Tata Global Beverages Limited

Instrument Details	Amount in Rs Crore	Rating Action
Fund-Based Limits##	400	[ICRA]AA+ (Stable) reaffirmed
Non-Convertible Debenture programme	325	[ICRA]AA+ (Stable) reaffirmed
Short-Term Debt (including CP)	465	[ICRA]A1+ reaffirmed
Non-Fund Based Limits	24	[ICRA]A1+ reaffirmed
Long-Term Debt (including Debenture)	500	[ICRA]AA+ withdrawn

Long term fund based limits can also be utilized as short term fund based limits, wherein the short term rating of [ICRA]A1+ would be applicable

ICRA has reaffirmed the [ICRA]AA+ (pronounced ICRA double A plus) * rating of the Rs 325 crore non-convertible debenture and Rs 400 crore fund-based bank facilities of Tata Global Beverages Limited (TGBL). ICRA has also reaffirmed the A1+ (pronounced ICRA A One plus) rating of the Rs 465 crore short-term debt (including Commercial Paper) programme and Rs Rs 24 crore non-fund based bank limits of TGBL. The Rs 400 crore fund based facilities are interchangeable with short term facilities, for which an A1+ rating is applicable. The outlook on the long term rating is Stable. ICRA has withdrawn the [ICRA]AA+ rating for the Rs 500 crore long term debt (including debenture) of the company, as per the request of the company, as there is no amount outstanding against the same.

The rating reflects the sustained operational and financial performance of TGBL, despite firm bulk tea prices, as illustrated by the volume growth and healthy contribution levels achieved by the company. TGBL continued its dominant position in the domestic branded packet tea market with market leadership position in both volume and value terms during the financial year 2014-15 (FY15). The rating also factors in the high level of financial flexibility that TGBL derives from its conservative gearing and its status as a leading company of the Tata group. The rating, however, also considers the company's margin sensitivity to uptrends in commodity tea prices, moderate level of overall business returns on account of low yield on long term investments (which are primarily holdings in beverage businesses internationally and are strategic in nature) and slower growth in volumes in key developed markets internationally. However, these risks are largely mitigated by TGBL's strong competitive position in the domestic packet tea market, increase in sales of value added portfolio of teas internationally, widening geographical reach and its initiatives at diversifying its product portfolio through a number of non tea beverages. The company has, in the past, entered into strategic joint ventures and ICRA expects these alliances to contribute to TGBL's overall business growth in the medium to long term.

Company Profile

TGBL, one of the leading companies of the Tata group, is the largest company in the domestic packet tea industry. TGBL also has an established presence in various beverages across a number of major markets globally.

During FY15, on a standalone basis, TGBL reported a net profit of Rs 289.00 crore an operating income of Rs 2885.01 crore as against a net profit of Rs 446.97 crore on an operating income of Rs 2,683.36 crore during FY14. However it needs to be noted that net profit in FY14 was supported by higher dividend income from overseas subsidiaries and a one-time exceptional profit of Rs 192.48 crore from sale of a property in Bangalore.

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* For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

For the first quarter ended June 30, 2015 TGBL (standalone) reported a net profit of Rs 67.84 crore on an operating income of Rs 823.15 crore against a net profit of Rs 59.26 crore on an operating income of Rs 726.05 crore in the corresponding previous period.

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