



# Tata Tea Group

## HYE, 2006/07

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October 29, 2007

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**TATA TEA**

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**TATA TEA**





# Contents



- **Highlights**
- **Milestones**
- **Consolidated Financials**
- **Tata Tea – Stand Alone**
- **Tetley**
- **Coffee Business**
- **Way Forward**



## Developing a Global Branded Business

### 2006/07

- **Acquisitions**
  - **Jemca**
  - **Eight O' Clock Coffee**
  - **Energy Brands Inc**
  - **Joekels**
  
- **Tata Freeze Dried Coffee**

### Post Year End

- **China Joint Venture**
  
- **Acquisition of Vitax**
  
- **Divestment of Energy Brands Inc. (Glacéau)**
  
- **“Himalaya” Acquisition**
  
- **North India plantations restructuring**

# MILESTONE

According to the AC Nielsen survey, for the first time ever, in the month of June 2007, the company outperformed its nearest competitor with a volume share of 19.2 %, as compared to the competitor's 18.6 %.

Volume share (%)		
Year	Nearest competitor	Tata Tea
2002	26.1	16.3
March 2006	21.5	16.7
March 2007	19.5	18.5
June 2007	18.6	19.2



## Group Highlights – 2006/07



- **Robust operating performance across the Group**
  - **Improved turnover including new acquisitions**
  - **Domestic brand value sales higher by 12%**
  - **Market share improvements in international markets**
  - **Higher investments for growth**
- **Consolidated Results improve**
  - **Income - Rs 4045 crores, up by 29%**
  - **PBT before tax from operations - Rs 528 crores, up by 36%**
  - **PBT post exceptional items - Rs 566 crores, up by 33 %**
  - **PAT at Rs 443 crores – up by 48%**
  - **EPS at Rs 77.46 - up by 46%**





## Tata Tea Ltd Milestones



- **Acquisitions**
  - **Mount Everest Mineral Water Co**
  
- **New Launches**
  
- **North India plantations transfer approval**
  
- **China Joint Venture**
  
- **Tata Coffee Freeze Dried**



# Group Consolidated Financials



## Consolidation Group Companies



<b>Nature of Holding</b>	<b>Company</b>	<b>Ownership % Directly or through a subsidiary</b>
<b>Subsidiary Companies</b>	<b>Tata Tea (GB) Ltd,UK</b>	<b>77.78</b>
	<b>Tata Coffee Ltd, India</b>	<b>57.48</b>
	<b>Tata Tea Inc, USA</b>	<b>100.00</b>
	<b>Eight O Clock Coffee Co</b>	<b>62.00</b>
	<b>Mount Everest Mineral Water</b>	<b>24.00</b>
<b>Associate Companies</b>	<b>Estate Management Services Ltd, Sri Lanka</b>	<b>49.00</b>
	<b>Rallis India,Ltd</b>	<b>24.52</b>

# Group Financial Performance Overview

Rs Crores

Details	For The Year	
	Actuals	PY
Turnover	4045	3124
EBIT	635	487
Investment Income	58	27
Interest on borrowings for Acquisitions	166	6
Exchange Gain on restatement of Loan	35	0
PBT before exceptionals	455	411
Exceptional Items	110	7
Profit before tax	566	418
Profit after tax before Associates / MI	458	301
Share of Profit in Associates	18	12
Consolidated Group PAT	443	299
EBIT Margin %	15.7%	15.6%

- **Turnover:** Higher by Rs 921 crores (29%) of which Rs 558 crores (61%) is on account of new acquisitions (Jemca , Good Earth & Eight O Clock Coffee). Rest include increased brand volumes in Tata Tea Ltd, favourable exchange rate in TTGB and higher instant coffee exports in Tata Coffee
- **EBIT Margin :** Marginally higher by at 15.7% versus 15.6% in the previous year due to increased prices partly offset by higher commodity input price and investments in growth
- **Exceptional Items:** Income of Rs 110 crores on account of sale of investments in TTL ( Rs 134 cr), curtailment gain in TTL (Rs 8 crores) and sale of property in TCL (Rs 4 cr), partly offset by ESS amortization (Rs 10 crores), Amortization of issue costs on loan (Rs 12 crores) and reorganization expenses (Rs 14 crores) in TTGB
- **Profits**
  - EBIT higher by Rs 148 crores higher by 31 % ( 11% excluding acquisitions and non-recurring items)
  - PBT before exceptional items – increases by Rs 44 crores (11%) despite interest on borrowing for acquisitions
  - Higher exceptional items as explained above
  - Resultant PBT higher by Rs 157 crores– Up 52%
  - PAT higher by Rs 144 crores – Up 48%

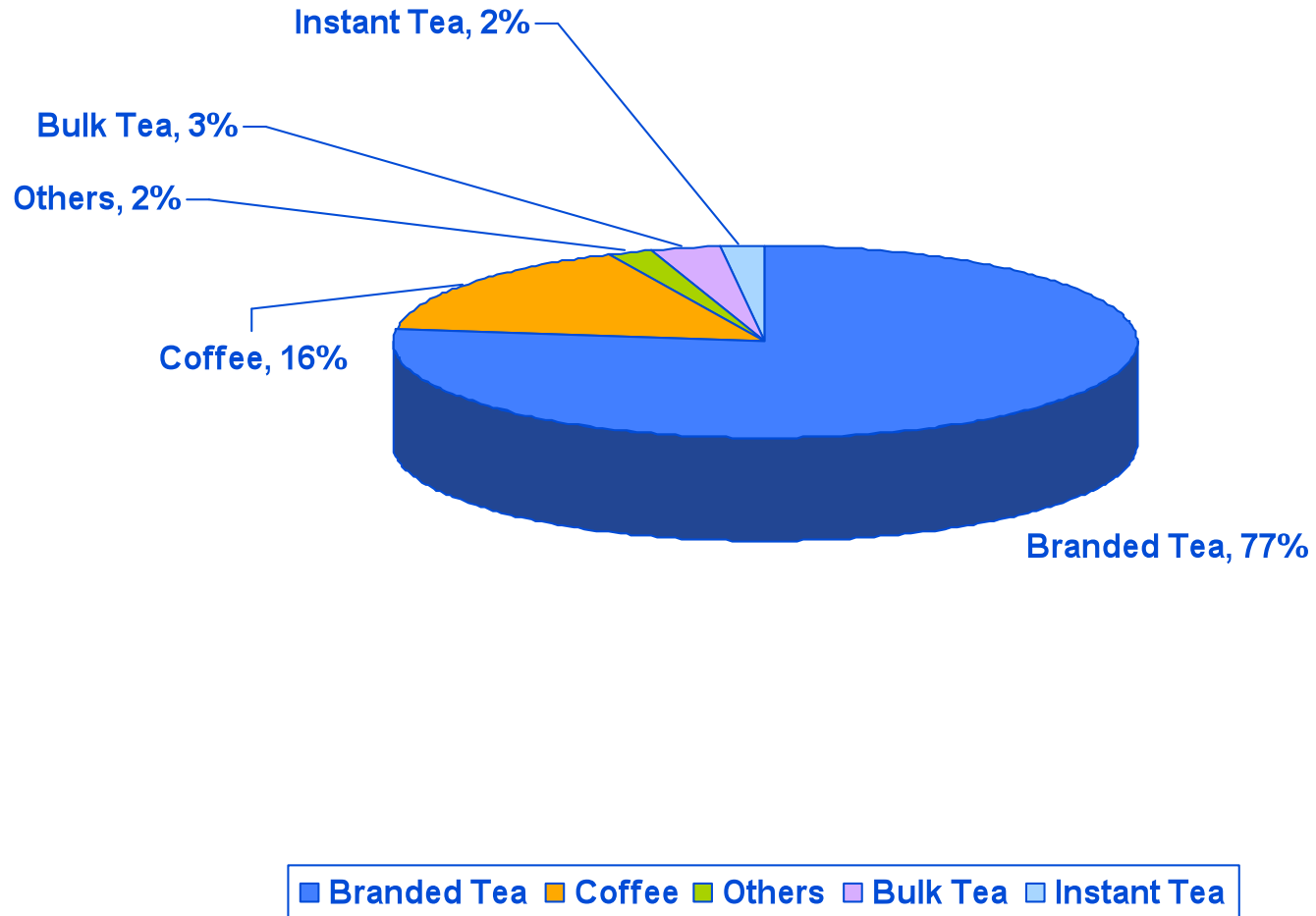
## Geography Wise Sales

Rs Crores

March 2007	For the Year			
	Actuals CY	%	PY	%
GB	1327	33%	1194	38%
India	1013	25%	892	29%
USA / Canada	1175	29%	612	20%
Rest of the World	530	13%	426	14%
<b>Total</b>	<b>4045</b>		<b>3124</b>	

- **Increased proportion of business shares in US/Canada due to acquisition of Eight O Clock Coffee**

# Product Mix





**Tata Tea Ltd**

**Stand Alone Performance  
2006/07**





# Tata Tea Ltd

## Stand Alone - Highlights

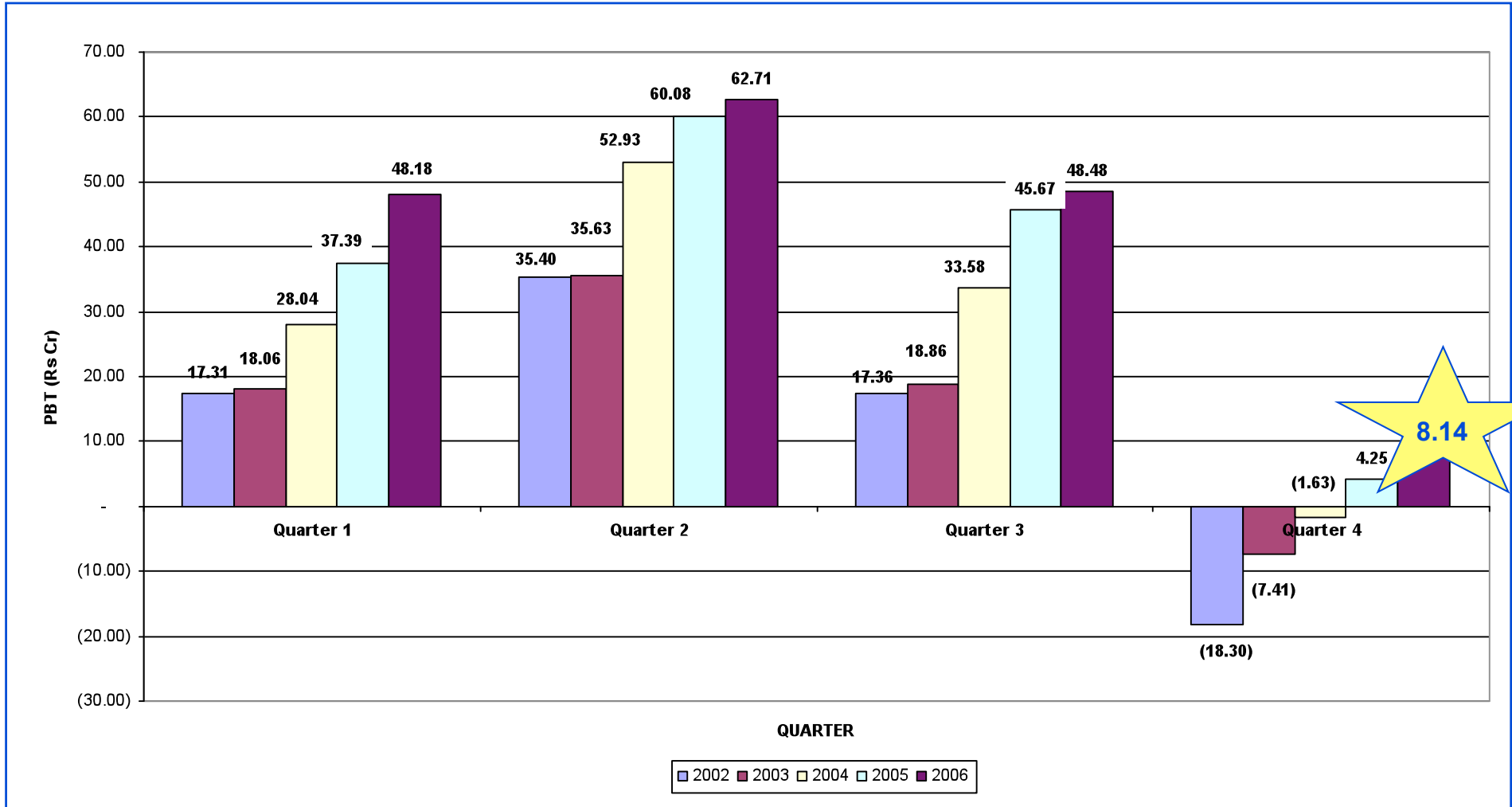


- **Strong performance**
  - Improved income from operations reflecting higher brand sales, and improved auction realizations
  - Domestic brand sales- higher volumes by 9%; value by 12%
  - Higher dividend from long term investments
- **Stand Alone Results improve by**
  - Income from Operations - Rs 1070 crores, up by 9% despite major SI plantations exit
  - PBT from operations - Rs 168 crores, up 14%
  - PBT post exceptional items - Rs 350 crores, up by 52 %
  - PAT at Rs 307 crores - up by 64%
  - EPS at Rs 53.56 - up by 61%



# Tata Tea Ltd

## 16 quarters of continuous Operating Profit Growth Quarter on Quarter





# Tata Tea Ltd

## Company Financial Review



Rs in Crores

Details	Quarter 4			Year To Date		
	2006/07	2005/06	Increase %	2006/07	2005/06	Increase %
Operating Income	251	219	15%	1070	982	9

- Total Income for the year ended March, 2007 at Rs 1070 crores is 9% higher than the previous year's figure of Rs 982 crores despite major SI plantations exit.
  - Domestic brand sales- higher volumes by 9%; value by 12%
  - Higher auction realizations



# Tata Tea Ltd

## Company Financial Review



Rs in Crores

Details	Quarter 4			Year To Date		
	2006/07	2005/06	Increase %	2006/07	2005/06	Increase %
Expenditure	236	208	(13)%	873	806	(8)%
PBIT	10	6	73%	179	156	14%
Interest	2	2	(26)%	12	9	(30)%
Operating PBT	8	4	91%	168	147	14%

### Expenditure

- **Material Consumption** :Increase reflects higher volume sales and upward movement of blend costs
- **Staff Costs** :New Accounting Standard/salary increases
- **Other Expenses**: Increase mainly due to variable costs/Advertisement exp

### Interest

- **Average cost of debt** remains at 6% p.a. despite increasing market conditions

### Operating Margin (EBITDA)

- **Higher by 3%** at 18.5% versus 17.9% in the previous year driven by higher brand volumes and plantation reconstruct



# Tata Tea Ltd

## Company Financial Review



Rs in Crores

Details	Quarter 4			Year To Date		
	Actual	Variance	%	Actual	Variance	%
Operating PBT	8	4	91%	168	147	14%
Investment Income	8	24	-	76	58	31%
Interest on Acquisition	(14)	-	-	(27)	-	-
Exceptional Items	6	(2)	-	133	25	-
Tax	(4)	(7)	-	43	44	-
PAT	4	19	-	307	187	64%

### Investment Income

- Investment Income increase due to increased dividends from long term investments and higher returns from current investments

### Exceptional Items

- Profit on sale of trade investments at Rs 133.78 crores and curtailment gain of Rs 8.18 cr partly offset by Amortisation of ESS Rs 8.78 crores and bridge loan interest for acquisition Rs 26.68 cr (PY included sale of SIPO estates in South India to KDHP & TCL partly offset by ESS amortization and provision for commercial taxes– Rs 25.16 crores)
- Lower effective tax rate due to tax free nature of exceptional items & investment income



## Growing in ..... India



- **Tata Tea Premium:**
  - **High Growth despite increase in price to trade**
  
- **Tata Tea Agni: Impressive gains post price reduction in September, 2007**
  
- **Tata Tea Gold:**
  - **Double digit growth over PY despite price increase - through new thematic communication**
  - **Tata Tea Gold Single Original Teas – Darjeeling, Assam, Ceylon, Nilgiri**
  
- **Launch of Tata Tea Life**
  
- **Tetley: Continued good response to regular and flavoured tea bags**



## Growing in ..... India



- **Chakra Gold growth y-o-y– through consumer packs, consistent thematic media & merchandizing support and initiative in value packs**
- **Kanan Devan: Higher than PY through the new variant and ground level merchandising activity**
- **Gemini sales higher through initiatives in rural markets and consumer promotions**





## North India Plantation Status



- **Scheme of arrangement and reconstruction for transfer of NI plantations business to APPL approved by shareholders u/s 391 & 394 of Co Act**
- **Transfer will be effective on receipt of final approval of the High Court and completion of related formalities**
- **Approved date for transfer April 1,2007**



## China JV Status



- **TTL signs a JV contract with Zhijiang Tea Co, China - to manufacture polyphenols and instant tea extracts**
- **TTL will hold 70% stake**
- **Products to cater to beverage and nutraceutical industries**
- **Facility to be operative within the next 12 months**



**The Tetley Group**  
**Performance Review**  
**2006/07**



# Tata Tea GB Ltd Company Financial Review



Rs in Crores

Details	Quarter 2			Year To Date		
	2007/08	2006/07	Increase %	2007/08	2006/07	Increase %
Operating Income	553	542	2%	1066	1040	2%

- Top line growth in core markets like UK, Canada & France
- Market share leadership maintained in UK & Canada
- Acquisitions contribute to growth viz. Vitax and Joekkels
- Developing markets like Pakistan demonstrate buoyant sales
- Exchange translation has an adverse impact depressing the growth in Rupee terms



## Branded Tea - Market Shares (12 months MAT)



Geography	Volume %		Value %	
	Sep '07	Change	Sep '07	Change
<b>GB</b>	<b>29.2</b>	<b>+1.0</b>	<b>26.1</b>	<b>-0.4</b>
<b>Australia</b>	<b>19.6</b>	<b>-1.5</b>	<b>13.4</b>	<b>-7.9</b>
<b>Canada</b>	<b>41.4</b>	<b>+1.8</b>	<b>37.3</b>	<b>+1.5</b>
<b>France</b>	<b>10.9</b>	<b>+0.5</b>	<b>10.3</b>	<b>+0.5</b>
<b>USA</b>	<b>7.7</b>	<b>+0.2</b>	<b>5.5</b>	<b>-0.1</b>

(Source A.C.Nielson)



# Tata Tea GB LTD Performance Review



Rs in Crores

Details	Quarter 2			Year To Date		
	2007/08	2006/07	Increase %	2007/08	2006/07	Increase %
EBIT	74	56	31%	121	134	(10%)

- Strong performance during the second quarter- recoups lag of the first quarter.
- Strong performance driven by a variety of matrix viz. volumes, price increases in select markets, lower tea costs etc
- Promotional costs are up driven by volumes as well as increased activity.



# Tata Tea GB Ltd

## Financial Performance -PAT



Rs in Crores

Details	Quarter 2			Year To Date		
	2007/08	2006/07	Increase %	2007/08	2006/07	Increase %
Operating PBT	48	32	47%	68	88	(22%)
Interest on acquisitions	9	4	-	47	8	-
Exchange Gain on Loan	(9)	-	-	(22)	-	-
Exceptional Items	11	1	-	15	1	-
Share of associate		-		3	-	-
Tax	11	8	-	3	25	-
<b>PAT</b>	<b>26</b>	<b>19</b>	<b>37%</b>	<b>22</b>	<b>54</b>	<b>(60%)</b>

- PAT for the quarter shows an improvement of 37% vs the previous period, reversing the first quarter trend.
- Interest on acquisitions relate to EBI, Good Earth, Jemca and Joekels. EBI stake has since been sold yielding significant profits.
- Exceptionals include restructuring / one time costs, in supply chain functions and in markets like Poland, Russia etc.





## Update on acquisitions



- **Vitax- Delivers growth in the Polish market**
- **Jemca: Begins to settle down. In line with expectations.**
- **Good Earth: stable vis-à-vis previous year**
- **Joekels: Great base for South African strategy**



# **Tata Coffee**

## **Performance Review**

**2006/07**

# Tata Coffee – Consolidated

Rs Crores

Details	For The Year	
	Actuals	PY
Turnover	750	189
Operating EBIT	100	29
Operating Interest	10	4
Operating PBT	90	25

- Improved turnover reflects growth on acquisition
- Consolidated Results improve by
  - Income - Rs 750 crores, up by 293%
  - PBT - Rs 44 crores - up 67%
  - PAT (before minority interest) at Rs 36 crores – up by 59%
  - PAT (after minority interest) at Rs 28 crores – up by 27%
  - EPS at Rs 19.56 - up by 15%



## EOC Acquisition

- **Performance of EOC is in line with projections**
- **During FY 2006, Folgers & EOC are the fastest growing brands among the top 10 competitors**
- **EOC retained its position as 3rd largest brand after Folgers and Maxwell House. The market share increased from 4.2% to 4.5% during the calendar year 2006**
- **EOC could successfully pass on the increase in coffee cost in Jan '07.**



## Strategy & Future Outlook

**Drivers for accelerated growth  
....building portfolios through co-creation**

- **High value specialty and green teas**
- **RTD/Beverages**
- **Coffee portfolio**
- **Water**
- **New products**
- **Geographies**

**Drivers for accelerated growth  
....building capabilities through co-creation**

- **Environment**
- **Employees**
- **Customers**
- **Channel Partners & suppliers**
- **Regulatory Authorities**
- **Shareholders**

**Q & A**