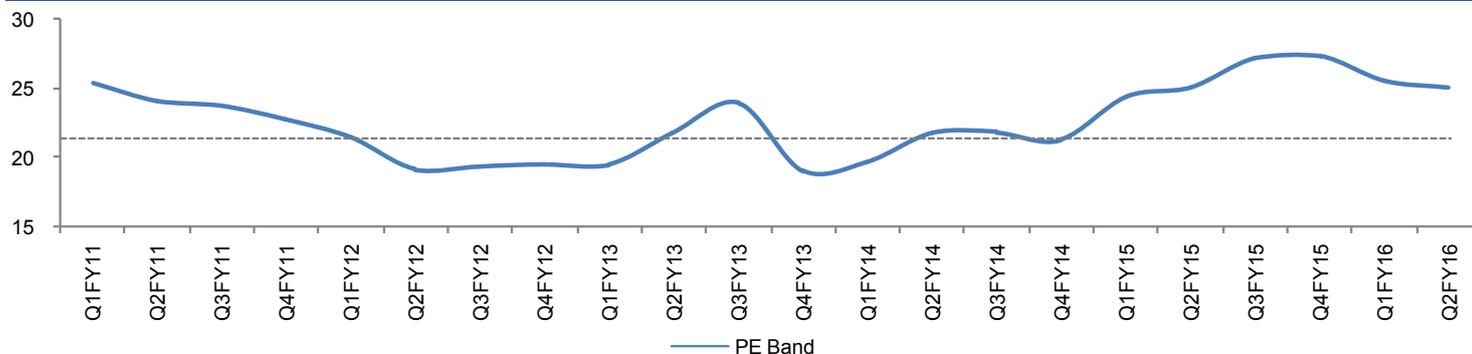
### Exhibit 15: Company Snapshot (Ratings)

	Low				High
	1	2	3	4	5
Quality of Earnings			✓		
Domestic Sales			✓		
Exports			✓		
Net Debt/Equity			✓		
Working Capital Requirement			✓		
Quality of Management				✓	
Depth of Management				✓	
Promoter			✓		
Corporate Governance				✓	

Source: Company, Karvy Research

## Valuation & Outlook

TGB gets 90% of its revenue from branded business. 73.6% of revenue comes from Tea, 25.1% is from Coffee segment and remaining is from Water division. Factoring the expected growth in operating margins, growth in operating cash flow of the business and discounting the listed company-Tata Coffee's share of EPS on consolidated EPS, we assign 5 year average PE multiple of 22.0x to FY17E EPS and give **"BUY"** rating for a target of Rs. 160, representing with an upside potential of 20%.

**Exhibit 16: PE Band**


Source: Bloomberg, Karvy Research

**Exhibit 17 (a): Comparative Valuation Summary**

	CMP (Rs.)	Mcap (Rs. Mn)	EV/EBITDA (x)			P/E (x)			EPS (Rs.)		
			FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E
Tata Global	134	84630	10.6	10.5	9.0	34.0	20.2	17.2	3.9	6.5	7.7
Mcleod Russel	171	18952	18.6	11.2	8.9	60.8*	15.9	10.1	2.8	12.0	18.2

Source: Bloomberg, Karvy Research

**Exhibit 17 (b): Comparative Operational Metrics Summary**

	CAGR % (FY15-17E)			RoE (%)			Price Perf (%)			Net Sales (Rs. Mn)		
	Sales	EBITDA	EPS	FY15	FY16E	FY17E	3m	6m	12m	FY15	FY16E	FY17E
Tata Global	6.6	0.5	39.8	4.5	7.2	8.0	6.9	(3.9)	(14.7)	79934	83244	90866
Mcleod Russel	9.2	44.5	153.1	1.5	6.7	10.6	3.8	(26.9)	(24.5)	16253	18075	19395

Source: Bloomberg, Karvy Research

## Key Risks

- **Currency volatility:** The company earns major foreign revenues in US Dollars, UK Pounds and Canadian Dollars. Any depreciation of these currencies with Rupee could put pressure on the realizations.
- **Volatile Commodity prices:** Any volatility or increase in commodity prices- Green tea leaf, Green coffee bean prices could put pressure on the gross profit margins.
- **Weak growth in Black tea sector:** The sizable revenues come from the Black tea. The weak growth of this segment across the geographies can put pressure on the topline and bottomline growth.

## Financials

### Exhibit 18: Income Statement

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Revenues	73510	77376	79934	83244	90866
Growth (%)	10.4	5.1	3.3	4.1	9.2
Operating Expenses	65825	69857	72185	75375	81891
EBITDA	8545	8337	8448	8576	9689
EBITDA Margin (%)	11.5	10.7	10.5	10.2	10.6
Depreciation & Amortization	1075	1317	1358	1462	1547
Other Income	860	818	700	707	714
EBIT	7494	7046	7117	7114	8143
Interest Expenses	844	865	819	722	625
PBT	6368	7069	4999	6392	7518
Tax	1641	1845	2155	1668	1962
Adjusted PAT	3728	4805	2478	4117	4842
Growth (%)	4.7	28.9	(48.4)	66.1	17.6

Source: Company, Karvy Research

### Exhibit 19: Balance Sheet

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
Cash & Investments	6996	7283	5485	6062	6800
Sundry Debtors	7129	6544	6161	6728	7174
Inventory	13829	15185	16253	16658	17724
Loans & Advances	8137	10261	8918	9645	10271
Others	6597	7437	8071	8241	8344
Net Block	44343	51810	49217	49725	49778
CWIP	905	594	470	0	0
<b>Total Assets</b>	<b>87939</b>	<b>99984</b>	<b>95118</b>	<b>97603</b>	<b>100636</b>
Current Liabilities & Provisions	18035	13919	14159	14712	15269
Debt	10168	14013	12660	11160	9660
Deferred Tax liabilities & LT provisions	3495	4322	4610	4988	5078
<b>Total Liabilities</b>	<b>31698</b>	<b>32255</b>	<b>31428</b>	<b>30860</b>	<b>30007</b>
Shareholders Equity	618	618	618	630	630
Reserves & Surplus	47483	57870	54297	56744	59916
<b>Total Networth</b>	<b>48101</b>	<b>58489</b>	<b>54915</b>	<b>57374</b>	<b>60546</b>
Minority Interest	8139	9241	8762	9369	10083
<b>Total Networth &amp; Liabilities</b>	<b>87939</b>	<b>99984</b>	<b>95118</b>	<b>97603</b>	<b>100636</b>

Source: Company, Karvy Research

**Exhibit 20: Cash Flow Statement**

YE Mar (Rs. Mn)	FY13	FY14	FY15	FY16E	FY17E
PBT	6368	7069	4999	6392	7518
Depreciation	1051	1291	1331	1462	1547
Interest	844	865	819	722	625
Tax Paid	(1570)	(2548)	(1686)	(1534)	(1962)
Inc/dec in Net WC	(3727)	84	(1320)	(1146)	(1586)
Other Income	(662)	(641)	(520)	(707)	(714)
<b>Cash flow from operating activities</b>	<b>1729</b>	<b>4218</b>	<b>4178</b>	<b>5433</b>	<b>5518</b>
Inc/dec in capital expenditure	(1793)	(2037)	(1792)	(1500)	(1600)
Inc/dec in investments	39	0	(725)	0	0
<b>Cash flow from investing activities</b>	<b>160</b>	<b>(1204)</b>	<b>(1748)</b>	<b>(960)</b>	<b>(986)</b>
Inc/dec in borrowings	396	(4219)	(1809)	(1500)	(1500)
Dividend paid	(1756)	(1876)	(1793)	(1670)	(1670)
Interest paid	(807)	(863)	(820)	(722)	(625)
<b>Cash flow from financing activities</b>	<b>1860</b>	<b>(3632)</b>	<b>(3924)</b>	<b>(3891)</b>	<b>(3795)</b>
Net change in cash	3749	(619)	(1494)	582	737

Source: Company, Karvy Research

**Exhibit 20: Key Ratios**

YE Mar	FY13	FY14	FY15	FY16E	FY17E
EBITDA Margin (%)	11.5	10.7	10.5	10.2	10.6
EBIT Margin (%)	10.2	9.1	8.9	8.5	9.0
Net Profit Margin (%)	5.1	6.2	3.1	4.9	5.3
Dividend Payout Ratio (%)	35.7	29.0	57.2	34.4	29.3
Net Debt/Equity (x)	0.1	0.1	0.1	0.1	0.0
RoE (%)	7.7	8.2	4.5	7.2	8.0
RoCE (%)	11.0	9.0	8.5	8.7	9.7

Source: Company, Karvy Research

**Exhibit 21: Valuation Parameters**

YE Mar	FY13	FY14	FY15	FY16E	FY17E
EPS (Rs.)	6.0	7.8	3.9	6.5	7.7
DPS (Rs.)	2.0	2.2	2.3	2.3	2.3
BV (Rs.)	77.8	94.6	88.8	91.1	96.1
PE (x)	24.6	19.3	34.0	20.6	17.5
P/BV (x)	1.9	1.6	1.5	1.5	1.4
EV/EBITDA (x)	11.1	11.9	10.6	10.5	9.0
EV/Sales (x)	1.3	1.3	1.1	1.1	1.0

Source: Company, Karvy Research; \*Represents multiples for FY13, FY14 & FY15 are based on historic market price

Stock Ratings	Absolute Returns
Buy	: > 15%
Hold	: 5-15%
Sell	: <5%

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