Analyst Call – Q1 2017-18
August 11, 2017
Key Highlights

5th consecutive quarter of operating profit growth despite higher spends behind brands and competitive intensity in developed markets

- Improvement in tea volumes whilst softer volumes in coffee
  - Improvement in India despite impact of transition in India
  - Promotional phasing in most major developed markets
- Good improvement in Profit before exceptional and tax despite higher advertisement
  - Effective management of commodity costs
  - Good cost management

- Commodity costs
  - Softness in India tea prices
  - International tea prices hardening further impacted due to Brexit
  - Coffee Costs – showing a hardening trend

- Good control on spends

- Currency Markets
  - Volatile currency markets
    - Brexit leading to GBP depreciation

- Increased focus on under performing businesses
  - Exit from China Business
  - Exit from the Russian business
Snapshot of Financials

Revenue from operations:
- Current Year Q1: 1704 Rs Crores
- Previous Year Q1: 1735 Rs Crores

(2%) (up 1% in underlying terms)

Profit before exceptional items and tax:
- Current Year Q1: 218 Rs Crores
- Previous Year Q1: 201 Rs Crores

19%

Group Consolidated Net Profit:
- Current Year Q1: 142 Rs Crores
- Previous Year Q1: 120 Rs Crores

9%
<table>
<thead>
<tr>
<th>Strategic Priorities</th>
<th>Opportunities</th>
<th>Initiatives</th>
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</table>
| Base Business Rejuvenation | - Build Core Brands | - Focus on Power Brands  
- Jaago Re Version 2 campaign – Tata Tea  
- Tetley Super focus in UK |
|                     | - Premiumisation  
- Health and wellness  
- Grow Non Black – De-growth in everyday black tea segment in developed market. | - Tea Veda launch in India, Ayurveda Balance in Canada  
- Infusion Coffee range in US  
- Indulgence launch in UK  
- Super Greens in India and US  
- Extended supers range to black and fruit and herbal in UK  
- Tetley RTD in Canada, Fruski (with goodness of green tea) in India  
- Elaichi flavour launch in India |
| Develop Alternate Channels | - Digital space  
- Convenience | - E-commerce sales in China  
- Digital Boutique roll out for Good Earth Teas in US  
- Extending tea range in Starbucks |
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| Invest for Growth   | • Focus on incubatory business to drive future growth | **Nourishco** –  
  • Launch of variants for Tata Gluco Plus which has been the star performer.  
  • Himalayan Flavoured Water / Himalayan Sparking Water launched  
  • Good improvement in operating profits  
|                     | • White Space Expansion – strengthen our position in markets in large tea/coffee markets | **Starbucks** –  
  • Focus on store expansion – currently at 94  
  • Good in-store performance  
  • Strong cash generated from operations  
|                     |              | **Middle East** – consolidating entry through new launches and growth in GCC countries  
  • Loose tea launched into Tetley Portfolio – Strong and Gold  
|                     |              | **Entry into new Asian markets** – Singapore, Malaysia and China which are large tea consuming markets  
  • **White spaces within India** – Consolidating our position in Maharashtra with gold mixture.  
  • **Expansion of our super premium tea** – Teapigs into new markets |
## Aggressive focus on Strategic Priorities

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| **Drive Operational efficiency** | • Cost Opportunities  
• Reinforce organizational capabilities  
• Margin Improvements | • Exit from loss making geographies (eg Russia/China)  
• Restructure/reassess stressed markets (eg Poland)  
• Drive operational improvements  
  • Cost control  
  • Restructuring operations  
  • Commodity cost |
Performance Update – Branded Business

INDIA

- Volume & sales growth for the quarter despite the impact of GST role out
- Continue to maintain volume and value leadership, gains market shares
- Effective management of commodity cost
- Pilot launch - Fruski a tea based ready to drink beverage
- Tata Tea Elaichi growing at robust pace
- Tata Coffee Grand – growth in market shares with new Hot Tea shop (HTS) variant and Roast and Ground Bags.
- Focus with Advertisement behind Jaago Re version 2 – ‘A thought provoking campaign’
UK

- Strong performance in UK growth in market shares across all major categories despite
  - declining overall tea category, specially in everyday black
  - continuing competitor intensity

- Green tea continues to grow with improvement in Super Greens

- Multimedia campaign of Tetley Supers with a focus on “Beauty” and “Immune” variant

- New Indulgence Range launched during the quarter.

- Now our teas will be served in some of the most famous stadiums like Wembley and The Emirates (Arsenal)

- Growth in Teapigs – our super premium tea brand.
Performance Update – Branded Business

USA
- Promotional phasing and higher commodity costs impacts coffee performance in Q1.
- New Launches - new Infusions range – Super Spice, B6 Metabolism, Acai Glow
- Tetley Green Tea reflects modest growth despite decline in category

Canada
- Topline performance improves
- Maintains volume and value leadership
- New launches during the quarter
  - Tetley RTD in 3 flavours -Lemon Ginger, Peach mango and Pomegranate Berry

Rest of EMEA
- Improved performance in some European markets
Performance Update – Non Branded Business

Tata Coffee Limited
- Tata Coffee impacted by lower sales both in ICD and plantation

Instant Tea
- Instant tea business reflects a stable performance

Associate (APPL, KDHPC and EMSPL)
- Improved performance across all associates driven by higher realisations and volume.
Other Significant Events

China JV Sale – Disposal completed, Gain on disposal in Group books – Rs 5 crs and Standalone books – Rs 19 crs.

Russia – SPA signed in August with Russian companies for the sale of the Russian operations. Royalty agreement with the buyers as brand still owned by us.

Tata Coffee - Tata Coffee infused in aggregate an amount of USD 6 Million for green field freeze dried instant coffee facility in Vietnam.

Smooth transition to GST for our companies based in India.

Bangladesh – Records operating profit for the first time since inception.
Financial Overview
Financial Overview

• Operating Performance

• Fifth consecutive quarter of operating profit growth

• During Q1

  • Operating income higher by 1% in underlying currency
    • Growth in India Tea Brands aided by new launches, despite impact of GST transition.
    Offset by
    • Phasing of promotional sales
    • Underperformance in Non Branded Operations
    • Adverse translation impact

  • Group Profit before exceptional items improves by 9% (9% in underlying currency)
    • Lower commodity cost
    • Cost management initiatives
    • Lower finance costs
    Offset by
    • Higher investment behind brands and new launches during the quarter

• Group consolidated net profits significant higher than previous quarter
  • Higher operating profits. Lower finance costs, exceptional income and improved performance of JV’s and associates
## Financial Highlights - PL

<table>
<thead>
<tr>
<th>Particulars</th>
<th>CY</th>
<th>PY</th>
<th>Variance</th>
</tr>
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<tbody>
<tr>
<td>Revenue from Operations</td>
<td>1704</td>
<td>1735</td>
<td>(31)</td>
</tr>
<tr>
<td>Other Income</td>
<td>14</td>
<td>21</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>1718</strong></td>
<td><strong>1756</strong></td>
<td><strong>(38)</strong></td>
</tr>
<tr>
<td>Expenses other than Finance costs</td>
<td>(1489)</td>
<td>(1533)</td>
<td>44</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>(11)</td>
<td>(22)</td>
<td>11</td>
</tr>
<tr>
<td>Profit Before Exceptional Items</td>
<td>218</td>
<td>201</td>
<td>17</td>
</tr>
<tr>
<td>Exceptional Items</td>
<td>5</td>
<td>(2)</td>
<td>7</td>
</tr>
<tr>
<td>Profit Before Tax</td>
<td>223</td>
<td>199</td>
<td>24</td>
</tr>
<tr>
<td>Tax</td>
<td>(80)</td>
<td>(73)</td>
<td>(7)</td>
</tr>
<tr>
<td>Profit After Tax</td>
<td>143</td>
<td>126</td>
<td>17</td>
</tr>
<tr>
<td>Share of Profit/(Loss) from JVs &amp; Associates</td>
<td>(1)</td>
<td>(7)</td>
<td>6</td>
</tr>
<tr>
<td>Consolidated Group Net Profit</td>
<td>142</td>
<td>119</td>
<td>23</td>
</tr>
<tr>
<td>Attributable to owners of the parent</td>
<td>124</td>
<td>104</td>
<td></td>
</tr>
<tr>
<td>Earning Per Share (not annualised for the Qtr) (Rs)</td>
<td>1.97</td>
<td>1.64</td>
<td></td>
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Financial Highlights - OCI

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<tr>
<td>Consolidated Group Net Profit</td>
<td>142</td>
<td>119</td>
<td>23</td>
</tr>
<tr>
<td>Changes in Fair Value of Equity Instruments</td>
<td>9</td>
<td>67</td>
<td>(58)</td>
</tr>
<tr>
<td>Exchange difference on translation of foreign operations</td>
<td>111</td>
<td>244</td>
<td>355</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
<td>28</td>
<td>(22)</td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td>126</td>
<td>(149)</td>
<td>275</td>
</tr>
<tr>
<td>Total Comprehensive income</td>
<td>268</td>
<td>(30)</td>
<td>298</td>
</tr>
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- **Other comprehensive income**
  - Changes in fair value of equity investment mainly reflects the increases in quoted share prices.
  - Exchange difference reflects the impact of currency translation mainly on account of Brexit for our overseas subsidiaries in UK in the PY. Current year reflects a increase in sterling from March, hence the favourable currency translation.
  - Others primarily represent actuarial gain / loss on retirement benefits and cash flow hedges.
Region-wise Revenue from Operations

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<tr>
<td>CAA</td>
<td>392</td>
<td>369</td>
<td>23</td>
</tr>
<tr>
<td>EMEA*</td>
<td>316</td>
<td>383</td>
<td>(67)</td>
</tr>
<tr>
<td>India Brands</td>
<td>796</td>
<td>766</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total Brands</strong></td>
<td><strong>1504</strong></td>
<td><strong>1518</strong></td>
<td><strong>(14)</strong></td>
</tr>
<tr>
<td>Total Non Branded Operations</td>
<td>209</td>
<td>232</td>
<td>(23)</td>
</tr>
<tr>
<td>Other and Eliminations</td>
<td>(9)</td>
<td>(15)</td>
<td>6</td>
</tr>
<tr>
<td><strong>Revenue from Operations</strong></td>
<td><strong>1704</strong></td>
<td><strong>1735</strong></td>
<td><strong>(31)</strong></td>
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*Impacted by currency volatility due to Brexit.*
The group has organised its business into Branded Segment and Non Branded Segment. 
- Branded Segment is further sub-categorised as Branded Tea, Branded Coffee and the residual as Branded Others.
Thank you