

TATA GLOBAL BEVERAGES

“Tata Global Beverages Limited
Q3 FY2020 Earnings Conference Call”

February 04, 2020

TATA GLOBAL BEVERAGES



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Moderator: Ladies and gentlemen, good day, and welcome to the Tata Global Beverages Limited Q3 FY2020 Earnings Conference Call, hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you, Sir!

Manoj Menon: Hi, everyone. Good evening. Welcome to the 3Q FY2020 Results Conference Call of Tata Global Beverages Limited. The management is represented by Mr. Ajoy Misra, Managing Director and CEO; Mr. L. Krishna Kumar, Executive Director and Group CFO; and Mr. Rakesh Sony, Global Head of Strategy and M&A. Now over to the management for the call!

Ajoy Kumar Misra: Thank you, and good evening from Mumbai. This is the investor presentation for the third quarter ended December 2019. I start with the usual disclaimer, which all of you are familiar with, and coming on to the executive summary. Consolidated revenues of the company grew by 3% to Rs.1962 Crores and by 4% YTD with overall volume growth of 5% in quarter 3 and 6% for year-to-date.

Consolidated EBITDA grew by 23% in quarter 3 and by 14% YTD, both over the last year.

Consolidated net profit is higher by 25% in Q3 and 30% if you exclude one-off items on a YTD basis.

The good news, again, continues that the India branded business grew by 7% in Q3 and 8% YTD in volume terms.

Our subsidiary, which is a B2B business, Tata Coffee, including the Vietnam operations, grew 25% in Q3 and 24% for YTD.

Another important announcement at this point, as you all may have heard and read about the fact, that we have a new MD and CEO, who will join us effective April 4, Sunil D’souza. Also that the Tata Global Beverages and Tata Consumer Products business of Tata Chemicals merger is in final stages and the effective date will be announced shortly. As part of our ongoing restructuring of the

portfolio, we also announced that we have completed the sale of our Czech business in the Czech Republic to Dr. Muller Pharma, and this deal was concluded and completed in Jan of this year.

Coming to the market context. You all know the FMCG growth story. So on Slide #6, you can see the slowdown in the FMCG growth, as a backdrop against which we should be seeing our results, where we have done better than category in India.

The exchange rates slide is also there in terms of movement between USD and INR and GB pounds versus INR because these are the ones that have a material impact for us. Commodity costs have been benign in both India as well as outside, in Africa from where our Tetley Teas are sourced. Also Arabica has been soft, so has Robusta.

At a glance, if you look at performance of our various key businesses, I am on Slide 8 of the uploaded presentation. There has been an India business revenue growth of 6%, volume growth of 7%. US Coffee, we had pressure on revenue and volume in the quarter. Similarly, our other international businesses, which are U.K., Canada and others, have also had pressure on topline and volume in the quarter. Tata Coffee, as I mentioned earlier, has done well compared to the previous year, and, therefore, in consolidation, we have a revenue growth of 3% and in underlying terms 4% and an overall volume growth of 5%. So that is performance at a glance.

In terms of the quarter ended December, some highlights of specific markets. India, I already mentioned the growth percentages, the national brands are gaining market share, which is good news for the India Tea business, and Tata Tea Agni and Tata Tea Spice Mix continues the growth in high double digits.

You may all recall that we had acquired Dhunseri brand called Lal Ghoda, also Kala Ghoda, but that is a very small part, it is mainly Lal Ghoda. Happy to report that the integration of this business, along with our people was in Rajasthan is moving well and delivering as per our plans and KPIs.

In other updates, Tata Tea Premium, which is our main brand and the largest brand in our portfolio, has kick started its very specific hyper local way of being restaged with a Desh Ki Chai campaign, and we have launched multi-regional marketing across specific states of Delhi, UP, Punjab and Haryana with campaigns which are very tailor-made blends, which are specific for these states.

And if you look at the packs, they are all very evocative/e of the regions, and it evokes a sense of pride for consumption of these campaigns, and all these campaigns are available on YouTube, and some of you may have already seen it.

Early reports are where this is actually helping the restage of Tata Tea Premium in the key markets **(audio cut) 7.40**.

I was just winding down from the India story, and I was about to say that we have launched our seventh Tata Cha outlet at the Cunningham Road in Bangalore. So that is the update on the India story.

In U.K., revenue YTD is almost flat. There is a slight gain in market share in Tetley, both in volume as well as value. So that is a good YTD story in terms of share, and the new equity campaign has been played out in the U.K. It is the campaign, which is now we are talking. It is a very unique campaign and people sit up and take notice, and therefore, our brand equity scores are going up consequently.

In the U.S., I mentioned about the strain on volume growth. However, we are doing quite a few innovative launches to build brand equity, both in tea brands of Tetley as well as Good Earth, as well as under the Eight O'Clock Coffee brand, we have launched a range of Barista blends. I am on Slide 12. These are creating new excitement in the category for us, and hopefully, going forward, we would be arresting the trajectory of our coffee branded business in the U.S.

Canada continues to be a very strong story for us, both in terms of revenue growth and market shares, volume and value, and there has been a very successful launch of Tetley Super Teas in Canada and has been awarded the 2019 Best New Product by Spark International. So, again, good new news in Canada keeps us as the #1 strong brand that is Tetley in Canada.

Tata Coffee topline, I spoke about, grew 25%, driven mainly by Vietnam operation sales. Domestic instant coffee volumes are impressive, and profitability has improved, and we also have launched all the coffee bungalows on our estate have joined Ama Trails with Taj Hotels, signing a management contract with Tata Coffee.

Coming to our JVs, strong performance in Tata Starbucks, 28 new stores have opened till date. Vadodara is a new city that has come on board. There has been a

strong focus on social media, and loyalty programs continue to drive customer engagement and sales. Our program of Food 3.0 continues to perform and contribute very well. There is a Barista Pride campaign, which has been introduced with a unique campaign, where 174 stores across India serve a specially curated beverage, and as for our gender equality and gender diversity, we are far ahead of anyone else, and we are moving on the path that we had laid out for us to be exceptional employers.

In terms of some of the recent stores, we have opened a Bangalore International Airport store. We have opened a new store on the Mumbai-Nasik highway. Vadodara, I spoke about.

Coming to Slide #16; NourishCo, we have been under some pressure in NourishCo on volumes and revenue in this quarter, while Himalayan and Tata Water Plus have done well. In Tata Gluco Plus, we had some production constraints, which hit sales in this quarter. Also, excessive and late monsoons in Orissa and coastal Andhra, which are very big markets for Tata Gluco Plus, also dampened sales. But going forward, all of that is coming back.

Very innovative marketing campaigns, I alluded to that earlier, Tata Tea Premium has a Delhi-based campaign, which alludes to Dili Ki Regional Pride, and there is a digital film called Dili Wali Wedding, and it is very evocative in terms of Tata Tea Premium, celebrating that spirit.

Similarly, we celebrated the spirit with a specific campaign for Uttar Pradesh, and as we speak, there are campaigns also being developed for Haryana and Punjab. These are all very strong markets for Tata Tea Premium, which is our #1 premium brand, and we think we will make impressive gains in the coming months in this.

I am going to ask my colleague, LK to give you an update on the M&A. I think it is Slide #18.

L. Krishna Kumar: Thanks, Ajoy, and good evening, everyone. So in terms of the merger of TGBL with the Consumer Products Business of business of Tata Chemicals, we are in the final leg. If you aware, we have not committed earlier that we have received the NCLT approval earlier this month, and so has Tata Chemicals. We are in the process of completing various activities, including some of the agreements that need to be entered into, in preparedness for taking over control of the business. So

we will be announcing the effective date shortly, and the Board also has formed a committee to fix the record date. So these announcements will be made shortly.

As far as the sale of the Czech business, we have always been talking about Czech being one of the markets that we are reviewing, and we have been able to conclude a transaction for sale of the business, which we have intimated to the stock exchange, again, earlier in the month. This sale will be in line with our strategy to focus on larger markets and global brands. The financial impact of this sale, which is not expected to be material, will be reflected in the results in the fourth quarter.

Ajoy Kumar Misra: And as I mentioned briefly in the executive summary, 2 management updates in terms of significant on-boarding of people. I talked about Sunil D'souza, who is coming on board as MD and CEO with effect April 4, 2020. He, as you know, has over 25 years of rich experience in the consumer goods industry and has a very good in-depth understanding of the food and beverage categories. He is currently the MD of Whirlpool India. Prior to that, he served in several leadership roles globally in PepsiCo and brings a strong focus on strategy, growth and execution, including inorganic growth.

Also, we announced the joining of Mr. Ajit Krishnakumar as Chief Operating Officer. He has over 20 years of global work experience, including responsibilities for strategy, corporate finance and M&A across various industries. One of his key initial responsibilities at Tata Global Beverages or Tata Consumer Product, when it becomes that, will be to lead the integration of the foods business of Tata Chemicals and the beverage business of Tata Global Beverages.

I now hand you over to LKK. Some more flavor on the financial performance for the quarter.

L. Krishna Kumar: Thanks, Ajoy, and moving on to Slide #21. We have highlights for the quarter. In terms of standalone results, you will see there is a 5% increase in sales. Having said that, the underlying value business grew 7% in volume terms and 6% in value terms. The difference is because of changes in export sales and the like. Consolidated turnover up by 3%, and that is 4% in constant currency.

The International Business had a decline in this quarter. But overall, the EBIT performance has been good for the International Business.

Quarter-on-quarter performance is impacted by seasoning and many other things. The brands are doing reasonably well, and on a YTD basis, we have had some volume growth in key markets in the International Business.

EBITDA on a standalone basis is up by 13%, and the profitability of the India Business continues to be strong. You will notice both in standalone and consolidated and more in standalone that the advertising spend is higher, and we have been investing on some of the new launches.

For the improvement in profit that you are seeing in the quarter, both in standalone and consolidated, it is after higher spend on advertising.

The next slide is the results for the 9-month period. Overall trends are similar, standalone growth 6% compared to 5% in the quarter, and consolidated is up by 4%. You will see that in terms of EBITDA performance, a strong growth in consolidated basis. India performance is, to some extent, impacted by a couple of things; higher advertising spend that we talked about, but also by increased investments in some sales and distribution transformation initiatives that are currently underway.

Tata Coffee, just a small comment, profits improved compared to the same period last year. The performance would have been better if commodity prices had been stronger. It has been impacted by commodity prices.

The other comment on Tata Coffee is the Vietnam plant. The Vietnam plant, as the first quarter of operating profit, it is ramping up capacity, and we are having good marquee orders. So we expect that in the full year performance going forward into next year.

Moving on to Slide #27, which is the segment performance. You will see here that key business segment revenue there was a 2% increase. Coffee, we talked about the International Business having a lower quarter in value terms, also because of lower commodity prices.

If you look at the segment results, profitability-wise, there is strong improvement in coffee profitability, driven by various cost initiatives and lower commodity costs for coffee.

Going to the non-branded business, you will see segment revenue up by 20% and segmented results higher by 33%, which reflects Vietnam coming on stream, and it is also reflecting good sales in the instant coffee business in India.

The next slide is on the shareholding pattern, just for information. So we have about 26% held by FIIs and 34% held by mutual funds and institutional investment. Our share market cap has been trending upwards, as you are aware. We are now looking forward to completing the integration and moving ahead with building a stronger organization as well as focusing on value realization from the integration of the 2 businesses.

So over to you, Ajoy!

Ajoy Kumar Misra: And to close this one-way presentation, there are a series of recognition and awards that we got this quarter, very briefly: information technology, TGB, won the Cyber Risk Quantification Champion of the Year by Data Security Council. Workplace, Tata Starbucks received an award as being amongst the top 100 Best Companies for Women in India. Tata Starbucks also received an award of being the Most Admired International Brand Retailer of the Year, and Tata Coffee was awarded the Best Indian Coffee at the 4th Ernesto Illy International Coffee Awards, and I talked about Great Taste Awards. Tetley in the U.K. at the Oscars of the fine Food and Beverages world also got great recognition, and finally, on the CSR front, our DARE school was recognized as one of the Best Special Educational Schools in Brainfeed School Excellence Awards 2018.

Sustainability is at the core of our company's business, and we continue to keep great focus on it. On Slide #28, I have called out some of the key initiatives that we are supporting and deeply engaged in. Trustea is a certification program that we contribute towards financially and otherwise, which is about sustainable sourcing. We partnered with UNICEF to improve lives of adolescent girls. We are reaching over 250000 beneficiaries in Northeast of India. Project Jalodari provides water and sanitation to thousands of community members in Himachal and Assam. We have Affordable Healthcare for 100000 people that we provided for Munnar and Assam through hospitals that are run by us and the cost incurred by TGB, and we also joined The UK Plastics Pact, and we are very much leading the EPR for plastic waste initiative in India.

Already on climate, we are one of the 6 companies in India, top 6 on this climate disclosure, climate leadership, CDP list. We have successfully been reducing our carbon footprint, and we have decreased our carbon footprint by 30% in the period 2010 to 2019. Renewable energy is a focus in the company wherever our plants start to move to solar, and we have piloted Himalayan Water in the U.S. market, and we have been certified carbon neutral in that program.

So these are just some of the highlights, and I now thank everyone for patient listening, and over to you all for any observations or questions you have that me and my team members here will attempt to answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nilay Shah from Morgan Stanley. Please go ahead.

Nilay Shah: My first question is on the International Tea business. After 3 or 4 quarters, this is the first quarter where we have not seen too much of EBITDA margin expansion. It seems to be a phasing of ad spends. But just to understand, is this more in the U.K. or more in Canada? Or is it both the geographies where this has happened?

Ajoy Kumar Misra: No, I think you are right, it is phasing of ad spends, and we talked about the campaign offering, Now we are Talking for Tetley. So it is more U.K., but also a bit of Canada.

L. Krishna Kumar: A little bit of Australia.

Ajoy Kumar Misra: We had, because in Australia also, there has been a launch of the Cold Infusions. Australia is also a contributor.

Nilay Shah: Okay. All right, and any views on this near-term or that is too difficult to sort of forecast.

Ajoy Kumar Misra: We do not want to comment on ad spend on quarter-to-quarter, I think.

Nilay Shah: Okay. Okay, and generally, if you take the full year and maybe the next 2 years, would you expect this trend of margin expansion to generally continue?

Ajoy Kumar Misra: I think you have seen that our margin has expanded in the international business from where we were a few years ago, and key to focus is on that. Having said that,

we also had to get growth back so there will be some investment, like we talked of Cold.

Infusions as an example and there is also, in terms of underlying business, the focus is on margin and profitability. But at the same time, to get topline, we talked of Cold Infusions. We are looking at new innovations. Since you are talking of a 2- to 3-year time frame, there will be periods where we will be looking at growth to new products as well.

Nilay Shah: Okay, and after Jemca sale, is there anything else which is under review at this point in time?

Ajoy Kumar Misra: As we said there are a few smaller businesses, and Jemca is one of them. Yes, there are a few businesses still. I do not want to be specific how these businesses are being met.

Nilay Shah: So it is not over yet, the process of restructuring, that is still on basically?

Ajoy Kumar Misra: No, there is still something to be done.

Nilay Shah: Okay, and finally, if I take a 2- or 3-year view from the Vietnam plant, what is the revenue potential?

Ajoy Kumar Misra: I mean, it will be 200 Crores from where we are seeing the full capacity. There is also commodity price volatility. We will expect this year we will be somewhere between, expect to be 60% to 70% capacity utilization, probably go to 80% to 90% next year, and thereafter, getting to full, right? But I am a little cautious here because we have got good marquee customers recruited. We are ramping up the project, and I would like to wait for a year or 2 to make a more, and also, the price is going to impact. But I guess, it is going to be the order of magnitude I mentioned.

Nilay Shah: Okay, and just 1 question on the domestic tea business. Margins there also have come up quite well, especially the last 3 quarters or so. For the first 9 months of this financial year, we are averaging at about just over 14%. Is there room for further expansion out there? Or you think this is a comfortable level of margins to have in the domestic business, domestic tea business?

Ajoy Kumar Misra: And we believe that we continue to focus on margin expansion. So there is no comfort level at any particular number. With investment, I said, there is also investment on sales and distribution transformation. So all going well, we will drive more growth. So I am not saying that we are going to sit back to the sale of margin.

Nilay Shah: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: Just 2 questions on the India Tea business. Firstly, I just wanted to understand whether this increase in advertising spends is more an internal kind of initiative? Or it is also partly due to the competitive intensity in the market?

Ajoy Kumar Misra: It is both, obviously. Internally, we want to drive more growth. We want to build more equity. We want to gain market share, which we are, and, yes, we have traditionally not been the biggest vendors. So we want to bring a good balance between our sales push and brand pull.

Harit Kapoor: Yes. The reason I ask is, this quarter, specifically, the spend has been fairly elevated at a time where probably other companies at an overall level we do not know the tea sale business, but at an overall level you have seen advertising spend kind of trending down. So just wanted to get your sense, especially for this time around, have you pushed probably spends more in a market where the spends have not been so high?

Ajoy Kumar Misra: No, I think each company's brand strategy for the year has campaign investments phased out as per their strategies. So I would not read too much into that.

Harit Kapoor: Got it. The second thing was on market share. So just wanted to get a sense of the industry dynamic right now because you are gaining share as well as your largest competitors also seems to be gaining share. So is this largely, share gains are largely coming from the regional players and the smaller players?

Ajoy Kumar Misra: We believe that is so, yes, you are right, we are gaining share, our prime competitor is also gaining some share, and therefore, it is coming, we believe, from regional and local players, and of course, yes, basically that.

- Harit Kapoor:** Got it. That is it from me. I will come back for more. Thanks.
- Moderator:** Thank you. The next question is from the line Sumant Kumar from Motilal Oswal. Please go ahead.
- Sumant Kumar:** My question is regarding Tata Starbucks performance for 9 M FY2020.
- Ajoy Kumar Misra:** Yes, what is the question, Sumant?
- Sumant Kumar:** Tata Starbucks performance for 9 months FY2020.
- Ajoy Kumar Misra:** I think we spoke about. It is there. So this quarter, we had a growth of 27%, and 9 months also, it is in broadly in the same ballpark. Overall, this year, we have opened 28 new outlets, and the pace of opening the outlet continues to be the way it was, and in terms of all our matrices, we are in line with the overall operating plan for this year.
- Sumant Kumar:** So operating profit-wise, it has breakeven at the EBITDA level in FY2019 or 2018, so what is the status currently?
- Ajoy Kumar Misra:** No. So since we have broken even last year itself, as you rightly mentioned, we continue to be in that situation. So we will be EBITDA positive this year as well.
- Sumant Kumar:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Jigar Shah from May Bank. Please go ahead.
- Jigar Shah:** Congratulations for good numbers. My question is that recently it has been reported that you may not be too keen on the tea segment, and I want to know if this is true, what are the implications of branded tea business in general? And are there any opportunities or benefits that are material?
- Ajoy Kumar Misra:** Your voice is cutting? Are you talking about...
- L. Krishna Kumar:** Unilever...
- Ajoy Kumar Misra:** Are you asking about Unilever business. Right, I think so we are since not hear what it means, and we also hear that any review is for the international tea, but we

are not sure ourselves. So we will have to see how things evolve before making a comment.

Jigar Shah: Second question is about the data consumer business. I saw from yesterday's presentation that the consumer business has done quite well. Would you like to throw some light on that, which, of course, will be integrated with us now? But I guess, if it is possible, if you can have some comment on that?

Ajoy Kumar Misra: Now from what we understand and the segment results have been published, and that is showing an improvement in profitability, and I think a double-digit revenue growth. So I think this is largely in line with our expectations. From what we know, there has been good volume growth as well. But as we now take full control and become more familiar, in the next quarter, we will be able to comment more specifically.

Jigar Shah: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.

Viraj Kacharia: I just have 3 questions. First, on the International Tea business, so just trying to understand in terms of base business scale and in terms of base business profitability? If you look at the base business performance in the last 9 months, is that what the threshold scale and profitability should be? Or do we see any more avenues in terms of cost rationalizations or not. If you can share something more on that front, that will be helpful.

Ajoy Kumar Misra: It is too broad a question. So overall, we have improved profitability, and we would like to see both higher growth and better profitability in the international business. Having said that, there are some structural challenges of black tea, yes, and we still think there are opportunities for higher growth and improvement in margins. But I am not commenting on your quarter-on-quarter thing.

Viraj Kacharia: No, it is okay. I am not even looking at quarter-on-quarter, I am looking at a 9-month basis.

Ajoy Kumar Misra: From a medium-term objective perspective, we would like to grow the business faster and look at improving profitability because profitability has come down for

a variety of reasons that you are aware from some of the previous figures, including prepaid tax.

Viraj Kacharia: Okay. So is one way to understand this a bit better would the improvement in profitability would largely be a function also you talked about this restructuring or exit from certain other markets. So after one considers those aspects, is this, a business which structurally is at least say a 10% or at least a double-digit EBITDA margin business? Or this is like a base business margin one should expect and not significant improvement in terms of whatever growth one has seen is largely a function of a phase.

Ajoy Kumar Misra: Yes, you can contact Rakesh and if you want to have a better understanding of the business because this is supposed to be our quarter performance, right? And so if it is a little more strategic and you want to understand the business, you get in touch with Rakesh. I am sure he will spend some time with you.

Viraj Kacharia: Okay. My second question is on the India's tea business now. If I look at the first 9 months in our business, volume growth has been again 7%, 8%. How would the mix be in terms of say Tata Tea Premium and other brands because you talked about Tata Tea Agni and Spice growing in the high double digits. So just trying to understand how is the volume growth trends across key major brands for us?

Ajoy Kumar Misra: So we have seen all our national brands have done well, and most of our regional brands have also done well. It is a holistic performance, is how I would like to put it rather than call out each of the brands and talk about it separately. But I think, overall, it has been a very holistic story. I was focusing on Tata Tea Premium because that was the first restage that we are doing in North India, and initial results have been favorable. Tata Tea Gold, we did a restage earlier in financial year, and that showed a good uptick except that the FMCG slowdown story, and since that was a premium brand, the primary sales were low for a certain while because of excessive stock that was lying earlier, but that is going to correct itself going forward, and yes, so it is a holistic story overall for national as well as regional brands.

Viraj Kacharia: Last question was on this module of the consumer business of Tata Salt coming into Tata Global. Since last May, it has been almost 7 months now, so if you can just talk about, have we started any integration activity, either in terms of distribution, joint procurement or sourcing or any of those aspects, where we were

actually, that needs to play out? So has any efforts being taken, already started in the last 6, 8 months? Any color on that.

Ajoy Kumar Misra: We have been doing some scoping exercises, having teams talking to each other, but we can actually take more detailed and specific action only after the process is complete. Yes, there has been some family war, which has been ongoing.

Viraj Kacharia: Okay. But the major part will actually play out after emerging.

Ajoy Kumar Misra: We will now accelerate it once it is done because it is not yet one company and we cannot take some decisions, so we will accelerate, yes, some regulatory work has been done, but we will accelerate now going forward.

Viraj Kacharia: Thank you, that is all.

Moderator: Thank you. The next question is from the line of Mohit B from L&T Mutual Fund. Please go ahead.

Mohit B: Actually, my question was that I have been noticing that we have launched a multiple ready-to-eat products in the Tata SmartFoodz brand. This is under Tata Chemical business or Tata Global Beverages as of now?

Ajoy Kumar Misra: Which products are you referring to?

L. Krishna Kumar: Q, I think, he is talking about Tata Q.

Ajoy Kumar Misra: Tata Q. Yes, Tata Q is not really part of either TGBL or Tata Chemicals. That is an incubated business, which is currently, I think, under Tata **(audio cut) 40:19**, so it is an incubated business, which is set up by the group, which started a while ago.

Mohit B: Okay. So the reason I asked because I always thought that all these new launches or innovation under FMCG and food segment will be via TGBL at the Tata level, so can you just throw some light on this?

Ajoy Kumar Misra: Yes, I think as and when we have a lot to observe right now, but we will be reviewing other categories and other opportunities a little later, and maybe we can comment at that point in time.

L. Krishna Kumar: No, plus, I think it is important to note here that it is a pilot. It is not a full-fledged launch asset, and we do have various pilots that go in different companies. But

once it gets sizable, then we will see how we can consolidate everything under one platform.

Ajoy Kumar Misra: Got it, all the best.

Moderator: Thank you. The next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi: Could you give an overview or some outlook of commodity prices for India Tea business, maybe for the next few quarters or if possible FY2021 based on the visibility you have now?

Ajoy Kumar Misra: Yes. I mean, like this presentation, I will start with the disclaimer, but as far as we are seeing it has been, we expect prices to be somewhat higher from where they are because it has been a year where prices have been trending low, so we expect some recovery in prices. I think we are seeing a little bit of recovery in South Indian tea, so slightly firmer, but not very firm from where it is today.

Jai Doshi: Understood, and do you have plans to take price increases in that case? We have not seen much price increase over the past 12 months.

Ajoy Kumar Misra: There has been price inflation, and so we will have to review. I think it depends on the extent. You cannot automatically take a price increase. It depends on the extent and whether the increase is sustained. If there is a sustained increase in prices, yes, we will look at taking price corrections.

Jai Doshi: Second is, when I look at your International Tea, the other international portfolio performance for this quarter, I see there is a dip in margins on a sequential basis. Now I understand that there is a volume growth decline as well as constant currency revenue growth decline. But those trends were visible even in the previous 2 quarters. So was there any other sort of moving on?

L. Krishna Kumar: Before you joined in the initial part of the call, I think there was a question on advertising this quarter.

Jaimit Doshi: Understood. So it is only advertising in general.

Ajoy Kumar Misra: Advertising, yes, in U.K. as well as a little bit in Canada.

Jai Doshi: Understood, and final one is, usually you get some dividends when I look at standalone numbers you get dividends from Tetley in second or third quarter. So I believe that has not come through this year, right? So should we expect that?

Ajoy Kumar Misra: We will take a call. I think standalone for us, I think, we should look at consolidated performance, I think standalone is less relevant. So we will take a call in March as to what we want to do, everyone to get that dividend.

Jai Doshi: Understood. Thank you so much. That is it from my side.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Congrats for a good set of numbers. Sir, my question is on Eight O'Clock Coffee. So when can we expect the growth in revenues for Eight O'Clock Coffee to turnaround? And what are the strategies we are looking of for improving the growth prospect of this business because there is a competitive pressure, and also, the market is not that kind over there. Can we expect the growth to come back?

Ajoy Kumar Misra: Yes. So under the Eight O'Clock Coffee brand, we have 3 parts of the business. One is the Bags business, Roast and Ground bag, 100% Arabica, which you might know. In the bag segment, we play in small bags as well as large bags, and the small bags business got impacted a bit because of delisting of a large account. We have counterstrategies in place, how to consequently fill the demand gap by putting more pressure on big bags, product is the same, as well as going to other accounts, incremental distribution accounts for small bags. So the determining is on to correct the slight fall in the bags business.

Second part, not insignificant at all is the pods, the Keurig pods business, and in that, I think we bottomed out, and from here onwards, we are already seeing arrest of the market share position, and we are introducing some innovative new products that we have developed in our mainline Eight O'Clock Coffee such as the Barista Blends and Flavors of America and such like, and some of those, we are going to try out in the pods segment, and we hope that we will regain momentum there, and then there is also a private label business that we have in our coffee business, which is showing good growth. So overall, I think we are in a good place in the journey. But yes, this quarter, we have lost some volume.

Kaustubh Pawaskar: Correct, and Sir, in terms of Canada, because Canada, we were doing good, and we were gaining market share. So what is the outlook for that particular business?

Ajoy Kumar Misra: We continue to do well in Canada. We continue to have revenue growth, and we shared on Slide #13, we have shared with you our market share and volume and value performance. But Canada overall is a very good story. I mean, I do not think on any front there is any concern. So I do not know where you picked that up from.

Kaustubh Pawaskar: Okay. Sir, one last one. So it is fair to assume that with India, U.S., Canada, U.K., this will be the 4 key reasons for you going ahead, especially after the merger in the tea and coffee business, U.S., India, Canada and U.K. would be the key businesses?

Ajoy Kumar Misra: Well, these are the significant businesses in our portfolio, and yes, since our stated goal is focus and portfolio rationalization, it points towards that direction that these are the key markets, and within these markets, obviously, the Indian market, both foods and beverages, will give the overall company a better financial profile in terms of going forward. But we believe we are a global company. We want to be a global company for all the synergies and benefits that it gives us, and we will continue to nurture our international businesses, but the yardstick by which we will judge performance might be different.

Kaustubh Pawaskar: Thank you. Thanks for the opportunity.

Moderator: Thank you. The next question is from the line of Alok Jha from Edelweiss. Please go ahead.

Alok Jha: The first question and continuing with what one of the previous participant had asked with respect to the Tata Q. I just wanted to check, so the distribution is being handled by whom. Is it being handled by TGBL? Or is that a separate Tata Group entity who is handling the distribution also?

Ajoy Kumar Misra: In all fairness, we do not want to comment on something which is not part of our business and we do not know. We are not in a position to handle that question. I hope you would appreciate that.

Alok Jha: Sure, and second question is that there was recent news articles with respect to revision in the agreement with Pepsi for NourishCo, so can you just please throw

some light on that? What are the contours? And what is the likely outcome if at all you can share?

L. Krishna Kumar: NourishCo.

Ajoy Kumar Misra: I think the Tata Gluco Plus as a brand is doing well, and we have talked about that, and recently, we have seen traction in Tata Water Plus as well. So at this point in time, and we are, as you know, in the context of the merger, we are looking at our strategy for growth, right? But we think liquids will be part of the growth agenda. Not only what is currently in the portfolio of NourishCo, but maybe beyond that, but having said that, it is in early stages of evaluation. So in the context of wanting to take a better look at the liquid opportunity, including water, we are seeing what is working, what is not working, and so maybe as the new CEO comes on board, and we finalized the strategy, we will be able to communicate better with you. But like all other parts of the business we are relooking at what we want to do and that is really where we are.

Alok Jha: Thank you very much. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sameer Gupta from India Infoline. Please go ahead.

Sameer Gupta: Sir just wanted to clarify. So Tata Coffee management earlier during the year guided for a revenue potential of around 400 Crores for Vietnam plant. Today in the call earlier, you have mentioned 200 Crores. So is there Sir, any downward revision? Or any new calculation in this?

L. Krishna Kumar: I did not say 200 Crores. I said few Crores. We will not commenting on 400 Crores, I also said, I do not know when they fixed that, and what was the price of coffee at that point in time versus where it is now, so that is why I am being a little careful. I said a few hundred Crores, and I also said, it depends on the horizon, and if you are going to take 400 Crores today, next year may not happen. There are 2 variables, the extent of ramp up in year 1 and 2 of the plants, and second is the price of coffee. That is why I said a few hundred Crores.

Sameer Gupta: I am sorry, Sir, I heard it wrong. Sir, just one more question. In the International Tea business, I understand that you mentioned that there have been phasing of ad spends, but is there any element of one-off also in the costs because you have also done some restructuring in this part of the business during the quarter?

L. Krishna Kumar: There could be, but it is not material. I mean, we have not separately called it out, but it is not a very large number to call it out separately.

Sameer Gupta: Thanks, that is all from me. Thanks a lot.

Moderator: Thank you. We have one last question in queue. The last question is from the line Rishabh Shah from RS Capital. Please go ahead.

Rishabh Shah: I just wanted to understand what are the key expectations of the company when Mr. D'souza comes in? As in what the company has not been able to achieve so far or less efficiently, if you could tell in detail?

Ajoy Kumar Misra: So what I can say is that he comes in at a very interesting phase of this evolution and transformation of this company, and he comes with a huge amount of experience in categories that we already are and more, and this is actually quite a transformative moment, and a lot of preparatory work over the last couple of years has been done to build a platform from which this company should really go great guns ahead. So that is all that is appropriate for me to speak at the moment on this subject.

Rishabh Shah: Thank you Sir.

Moderator: Thank you very much. That was the last question in the queue. I would now like to hand the conference back to the management team for closing comments.

Ajoy Kumar Misra: Thank you. It has been a continued performance, which has given us satisfaction, and thank you for your interest in engaging with Tata Global Beverages as we shortly transform into becoming Tata Consumer Products. Good evening from Mumbai, and good evening and good night from us. Thank you.

L. Krishna Kumar: Thank you. Thank you very much.

Moderator: Thank you very much. On behalf of ICICI Securities that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.