Bombay Stock Exchange Ltd.
Corporate Relationship Dept.
1st Floor, New Trading Wing
Rotunda Building, PJ Towers
Dalal Street
Mumbai 400 001
Scrip Code - 500800

National Stock Exchange of India Ltd.
Exchange Plaza,5th floor
Plot No. C/1, G Block
Bandra Kurla Complex
Bandra (E)
Mumbai 400 051
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National Stock Exchange of India Ltd.
Wholesale Debt. Market Segment
Exchange Plaza, Plot No. C/1, G Block
Bandra Kurla Complex
Mumbai 400 051

February 15, 2016

Dear Sirs,

With regard to the Analysts call held on 11th February 2016 for discussion of the financial results for Q3 of 2015-16, we had already submitted the audio transcript of the call details. We now attach a PDF version of the same.

Yours faithfully,
For **Tata Global Beverages Limited**

(V. Madan)
Vice President & Company Secretary

Encl. : as above

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TATA GLOBAL BEVERAGES

"Tata Global Beverages Q3 FY 2016 Earnings Conference Call"

February 11, 2016
5.45 pm to 6.45 pm



ANALYST: **MR. SUBHAM SINHA - SENIOR MANAGER – INSTITUTIONAL SALES – TATA SECURITIES LIMITED**

MANAGEMENT: **MR. AJOY K. MISRA - MANAGING DIRECTOR AND CEO – TATA GLOBAL BEVERAGES LIMITED**
MR. L. KRISHNA KUMAR - EXECUTIVE DIRECTOR AND GROUP CFO– TATA GLOBAL BEVERAGES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Tata Global Q3 FY 2016 earnings conference call, hosted by Tata Securities. As a reminder all participant lines will be in the listen-only mode. 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 "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Subham Sinha from Tata Securities. Thank you and over to you!

Subham Sinha: Good evening, Subham Sinha here from Tata Securities Limited. I welcome everyone to the Q3 FY 2016 conference call of Tata Global Beverages. For discussing the numbers we have here with us Mr. Ajoy Misra, the Managing Director and CEO of the company and Mr. L. Krishna Kumar, the Executive Director and Group CFO. I now hand over to Mr. Ajoy Misra. Over to you Sir!

Ajoy K. Misra: Thank you. Welcome everybody and thank you for your interest in attending the call. I now am going to say a few comments giving an overview about the year-to-date performance of Tata Global Beverages for the first nine months. The financial highlights, the top line is, that our operating income in this period is 1% ahead of the operating income of the previous year same time, however because of significant forex volatility if you take it in underlying terms our operating income would be higher by 3%. Coming to operating profit year-to-date, our operating profit is lower than the previous year by 17% and in underlying terms by approximately the same. Giving you a flavour of some of the operating performance highlights, region wise, because that is how our business is spread out, starting with South Asia, which is largely India, we are happy to see that we have a strong growth in our sales numbers for the first three quarters. We continue to maintain volume and value leadership across the black tea segment and a very accelerated growth which continues in our green tea part of the business. The growth that we are seeing in India is in both national as well as our regional brands. You are aware that while Tata Tea is our umbrella brand, under the umbrella brand we have several brands some of which are national brands like Tata Tea Agni and Tata Tea Premium but there are also regional brands like Chakra Gold, Gemini and Kanan Devan, so the growth that we are seeing in India is across both national and regional brands. I am also happy to report that, we had talked earlier that, we will be getting aggressive and bold in terms of doing new launches to enter spaces in the premium segment, because that is what was identified in our strategy, that Tata Global Beverages, across most of its geographies, we are playing in the mid segment and we need to enter the premium segment, so in India, as an example we have launched the Tata Tea Fusion proposition which is in the premium segment. This is a very high-quality, Assam tea along with mixer of Kenyan as well as green tea working on the insights that the housewives anyways likes to blend her tea leaves and we made this as a packaged proposition in the Tata Tea Fusion launch. We have also, as part of the strategy, said earlier that India is not any one country. We need to look at pockets and states. In some states, Tata Tea is number one but we are not number one in all states of India, so we will attack all the wide spaces within India also. So we have picked the large state of Maharashtra where we believe we have much more headroom to improve and we made a very special blend for Maharashtra and we recently launched it under the brand of Tata Tea Gold to

capture some of the potential in this geography. The initial reports are that it is doing well. The most exciting part actually of India has been our entry in to branded coffee. With Tata Coffee Grand we have now entered the coffee business which also has just been about a month, that it has hit the shelves, I wonder if some of you have seen the commercials for that, very good initial reports about our coffee launch. So these are some things that are happening in the India business which give us good hope that we are walking our talk on some of the strategic things, of course, not immediately all of this impacts your short term numbers but this is laying the ground for some very good activity because we believe in India we are sitting on a huge potential which we have miles to go to fully tap. We have also, I mentioned briefly, showing continued strong growth in green tea and we have done a very high level digital activation which has had an overwhelming response, green tea in India, I am still on India. We have also done a restage of Tata Tea Premium in India which is our single largest brand, restage has also happened earlier in the year. Sticking to India final point is that tea prices in India have been lower in the year and we have also been helped by lower commodity prices which have favorably helped our margins here. To complete South Asia, Bangladesh performance is improving, so that is also good news.

Coming to now CAA, which is Canada, America, Australia, starting with Canada, in Canada we maintain volume and value leadership. In Canada we predominantly operate the Tetley brand. We have introduced new products again to move up in the premium direction under the banner of Tetley Signature Collection. We continue to get more and more distribution gains in the signature collection, so thats good news, Teapigs which we have launched in Canada about a year back continues to gain market share in the speciality segment and we have campaigns running promoting the signature line and we have done a makeover in the new Tetley logo and Tetley brand relaunch that is happening through various geographies where Tetley brand operates.

Coming to USA, our coffee net sales, roughly flat to previous year, despite intense competitive intensity, so that we have held on, is good. Incremental sales and revenue on the new instant coffee and cans that were rolled in Walmart stores is not that big, but all the sales that we are getting is incremental because it is not eating in to any of our existing roast and ground of whole bean consumers. Tetley Green Tea in the US reflects modest growth in both volume and value and the herbal, we have entered the herbal space which we were not playing in earlier, in the US and that is actually a big space and growing space, that roll out is underway as we speak, so that is US. Coming to Australia the tea business is stable. Map, coffee business continues to add to our top line.

EMEA, which is largely UK, to start with first. The top line in the UK is marginally lower than previous year, but that again I think we have held on to volumes fairly well because it is the declining black tea market, but our star really in the UK has been the Super Green, the green tea story is really the star story there and our gains, we have already become the number two green tea brand, we were number three till recently with the launch of our Super Green Teas and in fact we have been awarded, the big news here very recently is that we have been awarded the product of the year award for our Super Green teas. This is world's largest consumer voted award for product innovation which was established about 28 years ago in France. Currently, the category of this award operates in about 40 countries around the world with the same purpose. The thing

about this is that, this is voted by consumers, 100% consumer voted, it is independent, it is transparent and it has a very great reputation, so armed with this award we are now going to on every single pack of our Super Greens we will be putting this logo and this mention prominently which will be a great boost for our brand in the UK, going forward ofcourse. Teapigs, which is our super premium brand in the UK, continues to do well. It is continuing to grow in double digit in the UK. As you know we have also taken Teapigs in the US, Canada, Australia, parts of China, Japan, it is small but I think it is showing good global traction in the super premium category.

Rest of Europe and Middle East, as you are aware, we have done a launch in the Middle East, in fact, and we are in investment mode in the Middle East. We have been supporting and investing in promoting the brand heavily. We have rolled out, this pilot was in Kuwait, we rolled out to Saudi Arabia. Now we are in UAE, Bahrain and Qatar. The campaign is aggressive and I think we are going as per plan clawing market share from a very small base as we have set up sights pretty firmly on entering this new geography. France is showing robust growth although it is small relatively but it is still worth saying we are one of the prominent brands in Tea in France, robust growth in green and earl grey segment post relaunch, similarly in Portugal we are showing improved sales, again small, but some of these European countries, Tetley has been historically present. We do well. Tetley is also reflecting good growth in Poland where after the acquisition of Vitax which we had done some years back, we introduced the Tetley brand there and that is doing well. Czech, we maintain leadership and volume. Russia, despite the adverse market condition, there is significant improvement in underlying sales in both tea and coffee and we are gaining distribution in traditional and wholesale parts of the business, of course, if you translate those gains in sales with forex volatility it does not translate into great numbers but the underlying sales, there has been a good growth.

Quickly reporting about our water vertical, Himalayan, good news is in the first nine months we have shown a double digit growth and we are beginning to rejig the channel mix and we are managing to improve profitability by doing that. The star story in the water vertical actually is Tata Gluco Plus, significant growth in Tata Gluco Plus, significant by miles compared to where we were both in volume and value. There was a restage of the brand that we had done supported by a new TVC. Despite increasing the price from 8 rupees to 9, we have seen stupendous increases because I think it hit the sweet spot. We had launched in markets like Tamil Nadu and AP earlier, we have now extended it to Kerala, Karnataka, Maharashtra and Gujarat.

On the Starbucks front, there was lots of news in the media sometimes back. We continue to believe and perform very well as a brand. We have really established this as a premium brand in the space. Seven more stores have been added during the year. Total number of stores stands at 79. We believe we are poised for good growth going forward having laid a very strong base.

In terms of the nonbranded business, good performance by Tata Coffee which reflects increase in operating income as well as operating profit. There has been an improvement in coffee plantation part of the business and significant growth in Pepper and Pepper is not insignificant in the portfolio. Improvements in instant coffee business are being seen there. Tea plantations on the

other hand, the profitability has been a bit impacted because of the lower tea prices in India which I mentioned earlier and you may be aware that there has been significant wage revision for employees and workers in some of the south Indian estates.

Instant tea business, which we are also in, with the units operating in Munnar and in the US and in China, stable performance in businesses in India and US.

At this point, I am going to hand over to L. Krishna Kumar to take us through some of the other environmental factors and then come to what all of this translates in to numbers.

L. Krishna Kumar: Thanks Ajoy and good evening all of you on the call. Just to recap the environment and the conditions especially in relation to commodity and fx in the market today, we have strengthened the US dollars as you are aware in most markets and that has an effect on us given that we are in the international business but it is favorable for any exports outside India because in currencies like the Russian Rouble or the Canadian Dollar which have depreciated against the USD even though the underlying sales are good, in terms of translation, the impact is adverse. We have been impacted to some extent by the strong USD. In terms of commodity cost, we have seen after two years of low prices in Kenya we have seen hardening of commodity cost in Kenya but in India we are seeing a softening trend of prices which started early on and continues in to the year, so there has been benefit in India and an element of an impact in overseas market. Commodity costs are now trending softer compared to earlier part of the year when you saw higher cost. It is an overall improving trend. With these comments I will just want to go on to highlight of the financial performance. I will comment on the quarter and then the numbers for the year and I am assuming all of you have the publication we sent forth to the stock exchange and also published.

If you take the quarter operating income at about 2080 Crores, it is slightly lower than the same period in the previous year and we have clarified that there are two or three things happening here. One of course is the impact on currency translation in the markets like I mentioned earlier. The second is also an international market, lot of sales are driven by promotions and the timing of promotion say in Walmart or a Loblaws or any large retailer you have a fair amount of sales which happened during the promotion and it is possible that you have a large promotion in one quarter in a particular year and the same kind of a large promotion happens in Q4 or Q1, so there could be a shift and that has what is happened for us, there are some large promotions we had in Q3 last year, you know, have changed time. There is an impact of timing of promotion. On the operating profit, while its lower, I think there are, of course there is an impact of sales being slightly lower. There is also the fact that as we have been mentioning we are investing in water, in coffee in India, in fact in this quarter we had the launch of Tata Coffee Grand, we had Tata Tea Fusion, so there have been a spate of bunching of product launches in this quarter. In addition, there are being some one off items like the amendment to the Bonus Act, some revisions in wages in plantation and some contractual obligations which are not really relating to the quarter but in terms of accounting we are taking all these costs in this quarter. Those are the items which have impacted the numbers for the quarter. No major changes in other income or finance cost. This is largely flowing through to the PAT. In terms of tax rate I think we see some opportunities from the tax rate going forward in the years ahead from where we are. In the nine

months as Ajoy mentioned the turnover is higher by about 3% in underlying terms. Operating profit again low for some of the reasons I mentioned and there is, as I mentioned in the earlier calls, and we have talked about our strategy and I will recap towards the end of this session that we are investing in some of the markets like Middle East where we have launched recently, we are investing in new product launches in India and there is investments in water and the initial stages of rollout of Starbucks, so these are investments we continue to make which from a year to year, from quarter to quarter has impact of profitability in the short term. Those are the comments on the financial highlights and if you look at the turnover by market, I think there is about 120-130 Crores of full impact of currency translation which is adverse. Strong growth in South Asia and some element of slowing down of sales in the UK in the black tea market which we talked of, so there is the decline of the black tea market which is impacting the top line in the UK.

Moving on, just a few comments reiterating our strategy is that we are seeing in terms of consumer trends, we are definitely seeing growth in premium tea and you are seeing evidence of that in the number of retail formats that are opening up in India whereas our Teapigs brand which is our premium offering has done exceedingly well and we are taking it to other markets outside the UK. We are seeing an increasing disposable income in India but the challenge is the retailer pressure in the international market, so our focus is to categorize on premium segment to look at the new format and to win the larger business by investing in markets where we are not yet settled even though we have a strong brand. In coffee, clearly we are seeing the trend towards single serve though I should say that in this quarter there is probably a slightly lower, slowing down of growth, but it is still growing at fairly largely proportion of the developed market and the trend is coming slowly but surely to markets like India.

In the water category as Ajoy mentioned, we are seeing good volume growth and we believe the opportunity is there for the medium term. Our focus is on guiding innovation in areas we are in. We are relaunching our brand. There is a relaunch of the Tetley brand in a global basis which is happening by market and we are also evaluating white space market entry. We are also in India looking critically at our portfolio and seeing whether India is really many countries, so there are some states we are exceedingly strong even though we are the largest tea company we are weaker in some states and we are trying to fix that by focusing on states where we can improve our shares and one example is Maharashtra where we have launched a revised blend of Tata Tea Gold which is doing fairly well. So, these are the comments and with these I am going to open it up for questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Rohit Joshi from Dion Global.

Rohit Joshi: Good evening to both of you Sir. I want to know that as of Q2, number of Starbucks store was 78 and you had told that 79 is the current number, so we should assume that you are going slow with your expansion sweep. Are you satisfied with the store-level performance?

Ajoy K. Misra: That is a good question. Yes indeed, this year the number of stores has not been as fast as we have had in the past but I think we were retooling ourselves. We were retooling the brand and the

strategy and you know that for a while we had these FSSAI related issues, which you may have read about in the press, so we have taken a pause to retool, reengineer our product portfolio looking at indigenising a lot more whatever was possible. We have now reached a stage where there is going to be renewed focus on rollout and execution, so you will find that we are not consciously slowing down, this is just the pace that incidentally happened in the last three to six months but that is not going to be, how it is going to be, going forward.

Rohit Joshi: Sir, next question is how was the performance of the pods business this time, because in the last quarter there was little bit of slowdown in that part. Have you regained the traction in that part?

L. Krishna Kumar: The question was in the Pods business, right. I think we are seeing…. There are two things, what is happening to the category and what is happening to us. Overall I did mention, even in my opening remarks that, in the US which is where we have our pod offering, we also have in Canada and other markets but they are relatively small,, we are seeing the rate of growth coming down and I think you have made that point. Having said that, it is a large segment of the market but the rate of growth is slowing down and that is, for us in the quarter I think we have slower growth than in the same period in the previous year, but the reverse is that we have a slightly improved performance in the traditional format as pods is slowing down, that is what is happening overall as a trend.

Rohit Joshi: So have you tapped any new state for Tata Gluco Plus apart from the older ones like we've seen in UP, you have rolled out, any new states we have tapped into?

Ajoy K. Misra: I said that we started off in Tamil Nadu and Andhra and thereafter we have now taken it to Kerala, Karnataka, Maharashtra and Gujarat and we are also now going to take it couple more North Indian states. You will find those product launches happening there. The thing about this is, it is not a kind of a product like Himalayan which can go national from one source. This is a product which is at the price point of 8 or 9 rupees a helping and the economics works out only in terms of production in a radius within which it can be profitably distributed, so the roll out is a matter of how fast we are able to get bottlers in the different pockets across the country and we are putting a lot of speed behind it because this is now our star product in our portfolio and the growth rates are amazing from what we are seeing, so we are going to put full efforts behind making sure that we take it to more and more states as fast as we can.\

Rohit Joshi: Thanks sir! I will go back to the queue

Moderator: We will take the next question from the line of Nilai Shah from Morgan Stanley, please go ahead.

Nilai Shah: The first question is on the single-serve again. Did you actually grow during the quarter or was it a decline in terms of volume offtake for single-server?

Ajoy K. Misra: For us it was lower, just from quarter to quarter perspective but not on an overall basis, specific to this quarter I think we did not grow.

Nilai Shah: Okay, sir, so decline this quarter. And the second question is on the international tea margins, could you specify as to what is the basis points decline for this quarter on a YOY basis, is it like 330-340 basis points?

L. Krishna Kumar: I do not know the answer. We have not calculated on that basis. I cannot respond on the call. May be offline.

Nilai Shah: Are your international business margins holding up or are they falling Sir? The context is actually that you mentioned that last year in 3Q, you had some sort of promotions that is why.

L. Krishna Kumar: I do not know what the question is. We are not looking….. We are only trying to….. Our business is not run on a quarter to quarter basis and I would not spend my time analyzing specifically speaking of promotions for the quarter. I know that overall our business is doing well and if there are promotion intensity in a particular period that considers competitive intensity and the reaction to what is happening in the market, so the answer to the question is the business doing well, the answer is yes, now a particular quarter 330 basis points I am not in a position to answer.

Nilai Shah: No I'm just asking you, the question is because you mentioned that last year, same quarter there was a promotion, probably there is no promotion this year that is what I am asking, was there a promotion last year?

L. Krishna Kumar: You please understand that the point I am trying to make is, I will give you an example of how the promotion intensity in different markets are and there were certain promotions in the same period last year which did not happen in the same quarter this year and it is not a single promotion, it is spread across different customers, it is not one market, it is more than one market. I do not try to arrive at it arithmetically because it is not worth my spending the time because I am looking at an overall trend.

Moderator: We will take the next question from the line of Ritwik Seth from Span Capital, please go ahead.

Ritwik Seth: Hi Good Evening Sir! I had a couple of questions. Firstly, on the EBIT margins in coffee, they have improved 220 basis points Y-o-Y. So is this primary attributable to Starbucks?

L. Krishna Kumar: No. I do not think it is due to Starbucks. If you are looking at the segment results I think Eight O Clock there is a softening of commodity cost and there is also the Tata Coffee element because I think we have talked last time about coffee being an alternate cycle crop, so there is good crops of Robusta, so the element of Tata Coffee also contributing to that. It is not relating to Starbucks.

Ritwik Seth: It's not relating and more related to Tata Coffee?

L. Krishna Kumar: It (Tata Starbucks) is not that significant yet in the overall scheme of things.

Ritwik Seth: And also just a broader question like out of the total sales, India is about one-third and rest of the world is 65% to 68%. So out of the two-third, is it fair to assume that more than 50% is in

matured economies and the growth will be in the range of mid-single digit or something like that like, US, Europe, Canada and all those regions?

L. Krishna Kumar: I will not give you a specific average comment.

Rithwik Seth: Broadly like, a ballpark, is that understanding right basically, what I'm trying to say?

L. Krishna Kumar: I am going to be cautious and I do not want to give a ballpark comment and we do not give a statement but if you take the example of a developed market, it is different in different markets. You could have some markets and there are different types of tea. There are black tea, green, herbal, speciality. We will still have specialty categories growing at double digit, so one needs to be clear and over a period of time the profile also changes. So I don't want to ……..

Ritwik Seth: No, the reason I am asking is because like if I have seen the last 14 to 18 quarters, we have been around revenue of, on an average INR1800-2000 Crores and margin of 9% to 10% and gross margin is also around 50%. So where I am trying to get is that, should we look at it as most of the portfolio is matured and some part of it, say, India and some other emerging economies are on a growth basis, it can give around 10%? I'm trying to understand that.

L. Krishna Kumar: I do not want to give because the composition keeps changing. I do not want to give a specific forward statement which you use and hold me to it. I am just saying the composition keeps changing, what you are saying may be valid for the last 15 months or 15 quarters. It does not mean that it is going to be continuing forever, there could be changes in quarter to quarter or there could be shift as a proportion of some speciality increases in a particular market, we have to be careful about that.

Rithwik Seth: Ok and Sir, last question is about goodwill, like last two to four quarters we have been reviewing our goodwill and we have been taking impairment charges also. So is there anything on the cards right now which is being reviewed? We have 4000 Crores, which is almost 40% to 45% of our net worth, so is there anything on the card?

L. Krishna Kumar: I cannot comment on anything forward. We are talking about performance of the period that has just ended.

Rithwik Seth: Thank you and all the best

Moderator: We will take the next question from the line of Anand Shah from Kotak Securities. Please go ahead.

Anand Shah: Hi Sir, Thanks for taking my question. Sir, my first question was on the domestic business. We have seen a growth almost flattening out in terms of top line. So can you tell what has happened this quarter and for let us say about nine months what would be the volume value mix and where do you see this going?

L. Krishna Kumar: I know your job is to focus on the quarter, unfortunately it is not ours, but having said that I think we have done very well in the Indian branded business. I think overall for the YTD the revenue growth is somewhere around 8 to 9% in that range and we have pretty decent volume growth somewhere around, I don't know but around 40 to 50% of that number in that range. For this quarter we saw commodity prices coming down and maybe we reacted a little late to taking prices down, but we did, obviously that means the converse is in terms of margin it was slightly better, so we took our prices down a little late and there were certain reasons why we did that, so this quarter is not reflective of volume trend.

Anand Shah: Okay. So you have taken the price cuts the later part of the quarter, is it?

L. Krishna Kumar: That is right.

Anand Shah: Ok, But do you see this revenue sustaining at this 8% to 10% momentum, overall?

L. Krishna Kumar: No forward comments please.

Anand Shah: ok…ok…Sir coming back to the margin question again even Nilai asked, I just wanted to second that. If you do a math of TGBL consolidated minus standalone minus the Tata Coffee numbers it looks the profitability there has eroded significantly in the residual business, I mean in the other geographies plus Starbucks plus NourishCo, so that if I do a nine-month math, profitability has come down at almost about INR110 Crores to just barely INR 2 Crores. So which geographies particularly are dragging this or is it higher losses in the Starbucks or NourishCo?

L. Krishna Kumar: You are doing a lot of maths and you are assuming business is based on maths which is not. The simple answer could be with investments there is new product launch. I did mention that if we had launched more products then obviously there is launch expenses, if you just try to extrapolate a trend of the underlying business that is not the case. Overall, the story is the same as we have been saying earlier. There is an element of performance which is because of likely decline in the UK. We have always been saying that. Most of the markets on quarter-to-quarter sometimes take in the higher competitive intensity. I did mention that in some markets we are relaunching the Tetley brand, so that means in that quarter or in that market there is higher investments behind that brand, so I cannot say that reason is pulling down my brand, so I am little careful in answering your question. It is a function of what is happening. It is not, apart from UK where we have the underlying trend which we have been saying; it is different in different markets.

Anand Shah: But relaunches and launches have been a case for you almost every quarter for last many, many years. There is some or the other geography do relaunches, but this particular profitability has eroded a lot in the last four quarters, I mean. So it is just a 12-month phenomenon, otherwise your profitability was tracking pretty well.

L. Krishna Kumar: It is a combination of UK and combination of higher investments, we said we launched in Middle East. We could launch in new market. You need to understand that the profile of the business is

not static. What you are and that applies to the earlier comment what you are extrapolating may be valid if the business is static.

Anand Shah: Right, so it is more to do with the UK market as well as investments that you have done in Middle East?

L. Krishna Kumar: It could be Russia. It could have different elements, currency coming in as well. Right.

Anand Shah: Thanks a lot Sir, I will come back with more questions later.

Moderator: We will take the next question from the line of Ajay Modi from Piper Serica Advisors, please go ahead.

Ajay Modi: Hi Sir, so I understand that this has been a very tough quarter with quite a bit of competitive intensity, fair bit, I just wanted a few understanding about the tea prices, you say Kenya has hardened but Cochin and Kolkata has softened, so did we pay a higher tea price and did these two geographies square off each other?

L. Krishna Kumar: I did not understand your question. You can't net off right?

Ajay Modi: I am talking about the auction prices. Was there a major difference between the Kenyan and the Indian prices?

L. Krishna Kumar: These are different markets, please understand.

Ajay Modi: I do understand that, but in terms of percentage maybe, if you can help me out with that.

L. Krishna Kumar: You have to bring a horizon in to play, but broadly I think the Kenyan prices hardening was in a very broad sense was probably more significant than the Indian drop but then you will have to decide which period.

Ajay Modi: Ok. I got my answer. The second thing is You introduced a product for Maharashtra, so do we see similar state-specific expansion in other geographies in India as well?

L. Krishna Kumar: I think that is the plan. We are looking as such.

Ajay Modi: Ok. Ok.. that's all from my side, thank you sir.

Moderator: We will take the next question from the line of Abhishek Chauhan, investor.

Abhishek Chauhan: Sir, I am basically a shareholder. At the beginning of the conference you explained very nicely the launches across the world and various geographies doing various things like super speciality tea and canned coffee and pigs and premium and all but as an investor as a shareholder I am quite worried as many participants also asked similar questions that you keep on doing launches, relaunches and then the company, the management tries to justify tough market conditions, this

that but where is the margin coming, where is the profitability, we have been such a laggard in terms of performance if we call a consumer company, so I just wanted to understand do we need to rationalize the product, geography to improve our profitability, have we taken any major strict decision as far as changing maybe some management personnel in certain geographies to improve, I want to understand what is going to be the way forward to improve margins, improving very healthy top line growth?

Ajoy K. Misra: Thank you for your question. What I can reply to you sitting where I do is in the last one-and-a-half to two years we have crafted a very aggressive growth strategy, that is point number one, I do not know what period you are talking about.

Abhishek Chauhan: I am talking about last two, three years.

Ajoy K. Misra: In the last two years we have started a very aggressive growth strategy. The leadership team is a healthy mix of lot of new people at the senior most level, outside talent that we have brought in. We have made several changes in very key position, so you referred to personnel, hence I am bringing this point up, and otherwise I would not have mentioned it in a routine manner. We have decided and we have clearly understood to be able to grow and to grow profitably what are the various weaknesses either in geography, product mix, channel or areas that we need to strengthen. We have embarked on that journey in a very, very calibrated manner. Some of the examples we have talked about and some of the successes that I talked about whether it be in the water area or in the premium launch area that we are doing in different geographies all of these are in early stages and much like what LKK said that unfortunately not everything plays out in a quarter but we believe that we are in a path where in a very holistic manner we will be setting this company for better times and that is as much as I can say right now. I know that you will still have your point of view to say but since you asked the management a straight question I am giving you as much as I can talk within the limits. We believe that we have a very robust path at this point in time.

Abhishek Chauhan: Right, Just a follow up question on that. As we are getting in to more premium products and maybe some of your products like Tata Gluco Plus which is really good, even I tried in Bombay I have been asking vendors also, they are saying it is moving very fast, immediately the stock is getting over, so all those things should translate in to cash flows and bottom line going two years ahead, right the speciality tea, instant coffee and we hope to see that in the next two years.

Ajoy K. Misra: That is the whole idea.

Abhishek Chauhan: Just one more thing about NourishCo and Starbucks, now we have great partners and obviously both the businesses will do very well over next four, five ten years right. Wanted to understand what is the consolidated, what is the loss which is recognized in the bottom line for the quarter. In this quarter our bottom line was approximately 59 Crores right, so what is the share of loss of Starbucks and NourishCo separately.

Ajoy K. Misra: Unfortunately, I don't think we can share such ……

L. Krishna Kumar: Its also a Joint venture

Ajoy K. Misra: Yeah! so it's a little sensitive

Abhishek Chauhan: Are we consolidating the numbers of Starbucks and NourishCo in the quarter?

L. Krishna Kumar: Proportionate consolidation. Yes.

Abhishek Chauhan: So you cannot tell me right now the loss figures for both the companies, if there is loss or profit whatever.

L. Krishna Kumar: Yeah! We are not sharing those numbers.

Abhishek Chauhan: Basically the idea was to understand, see your number is looking even like maybe the number is looking very low and it is not looking that good, the bottom line. I just wanted to understand that like obviously it is to do with Starbucks and NourishCo also right to some portion, that number would have looked slightly better?

L. Krishna Kumar: Partly yes.

Ajoy K. Misra: Those two ventures we are still in investments mode. We are laying the foundation for a very aggressive growth coming forward.

Abhishek Chauhan: Those losses or whatever losses are already included in the 59 Crores bottom line which is there in this quarter.

L. Krishna Kumar: Yes, proportionately

. **Ajoy K. Misra:** Yes

Abhishek Chauhan: Ok, thank you.

Moderator: We will take the next question from the line of Ishdeep Kaur from Karma Capital Advisors, please go ahead.

Rushabh Sheth: This is Rushabh Sheth, I'm a colleague of Ishdeep. I just wanted to know, you know, as the previous speaker said, we have been waiting forever for this company to deliver numbers and of course we hear about strategy every quarter-after-quarter on the call. We just wanted to know how long do you think this will take to deliver in terms of actual numbers? I am not asking for any number, but it will take one quarter, two quarters, three quarters, six quarters, eight quarters, some timeframe in terms of when do you start to see profit growth coming through for the company?

Ajoy K. Misra: I wish I could be more specific but I will find it difficult to be specific. All I can do is reiterate what I have said that we believe we have a very robust aggressive growth plan, obviously in the

initial stages there are investments to be made. How fast will each of those eight, ten, twelve major investment initiative that we have taken which one will kick in when and how effectively, that kind of information I cannot share in specific but the intent is to set this company on a robust, aggressive, profitable growth path.

Rushabh Sheth: Sir the issue is that as a shareholder, I just wanted to understand that it is for last three years we have not seen any profit growth pretty much in the company. We have seen shareholder value destruction in the company. How long do we keep waiting for this initiative because I have been on your calls and in your analyst meets for the last two years and the same things that we have been hearing, I mean even when Mr. Harish Bhatt was there, and we do not see any change, as somebody else was pointing out, forget this quarter, I mean if you look at first nine months we have seen almost a 20% profit decline. How long will an investor keep waiting for the numbers to be delivered? I just want to understand some kind of timeframe, I mean you can say five years, and then maybe we guys, investors will take a call that we don't want to wait for five years and we will do whatever we need to do but at least some kind of timeframe you need to put for these initiatives to be starting to bear some kind of fruit and it is an industry, which is growing, I mean the beverages across the world, not just in India is a growing business. So in a growing business, if you are not able to deliver even a double-digit growth, something seems to be seriously wrong with the strategy that the company is following.

Ajoy K. Misra: You are entitled to your comment. I believe and the board believes that we have a robust strategy. Once again, I am sorry, I cannot tell you, two years, three years, five years, I cannot be so specific.

Rushabh Sheth: So I mean what do we take home, do we take home that at some point of time I mean in the foreseeable future, we'll start to see some growth coming in the business?

Ajoy K. Misra: I would suggest that you should faith in this Tata Company, its management and board and patience, I guess.

Rushabh Sheth: So I mean, I'm just saying, as a management, this is my last question, as the management, when do you say that you call it quits, saying that I am not able to drive growth and saying that maybe there is something wrong with the strategy and maybe somebody else will step in and do that. I am just asking you as simple as that.

Ajoy K. Misra: Is he saying when will…. I did not understand the question

L. Krishna Kumar: I think we just need to give for the others to answer the question. We note your point. We understand your concern.

Moderator: We will take the next question from the line of Parimal Mithani from Credential Investments.

Parimal Mithani: Good Evening Sir, Basically, you mentioned you have aggressive growth plans for the Company. If you can just elaborate, not in terms of numbers, but what you plan to do and it will give us a

clear idea in terms of where the company plans to go ahead since lot of the consumer companies in your space have been growing at good digits and what are we changing from now?

Ajoy K. Misra: Sorry, I did not quite capture it……., but now I get your question. Is your question, I am just repeating so that I understand, is your question about what are the key elements of our strategy that I talked about which gives us the belief that we are on the right path, is that your question.

Parimal Mithani: Yes sir, in terms of you mentioned your aggressive growth plans ahead, so if you can elaborate in terms of not in terms of numbers, but in terms of what do you plan to do or something which can help us in knowing where are we heading in terms of the growth path?

Ajoy K. Misra: Ok. I get it. So, Overall we are in the business of tea, coffee and enhanced waters and then there is the non-branded part of our business all of which contributes to these numbers, so in the area of tea, we are already the world's second largest brand. We are going to attempt to close the gap between the number one and the number two and we want to drive aggressively our global leadership position in tea, now, having said that there are different parts to that whole strategy. One is India itself which is probably one of the largest growth potential opportunities for Tata Global Beverages. We are consciously stepping up our play to grab a larger slice of the growing tea market and the growing profitable tea market in India. I already talked about a few things that we are doing. We are launching in the premium end. There are white spaces within India, state by state we will go and launch specific products that will take on those specific tastes of those states and those leading brands and we will chip away at them. There is a whole thing about the tea strategy in India to further consolidate our leadership position. Tea, outside of India, in mature market, there is a part of the tea that we have been very over indexed which is black tea. Black tea is not really growing in mature market as much as we would have hoped it to, in fact in some markets it is stagnant and slightly declining in some market, however the good news is that is black tea. Though black tea is still the predominant part of a tea there are parts of the tea businesses in those markets that are growing, the non black is growing in many of the mature markets where we are sitting. Green tea is growing. Fruit and herbals are growing. Speciality teas are growing and we are very under indexed in that, so consciously we are now launching and getting in to those parts of the tea businesses, so that is the tea strategy. Similarly in coffee we see certain trends. We have a plan on how to be a bigger player in coffee than where we are currently. Water, very clearly we are looking for enhanced water products starting with India and we plan to go outside of India. We have already taken Himalayan in to Singapore, thanks for association with Starbucks. We are going to be looking at taking Himalayan as a global brand outside and there is so much more in India to be done in terms of Tata Gluco Plus, I spoke about earlier. We have to rapidly expand. Those are some glimpses of the kind of strategy that I was referring to.

Parimal Mithani: What would be your growth in markets that you mentioned in tea, coffee and what is the growth rate currently that you are expecting in terms of normal market trends in terms of the growth in specialty and all that if you have it?

Ajoy K. Misra: I cannot share the numbers.

L. Krishna Kumar: Gowth in some of the speciality segments and in some of the mature markets, I think we answered the question earlier, is in double digit.

Ajoy K. Misra: Double digits.**Parimal Mithani:** How long is this aggressive plan like, what is it for three years, five years or how long is this plan which you are trying to aim to grow by what date or something a ballpark figure which you can give us?

Ajoy K. Misra: It's a Medium term plan.

Parimal Mithani: Is it a three year plan or five year plan?

Ajoy K. Misra: We do not want to put in numbers.

L. Krishna Kumar: We said that we cant give numbers, that's not the intention

Parimal Mithani: So if you can just give a timeframe because you're aggressive, I understand every company has plans, but what timeframe you are looking for this?

L. Krishna Kumar: Sorry, That is a forward looking statement. We will not be giving you.

Parimal Mithani: **Ok. Thank you sir. Thank you.**

Moderator: Ladies and gentlemen, as there are no further questions, I now hand the conference over to Mr. Subham Sinha for closing comments.

Subham Sinha: On behalf of Tata Securities, this concludes the concall. I thank everyone for attending.

Ajoy K. Misra: Thank you everyone. Thanks for putting this together.

Moderator: Thank you. On behalf of Tata Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.