

# TATA COFFEE

“Tata Coffee  
Q4 FY22 Result Conference Call”

**April 27, 2022**

**TATA COFFEE**



**MANAGEMENT:** MR. CHACKO PURACKAL THOMAS – MANAGING DIRECTOR & CEO,  
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**MODERATOR:** MR. ANIRUDDHA JOSHI - ICICI SECURITIES

**Moderator:** Good morning, ladies and gentlemen, welcome to the Tata Coffee Q4 FY 22 results Conference Call hosted by ICICI Securities. 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 the operator by pressing “\*”, then “0” on your touch tone 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, Lizann. On behalf of ICICI Securities we welcome you all to Q4 FY 22 results Conference Call of Tata Coffee Limited. We have with us Mr. Chacko Thomas, Managing Director and CEO and Mr. K. Venkataramanan, Executive Director, Finance and CFO. Now I hand over the call to the management for their initial comments and then we will open the floor for Q&A. Thanks and over to you, sir.

**Chacko Thomas:** Thanks, Aniruddha, good morning, everyone, this is Chacko here, thank you for joining in today for report on the performance of the last quarter of financial year 22. This quarter, we must remember through multiple challenges, you know, some of them on account of the slowdown on account of the third wave in the first half of quarter four, we had also the impact of weather, global inflation and off late, of course, the Russia Ukraine conflict, but we realize that most of these threats are here to stay and we've moved on with the momentum that we had in quarter four into the new season too. I am happy to report that, with the continued focus on all strategic priorities and the opportunities that we've had a superior performance for the quarter across all divisions. Let me just take you through a snapshot of the financials, first for the quarter and first on standalone numbers. Standalone revenue from operations was up 4% as compared to the same quarter of the previous year, that is INR 227 crore as opposed to INR 218 crore in the previous quarter, while the standalone profit after tax is INR 27 crore as against INR 40 crore of the corresponding quarter of the previous year. The operating profit for the current quarter is higher than the corresponding quarter in the previous year, on last year's PAT figures also included profit from sales of an asset of close to over INR 13 crore. On the highlights of the business specifically from the instant coffee side, both India and Vietnam, excellent performance, where we had peak utilization of all our production capacities, we had record sales and these were well balanced across the geographies, all regions.

We also had our factories logging in excellent volumes. TCVCL, that is the Vietnam plant also as expected we had a record full year production. Sales from Vietnam has seen an uptake for the year

substantially higher than the previous year and I think our efforts in increasing more and more premium and, decaffeinated products have actually indicated that this a route that we would be taking going forward because we have had good experience with that. We also managed to drive down costs and I think this is one of the other pillars on which we hope to drive performance in this coming year.

We are confident that the extraction business would be able to deliver a strong quarter on quarter performance. We continue to fully utilize our capacities; on cost we would be extremely frugal and most importantly our order books are pretty much full going forward. On the plantations, I think while we've completed our coffee and pepper harvest, there was some impact on crop on pepper and coffee during the early part of the quarter, but, aided by the robust and the buoyant prices and some cost initiatives. I think the overall performance of the plantations have been quite satisfactory. However, on Tea Operations, the performance was affected due to the weather conditions and some of the other issues that we are facing with the pests, but going forward we have invested in terms of some of the infrastructure and productivity and efficiency improvements in the tea business and we do see this really moving up further.

Now moving onto the consolidated results, the consolidated revenue from operations for quarter four is INR 656 crore as compared to INR 591 crore, an increase of 11% driven primarily by improved performance at EOC and our other value-added business. The consolidated profit after tax is close of 12% compared to the fiscal period of last year. We are also happy that, you know, on commitment towards quality, environment and health and safety, we were conferred with several awards in the last quarter, including an award on safety and also for being the highest exporter in the Madras region. So, with this, I would hand over to Venkat who would take you through the financial performance of quarter four, over to you Venkat.

**K. Venkataramanan:** So just to summarize for the quarter and for the year we had, an overall good performance on coffee and pepper plantations, it was aided by improved realizations driven on the back of coffee and pepper prices, tea there has been impact, while the prices we have been able to maintain fairly well by strategic investments in the factories in packaging and also improvement in quality. Overall, due to the lower crop the cost of production has been higher, so the tea has been impacted and of course, one has to remember that in 2021 tea had a very, you know, superlative year driven by higher prices. On the instant coffee and extraction business, we had a very good quarter and the year, though volumes we had some kind of impact due to all the logistics issues and, you know, containers and all that, but it was

sort of well compensated and aided by the better realizations, as well as, you know, timely planning of inventories and the rest. So overall on the revenue from operations on the standalone for the quarter is more or less flat, that's all largely, as I explained, due to slight slowness due to logistics issues in terms of exports and last year of the same quarter we had one time benefit on sale of land, which is not there in the current year so factoring that we did have a fairly good performance in the quarter. Overall on the consolidated has been a good year, in terms of, you know, for the quarter, with the profit before tax going up from INR 79 crore to INR 86 crore during the quarter and Eight O Clock also had a good quarter and a good year in terms of performance.

So with this, I hand over for questions, thank you very much and just to complete, we declared higher dividend at INR 2 per share compared to INR 1.50 per share during last year. Thanks.

**Moderator:** Sir, should we open up questions?

**K. Venkataramanan:** Yes.

**Chacko Thomas:** Yes, please.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Anyone wishing to ask a question may please press "\*" and "1" on your touch tone telephone. If you wish to remove yourself from the question queue, you may press "\*" and "2". Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Aniruddha Joshi from ICICI Securities, please go ahead.

**Aniruddha Joshi:** Yes, so before the question queue assembles, sir, just one, two questions from my side, how do you see basically the coffee prices panning out? So, we had a bumper inflation, so now what is the stance on the coffee prices that you say for FY 23, that is one question and secondly, we have seen that the cost of the consumption has going up because of the steep inflation in milk prices also. So for a consumer drinking a cup of coffee is becoming slightly expensive with coffee price inflation also, plus steep inflation in milk price also. So, does that really play a big role in coffee volumes also? Yes. So these are the two questions. Thanks.

**K. Venkataramanan:** So on the second part I will try and answer, one is that, see, as you remember, our extraction business is more or less akin to FMCG kind of play like, you know, because we pack for private label players and

all that. So obviously some of these inflationary element will get passed on over though probably in a staggered manner it gets passed on, that is first. Secondly, in terms of coffee demand, we not see even in Russia, for example, which has been facing kind of, you know, all these conflict issues the demand is intact and we have got a healthy order book and in fact our customers are asking for continuing the shipments. So coffee demand is intact, either it be in Europe or the rest of the world and we don't see any impact on account of any inflationary conditions, so far we have not seen that and we don't hope because, you know, coffee being something is very common and widely drunk beverage, that impact is not going to be felt, that's our view.

**Aniruddha Joshi:** But coffee prices can.

**Chacko Thomas:** On the coffee prices as things stand, yes, there have been a little bit of softening of prices, but, would it go back to, you know, 2019-2020 prices? I certainly feel no. I think the prices will continue to be favorable while may not be at the level at which they're at the moment going down six months down the line but what you must remember here is that at least on Tata Coffee's front, we are pretty well leveraged in case of, you know, forwards, etc. so the impact on us would not be as much and definitely there is a good chance that this boom that you see of coffee prices not as high or rising as much it would definitely continue at least for the next six months and then thereafter, you will have the new crop that'll come from Brazil and Vietnam, etc., that the impact would be, you know, you'll have to wait and see what happens there, but next six months, I don't see a problem.

**Aniruddha Joshi:** Sure, sir, that is helpful. Thank you.

**Moderator:** Thank you. A reminder to the participants anyone wishing to ask a question may please press "\*" and "1", the next question is from the line of Lokesh Maru from Nippon India, AMC, please go ahead.

**Lokesh Maru:** Thank you for the opportunity. Congratulations, sir on the amazing set of results. I have a few basic questions, like one Aniruddha already highlighted about coffee prices. So, it seems that until new crops come in, until the next six months, coffee prices are here to stay in that 200 plus range, right?

**Chacko Thomas:** Yes.

**Lokesh Maru:** And on top of that, like you have mentioned order books have been quite healthy and Vietnam had been operating at a peak capacity, so

any insights or any outlook for the next fiscal, if there are any discussions going on on expanding the capacity, I know, the capacity has been quite recent in Vietnam, but anything more that we are expecting or expanding in this business?

**Chacko Thomas:** See on the Vietnam front, there are some levers to be, you know, sort of pulled there in terms of extraction of margins, etc. which is underway. So we are already operating at around 97% capacity and in the current situation we want to look at improving and extracting the margins. On India front, yes, as of now, we are not, you know, having any firm plans, but obviously we are looking at opportunities whereby any kind of bottlenecking of capacities, debottlenecking, some kind of expansion, wherever in terms of increased improvement in capacities, wherever possible that are some things what we are looking at that.

**Lokesh Maru:** So, when you spoke growth for us is, like you had highlighted last name is one is apricot plantations, within the instant coffee business the avenue for growth are maybe debottlenecking like you highlighted and within India business, Vietnam stays as is, right?

**Chacko Thomas:** Yes, Vietnam stays as it is.

**Lokesh Maru:** Sure, sir, so there are no talks on capacity expansion as such, right? That would be a big lever of growth right?

**Chacko Thomas:** Yes, but we'll have to look at, you know, there are, you know, see, for example, we have different products, for the freeze, for example, we are now operating well.

**Moderator:** Hello, members of the management team, are you able to hear me?

**Aniruddha Joshi:** Operator, are we able to hear the management or have I lost them?

**Moderator:** Sir, give me a minute, we have lost the connection for the management team. Ladies and gentlemen, the line for the management team has dropped off, please stay connected while we reconnect the management. Thank you for patiently holding. We now have the line for the management reconnected, over to you, sir.

**K. Venkataramanan:** So just to complete, as I said India instant coffee factories are concerned we will be looking at wherever possibilities and opportunities are there to look at how we improve the capacities.

**Lokesh Maru:** Sure, sir. So, how much exposure in general do we have to Russia, because there are 2-3 things, even their currency had depreciated, so for them coffee is like an imported product, so they'll face that import

inflation thing, right, so anything there, any insights, how much exposure we have and how has our experience being on shipping to Russia and so on?

**K. Venkataramanan:** So on the Vietnam front, yes, we have our important customers to Russia, where there is, you know, slightly higher percentage of export. India bit is widely diversified because as you know, we have Spray and freeze, so a well diversified kind of market. So far in terms of our experience so far on account of Russian exports from the Vietnam side, we have not had any major issues. Our exports have been going on, there are of course issues around the container freight and availability of containers, especially because of the shipping liners, kind of operating through certain routes, that is something is there and India bit also same issues in terms of, you know, availability of shipping lines to take the cargo, so that is, I explained in the initial part about slight delay due to logistics issues.

Obviously we are looking at, you know, how do we sort of we are hoping that some of these issues are temporary and it'll sort of, you know, get normalized over time.

**Chacko Thomas:** Just to add here, you asked a question about coffee and inflation, etc. So, coffee is part of the food stuff category so that still continues to have relatively easy access, please note I'm saying it's relatively easy access to Russia. The second part is that our association with the Russian suppliers is actually with very first class, absolutely, you know, strong customers. So we are reasonably confident unless there are any other massive changes that happen in this thing. We will have a few hiccups here and there, but we are reasonably confident of, you know, keeping the Russian opportunity going on. But, from India, of course, as Venkat mentioned, there are much more diversified portfolio considering the fact that there are all three types of coffees that are available, and, we see exciting opportunities and newer geographies, which we are now addressing. So, overall the order books definitely from both Vietnam and India are pretty good.

**Lokesh Maru:** Sure, sir. Sir, lastly, on the big story, which was amalgamation with Tata Consumer, any insights on that, how long will it take and your basically take on the same?

**K. Venkataramanan:** Hello.

**Lokesh Maru:** Hello.

**K. Venkataramanan:** Are you able to hear?

- Lokesh Maru:** Yes, sir.
- Moderator:** Can we move onto the next question?
- Chacko Thomas:** Hello.
- Moderator:** Yes, Mr. Lokesh Maru, are you done with your questions?
- Lokesh Maru:** Hello, am I audible?
- K. Venkataramanan:** Yes, now you are audible, Lokesh.
- Lokesh Maru:** Yes, sir, I was saying basically on the big story, which is amalgamation with Tata Consumer, so, first of all, congratulations on that and it's been really appreciated that, hello?
- K. Venkataramanan:** Yes, go ahead.
- Lokesh Maru:** Highly appreciated that actually nothing came out before, you know, the release on the exchanges. So that has been fantastic, but, so on our amalgamation and our part of, you know, association with Tata Consumer, how long will the process take and your insights, basically your thought process on the same?
- K. Venkataramanan:** No, we had earlier indicated it would take about 12 to 14 months. So that's what the timeline, what we have indicated earlier, which stands. We are in the early stages of filing all these going through the regulatory process, we are going through that and it will take obviously 12 to 14 months, that's what earlier were indicated, and that stands.
- Lokesh Maru:** You are not anticipating any bottlenecks or roadblocks in the process, right?
- Chacko Thomas:** No, we don't anticipate, but obviously all these approvals have to come, so we don't want to second guess on all these, obviously it's a long process, which would take its own time. Like, you know, there's a set process for all this, so that'll go on, that's where we are.
- Lokesh Maru:** Sure, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Pranjal Garg from ICICI Securities. Please go ahead.
- Pranjal Garg:** Good morning, sir.
- K. Venkataramanan:** Good morning.



**Pranjal Garg:** Sir, can you please talk about the performance of your pepper business during the quarter and your view going forward?

**K. Venkataramanan:** Yes, so this year on account of some bad weather which we encountered at the beginning of the year and then towards when we were actually harvesting, the pepper crop has been lower than what we anticipated, but this is much more than made up in terms of the prices that we secured for our pepper. So, overall, if you were to look at the pepper performance, it is definitely better than the previous year. Going forward, you know, the idea is to with the investments that we have actually made in the last four or five years, the expectations are that the pepper crop would substantially scale up. Yes, there will always be some challenge or the other with the weather, but weather kept aside, the size of the pepper business it is quite possible for it to double or even maybe go two and a half times from what it is at the moment.

**Pranjal Garg:** So we are estimating it to double in the next 3 to 4 years.

**K. Venkataramanan:** Yes.

**Pranjal Garg:** Okay, and will we be able to sustain our margins?

**K. Venkataramanan:** So it's a good question. I mean, in the sense that pepper again is something which is ruled by demand and supply and again, you know, pretty much like when we talk about coffee, the big influencers in prices is Brazilian drop. So in this case, it's actually what Vietnam and lately what Brazil have been doing in terms of, you know, replanting, etc. So, it appears, and of course, there was a lot of pepper finding itself into India through the gray markets. I think what has also happened in the last couple of years, you know, the gray market pepper has come down substantially and I think there has been a fairly good control over that, which has helped the pepper prices to move up from what they were earlier and there are obviously, you know, it is dependent also on how the Vietnam crop is going to be in the future years, but we do feel by our increased production, better productivity that we envisaged, the margins that we are making at present, even if the crops of Vietnam and these sort of things goes up, I think our margins should be protected if not increased.

**Pranjal Garg:** Okay, sir, my next question is regarding Eight O Clock, in your previous calls you had highlighted that the company introduced Eight O Clock on eCommerce in India, so how has been extraction there?

**K. Venkataramanan:** I don't think we have numbers on that, Pranjal, so I suggest that I think it should be probably a question which TCVL as part of their portfolio can address.

**Pranjal Garg:** Okay.

**K. Venkataramanan:** Because numbers it is only about couple of months, so, I don't think we are probably in a position to share that specifically on Eight O Clock e-commerce in India.

**Pranjal Garg:** Okay. No issues. But apart from the numbers, is the product available only on the mainstream e-commerce such as Amazon, Flipkart or we have penetrated further into quick delivery?

**K. Venkataramanan:** If I remember it's only available on the mainstream e-commerce, Yes.

**Pranjal Garg:** Okay, sir, as you have highlighted that we are operating at the peak capacity.

**K. Venkataramanan:** Yes.

**Pranjal Garg:** And we plan to grow faster going forward as well. So, so are there any CapEx plans?

**K. Venkataramanan:** No, immediately we don't have anything which is approved by the board etc. on the CapEx plan, but basically we are looking at wherever, you know, opportunities are there we are looking at what can be done to enhance capacity in whichever manner it is, whether it is debottlenecking or trying to get into a new format or new plant. So this is all work in progress, in a sense, you know, we are evaluating opportunities, but obviously there is no such immediately board approved plan for any CapEx for expansion.

**Pranjal Garg:** So will we be able to sustain the growth with the amount of CapEx and the debottlenecking we are looking forward to?

**K. Venkataramanan:** Yes, see, just to inform, we invested about INR 24 crore last year. We have expanded the acro capacity in Theni, instant coffee plant, we invested about INR 23 crore, so that is supposed to increase the uptake. As you know we are also supplying Tata Coffee grand to Tata Consumer, which is marketed and sold and marketed through them. So we are seeing lot of traction in that, we are seeing a lot of opportunities there. So we did do that, so obviously these are all the opportunity we continue to evaluate wherever such need and opportunity is there, we will be doing.

**Pranjal Garg:** Okay, sir, my next question is, as far as I remember to reduce the impact of inflation rate cost, we shifted to FOB contracts for a few customers.

**K. Venkataramanan:** Yes.

**Pranjal Garg:** Given the crude oil situation post Ukraine-Russia conflict, we must be doing some cost savings on it, so are we able to expand those FOB contracts to all our customers or are we facing some challenges?

**K. Venkataramanan:** No, we are not facing challenges. Wherever we have been, in fact, some of the customers themselves have also offered to shift to FOB, so we have been able to do that. You know, we have been able to do that, we don't find any kind of, resistance or difficulties in doing it.

**Pranjal Garg:** Okay, thank you, sir.

**K. Venkataramanan:** Thank you.

**Moderator:** Thank you. The next question is from the line of Amit Purohit from Elara Capital, please go ahead.

**Amit Purohit:** Thank you for the opportunity. Am I audible?

**Chacko Thomas:** Yes.

**Amit Purohit:** Yes, sir. I just want to know on the growth outlook post the merger, just wanted to know, is there any leverage or business level benefits that you would get and also any color on the focus of our company to continue to drive the B2B business? Or will that be taking a backseat?

**Chacko Thomas:** No, in fact, we had in our stock exchange filings we have clearly sort of explained the kind of synergies and the benefits. So that's where it is. I know we don't want to comment on that right now, but we have kind of given the benefits because just to summarize Tata Consumer has some in tea extraction, we have got coffee, there are all these synergies possible and definitely extraction is a business of focus, both for Tata coffee and Tata Consumer.

**Amit Purohit:** Sure, just to understand this B2B business, how does it grow from here on, I mean, in terms of you indicated that you are entering into new markets and then some bit of bottlenecking has been done to expand capacity. So would that be sufficient for us to, I mean, and have a double digit kind of a growth outlook coming from the B2B business?

**Chacko Thomas:** I'll explain. See what happened was in 2017 we went to Vietnam, we have free trade as a category we found that product portfolio growing well and we went to Vietnam, which has stabilized and which is doing well. Similarly, we also looked at, for eg, Tata Coffee, Tata Consumer launched Tata Coffee, Grand coffee as a category is important to Tata Consumer and Tata Coffee, so that is another lever which we are the kind of looking at and expanding. Apart from that, wherever the other opportunities, this market, you know, we continuously evaluate the opportunities and based on that, we do the whatever requirement in terms of either the debottlenecking the existing capacities, which we successfully did over the last couple of years, or looking at even if required, all options are open in terms of looking even at a new plant whenever required, but obviously as I explained, these are continuously being evaluated.

**Amit Purohit:** Okay, and lastly, just a quick question, because I wanted to understand when you enter into a new market there are obviously existing customers, so how much time does it take for you to scale up in that market? I mean, based on your past experience and also how do you kind of mind the existing customer, I mean I just want to understand the business a bit better, any qualitative points will be appreciated.

**Chacko Thomas:** Yes, thanks here. So Amit, one of the levers that we will constantly use is to actually try and do as much of NPD possible and have within repository readymade recipes that some of our customers may need. So that's one of the fastest way of actually entering into a particular market, but also what happens is it necessarily does not succeed. So there is an engagement that happens with certain customers where there would be a requirement and the need to tweak it. Now, what we are privileged and really lucky to have, not really lucky it's something which we thought about well in advance is to have a pilot plant, which we have in Vietnam, which on a very very small scale is able to replicate or keep doing permutations and combinations to arrive at the specific product that the customer is looking for. So what used to be 6 to 8 month or even a longer period runway is now been crashed to almost 2 to 3 months. So that's the second part of it, just to give also an indication, today almost 60% to 65% of what I sell out of India to customers, there have been blends that are developed in the last 2 years, that speaks really volumes of what we are trying to do in terms of being relevant.

So this is one of the levers that we use. The second is as all marketers and sales people would do is the excellent relationships that we have maintained, especially during COVID it was even more evident because we reached out and made sure that their supplies were there

on time, I think those are things that people really appreciate. So that's just to give you a broad top line kind of a thing of our efforts.

**K. Venkataramanan:** Yes, and also I will add to what Chacko said, that we also got the best of all certifications, we are strongly company focused on sustainability with the Tata Group, so all these help in terms of entering new market, building relationship with the customers and sort of, you know, strengthening the same.

**Amit Purohit:** And we supply largely to supermarket guys, right?

**Chacko Thomas:** Private labels who go into supermarket, there are roasters who actually go directly into smaller chains, etc, so it is a potpourri kind of customer and also, you know, we also cater to an interesting market, like, Africa, which is an end-to-end kind of supply to them, that means you know, including the packing in tins happens here in India, and it's shipped in tins to these people, which are brands there, brands who actually challenging brands to bigger players in the market, like Nestle etc., so we are number two in certain markets, etc. These are things which we have developed over many years.

**Amit Purohit:** Sure. Okay, and lastly, I mean, is the trend towards these because, I mean the innovation or the effort that you put on the backend in terms of having a product made or new product launches, is that trend or structurally has helped, I mean, players, like you were much more than the larger players like Nestle and all, is that the trend in terms of product innovation, there is any difference in there, their innovation pipeline versus our innovation pipeline more from a customer perspective?

**Chacko Thomas:** Amit, there will not be a comparison because we pack for all these private limited.

**Amit Purohit:** I understand, sir.

**Chacko Thomas:** We do lot of co generation with our customers in terms of plans because our strength is the knowledge on the coffee market, knowledge on the coffee extraction process and ability to give the recipes or blends, which our customers require for onward marketing and sales. So that's where it is focused on, but we do have lot of customers with whom we work closely in terms of recipes or kind of blends customized for the markets.

**Amit Purohit:** Actually I was trying to say that the velocity of innovation, probably for a larger player would be a bit, my assumption is lower to which

challenger players would be higher to that extent, consumers would be preferring the challenger player, or is that the case or?

**Chacko Thomas:** Yes, so Amit I will just leave it with that session, 60% of what I sell from India has been produced, are blends that have been created in the last 2 years, right? This is a company which has been there for 30 years, I mean, I'm talking about the extractions business. So, that's where we feel and we need to believe that we'll be able to add value to our customers through NPD definitely and of course, certifications and relationships, etc. and there are there are many other things like, for eg, the kind of beans that you use, so as Venkat said, we know our beans, we know the geographies, we know the extraction process intimately, so that's what we use and we have a pilot plant, which, you know, we can create these blends at the lowest cost possible and at fastest turnaround time and we are the only people in the world who have this pilot plant.

**Amit Purohit:** Sure. Thank you so much for answering these questions, sir.

**Moderator:** Thank you. The next question is on the line of Miraj Shah from Dalal and Broacha Stock Broking Private Limited, please go ahead.

**Miraj Shah:** Yes, thank you for taking my question. I have two questions, first one being that for the consolidated results, our full year top line growth was somewhere around 5%, while our instant coffee business is mentioned that it grew by 20%, so I just wanted to understand where our growth lacked due to which our consolidated revenue top line came at only 5% and second one was that earlier on one of the other questions you explained regarding our pepper business, I missed that, but if you could just repeat how the pepper business did throughout the use, these two questions.

**Chacko Thomas:** So let me just start with the pepper question and then I think Venkat will take the other question. So, as I mentioned this year was an anomaly because of the weather conditions, which created kind of drop in the actuals from the expectations in terms of the overall pepper crop. But having said that, all the building blocks are absolutely in place, this was a one off kind of a thing with consistent wet weather through the year, it's extremely unusual and which is not very conducive for actually, you know, because you need strong sunshine that needs to be there for pepper to really grow. Having said that all the building blocks which include the number of pepper vines that need to be there, pepper vines that are actually being planted and which need to come into maturity, all that point out to a very clear route map, which says that we should be able to double our production definitely over the next two to three years and maybe

even go a little higher than what we expect on that because, the actual pepper wines are going to be in maturity at that point.

So that's where we see pepper and as I also mentioned, margins will continue to be strong in pepper because while pepper is again dependent on how pepper crop is in the bigger producing nations, etc., but, it's also a function of the total crop that you are harvesting. So we do feel that with increased crop that we would be producing the margins will continue to be strong and attractive even if the prices were to come down, which I do feel prices may not crash to the levels which were there, you know, maybe 2 years back, hope I have answered the question, Miraj?

**Miraj Shah:** Yes, got it.

**K. Venkataramanan:** So Miraj the other question you asked on the consolidated front, actually, as we said extraction has done well, both in India and Vietnam, plantation, tea has not done well as we know there has been loss of crop and that has resulted in lower crop and lower turnover there. Eight O Clock front has been last year, 2021 of course was a bit of, you know, all these COVID, pantry filling and all that, which was there, so there the growth was little muted so that's where it is. So I would say, you know, except for tea on the consolidated front except for tea, the rest of the business did well, but the larger part of turnover growth has come from the extraction business.

**Miraj Shah:** I understood, okay, and can we know what kind of contribution does the pepper business give? Is there a breakup for that provided?

**Chacko Thomas:** I can only say it's high EBITDA business, it's gives about around 30 odd percent in terms of EBITDA.

**Miraj Shah:** Okay. Understood. Thank you for taking my question.

**Chacko Thomas:** Thank you.

**Moderator:** Thank you. The next question is from the line of Sameer Gupta from IIFL, please go ahead.

**Sameer Gupta:** Hi sir, just two questions from me. I joined a little late, sir, so if you have given this already, can you please repeat the coffee prices that you normally give out the London terminals and US?

**Chacko Thomas:** We did speak about it. So at the moment the expectations, of course, I'm presuming that you're talking about what would be the expectations going forward, right, Sameer?

- Sameer Gupta:** No, during the quarter.
- Chacko Thomas:** During the quarter it has ranged between 220 to 235 cents, Yes. That's for Arabica, the Robusta was close to about \$2000, ranging between \$1952 to \$2050 per ton.
- Sameer Gupta:** Got it, sir, the other question on Eight O Clock, basically, I am looking at consolidated minus standalone, I know it would include Vietnam also, but there the margins in terms of gross margin has seen a very sharp decline and the coffee prices have more or less been stable, you know, versus the previous quarter. So any color on this, and if there is an expectation that prices are not going to soften or remain consistent at these levels, would this be a fair assumption of the margins also going forward that margins also will more or less be around these levels and not go back to the 23% to 24% that we have seen?
- Chacko Thomas:** No, you are comparing for the quarter or for the year on Eight O Clock?
- Sameer Gupta:** Fourth quarter.
- Chacko Thomas:** The fourth quarter as such if you look at margins, the actuals have been better than the previous year.
- Sameer Gupta:** Sequentially, I'm saying, sir.
- Chacko Thomas:** Sequentially is difficult to compare because we have the quarter on quarter, it is very difficult, but overall for the year margins have been better that is due to, as I explained, in terms of the product mix in terms of what they sell through the various channels like kickups or private label or the bags business that has improved. And also due to the high coffee prices there has been, you know, kind of, price realization improvement which has come and of course the tight control on cost, all these factors have played. Overall for the year the margins have improved, I don't want to comment sequentially because it becomes difficult to, you know, look at in that sense. There's always some sorting, new customer, all these things will happen.
- Sameer Gupta:** Sure, sir. Uh, just another question then, on Eight O Clock, can you also give the volume growth this quarter?
- Chacko Thomas:** No, I would rather not give up, but definitely there has been some improvement in the market share in terms of take ups and all that, but I won't be able to give you volumes, Sameer.
- Sameer Gupta:** No problem, sir, that's all from me. Thank you.



- Chacko Thomas:** Okay, thank you.
- Moderator:** Thank you, ladies and gentlemen, we'll be taking the last question that is from the line of Vignesh Iyer, an investor. Please go ahead.
- Vignesh Iyer:** Congratulations, sir on a good -- I just wanted to understand this revenue mix in a better way. So can you give an idea of revenue of coffee, tea as in the proportion as your total revenue, if I could get an understanding.
- Chacko Thomas:** So ours is a mixed bag, , in a sense, if you are looking at the India business, you know, roughly 60% would be extractions, the balance would be the coffee and tea, of that coffee and pepper would be larger proportion.
- Vignesh Iyer:** Okay, and can you tell me about this Sri Lanka currently facing crisis, right and they have been major exporters of tea, 98% of their total production is coming to export, so with this crisis blooming, do we see our company gaining some advantage in the market?
- Chacko Thomas:** Sri Lanka is largely an orthodox producer. So one of the thing to remember is that whatever impact would be there would be only purely on the orthodox front. India, if you were to see produces only, of the total production that we have, I think about 15% is the orthodox production, rest is all CTC production. Of this 15%, yes there is an opportunity for replacing some of these tea, especially in Russia or some of the other orthodox consuming nations, we are also well placed, we have an ability to produce close to, almost 30% to 35% of our total production can be orthodox, which is what we are maximizing at the moment. So, I'm hazarding, I guess that at least for the next, you know, couple of quarters, there could be some possibility that comes out of this event. But beyond that, I think, it may be difficult to really give an answer, I guess.
- Vignesh Iyer:** Okay, last question, just I wanted to know, there might be some kind of deficiency, right? With no exports coming from Sri Lanka, can we see some surging tea prices going ahead, roughly, or are we seeing it in this quarter?
- Chacko Thomas:** As I said, the impact will be only on orthodox teas.
- Vignesh Iyer:** Right.
- Chacko Thomas:** The CTC tea, which India produces almost close to 85% would see its own ups and downs primarily based on production, etc., but yes, on orthodox tea, definitely there would be improvement in prices and

this is something, which I think is already being seen if you were to see both Northeast and south India orthodox prices in the auctions, but how long, as I said, again, is something which we may not be able to predict on the long run.

**Vignesh Iyer:** Okay, thank you, sir.

**Chacko Thomas:** Thank you very much.

**Moderator:** Thank you, ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Aniruddha Joshi for his closing comments.

**Aniruddha Joshi:** Thanks Lizann. Sir, just one last question from my side. Basically, once the merger with TCVL will be over, so how will the Tata Coffee will be merged, means, will there be any SBU structure or will Tata Coffee as a separate unit itself will continue to remain as a segment, how will the SBU structure will be?

**K. Venkataramanan:** No, the merger, the announcement has the two parts to it, it's first a demerger of the plantations into a separate, 100% subsidiary of Tata Consumer, and the balance parts for the business, which will include the extraction, Eight O Clock investments and Tata Coffee, Vietnam, etc. will merge into Tata Consumers. So that's the way it'll be. So Tata Coffee in the current format won't exist, so that is the way it'll happen, first demerger and then merger.

**Moderator:** I am sorry to interrupt, Aniruddha there's a lot of disturbance from your line.

**Aniruddha Joshi:** Okay, is it better now?

**Moderator:** A little bit, thank you.

**Aniruddha Joshi:** Yes. So, the question is Tata Consumer is exiting some of the noncore businesses -- so where does it fit in the overall scheme of things, will it continue to be a core country at the consolidated level or how it'll be?

**K. Venkataramanan:** No, the businesses are core to Tata Consumer, the extraction business is core to Tata Consumer, plantation business it will become strengthened by, you know, because they already have investments in amalgamated plantations in Calcutta and then -- Munnar and this of course will be 100% subsidiaries, the demerger of the plantation business, so the business remains core to Tata Consumer.

**Moderator:** Sorry to interrupt, Aniruddha, there's lot of disturbance from your line, sir, we're not able to hear you.

**Aniruddha Joshi:** Okay, thank you. Sincere thanks to the management for participating in the call and patiently answering the investors and analysts' queries.

**Chacko Thomas:** Thank you, Aniruddha, thank you everyone.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of ICICI Securities that concludes this Conference Call, we thank you for joining us, and you may now disconnect your lines. Thank you.