



TATA COFFEE LTD. — 11th Aug 2009

STOCK DETAILS

Particulars	Details
BSE Code	532301
CMP (Rs.)	261
Face Value (in Rs.)	Rs. 10
Book Value (in Rs.)	Rs. 162.09
Price/Book Value	1.61x
EPS (FY09)	Rs. 11.3
P/E	23.1x
52 Week High	Rs. 278 (5 th August, 09)
52 Week Low	Rs. 134.2 (13 th March 09)



ABOUT THE BUSINESS

Tata Coffee is world's largest integrated coffee plantation company, with 19 coffee estates in south India

Tata Coffee owns 19 coffee estates located in ideal coffee growing highlands of Southern India, with fertile soils and invigorating climate. Spread over 8037 hectares in Coorg, Chickmagalur 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.

Tata Coffee produces 10,000 mt of natural shade grown Arabica & Robusta coffee

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.

Tata Coffee has capacity to produce 5000 mt. of instant coffee per annum, of which sizeable portion is exported in brands like.

1. Tata Coffee
2. Mysore Gold
3. Malabar-instant coffee brands.

	Installed Capacity		Actual Production	
	FY 2008	FY 2009	FY 2008	FY 2009
Instant Coffee	5000	5000	4966	5219

Area under Cultivation

Last year total cultivated area was 25394 acres. The details of which are given below

Arabica	Robusta	Tea	Cardamom	Pepper	Others	Total
7563	10651	6089	496	472	37	25394



Business outlook-positive

The upcoming results are likely to improve on account of rising prices of Arabica coffee

International Price Trend in Arabica Coffee

Period	(US cents per lb)
2004	80.64
2005	115.22
2006	114.8
2007	123.55
2008	139.78
2009	
January	128.3
February	129.48
March	128.52
April	134.88
May	150.99
June	149.79
July	140.9

Last year consolidated revenue were Rs.1121 cr. with net profit of 21 cr. on 18.7 cr. of equity giving EPS of Rs.11.30



Tata Coffee has invested more than Rs. 140 crs in subsidiary

Name of the Enterprise	Country of Incorporation	Nature of Business	Shareholding/Controlling Interest	Investment at Cost
Alliance Coffee Limited	India	Marketing Instant Coffee Powder	51%	Rs. 0.025 cr.
Consolidated Coffee Inc.	USA	Investment	50.08%	Rs. 140.65 cr
Eight 'O' Clock Coffee Company	USA	Roasted Coffee Beans and R & G powder	50.08%	100 % Subsidiary of Consolidated Coffee

Valuation

The company enjoys a market capitalization of Rs.488 crs which is a meagre 0.43x of FY 09 sales. The low market capitalization/sales clearly reflects the under pricing of this stock, with an upward re-rating very much on cards.

It has free reserves of Rs.305 crs against an equity base of Rs.18.70 crs. A liberal bonus issue could be very much on cards sooner than later.

The Net Block (Fixed Assets) is valued at Rs.1417 crs inclusive of Rs.76 crs valuation (at cost) for 19 Coffee estates and 6 tea estates.

Considering its strong asset base and the low M.Cap/Sales (0.48x), we believe that stock is very much undervalued at the CMP Rs.261/- and therefore recommend a 'Buy' with a price target of Rs.390/- based on P/E 13x of Rs. 26/- (EPS – FY10E) on 12-15 months horizon.

Stock history

In past stock has traded between 20 times its reported earnings hence a conservative EPS target of 26 and P/E of 13x with price target of 390.



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