







# Analyst Presentation on YTD 15-16 results

February 11, 2016

# Agenda

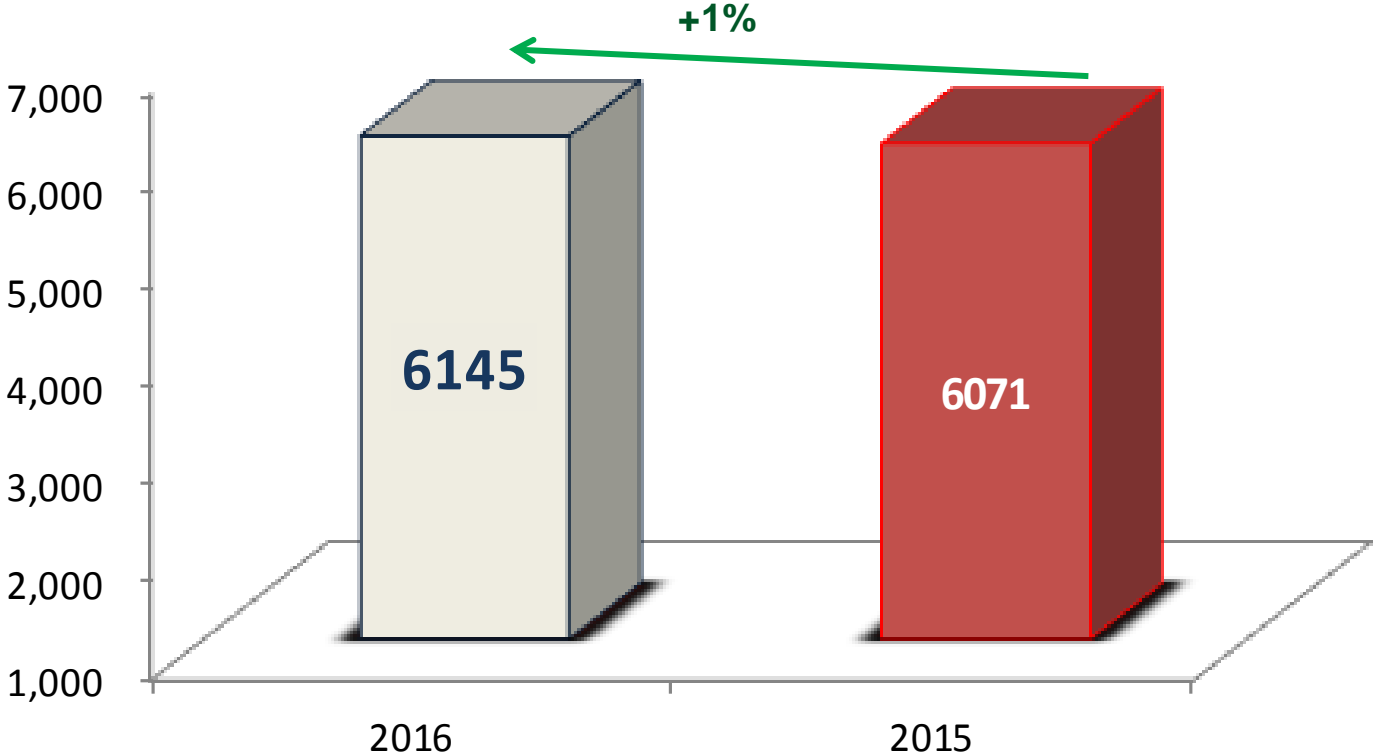


-  Financial Highlights
-  Operating Performance Review
-  Financial Review
-  Reiteration of our strategy



# FINANCIAL HIGHLIGHTS

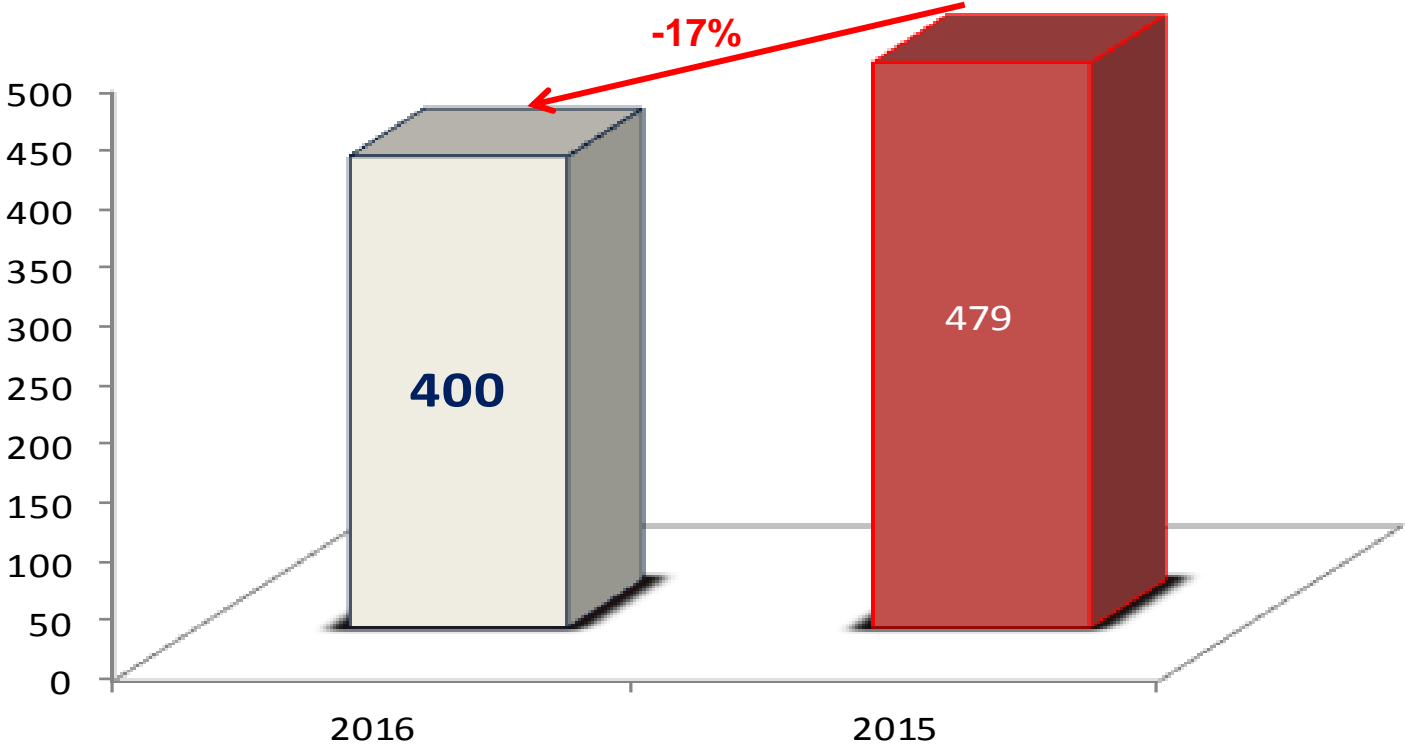
# Financial Highlights – Operating income



## Operating Income

○ At prior year fx rates, Operating income would be higher by 3%.

# Financial Highlights – Operating Profit



## Operating Income

○ At prior year fx rates, Operating profit would be lower by 18%.



# Operating Performance Review

# Operating Performance Highlights – South Asia



- Strong sales growth
- Maintains volume and value leadership across Black & Green Tea.
- Growth in both National and Regional Brands
- Launch of Special blend for Maharashtra – Tata Tea Gold
- Tata Coffee Grand launched in the current quarter. Tata Tea Fusion also launched earlier in the year.
- Significant Growth in Green tea continues with growth over prior year.
  - Digital activation with overwhelming response
- Premium Re-launched earlier in the year.
- Lower commodity prices favourably impacts margins
- Good Performance in Bangladesh



# Operating Performance Highlights – CAA - Canada



- ☛ Maintains volume and value leadership
- ☛ New products listed continues to gain distribution
  - Tetley signature collection
  - Teapigs – gains market-share in the specialty segment.
- ☛ The National TV/Digital campaign ran in Q3
  - featuring the Signature line
  - with new Jedi Positioning to drive awareness and education on how to use the tea bag





# Operating Performance Highlights – CAA – USA/Australia



## USA

- ☞ Coffee net sales flat to previous year despite intense competitive intensity
- ☞ Incremental sales and revenue on the New Instant coffee/Cans rolled out in Wal-mart stores
- ☞ Tetley Green Tea reflects modest growth with gains in both volume/value.
- ☞ Tetley Herbal tea roll-out underway

## AUSTRALIA

- ☞ Tea Business stable.
- ☞ MAP Business adds to top-line



# Operating Performance Highlights – EMEA - UK

## UK

- Top line marginally lower than previous year – in declining black tea market
- Green Tea remains the star sector with continued improvement in Super Green Tea
- Good Growth in topline in 3 of the 4 major retailers.
- New Jedi TVC on air.
- Tetley Super-green awarded the product of the year 2016. Tetley rated as the No 2 FMCG social brand of 2015 in a survey carried out by Nielsen.

## TEAPIGS

- Teapigs grows in double digits in UK - reflecting growth across most channels
- Robust growth in USA.
- Launched new varieties such as gift tins, matcha sachet (on the go), bulk matcha (food service) and loose leaf limited edition (for new e commerce) to boost sales in different channels.



# Operating Performance Highlights – EMEA – Rest of Europe/Middle East



## Rest of Europe and ME

- ☞ Good execution of launch plans in **ME**
  - TV campaign with online advertising.
  - Supported by instore consumer promotion and sampling
- ☞ **France** – Robust growth in green and earl grey segments post re-launch
  - MAT volume and value shares have grown
  - Supported by a short TV advertisement
- ☞ Improved sales in **Portugal** due to improved sales of Green teas
- ☞ Tetley continues to reflect good growth in **Poland**.
- ☞ **Czech Republic** maintains leadership in volume market shares
- ☞ **Russia**
  - Despite adverse market conditions significant improvements in underlying sales in both tea and coffee
  - Distribution remains the key focus



# Operating Performance Highlights – Water Vertical/Starbucks



## HIMALAYAN

- Stable performance by Himalayan with robust topline growth
- Focus to improve profits by managing channel mix.



## TATA GLUCO PLUS

- Significant growth in Tata Gluco plus – both volume and value
- Restage of the brand with new visual design supported by TVC was well received
- Growth despite increase in selling price
- Launched in markets like Kerala, Karnataka, Maharashtra and Gujarat. Already present in TN and AP.



## STARBUCKS

- 7 more stores added during the year. Total number of stores at 79
- Steady growth in revenues.

# Operating Performance Highlights – Non Branded Business



- ☛ Good performance by Tata Coffee which reflects increase in Operating Income as well as Operating Profit
  - Improvements in coffee plantation and significant growth in Pepper
  - Improvements in instant coffee business
- ☛ Tea plantations profitability impacted due to
  - Lower Tea prices
  - Wage revision for employees in some South Indian estates
- ☛ Instant tea business –
  - stable performance in business in India and USA



# Headwinds



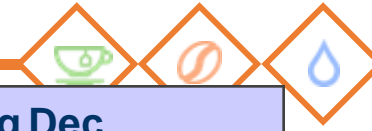
- Higher Competitive intensity mainly in the international markets.
- Timing of sales with major multiples in the international markets.
- Declining Black tea category in the international markets
- Economic conditions in Russia
- Higher commodity costs
  - Tea Auction prices
    - [Kenya](#) – Auction price reflects a hardening trend
    - [Cochin](#)- Prices remain soft
    - [Kolkata](#) – Prices reflect a softening trend
  - [Coffee](#) commodity prices higher than prior year
- Volatile currency markets - Adverse impact of currency translations (mainly Roubles, GBP AUD and CAD partially offset by USD)



# FINANCIAL REVIEW



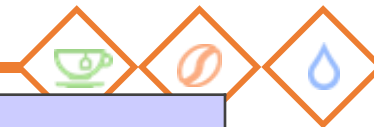
# Financial Highlights



Quarter ending Dec			Particulars (In Rs crores)	Nine month ending Dec		
Actual	PY	Variance		Actual	PY	Variance
2081	2141	(60)	<b>Total Operating Income</b>	6145	6071	74
134	161	(27)	<b>EBIT</b>	400	479	(79)
10	12	(2)	<b>Other Income</b>	55	62	(7)
(23)	(27)	4	<b>Finance Cost</b>	(51)	(64)	13
121	146	(25)	<b>Profit Before Exceptional Items</b>	404	477	(73)
(11)	-	(11)	<b>Exceptional Items</b>	(18)	(27)	9
110	146	(36)	<b>Profit Before Tax</b>	386	450	(64)
(48)	(58)	10	<b>Tax</b>	(159)	(180)	21
62	88	(26)	<b>Profit After Tax</b>	227	270	(43)
6	6	-	<b>Share of Profit from Associates</b>	21	13	8
(9)	(10)	1	<b>Minority Interest in consolidated profit</b>	(29)	(39)	10
59	84	(25)	<b>Consolidated Group Profit</b>	219	244	(25)
0.94	1.36		<b>Earning Per Share (Rs)</b>	3.48	3.94	
1.03	1.36		<b>Earning Per Share (Rs) – prior to exceptional items</b>	3.66	4.30	



# Region wise income from operations



Particulars (In Rs crores)	Nine month ending Dec		
	Actual	PY	Variance
CAA	1502	1539	(37)
EMEA	1581	1680	(99)
South Asia Brands	2360	2161	199
<b>Total Branded Operations</b>	<b>5443</b>	<b>5380</b>	<b>63</b>
<b>Non Branded Operations</b>	<b>599</b>	<b>549</b>	<b>50</b>
<b>Others and Eliminations</b>	<b>103</b>	<b>142</b>	<b>(39)</b>
<b>Total Operating Income</b>	<b>6145</b>	<b>6071</b>	<b>74</b>

Adverse impact of fx translation on a YTD basis ~ Rs 128 crs for nine months, substantially from EMEA region.



# Reiteration of our strategy

# Key trends and our strategy



## Key Trends /Opportunities - Consumers



- ✓ Premium tea segments growing
- ✓ Increasing disposable incomes
  - ✓ Growth in new formats
- ✓ Retail tea stores + online sales growing
  - ✓ Health and Wellness
- ✓ Emerging market have a dominant play

- ✓ Cocooning – Café Experiences
- ✓ Sensory Fusion – exotic flavours
- ✓ Made for me - Customization
  - ✓ On the go - portability
- ✓ Health and Wellness

- ✓ Health and wellness
  - CSD declining
  - “Better for you” options
  - Functional/fortified
- ✓ underserved cohorts
- ✓ Status affirmation/life-style

## The Strategy

*“ Maximise current business+ target new high growth opportunities”*

*“ Fuel existing brand portfolio and drive step change growth opportunities*

*“ upgrade consumers to healthier hydration”*

# Strategy – Key themes

## Innovation overdrive

Focus Areas – functional teas, green teas, new formats (Fusion), premiumisation, e-commerce



## Base business rejuvenation

Tetley Global re-launch, Tata Tea Premium re-launch



## Whitespace market entries

Middle East, Tata Tea Gold – Maharashtra blend, Tata Coffee Grand





Thank you