Tata Global Beverages Limited

Instrument Details	Amount In Rs Crore	Rating Action
Long Term Debt (including Non Convertible Debenture)	25	[ICRA]AA+ (Stable) assigned
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 fund based limits can also be utilized as short term fund based limits, wherein the short term rating of [ICRA]A1+ would be applicable; * Total borrowing under CP and fund based facilities from banks to be limited to Rs 715 crore*

ICRA has assigned a [ICRA]AA+ (pronounced ICRA double A plus) [1] rating to the proposed long term debt (including Non Convertible Debenture) of Rs 25 crore of Tata Global Beverages Limited (TGBL). ICRA has also reaffirmed the [ICRA]AA+ rating of the Rs 325 crore non-convertible debenture and Rs 400 crore fund-based bank facilities of TGBL. ICRA has also reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating of the Rs 465 crore short-term debt (including Commercial Paper) programme and 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 [ICRA]A1+ rating is applicable. The outlook on the long term rating is Stable.

The ratings reflect the sustained operational and financial performance of TGBL 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 2015-16 (FY2016). The ratings also factor 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. ICRA notes that TGBL reported gain of Rs 328 crore in FY2016 from sale of investments, primarily in Tata group companies, which has led to a healthy cash and bank balance for the company as at end of March 2016. The company plans to utilise such balances to meet the redemption of the Rs 325 crore NCD, which is due in October 2016. The ratings, however, also consider the company’s margin sensitivity to tea commodity price fluctuations and moderate level of overall business returns on account of low yield on long term strategic investments, primarily in beverage businesses internationally. Also the key developed markets continue to operate under challenging environment resulting in non-cash accounting impairments, mainly relating to goodwill for Eastern Europe and US, being taken in the consolidated financials. However, TGBL continues to hold a strong competitive position in the domestic packet tea market, has increased its sales through value added portfolio of teas internationally, widened its geographical reach and diversified its product portfolio through a number of “good for you” 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 FY2016, on a standalone basis, TGBL reported a net profit of Rs 563.67 crore on an operating income of Rs 3084.29 crore as against a net profit of Rs 289.00 crore on an operating income of Rs 2885.01 crore during FY2015. However it needs to be noted that net profit in FY2016 is supported by profit of Rs 327.8 crore from sale of investments.

For the first quarter ended June 30, 2016 TGBL (standalone) reported a net profit of Rs 73.26 crore on an operating income of Rs 820.08 crore, as against a net profit of Rs 65.44 crore on an operating income of 802.32 crore in the corresponding previous quarter.

September 2016

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

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