

Q1 2019 Tata Global Beverages Ltd Earnings Call

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Corporate Participants

* Adil Ahmad

Tata Global Beverages Limited - Global CMO

* Ajoy Kumar Misra

Tata Global Beverages Limited - MD, CEO & Executive Director

* Gaurav Jogani

* K. S. Srinivasan

Tata Global Beverages Limited - Global Chief HR Officer

* L. Krishna Kumar

Tata Global Beverages Limited - Group CFO & Executive Director

Conference Call Participants

* Abneesh Roy

Edelweiss Securities Ltd., Research Division - SVP

* Ashish Kacholia

* Ekta Bhalja

* Percy Panthaki

IIFL Research - VP

* Sameer Gupta

IIFL Research - Research Analyst

* Vishal Sonawane

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Operator [1]

Good day, ladies and gentlemen, and a very warm welcome to the Tata Global Beverages Limited Q1 FY '19 Earnings Conference Call, hosted by ICICI Securities Limited. (Operator Instructions) Please note that this conference is being recorded.

I now hand the conference over to Mr. Gaurav Jogani from ICICI Securities. Thank you, and over to you, sir.

Gaurav Jogani, [2]

Good afternoon, everyone. It's a pleasure to welcome you all on behalf of ICICI Securities to the Q1 FY '19 Tata Global Beverages Earnings Conference Call. We have with us today, from the management side, Mr. Ajoy Misra, Managing Director and CEO; and Mr. L. Krishna Kumar, Executive Director and Group CFO.

Thank you, and over to you, sir.

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [3]

Thank you. Good afternoon, everyone, and thank you for joining in on this conference call, and thank you for your interest in Tata Global Beverages.

As I speak, the analyst presentation is also getting uploaded, and you will notice that the first page of the presentation is the disclaimer, standard disclaimer, so I won't be going through that in detail.

Coming to -- and this is the quarter 1 highlights and the key highlights for the quarter are -- and I will talk about some of the positive opportunities that we have finished in terms of performance in quarter 1, and there have been some challenges in some parts of the businesses also.

In terms of opportunities, we have seen an improvement in operating performance in this quarter across most parts of our businesses internationally and in India, and it is aided by top line growth across branded businesses.

India branded business grew 6%, led by a volume growth of 8%. Green Tea in India, Tetley Green Tea, the brand with which we play with green tea, rebounded post our successful campaign and has gained 5.7% volume and 5.9% value market share.

There has been top line improvement in Eight O'Clock coffee, very robust growth, aided by the Keurig pods' direct sales. Tetley has seen growth in the U.K., top line growth of 6%, reflected through increase in our market share in this quarter, and we've had good performance by our associate and JV companies.

There have been some challenges at the same time. High competitive intensity in our international markets, and the secular decline in the black tea category continues. Coming to India, there have been competitive headwinds that our business is addressing. And we have higher tea commodity costs in India coming from our northeast purchases of tea, where the prices have been going up. There has been further improvement in the performance of Tata Coffee to counter lower commodity price environment in which its plantation business is operating.

In terms of consolidated financials, the quarter ending 30th June 2018, in terms of revenue, our branded business has grown by 7%, whereas our nonbranded business has faced headwinds. Therefore, if you combine branded and nonbranded business, as a consolidated group, our revenue has increased by 6%.

In terms of profit before tax, our branded business has shown a 14% growth, whereas nonbranded business has not done well. And in terms of, therefore, the total profit before tax for the group is minus 3% over last year. Mr. Krishna Kumar, subsequently, will explain some of these micro movements that have led to the overall picture being the way it is.

The next slide is the region-wise performance in terms of branded operation, both international as well as India, and nonbranded operations, and then we'll come to JVs and partnerships.

In terms of India, the top line growth has shown good improvement, and therefore, resulting in good operating profits. That tea portfolio in India grew 8% in volume and 6% in value terms. Branded coffee also shows volume growth of 8% though on a small base. Recent launches are performing well. We have, under the Tata Tea umbrella brand, in the south, launched Chakra Gold Active Plus and the Kanan Devan Duet, both are doing well and gaining market share.

Tata Tea Elaichi continues to show robust growth. I mentioned earlier, Tetley Green Tea is showing a good increase in market share. In terms of new initiative, our out-of-home-experience stores, Cha by Tata Tea in Bangalore, we have had 3 stores that have been opened. I had mentioned earlier that this is our pilot project to test out a new area of operation, and it's doing well. Tata Tea, meanwhile, moved to #2 from being #13 in the ET Brand Equity ranking of India's most trusted brands in hot beverages category.

Friends, I would want to introduce you on this conference call to Mr. Adil Ahmad, who is -- who has recently taken over as the President of International Businesses. And he will take you through the performance that we have had in U.K. and in the U.S. and Canada. And I will then come back and talk about certain other parts of our businesses.

So Adil, over to you. We've had a good quarter for our international business, as mentioned at the opening. Over to you to talk them through the Slide #8 on U.K.

Adil Ahmad, Tata Global Beverages Limited - Global CMO [4]

Good morning, everyone. In the U.K., we've had a good quarter. Sales is up by 6% during the quarter, driven by a volume growth of 4%, which has actually happened in the declining category. So we, therefore, gained market share also in both volume and value term.

Apart from black tea, we also have Tetley across the whole range of different teas in the U.K. We are #1 in the decaf segment, and we are also a strong #2 in the Rooibos or Redbush segment, both continue to do well for us. The decline in the everyday black, as Ajoy mentioned, is a secular decline that has been happening for a number of years. And the whole portfolio in the U.K., therefore, is changing more towards the nonblack category as well as the black business is looking at how we handle ourself going along with that. So quarter 1 has been good.

We've also had recent launches in the U.K. which is outside of the tea category. For the first time, Tetley has entered squashes, which is a large category in the U.K., nearly as big as tea as a category. We've advertised it towards the end of the quarter. We went on air and media. And we're looking at Tetley first to be another pillar of growth in the business. We have launched Tetley Cold Infusions, which is another nonhot-tea beverage product of ours, meant to be had with cold water. And just again we have just recently launched 2 new launches in India, which is not hot-tea related.

U.S. and Canada, again, have had a good quarter. In the U.S., it's an abnormally high quarter, driven by the fact that we are now selling the Keurig K-Cups directly compared to previous years where we need to have another rearrangement for the sale of the K-Cup.

Go to see that the K-Cup after taking over the business directly is showing well. There was also a growth in our program in Good Earth, where we had last year, key positioned the brand and made it more premium. We also invested some funds in the e-commerce site of Good Earth, and some of that is paying dividends for this year. We've also just launched Himalayan in the U.S. It's available in one market, Chicago, very early today now, but that's a new foray as it attempts to transform a business in the U.S. towards more portfolio of packages like water.

Canada has been steady. Canada has also grown 3% during the year. We dominate the Canada market with nearly a 30% share. We continue to dominate that market, and of course -- because it is a mature market. Canada is -- the role of Canada ensures steady growth. And that is all for quarter 1.

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [5]

Thanks, Adil. The next Slide #10 talks about some of our other businesses internationally. Teapigs, which is our superpremium brand, headquartered out of U.K. but now available through most of the developed markets, U.S., Europe, Scandinavia, China, Japan, Teapigs sales has grown in the quarter by 5%. It's also shown growth in Food Service as well as grocery, and I just talked about export markets, like France, Norway, China, U.S.

In Australia, we play with Tetley Tea as well as Map coffee, which is Italian Roasted Coffee. Other than tea and coffee, we have -- to fuel growth, we have entered the ready-to-drink market with a Kombucha product. And Kombucha is the new wave ready-to-drink, which is catching -- which has become a rage in developed markets, Australia, U.S. So with the pilots in Australia, we are testing our play with Kombucha. We have launched it with the Good Earth brand in Australia. Initial signs are encouraging.

In coffee, we are looking at the restructuring of our coffee business. So therefore, sales have been marginally affected in the quarter.

In terms of the rest of Europe, we are showing -- we've seen a decent growth in Western Europe, essentially led by Portugal, which is one of the key markets for us in Western Europe. And we've also launched a ready-to-drink cold brew mocktail under the Tetley brand.

In terms of our other businesses, Tata Coffee Limited has had a lower operating income, mainly because of lower sales in coffee extraction business. And the operating profits have been impacted due to pepper prices, and we've had challenges in the tea crop leading to some losses there.

Sticking to Tata Coffee. State-of-the-art Freeze Dried Instant Coffee plant in Vietnam is progressing very well, and we expect it to be completed by the end of this year; and early last quarter, we could see production happening on schedule.

We also, in our Instant Tea business, which is a B2B business, we've had stable performance both in sales as well as in profits.

Our associates, tea plantation company, KDHP, has shown a higher profitability from the back of improved volume and improved realization. And our northeast tea plantation, associate company, APPL, has had an improved performance, driven by higher realization and better sales mix.

In terms of our 2 joint -- significant joint ventures in India, happy to report continued good news on this front. Coming -- starting with Starbucks -- Tata Starbucks, strong top line growth continues, even through quarter 1, which we saw all of last year. As we know, last year, Starbucks grew at a rate of 28%. Our strong growth in the quarter continues, with better in-store performance and growth through these stores.

To-date, 119 stores have opened. 3 new stores were added in quarter 1: 2 in Mumbai, 1 in Chennai.

All cities are profitable. And the food share continues to be healthy at greater than 20%.

Good growth continues in Bangladesh, top line growth, along with tea costs -- very good tea cost management, which has continued to impact our profitability for the Tetley.

NourishCo, our joint venture with Pepsi, has also shown improved profitability, driven by Tata Gluco Plus, which continues to grow both in volume and value terms. And there is a new variant that we have launched of Tata Gluco Plus with a juice base, which have helped bring it into a much lesser GST plan compared to where it was when GST was first announced. Tata Water Plus continues to grow on distribution expansions.

So that's the highlights of our business across different parts. I'm going to hand you over to our group CFO and Executive Director of Finance, Mr. L. Krishna Kumar, to take you through the next few slides, which take you through more details on the financial performance of the company. Over to you, LK.

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [6]

Okay, thanks, Ajoy, and good morning, everyone. I just talk you through the financial highlights for the quarter. Revenue from operations, we've seen a growth of 6% for the quarter. That -- actually, the growth in branded business was higher at almost 8%, but the nonbranded business Tata Coffee had lower sales during the quarter. The 6% growth also reflects the underlying growth because -- though, we had a benefit in FX translation, that was negated by the fact that we had some Russia business in the previous year which we sold. So the 6% is also reflective of underlying growth without FX.

Profit before exceptional items improved by 8%, actually the growth in branded again would be higher. Tata Coffee profits, while improving from quarter 4, has still been lower than the previous year. So it's been significant improvement in revenue compared to the growth rates that we had in the past with commensurate profitability. Other income is slightly higher, a combination of investment income and also slightly higher royalty income from Starbucks.

Cost management continues to be robust. There is some slight increase in tea commodity cost, and we'd expect to see more of that in coming quarters, but that has been managed through cost interventions. Exceptional items in the current quarter, mainly related to redundancy and restructuring we have done in the international business. In the previous year, we had a gain on disposals. So there is a delta impact of about INR 23 crores on account of exceptional items in the quarter.

On a like-to-like basis, excluding exceptional items, the group net profit is higher by 8%, although, the reported is lower because of the exceptional items.

If you look at the EBIT margins, more or less, for the consolidated EBIT margin, they are about little over 12% compared to 13%, a marginal drop, but fundamentally, we had similar to the previous year. But there is an element of Tata Coffee, which is impacting EBIT margin.

Profit before exceptional is again similar to the previous year. Share of association JVs, we find a slight increase in loss because of the fact that we had sold the Sri Lankan plantations in the previous year and there are some one-off costs in the quarter, which, again, we don't expect to recur going forward. In terms of the standalone results, again, we've seen a growth of about 6%, and operating margins continue to be strong at 18%.

Coming to the movements in OCI. There is an overall net increase of INR 31 crores, largely driven by benefits on cash flow hedges as well as actuarial gain on some retirement benefit liabilities that we have.

Moving to the region-wise revenue from operations. International business saw a growth of 10%. Excluding Russia, the growth is 12% at constant FX, but that is also aided by the higher sales of pods on account of the new model with Keurig, which has also contributed to this growth rate.

Nonbranded operations, there's a decline in turnover. Overall, there is revenue increase of 6%, as I mentioned earlier.

Going on to the segment performance. We have gone through the main points earlier. Again to recap, branded business seeing growth of over 7%. Profitability improvement is 14% in the branded business. Nonbranded business saw a decline in revenue of 8% and a drop in profits of 42%. But to reiterate, the profit in this quarter for nonbranded is higher than the lows we saw in the March quarter last year. So overall, it's a quarter of a trajectory of growth and profitability. We expect this momentum to continue in the year ahead in terms of the top line growth.

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [7]

Thanks, LK, and thank you, Adil, for chipping in. And we also have Mr. Rakesh Sony, our Head of Strategy and M&A, who we had brought for the last analyst meet, also present here.

We will now be very happy to take questions from you. So over to you all for your comments and questions.

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Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of Abneesh Roy from Edelweiss.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [2]

You have mentioned, in India, the Green Tea business gained market share. My question is on the non-Green Tea, how is the competitive intensity because you said competition headwinds are there? How is the market share here? And post-GST, has the compliance increased, and that's why the smaller regional players would have lost some market share. Is that happening?

Ajay Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [3]

So we have -- so there are many brands in the Indian portfolio. We called out Green Tea because that was a significant play for us. And we had in the previous few quarters lost the market share, so we have decided to invest behind it, and -- which we did. And we ran this very successful campaign with Deepika Padukone as our brand ambassador. And on the back of that, we've seen a very good reversal of our fortunes there, and that's what I referred to earlier. However, it's not as if -- because the overall -- and Green Tea is still a small part of our overall India tea value play. So the fact that the overall India value/volume growth has also been good, obviously, means that many of our key brands have also shown very good growth. And in terms of competitive headwinds, yes, competition comes to us from large organized players. As well as in Tea, as you may or may not know that of the roughly 55% of the total tea, which is branded tea and the rest is all loose unbranded, but of the branded tea, other than large organized players, there are a host of regional brands that play local to many states. So competition comes from all of these large organized as well as the smaller branded players. So that's what I was referring to. That obviously therefore is state-by-state or region-by-region. We have different, different competitors that we maneuver against. And as more and more tea is getting branded because there is, like in most other areas where large unorganized sector exists, along with GST and a few other things and the rising per capita incomes and better GDP and better monsoons, et cetera, what happens is more and more people are converting from loose unbranded to branded. So the more the conversion happens, the more the number of smaller regional brands and others come into play. So that competitive intensity is what I'm referring to, and that's a continuing phenomenon that we maneuver against, Abneesh.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [4]

Sir, that's quite helpful. But within the organized, there is no benefit coming to you or the other large players. Because of compliance increase, now we have the eBay bill. Was the organized players already reasonably compliant? Was that the case?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [5]

So -- you are right. It's difficult to give a quantitative answer to that. But yes, we feel that it has and will be benefiting the larger organized players. You are right.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [6]

Sir, second question was on the APPL. That's your subsidiary. They have also launched a packed tea business. So my question was, could there be any cannibalization? And why aren't they using your distribution? Why not work on synergy? What is the whole thought process? Is it to address your weaker areas? Is it for more lower end? Is that the whole thought process?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [7]

So -- I think the way to view that is, APPL is a separate company. And it has a separate board. Of course, couple of our people sit on that board. However, it is run as an independent company. And that company has to manage its finances and has to manage the headwinds that plantation companies are facing in the northeast, in terms of profitability challenges. And pretty much like KDHP, our other similar companies south of India, even APPL in order to fight the pressure of crops and prices and rising input costs ways and means to bolster revenue. So even similarly KDHP also has set up retail outlets outside of their plantations, pretty much like what APPL is doing. And therefore, in those retail outlets and in the interlands, they brand and sell their branded tea. Both of them have their own local brands. They play in a small catchment area. And they don't compete with any of our markets, and they are not in any significant manner playing even state-wise level or nationally. So there is no conflict there. It's just that company is free to look at avenues to make more money.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [8]

Sir, last question. If you see last 2, 3 quarters, QSRs, burger, pizza, et cetera, have seen very good growth. This quarter 25% plus SSG. In your case, Starbucks, has it also seen acceleration last 2, 3 quarters in terms of SSG? Any data point you can give?

K. S. Srinivasan, Tata Global Beverages Limited - Global Chief HR Officer [9]

Yes, we are also seeing similar or slightly higher growth rate.

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [10]

Yes.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [11]

Any numbers you can share?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [12]

Can't share specific numbers, Abneesh, because we have a 50% joint venture partner also. And -- but I think...

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [13]

They've grown more than the 25% that you mentioned.

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [14]

Correct. Yes.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [15]

It is more than 25%.

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [16]

Yes.

Operator [17]

The next question is from the line of Sameer Gupta from IIFL.

Percy Panthaki, IIFL Research - VP [18]

This is Percy Panthaki here. Sir, my questions are mainly on the standalone business. You have done a 8% volume growth here, which is quite good. But the average selling price seems to have declined by 2% because there is a 6% sort of value growth. So is this just a GST accounting issue that these numbers are not -- I mean, the 6% is not a comparable like-for-like growth? Or is that actually a 2% average realization decline?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [19]

There has been some price reductions partly because of GST that we have passed on. So you'll see that -- so it's a combination of both, actual price passing on. But I would say, actual price is more than the accounting impact.

Percy Panthaki, IIFL Research - VP [20]

Okay. So there is actually a price decline. Sir, isn't that a little surprising in an environment where input prices are actually going up. So what is the reason why the selling prices are down?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [21]

No. We did pass on prices with GST coming. So while we have passed on some benefits of input tax credits in GST, on the cost line, we would get corresponding benefits.

Percy Panthaki, IIFL Research - VP [22]

I see. So it's only to that extent of input tax credit?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [23]

There is a bit of accounting also involved, but conceptually, that's really what's up.

Percy Panthaki, IIFL Research - VP [24]

Fair enough. And sir, you also in the initial comments called out slight increase in the competitive activity. So just wanted to know what to read in here? I mean, in HUL's release, we have seen statements that tea has been growing in double digits in value terms. So while the AC Nielsen numbers don't always reflect accurately what's happening on the ground, what's your take that versus HUL are you growing at a slower rate? And if so, do you expect this to correct? Or sort of go up in the future?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [25]

So I think, we are -- it's fair to say, our volume growth is good. In terms of value, in portfolio terms, they have -- and people who are following the company know that they are weighted towards a more premium portfolio than we have. So there's been some improvements for them in value terms. And as we regain share in green and do more on premiumizing our portfolio, we will do in better in value terms.

Percy Panthaki, IIFL Research - VP [26]

Fair enough, sir. And on input cost, sir, now that it is increasing, this quarter does the P&L reflect the increased input cost or have you short of used old inventory? And going forward, since the input cost is increasing, do you see any risk on the EBITDA margin front, please?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [27]

It's a little earlier, but yes the -- definitely tea cost increases are there. And we're seeing more of increases in the Indian context, not so much in the international context. So it's something we have to deal with in the rest of the year and nothing which we comment on the margin. As far as this quarter is concerned, it's a mix of both, fresh purchases as well as inventory.

Percy Panthaki, IIFL Research - VP [28]

Sorry. I couldn't get your last comment.

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [29]

It was a mixture of both fresh inventory and purchases. Yes.

Percy Panthaki, IIFL Research - VP [30]

Right, sir. And finally, on Eight O'Clock, you've renegotiated the Keurig contract. But in absolute rupees million terms, we've not seen any benefit on the EBITDA line. So is it that this is just early days and we will see the benefit going ahead? Or I mean, is there a particular reason why this quarter has not seen any benefit?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [31]

I think we have seen some benefit. I don't think it would be fair to say we have not seen benefit. But I guess -- there are 2 things you need to be care here that, obviously, when we've taken over the business, there are initial costs, that's part of the reason. But definitely if you just look at from margin perspective, because you have a higher -- if you're looking at a margin percentage, then you may not see the benefit coming through in margin percentage. So you just need to be careful on that. What I just said, there is opportunity to do more with a business we've taken over. So absolute EBITDA, you will see over time some improvement.

Percy Panthaki, IIFL Research - VP [32]

Right, sir. And apart from Poland and Czechoslovakia, are there any other noncore assets that you would like to sort of divest?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [33]

I think we will announce when we (inaudible) we're running businesses, right? So we don't want to make statements of specific businesses we're going to deal with. And even Poland and Czech, we will review options and make announcement at the right time, depending on decisions. These are running business. It won't be fair to comment on specific business.

Operator [34]

(Operator Instructions) The next question is from the line of Vishal Sonawane from KK Securities Limited.

Vishal Sonawane, [35]

Most of my questions have been answered. Just one question on water segment. For Himalayan and Gluco Plus brand, what kind of contribution is to the revenue?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [36]

Yes. So Tata Gluco Plus is actually over the last year-or-so been our fastest-growing brand within the NourishCo portfolio. And it has seen very robust growth of high-double digits consistently. And today in the portfolio, it would be more than 50% of the portfolio contribution of revenue would be coming from Tata Gluco Plus.

Vishal Sonawane, [37]

Okay. So it's been very high competitive industry. So what kind of growth you look going ahead -- you look forward?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [38]

We expect the business to continue to give us a double-digit growth.

Vishal Sonawane, [39]

Okay. Okay. And sir, can you give some guidance about EBITDA margin for FY '20?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [40]

All right. We don't give a forward-looking guidance, especially not up to 2020. No.

Operator [41]

(Operator Instructions) The next question is from the line of Ashish Kacholia from Lucky Investment Managers.

Ashish Kacholia, [42]

Sir, any comments on the media reports that the food business of Tata Chemicals is going to be merged with the Tata Tea business?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [43]

No comments. You'll have to ask people who come up with the reports.

Operator [44]

The next question is from the line of Percy Panthaki from IIFL.

Sameer Gupta, IIFL Research - Research Analyst [45]

Sir, this is Sameer. Just a question here. On the India standalone business, looking at Q-o-Q growth, sir, we see a 27% kind of a growth in this quarter. And this is similar across past quarters also in 3Q and 4Q. Sir, just wondering, why is there such a big seasonality in India sales, which is largely branded tea?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [46]

I'm just trying to understand the question. So okay. You are talking about the -- okay, I was -
- you're looking at sequential quarter, not June versus June, right?

Sameer Gupta, IIFL Research - Research Analyst [47]

Yes, yes, correct.

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [48]

Yes. I don't have an off-the-cuff answer why this March sales is probably lower, but
generally, our March sales have been lower, and we have a better first quarter. That's been
the trend.

Sameer Gupta, IIFL Research - Research Analyst [49]

But there is no...

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [50]

Particularly maybe I will have to come back if you should reach out to us separately, we'll
check.

Operator [51]

(Operator Instructions) The next question is from the line of Abneesh Roy from Edelweiss.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [52]

Sir, recently, we are seeing plastic ban, for example, happen in Maharashtra. And eventually, pan-India, it will be there. In any of your businesses, could there be cost escalation? And from a product packaging also, will it be warranted? Any comments on that?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [53]

No. No. No significant impact is what we see.

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [54]

As we see it now, there will be some impact, and we're making sure it recycled, but I don't think it's very material.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [55]

Even in the water business, you don't expect any cost escalation? Because maybe you will be required to collect the bottles, et cetera?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [56]

There will be some cost escalation, but I don't think it is very significant to fundamentally impact of this.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [57]

And sir, for the India business, one question was, in terms of different distribution channels, modern trade and wholesale urban and rural. Any growth which is different? Anything you want to call out from there?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [58]

There is good growth coming also from the rural market. Urban continues to be the usual, but there is good pickup also in rural markets for tea.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [59]

And would rural growth be add of urban for you in this quarter? Or is it similar?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [60]

It has been similar for the last couple of quarters.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [61]

And sir, lastly, e-commerce, if you see for domestic FMCG companies is 1% to 1.5% of the sales. For you, how much is the number?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [62]

Slightly, slightly more than that.

Operator [63]

(Operator Instructions) The next question is from the line of Ekta Bhalja from Karma Capital.

Ekta Bhalja, [64]

Sir, just one small bookkeeping question. In the standalone notes to accounts, you used to give the breakup of dividend from subsidiaries. Can you provide that?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [65]

Standalone?

Ekta Bhalja, [66]

Sir, other incomes, dividends from subsidiaries that is part of other income in the standalone?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [67]

Yes. You said we used to provide. I don't think we have provided it. You have some idea? If you can reach out to us separately, we'll give you the number. Not a problem. Ashish will try and give you the number, yes.

Ekta Bhalja, [68]

Okay. And also, in the disclosures, we have changed the format from branded business geo-wise, so initially, you used to give India revenue, and now we are including Middle East also as part of the revenue. So any particular reason?

L. Krishna Kumar, Tata Global Beverages Limited - Group CFO & Executive Director [69]

No. I think during this quarter, we had some change in responsibility. So that's how we've combined it. It's not a material number. I think we will probably go back to the earlier presentation in subsequent quarters.

Operator [70]

The next question is from the line of Ashish Kacholia from Lucky Investment Managers.

Ashish Kacholia, [71]

Sir, any comments on or any thoughts on the rise of organized retail and particularly of a deep discount, like D-Mart and it's impact on our EBITDA margins, as a supplier?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [72]

No. It's not material, because that segment of the market -- that segment of the trade channel for our overall tea sales does not make any significant difference to us.

Ashish Kacholia, [73]

Okay. And this does not -- and D-Mart is not causing a ripple effect across other retailers who would also demand similar deals?

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [74]

We have not discerned any significant impact on our business, overall, with some of these dynamics happening in a part of the channel, which is still not big in India.

Operator [75]

That was the last question in queue. I now hand the conference over to the management for their closing comments.

Ajoy Kumar Misra, Tata Global Beverages Limited - MD, CEO & Executive Director [76]

Thank you. So -- yes, it's been a fairly good quarter for us, coming on the heels of a good year that we've had last year. And once again, we thank you for -- I thank the participants for the very insightful questions and for the good interest shown in Tata Global Beverages. And we excitedly look forward to our ability to -- while we brought back growth into the business, we hope to see good times. And with the overall macro fundamentals looking good, we look forward to having better quarters as we get along. Thank you very much.

Operator [77]

Thank you. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call for today. Thank you for joining us. And you may now disconnect your lines