Analyst Presentation on YTD 15-16 results
February 11, 2016
Agenda

- Financial Highlights
- Operating Performance Review
- Financial Review
- Reiteration of our strategy
Financial Highlights – Operating income

Operating Income

- At prior year fx rates, Operating income would be higher by 3%.
Financial Highlights – Operating Profit

At prior year fx rates, Operating profit would be lower by 18%. 
Operating Performance Review
Operating Performance Highlights – South Asia

- Strong sales growth
- Maintains volume and value leadership across Black & Green Tea.
- Growth in both National and Regional Brands
- Launch of Special blend for Maharashtra – Tata Tea Gold
- Tata Coffee Grand launched in the current quarter. Tata Tea Fusion also launched earlier in the year.
- Significant Growth in Green tea continues with growth over prior year.
  - Digital activation with overwhelming response
- Premium Re-launched earlier in the year.
- Lower commodity prices favourably impacts margins
- Good Performance in Bangladesh
Maintains volume and value leadership

New products listed continues to gain distribution
  o Tetley signature collection
  o Teapigs – gains market-share in the specialty segment.

The National TV/Digital campaign ran in Q3
  o featuring the Signature line
  o with new Jedi Positioning to drive awareness and education on how to use the tea bag
Operating Performance Highlights – CAA – USA/Australia

USA

Coffee net sales flat to previous year despite intense competitive intensity
Incremental sales and revenue on the New Instant coffee/Cans rolled out in Wal-mart stores
Tetley Green Tea reflects modest growth with gains in both volume/value.
Tetley Herbal tea roll-out underway

AUSTRALIA

Tea Business stable.
MAP Business adds to top-line
Operating Performance Highlights – EMEA - UK

UK

❖ Top line marginally lower than previous year – in declining black tea market
❖ Green Tea remains the star sector with continued improvement in Super Green Tea
❖ Good Growth in topline in 3 of the 4 major retailers.
❖ New Jedi TVC on air.
❖ Tetley Super- green awarded the product of the year 2016. Tetley rated as the No 2 FMCG social brand of 2015 in a survey carried out by Neilsen.

TEAPIGS

❖ Teapigs grows in double digits in UK - reflecting growth across most channels
❖ Robust growth in USA.
❖ Launched new varieties such as gift tins, matcha sachet (on the go), bulk matcha (food service) and loose leaf limited edition (for new e commerce) to boost sales in different channels.
Operating Performance Highlights – EMEA – Rest of Europe/Middle East

Rest of Europe and ME

❖ Good execution of launch plans in ME
  ○ TV campaign with online advertising.
  ○ Supported by instore consumer promotion and sampling

❖ France – Robust growth in green and earl grey segments post re-launch
  ○ MAT volume and value shares have grown
  ○ Supported by a short TV advertisement

❖ Improved sales in Portugal due to improved sales of Green teas

❖ Tetley continues to reflect good growth in Poland.

❖ Czech Republic maintains leadership in volume market shares

❖ Russia
  ○ Despite adverse market conditions significant improvements in underlying sales in both tea and coffee
  ○ Distribution remains the key focus
Operating Performance Highlights – Water Vertical/Starbucks

**HIMALAYAN**
- Stable performance by Himalayan with robust topline growth
- Focus to improve profits by managing channel mix.

**TATA GLUCO PLUS**
- Significant growth in Tata Gluco plus – both volume and value
- Restage of the brand with new visual design supported by TVC was well received
- Growth despite increase in selling price
- Launched in markets like Kerala, Karnataka, Maharashtra and Gujarat. Already present in TN and AP.

**STARBUCKS**
- 7 more stores added during the year. Total number of stores at 79
- Steady growth in revenues.
Operating Performance Highlights – Non Branded Business

收受

Good performance by Tata Coffee which reflects increase in Operating Income as well as Operating Profit
  - Improvements in coffee plantation and significant growth in Pepper
  - Improvements in instant coffee business

收受

Tea plantations profitability impacted due to
  - Lower Tea prices
  - Wage revision for employees in some South Indian estates

收受

Instant tea business –
  - Stable performance in business in India and USA
Headwinds

- Higher Competitive intensity mainly in the international markets.
- Timing of sales with major multiples in the international markets.
- Declining Black tea category in the international markets
- Economic conditions in Russia
- Higher commodity costs
  - Tea Auction prices
    - Kenya – Auction price reflects a hardening trend
    - Cochin - Prices remain soft
    - Kolkata – Prices reflect a softening trend
  - Coffee commodity prices higher than prior year
- Volatile currency markets - Adverse impact of currency translations (mainly Roubles, GBP, AUD and CAD partially offset by USD)
FINANCIAL REVIEW
## Financial Highlights

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<th>Particulars</th>
<th>Nine month ending Dec</th>
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### Region wise income from operations

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<th>Nine month ending Dec</th>
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<td>South Asia Brands</td>
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<td>Total Branded Operations</td>
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<td>Non Branded Operations</td>
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<td>Others and Eliminations</td>
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<td>142</td>
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<td>Total Operating Income</td>
<td>6145</td>
<td>6071</td>
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Adverse impact of fx translation on a YTD basis ~ Rs 128 crs for nine months, substantially from EMEA region.
Reiteration of our strategy
Key trends and our strategy

**Key Trends /Opportunities - Consumers**

**TEA**
- Premium tea segments growing
- Increasing disposable incomes
- Growth in new formats
- Retail tea stores + online sales growing
- Health and Wellness
- Emerging market have a dominant play

**COFFEE**
- Cocooning – Café Experiences
- Sensory Fusion – exotic flavours
- Made for me - Customization
  - On the go - portability
  - Health and Wellness

**WATER / FUNCTIONAL WATER**
- Health and wellness
  - CSD declining
  - “Better for you” options
  - Functional/fortified
- Underserviced cohorts
- Status affirmation/life-style

**The Strategy**

- “Maximise current business+ target new high growth opportunities”
- “Fuel existing brand portfolio and drive step change growth opportunities”
- “Upgrade consumers to healthier hydration”
Strategy – Key themes

Innovation overdrive
Focus Areas – functional teas, green teas, new formats (Fusion), premiumisation, e-commerce

Base business rejuvenation
Tetley Global re-launch, Tata Tea Premium re-launch

Whitespace market entries
Middle East, Tata Tea Gold – Maharashtra blend, Tata Coffee Grand
Thank you