



# **Tata Tea Ltd Analysts Meet**

## **Q2 - 2008/09**

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October 27, 2008



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## Quarter Happenings

Event	Impact
❖Progress on integration	❖Consumer facing and globally integrated organisation
<b>❖Consumer/ Product solutions</b> <ul style="list-style-type: none"><li>▪Red Tea and Iced Tea in Canada</li><li>▪Launch of 'Himalayan' in metros</li><li>▪Good Earth Organic Coffee</li><li>▪Jaago Re one billion vote initiative</li></ul>	<ul style="list-style-type: none"><li>▪Widening category</li><li>▪Improved consumer reach</li><li>▪Enhancing brand opportunities</li><li>▪Improving consumer connect</li></ul>
<b>❖External Environment</b> <ul style="list-style-type: none"><li>▪Tea and Coffee cost increase</li><li>▪Sterling weakness</li></ul>	<ul style="list-style-type: none"><li>▪Partial recovery through prices</li><li>▪Benefits on the \$ cash portfolio</li><li>▪Impact on tea imports</li><li>▪Benefits on sales and cash flows from external geographies</li></ul>



## Group Companies

Nature of Holding	Company	Ownership % Directly or through a subsidiary
Subsidiary Companies	Tata Tea (GB) Ltd,UK	78.79
	Tata Coffee Ltd, India	57.48
	Tata Tea Inc, USA	100.00
	Eight O Clock Coffee Co	62.00
	Mount Everest Mineral Water Ltd	34.28
	Zhejiang Tata Tea Extraction Company Ltd	70.00
Associate Companies	Rallis India Ltd	24.52
	Amalgamated Plantations Private Ltd	49.00
	* Estate Management Services Ltd, Sri Lanka	49.00

\* Not considered



## Group Highlights –Q2

- **Robust operating performance across the Group**
  - **Improved Income from Operations** driven by higher branded tea & coffee sales.
  - **Domestic brand volume sales higher**
  - **Improved brand sales in most key markets**
  
- **Financial Highlights**
  - **Operating Income** - Rs 1206 crores, up by 14%
  - **PBT** at Rs 333 crores – higher by 239%
  - **Record EPS** at Rs 31.65 per share for the quarter – higher by 141%



# Tata Tea Ltd

## Group Financial Review

Rs in Crores

Q2			Half Year	
2008/9	2007/8		2008/9	2007/8
1206	1061	Total Operating Income	2341	2072

- Total Operating Income for the Quarter
  - Rs 1206 crores is 14 % (Fx 6%) higher than the previous year's figure of Rs 1061 crores.
  - Growth against PY attributable to:
    - Improved branded tea sales in most key markets – India, Canada, Europe and USA.
    - Higher branded coffee sales in the USA



# Tata Tea Ltd

## Group Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
128	144	Operating EBIT	259	281
22	20	Investment Income	29	29
(15)	(63)	Interest	(26)	(155)
135	101	PBT prior to Exceptionals	262	155

- Operating EBIT for the quarter lower by 11% due to hardening commodity costs, A&P support for existing brand portfolio/new initiatives.
- Aggregate interest for the quarter lower due to reduction in debt and improved interest income.
- Significant exchange gain in the current period due to impact of weak sterling on dollar deposits held by TTGBI.
- Resultant PBT prior to exceptionals for the quarter higher by 34% over PY



# Tata Tea Ltd

## Group Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
135	101	PBT prior to Exceptionals	262	155
204	10	Exchange Gain on restatement	204	22
(6)	(13)	Exceptionals	(5)	(17)
333	98	Profit Before Tax	461	160
(103)	(30)	Tax	(147)	(43)
230	68	PAT	314	117

- PBT higher by 239% compared to PY
- Exceptionals for the current quarter includes reorganisation costs, and amortisation of ESS partly offset by profit on sale of shares.
- PAT at Rs 230 crores higher by 237%



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

Geography	Volume %		Value %	
	Sep '08	Change	Sep '08	Change
GB	29.7	-0.1	25.9	-0.2
Australia	18.4	-1.0	12.1	-1.2
Canada	41.1	+0.1	36.6	+0.2
France	9.4	+0.6	9.2	+0.3
USA -Tea	7.3	-0.4	5.3	-0.2
USA- Coffee	4.6	+0.2	4.5	0.0
India	20.8	+2.1	21.0	+1.9

(Source A.C.Nielson)



## Geography Wise Sales

Rs in Crores

Actuals		P Y			Actuals		P Y	
Q2 Sept 08	%	Q2 Sept 07	%	Items	Sept 08	%	Sept 07	%
				<u>Branded Geography</u>				
360	30%	306	29%	America	679	29%	602	29%
385	32%	372	35%	Europe	769	33%	713	34%
361	30%	307	29%	Asia	696	30%	610	29%
-23	-2%	-25	-2%	Elimination	-40	-2%	-41	-2%
1083	90%	960	90%	Total Geography	2104	90%	1884	91%
126	10%	103	10%	<u>B2B</u>	239	10%	189	9%
126	10%	103	10%	Total B2B	239	10%	189	9%
-3	0%	-1	0%	Elimination	-2	0%	-1	0%
1206	100%	1061	100%	TOTAL	2341	100%	2072	100%



## Segment wise Sales

Rs in Crores

Actuals		P Y		Turnover	Actuals		P Y	
Q2 Sept 08	%	Q2 Sept 07	%	Items	Sept 08	%	Sept 07	%
				<b>Brands</b>				
880	73%	799	75%	Tea	1718	73%	1563	75%
197	16%	161	15%	Coffee	373	16%	321	15%
6	0%	0	0%	Water	13	1%	0	0%
<b>1083</b>	<b>90%</b>	<b>960</b>	<b>90%</b>	<b>Total Brands</b>	<b>2104</b>	<b>90%</b>	<b>1884</b>	<b>91%</b>
				<b>B2B</b>				
22	2%	20	2%	Instant Tea	45	2%	44	2%
50	4%	41	4%	Instant Coffee	89	4%	62	3%
48	4%	36	3%	Plantations	96	4%	74	4%
6	0%	6	1%	Others	9	0%	9	0%
<b>126</b>	<b>10%</b>	<b>103</b>	<b>10%</b>	<b>Total B2B</b>	<b>239</b>	<b>10%</b>	<b>189</b>	<b>9%</b>
-3	0%	-1	0%	Elimination	-2	0%	-1	0%
<b>1206</b>	<b>100%</b>	<b>1061</b>	<b>100%</b>	<b>Total</b>	<b>2341</b>	<b>100%</b>	<b>2072</b>	<b>100%</b>



## **Tata Tea Ltd**

### **Stand Alone - Highlights**

- **Strong operating performance**
  - **Improved income from operations by 15% reflecting higher brand sales.**
  - **Growth in all domestic mainline brand sales**
  - **Margin impacted by hardening commodity costs**
- **Financial Highlights**
  - **PBT before exceptionals - Rs 57 crores, up 13%**
  - **PBT post exceptional items - Rs 60 crores, up by 24%**
  - **PAT at Rs 43 crores - up by 19%**
  - **Weighted average EPS at Rs 7.08 –higher by 19%**



## **India Brands Performance to-date**

**Portfolio performs strongly- market leader in volume share**

- **Tata Tea Premium, Tata Tea Agni and Tata Tea Gold demonstrates healthy growth**
  - **Impressive gains in volumes post Jaago Re campaign**
  - **Strong growth over PY despite price increase**
- **Regional Brands continue to perform strongly**
  - **Chakra Gold growth due to restaging of brand - new packaging, communication and ground level support.**
  - **Kanan Devan: Higher volumes driven by new theme communication and strong merchandising initiative.**
  - **Gemini sales higher through initiatives in rural markets and consumer promotions**



# Tata Tea Ltd

## Company Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
324	284	Operating Income	639	564

- Total Income for the quarter at Rs 324 crores is 14% higher than the previous year's figure of Rs 284 crores.
- Strong domestic brand performance with price increases
  - Volume Growth 8% for the quarter
  - Value growth 19% for the quarter



# Tata Tea Ltd

## Company Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
21	32	Operating EBIT	73	84
46	29	Investment Income	58	43
(10)	(10)	Interest	(17)	(21)
57	51	PBT prior to Exceptionals	114	106

- EBIT for the quarter lower due to
  - **Material Consumption** :Increase reflects higher volume sales coupled with hardening of commodity costs
  - **Other Expenses**: Increase mainly due to inflationary impact of costs
- Investment income for the quarter higher due to receipt of dividend from Group Companies including The Tetley Group.
- Resultant PBT before exceptional higher by 13%



# Tata Tea Ltd

## Company Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
57	51	PBT prior to Exceptionals	114	106
3	(2)	Exceptionals	1	(1)
60	49	Profit Before Tax	115	105
(17)	(12)	Tax	(34)	(27)
43	37	PAT	81	78

- Exceptionals for the quarter include sale of shares net of ESS amortisation
- Higher tax incidence for the quarter on account of higher proportion of exempted income during the last period.
- Resultant PAT increases by 19%



# Tata Tea GB Ltd

## Company Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
593	554	Operating Income	1151	1067

- For the quarter sales up by 7%. In underlying GBP terms sales improvement is 6%.
- Top line growth in most core markets
- Record shares continue in Canada and UK.



## Tata Tea GB LTD Company Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
74	75	Operating EBIT	128	121
11	(36)	Interest	22	(100)
85	39	PBT prior to Exceptionals	150	21

- For the quarter, fall in EBIT by 1% has been mainly impacted by higher spends on A&P and new initiatives .
- Advertising higher than prior year due to increased media activity and promotional support for new launches.
- Higher net interest income for the quarter mainly because of
  - Cash surplus generated from EBI sale
  - Lower level of outstanding debt coupled with lower margins
- Resultantly, PBT before exceptionals for the quarter higher by 118%



# Tata Tea GB Ltd

## Company Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
85	39	PBT prior to Exceptionals	150	21
205	10	Exchange Gain	205	22
(9)	(11)	Exceptionals	(6)	(16)
281	38	Profit Before Tax	349	28
(77)	(11)	Tax	(98)	(3)
204	27	PAT	251	25

- Exchange gain represents valuation gain on deposits due to strengthening on dollars as compared to GBP
- Exceptional expenses for the quarter mainly consists of re-organisation costs
- PAT for the quarter at Rs 204 crores increases by 655%



## Consolidated Tata Coffee Ltd Company Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
298	240	Operating Income	561	462

- Operating income for the quarter increases by 24%
- Stand alone Tata Coffee operating income at Rs 102 crores improved by 26% due to improved commodity price realisation
- Branded Coffee performance in US for the quarter at Rs 196 crores is 23% higher than the same period in the PY.



## Consolidated Tata Coffee Ltd Company Financial Review

Rs in Crores

Q2			Half Year	
2008/09	2007/08		2008/09	2007/08
41	35	Operating EBIT	70	67
1	1	Investment Income	2	2
(16)	(19)	Interest	(32)	(37)
26	17	PBT	40	32
(9)	(5)	Tax	(13)	(12)
17	12	PAT	27	20

- Operating EBIT for the quarter higher due to improved realisations.
- Increased investments behind new variants- 'Good Earth' Coffee
- Annualised Interest reduced on account of restructuring of loans.
- Resultantly, PAT higher by 41%



## Mount Everest Mineral Water Ltd Company Financial Review

Rs in Crores

Q2		Half Year
2008/09		2008/09
6	Operating Income	13
(11)	Operating EBIT	(16)
1	Investment Income	2
(10)	PBT	(14)

- New launches and distribution infrastructure costs to meet aggressive growth plans
- Initiatives to increase retail presence in metros across India.



## Future Outlook – Integrated Beverage Company

- **Building** strong beverage brands **for sustainability**.
- **Addressing** new emerging opportunities **arising from** changes in lifestyle **through** innovative products
- Increasing share of business **from value added** high margin products **like specialty, fruit and herbal teas**.
- Enhancing global footprint **through** strategic acquisitions **which provide access to key customer segments and geographies**.
- **Restructure** to operate as a single integrated organisation



### Economic Times Brand Equity Survey

- No 2 Most Trusted Beverage Brand
- No 15 most Trusted Brands (All Catagories)

# THANK YOU

A REFRESHED WORLD. MORE REFRESHING OPTIONS.

There will never be a point when the world reaches satiation. Even as our line of products and innovations expand to meet the requirements of a thirsty world, there is really no end in sight. Enhancing portfolios begets greater thirst as expectations and global standards accordingly rise. And so the cycle of thirst and refreshment continues.

For us at Tata Tea, this means that our future prospects look as rejuvenating as our products. We are a top contending player in the tea sector in India today. And our global expansion and new businesses have been a further boost to our worldwide consolidation. Engaging with the customer will continue to be our key strategy and will pave the way for future market successes.

Rest assured, there will be more smiles and a better start to each day across countries the world over.



**TATA TEA**

A THIRSTY WORLD  
REFRESHING OPTIONS





**TATA** COFFEE



**Himalayan**  
The natural mineral water



**TATA TEA**



**Tetley**

