



April 21, 2023

1. The Dy. General Manager
Corporate Relationship Dept.
BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street
MUMBAI - 400 001
Scrip Code No: 532301
2. The Secretary
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No. C/1, G. Block
Bandra-Kurla Complex, Bandra (E)
MUMBAI – 400 051
Scrip symbol: TATACOFFEE

Dear Sir(s),

Sub: Transcript of the Analyst call

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the Transcript of the Analyst call held on April 19, 2023 in respect of the Financial Results for the Financial Year ended March 31, 2023 for your information and records.

The above information is also available on the website of the Company: www.tatacoffee.com.

The audio recordings of the Analyst Call is also made available on the Company's website:

https://www.tatacoffee.com/sites/default/files/collaterals/investors/analyst_calls/Analyst%20Call%20held%20on%2019h%20April%2C%202023_0.mp3

Please take the same on record.

Thanking you,

For **Tata Coffee Limited**

Anantha Murthy N
Head – Legal & Company Secretary

Encl.: As above

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“TATA Coffee Limited
Q4 FY '23 Earnings Conference Call”
April 19, 2023



MANAGEMENT: **MR. CHACKO THOMAS – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – TATA COFFEE LIMITED**
**MR. K. VENKATARAMANAN – EXECUTIVE DIRECTOR,
FINANCE AND CHIEF FINANCIAL OFFICER – TATA
COFFEE LIMITED**

MODERATOR: **MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Tata Coffee Q4 FY '23 Results 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 conference call. Please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Aniruddha Joshi: Yes. Thanks, Bikram. On behalf of ICICI Securities, we welcome you all to Q4 FY '23 Results Conference Call of Tata Coffee Limited. We have with us today; Mr. Chacko Thomas, Managing Director and CEO, Mr. K. Venkataramanan, Executive Director, Finance and CFO.

Now I hand over the call to the management team for their initial comments on quarterly performance and then we will open the floor for question-and-answer session. Thanks and over to you, sir.

Chacko Thomas: Thank you, Anirudh. Good morning, everyone. This is Chacko here. Thank you for attending today's call. Before I update you on the business performance, I thought I will share some market conditions that we encountered during the quarter. Primarily, Arabica prices have softened due to increased availability. On the other hand, Robusta prices have remained firm and if not a little bullish on account of reduced availability globally and especially from India.

On the general market dynamics has been varying across most geographies, especially around instant coffee. And despite the market-related challenges that we have had, we came out with a fairly good performance during the quarter and we consolidated our presence in the MENA region. We had a noteworthy performance in Russia and similarly our green coffee sales were also pretty impressive and we actually managed record sales for the season.

While challenges like increasing input costs and low price expectancy across key markets have played a critical role in the business performance, these impacts and challenges were partially mitigated by the ongoing cost optimization efforts and productivity projects across locations. I think it's also a testament to the fact that we are running our plants -- the instant coffee plants, at near peak capacity at the moment.

Moving on to the financial performance, on the stand-alone quarterly performance, the revenue from operations were up 13% compared to the same quarter of the previous year, that is INR257 crores versus INR227 crores in the corresponding quarter of the previous year. This is primarily higher due to the higher revenues from instant coffee and the plantation operations, largely driven by product mix and higher price realisation. The quarterly stand-alone PAT was also 16.33% up compared to the same period in the corresponding quarter of the previous year.

The effective implementation of our twin marketing strategies, that is differentiation and disintermediation, have largely supported these performances. On the standalone year performance, I think again a good year, revenue from operations were up 25% compared to the previous year at INR1,023 crores versus INR817 crores and the noteworthy performances were

actually, as I mentioned earlier, record green coffee sales and excellent instant coffee sales performance from all three plants.

The yearly standalone PAT was at INR231 crores, significantly higher compared to the previous year and this of course was also on account of one-time profit on sale of property. On the consolidated results, the revenue from operations for quarter 4 was at INR723 crores, that is a 10% increase over quarter 4 of the previous year and for the year at INR2,850 crores, up 20.59% compared to the previous year due to higher realisations across all businesses and primarily around better product mixes and largely driven by our instant coffee performance from all our factories.

The profit for the quarter is also higher for the year at INR321 crores. The operating performance of Eight O'Clock was impacted by low volumes and slightly higher input costs for the quarter. Overall, the quarter and the year have been pretty satisfying, especially considering this challenging situation that we have encountered during the course of the year.

I will now request Venkat to take you through the financial performance for the quarter and the year. Over to you Venkat.

K. Venkataramanan:

Thank you, Chacko. As Chacko has summarised, we had a decent quarter and a very good yearly performance. For the quarter standalone, the total income was higher by around 14%. As Chacko mentioned, we have had a good performance in the plantations, especially driven by the coffee segment. We did have some challenges around tea, we continue to have challenges around tea because of the pest and disease and we are hopeful that we will find some solutions to it. The management is putting a lot of effort, primarily in the tea plantations at Annamalai.

On the plantation business, as I mentioned, there has been a little bit of a challenge on the Robusta crop, in line with whatever is happening in India per se. But overall still, due to improved prices and our Arabica production was also good, so there were no issues and the plantation overall, for the year, has done well.

On instant coffee, as mentioned, they had a good quarter. For the quarter, around 17% increase is there across both Vietnam and India. The Tata Coffee, Vietnam continues to be reporting strong numbers and improving year-on-year. On the Eight O'Clock side, as we mentioned, they have a lower bag volume sales and also there has been an impact on account of higher coffee prices. Hopefully, as the prices ease, the performance of Eight O'Clock will improve. We also had one time profit on sale in the quarter 2, which was supported, which is also adding the overall numbers for the year. Lastly, we as a company also declared a higher dividend of 300%, INR3 per share, compared to 200%, INR2 per share, which was announced in the previous year.

With this, I hand over the floor for questions and answers. Thank you.

Moderator:

We will take our first question from the line of Yash Bhandari with Neo Markets. Please go ahead.

- Yash Bhandari:** Good morning and congratulations for your good results. I want to know the clarity on the timeline of the merger completion. When you are expecting the merger to complete and what are the pending approvals?
- Chacko Thomas:** Yes. As both the approvals are pending at the NCLT Calcutta bench for Tata Consumer and at the Bangalore bench for Tata Coffee. The shareholders' approval has already been obtained by both the companies. We are now waiting for the second motion petition hearing from NCLT, both Calcutta and Bangalore. This is something which is beyond our control in terms of when the hearings take place and the orders. But our own estimation is that in the next about around three months, we should be through with the merger. That is what our estimation is. But of course, it will depend on the NCLT benches in Calcutta and Bangalore, which we are following up through the advocates.
- Moderator:** We will take the next question from the line of Varun from ICICI Securities. Please go ahead.
- Varun:** Yes, thanks for the opportunity, sir. My question is, if you can share any update on Tata Coffee Grand. So, I mean, are we seeing limited success over there?
- K. Venkataramanan:** See, the Tata Coffee Grand, we are packing and supplying to Tata Consumer. So, I think it's best that this question is answered at the Tata Consumer Analyst Meeting. Because we are seeing definitely improved franchise, improved sales. But obviously, the more details in terms of how it will be better answered by Tata Consumer.
- Varun:** And, sir, my second question is on, if you can share any update on the Vietnam?
- Chacko Thomas:** Yes. So Vietnam, the plant, as I mentioned in my opening remarks, is actually running at 100% capacity -- peak capacity actually. The order book, I mean, last year, the orders as well as the completion of the same were phenomenally good. The performance was excellent from Vietnam. As we stand, our order books again, are looking extremely good and encouraging. So, Vietnam, on the whole, is a very satisfying experience for our orders.
- Moderator:** We take the next question from the line of Bhavya Sonawala from Samaasa Capital. Please go ahead.
- Bhavya Sonawala:** Thank you for the opportunity. Just wanted to know what is our outlook on instant coffee and how does the whole industry -- just wanted to know what are we thinking in terms of instant coffee with Tata Coffee and Condense Milk?
- K. Venkataramanan:** So instant coffee, the demand what we are seeing is about 2%, 2.5% growth. So instant coffee continues to be strong. There are no issues. As you are aware, we have all the three variants of Spray, Agglo and Freeze. So as of now, we are finding strong demand for Freeze. Our capacities are full as I mentioned about Vietnam as well as in India also, we are running full. We have got good traction in Russia. And what we are seeing is only some slowness in the pickups in certain geographies like Africa, which was impacted by higher coffee cost and packing materials, inflation and all that, which are slowly seeing green shoots there as well.

So, the instant coffee demand overall looks strong and our order book is full. So we are quite, sort of pleased with the performance.

Bhavya Sonawala: Okay, got it. Thank you.

Moderator: We take the next question from the line of Dhiral from PhillipCapital. Please go ahead.

Dhiral: Yes, good morning, sir. Thanks for the opportunity. So, how are the prices of Robusta Coffee currently?

Chacko Thomas: Yes, so Robusta is trending pretty well. It is around \$2,400 per ton. It is 11-year high also. So, it is also largely a function of a crop shortage as far as Robusta is concerned. So, Yes, so that's where it is at the moment. It's fairly good. Very good.

Dhiral: So sir, on a YoY basis, how is the price incremented?

Chacko Thomas: So, about a year back, we would be talking about Robusta being in the mid-1900s or early 1900s. It's moved to about \$2,400. So, about 10%, 15%, 20% higher than what it was a year back.

Dhiral: And, sir, do you feel the prices will remain at current level or do you feel it may ease down a little bit?

Chacko Thomas: So, it's a very difficult question to answer. I would leave it at saying that, there is definitely stress as far as the availability of Robusta is concerned. That's pretty clear. But there are obviously the large Robusta producers like Vietnam and parts of Brazil. That is a conglomerate production that is still to come in. What will happen six months from now, I'm not very sure. But at the moment, it looks pretty bullish.

Dhiral: And, sir, as you said that our instant coffee order book is full. But you are also running at almost optimum utilization. So, what kind of growth we can assume in the instant coffee side in FY24?

K. Venkataramanan: See, there is the thing, you see, like this. Now, we are also, Vietnam and all that, we have got differentiated blends, single-origin blends, decaf. Those kinds of things, opportunities are there, which we are sort of capitalizing on. Well overall, as I mentioned our order book is full. Some of these levers are there for us to commercialize and exploit further.

Dhiral: And sir, in FY23 itself, what kind of volume growth we have seen in instant coffee?

Chacko Thomas: So pretty much -- so, even in the past year, factories were almost running at full capacity. It's, literally the same quantity, maybe about 4% or 5% higher than the previous year. But largely, the factories have been running at full capacity.

Dhiral: And sir, you also mentioned that, we are also witnessing a recovery in the Freeze-dried premium coffee, right?

Chacko Thomas: Yes.

Dhiral: So, is it a particular geography that you are witnessing or is the demand across the globe?

- Chacko Thomas:** Across the globe. But you must remember, the largest consumer of Freeze-dried is Russia. And Freeze is, at the moment, pretty much in the demand space. But other parts of the world also, where there is a requirement of Freeze, they also seem to be asking. Obviously because there have been some facilities that have actually come off production. So there is a lack of quantities available in the market. So, it's a global phenomenon, actually.
- Moderator:** Participants who wish to ask a question, may press star and one on your touch-tone phone now.
- Unknown Analyst:** Indicate what was the, what is growth in case of Eight O'Clock, and how do you see the next two-year outlook, considering obviously, the inflation fears have now resided, but still the recession fears are still looming large. So how do you see the Eight O'Clock next two-year growth outlook? And what are the key steps that the company has taken to combat any macro headwinds? Yes, thanks.
- K. Venkataramanan:** So two years they will do. But what we are clearly seeing is Eight O'Clock is focusing on a lot of innovation and kind of new product developments, which will definitely be standing in good stead. They are also trying to penetrate distribution much more than what was before. So, these two are the, you know, definitely some of the levers which they are using. Of course, they now, with the coffee prices also a little bit easing, we are expecting kind of improvement in the market over a period of time.
- Moderator:** Take the next question from the line of Dinesh from BBG. Please go ahead. Take the next question from the line of Bhavesh Jain from Enam AMC. Please go ahead.
- Bhavesh Jain:** Sir, what are capex plans?
- Management:** So capex, we have some kind of ongoing capex on the Starbucks roastery in Kushalnagar, which we are investing. So, that will probably come into stream during the next couple of months.
- Management:** A lot of other capex that we normally do for enhancing quality, etcetera in the plantations, for example, putting up new wet-milling machines, etcetera. So largely around quality, largely around enhancement, as you mentioned of the Starbucks roastery. And also capacity de-bottlenecking in the instant coffee plants. So, that's basically the capex that we are doing. Largely, the big numbers.
- Management:** We also have some kind of replanting also in the plantations.
- Management:** Yes, which is the usual thing that we do. And it's a fairly large quantum that we spend on that. So, capex spend will be roughly around INR20 crores, INR25 crores on a steady state basis. And with this capex, some of these specific projects will slightly go up.
- Bhavesh Jain:** And anything on instant coffee side as we are running full peak?
- K. Venkataramanan:** We are evaluating of whatever possibilities are there. Obviously, we did about a year back on the agglomeration facility, which is majorly meant for consumer requirements in training. So, we invested about INR25 crores there. So like that, whatever the requirements on a need basis, we are doing it. On a larger size, yes, we are definitely evaluating.

- Bhavesh Jain:** And lastly, on this Arabica prices, you said the availability have increased. So, how do you see the prices, Arabica prices going forward?
- Chacko Thomas:** Yes, so Arabica, in my opinion, we kind of talked out in terms of where the prices could have headed. The crop that we hear of coming in from Brazil seems to be pretty good this year. So, I do not see any upsides to it. But largely, I think, because demand is also very much there and you still see consumption going up by 2%, 2.5%, 3% in green coffee. I don't think there is a major danger of prices actually going down either. But I would be careful in saying that for the next six months, this hypothesis may hold good. Beyond that, we will have to wait and see how things transpire.
- Bhavesh Jain:** And on Eight O'Clock, have they passed on entirely this raw material inflation, the coffee prices inflation to end consumers?
- K. Venkataramanan:** Not fully, because normally again, Eight O'Clock is the fifth largest and in line with competition they have done. But obviously, all these roasters carry typically longer inventories of raw material, so not fully passed on. So, that's why I said, as the prices ease, the operating margins will probably improve.
- Bhavesh Jain:** Okay, and anything on the volume outlook, because we are seeing subdued volume over there, Eight O'Clock side?
- K. Venkataramanan:** Yes see the issue is, what's like this -- the point is, about 2, 3 years, post-COVID, what happened, all this pantry filling and all that, the volumes did go up quite a bit for about 1-1.5 years. So, when we are comparing to that, there is reduction. But obviously, while we are seeing some growth in the [K-cups] and all those, but the bags volumes, per se, we are not seeing that kind of a growth. But obviously, we'll wait, because Eight O'Clock is also putting a lot of efforts on innovation and new products in terms of specialty blends. So, those will probably be able to improve the volumes as we go along. They are also focusing on distribution, as we tend to do that. So with that, hopefully, the bags volumes will improve.
- Moderator:** Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session, and I'd like to turn the call back over to the management for closing comments. Over to you, sir.
- Chacko Thomas:** Thank you for attending the call and hope to see you next time. Thank you very much.
- K. Venkataramanan:** Thank you very much. Thanks, Anirudha.
- Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.