



January 27, 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 for the financial results for the Quarter ended December 31, 2022

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 January 25, 2023 in respect of the Financial Results for the quarter and nine months ended December 31, 2022 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/Audio%20Clip%20of%20Q3%20Analyst%20Call%20for%20FY%202022-23.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
Q3 FY '23 Earnings Conference Call”
January 25, 2023



MANAGEMENT: **MR. K. VENKATARAMANAN – EXECUTIVE DIRECTOR,
FINANCE AND CHIEF FINANCIAL OFFICER – TATA
COFFEE LIMITED**
**MR. AMIT PANT – HEAD OF SALES AND MARKETING –
TATA COFFEE LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to the Tata Coffee Q3 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, Dorwin. On behalf of ICICI Securities, we welcome you all to Q3 FY '23 Results Conference Call of Tata Coffee Limited. We have with us senior management of the company, represented by Mr. K. Venkataramanan, Executive Director, Finance and CFO; and Mr. Amit Pant, Head of Sales, and Marketing.

Now I hand over the call to the management for initial comments. Post that, we will open the floor for a question-and-answer session. Thanks. Over to you, sir.

K. Venkataramanan: Good morning to all. I'm Venkat. Thanks for joining. I'm here to present the Q3 earnings call of Tata Coffee. Overall, for quarter, our standalone, including that we have now reduced the Instant Coffee and plantation business have done quite well. The rising challenges, of course, pertaining to the inflation of the environment and some bit of demand contraction in some geographies. But overall, the standalone revenue has gone up by 23%, and this is mainly possible on account of the higher gross margins on Instant Coffee and include realizations and also hedging and FX benefits.

The standalone profit is slightly lower at 26.61, that's more the PBT is higher, but there will be of a higher tax rate due to higher Income. On Instant Coffee India and Vietnam both have delivered the good the very good performance with the capacity is being facing saturated in both the places. We continue to drive whatever the cost optimization and the efficiency improvement that was all the operations.

And Tata Coffee Vietnam, in particular, has delivered an excellent performance despite the inflationary challenges and thanks to the good work around the new product development and ratio orders have continued customer focus, which we have delivered a strong performance there. The order book for Tata Coffee Vietnam continues to be strong. We have covered right up to the end of the fiscal and moving and then also going into the next year as well.

We have also commissioned a liquidity state line in Vietnam, and we hope to see the results impact in the coming quarters. On the coffee plantation, the process of harvest is continuing. Arabica getting completed, and then Robusta and Pepper would follow. The green bean business has also quite has done quite well, thanks to our premiumization efforts.

Now the tea business has been continues to be impacted due to the pest in the tea and the Anamallais tea operations. However, we have been able to deliver higher realization. We have invested quite well in the tea factories. And we are putting a lot of efforts to see how the infestation or insects can be controlled.

Coming to the consolidated revenue, we are at INR 747 crores compared to INR 626 crores for the previous year same quarter, increase of 19% . We have delivered higher realization both on the Eight O'Clock and the Instant Coffee business for the company. The consolidated profits are lower. That's primarily due to the Eight O'Clock Coffees has been impacted due to higher input and other costs, and we have better volume pressure there. And of course, we hope to see the easing up back of the margins over coming quarters.

So, to summarize, it has been a kind of a stable, good performance on the standalone and Vietnam on the Instant Coffee businesses. Eight O'Clock there has been improved realizations, the profitability has been impacted and it's more over the next few quarters, we hope to sort of see improvement in the margins there. I'm joined by the colleague Amit Pant; I now hand the conference call back to ICICI Securities for the questions. Thank you.

Moderator: We have the first question from the line of Mr. Aniruddha Joshi from ICICI Securities.

Aniruddha Joshi: Sir, two questions. One, how do you see the coffee prices panning out over next one year? And as well as tea prices panning out over next one year? We have seen a rapid inflation and then deflation also in both the commodities Tea and Coffee. So how is the situation in both these commodities?

K. Venkataramanan: Yes. I'll answer the tea part and I hand over to Amit Pant my colleague for answering the coffee part. The tea prices, well the Orthodox bit, we saw a bit of improvement there, but now it has sort of tapered off. But we are seeing good demand and prices on the CTC front. So, we are hoping that the same trend would continue or rather hold on for the ensuing few quarters. On the coffee Amit Pant.

Amit Pant: Yeah. Thanks Venkat. On the coffee, both the coffee that is Arabica and Robusta, we've have seen a significant erosion in terms of where the markets were last year and where they are right now. Just to give you a statistic, in the last six months, the Arabica markets have eroded by almost 32%, in the last 12 months by almost 37%, 38%. The erosion has been lower in Robusta, about 17% let's say on a 12-month basis. And similarly, about 15% to 20% on a six-month basis.

So both the markets have been under pressure, largely because of the markets pricing recovery in the Brazilian crop in the middle of this year when it comes to the harvest and also the larger recessionary environment that we see around the world. So clearly coffee markets are under pressure right now. And we would reckon that Brazil's response after a year of distress has been already to some extent directed by the market. So the undertone of the markets, if you were to ask especially Arabica in particular is soft going forward.

- Aniruddha Joshi:** Sir, second, on the merger with Tata Consumer. So, can you indicate about the timelines? And while the regulatory process will take its own time, the on ground work of the operational merger, has it commenced in terms of integration of sales team or freight and distribution or even the employees, etcetera. So, any process, any update that you can share on this as well as the regulatory process also?
- K. Venkataramanan:** Yeah. On the regulatory process, we have our shareholders meeting on 3rd February and then the normal process in terms of NCLT process will continue for some more time. We hope in the next three, four months' time that should conclude. That's what our expectation is. On the integration front, yes, we are looking at where the teams are etcetera, but I won't comment on that now, because it is still work under progress.
- Moderator:** The next question is from Mr. Aniruddha Joshi from ICICI Securities.
- Aniruddha Joshi:** Yeah. So before the question queue assembles, just wanted to check on certain aspects. So in terms of the plantation business, what is the outlook. It will get formed in a separate subsidiary. So how do you see that business panning out and also overall, is Tata Coffee working on any particular capex and what is the capex plan of Tata Coffee, considering there was a merger announced almost a year back? So there may not be a big capex done. So what would be the immediate need to do capex for particularly for Tata Coffee operations first?
- K. Venkataramanan:** On the first part regarding the separate entity, so the whole rationale was explained in the composite scheme whereby by forming a separate plantation entity, so there is fair bit of synergies among the plantation client companies and more of dedicated focus. So that'll be there. Other ways, operationally, we don't see any kind of changes there except that there's going to be much dedicated and better focus on the plantation business as such.
- On the capex front, see, normal capex is about INR 25 crores, INR 30 crores, but that's more to do with the kind of instant coffee modernization equipment's. So those would continue because those are for us wherever we see kind of incremental revenue streams or efficiency improvements those will continue. Other than that, we also invest behind some of the plantation replanting activities, wherever required in terms of irrigation. So those will continue. But we are not seeing any extraordinary exceptional capex coming up, but then the normal capex, whatever is required for the instant coffee modernization, those would continue.
- Moderator:** We have the next question from Nishant Sharma from Nuvama Wealth.
- Nishant Sharma:** This is more of a follow-up question on the merger timelines. So if I've heard correctly, 3rd February, we would be having a shareholder meeting and thereafter, we would required to file with NCLT or we have already filed with NCLT?
- K. Venkataramanan:** No. The scheme has been filed with the NCLT, both TCPL and Tata Coffee. TCPL shareholders meeting is over, and they already got the approvals. There are further process in the NCLT itself. So that is going on for TCPL. Tata Coffee is concerned; we have our shareholders meeting for

approval on 3rd February. And post that, of course, the normal NCLT process of Chairman's report being filed and second motion petitions, all that will continue.

Nishant Sharma: Okay. And apart from NCLT, any of the regulatory approval would be required? Or that's the only one which is pending?

K. Venkataramanan: Other than NCLT approval, the process is to cover whatever approvals from the various authorities that is part of that process. Other than that, we don't see the regulatory side of it, the NCLT is the major one.

Nishant Sharma: And the three to four months, which you have referred to complete the entire process is from today or from the post shareholder approval?

K. Venkataramanan: We are saying both the shareholders meeting. You see that there are two legs, you know, only TCPL has to, they have completed the shareholders approvals, they have got the approval and that process has to complete. Our estimating about three to four months because these are all depending on the NCLT hearing all that will take place. So, our estimation is about four months around that kind of period.

Nishant Sharma: But this is four months post the approval, a shareholder approval?

K. Venkataramanan: Yes, absolutely. Right.

Moderator: The next question is from the line of Nirav Savai from Abakkus Investments.

Nirav Savai: My question is regarding the Vietnam order book, which you said is covered for this fiscal as well as is it for the next year? Or am I missing something?

K. Venkataramanan: Yes. Next year, also, see, we normally have finally a healthy order book for Vietnam. So, we are well covering to the next year's two quarters also.

Nirav Savai: Okay. So, first half, we are covered, not the entire year?

K. Venkataramanan: That keeps happening also times and I'm saying two quarters, there could be, say, October of next year, all like that.

Nirav Savai: We intend to expand capacity in this business? Or how do we see this?

K. Venkataramanan: We are evaluating the opportunities, Vietnam is operating at close to 100% capacity. So, India is also sort of -- our businesses are operating at full capacity. So but we need -- we are looking at. See, when we look at this, we have to look at the future also. So then we continuously evaluate in terms of whatever investment is required.

Nirav Savai: Right now, sir, is there any macro tailwind which is driving this higher utilization, or you might see this continuing for some time. What exactly is driving this demand right now?

Amit Pant: So, I think it's not tailwind. For the last almost several quarters we've run a completely packed order book in Vietnam. Installation of the plant is near 100% I think for several quarters right now, not necessarily for the last three, four quarters. So we're very confident that the work that we've done in Vietnam in terms of the product performance, in terms of customer relationships, I think that is something which is really sort of driving a very healthy demand for our products. I wouldn't attribute it to any particular macroeconomic or episodal factors right now.

Moderator: We have the next question from Akshay from Canara Robeco Mutual Funds.

Akshay: Sir, just wanted your sense on the global demand, like at least the order book for us is largely filled. But then how do you see the global demand shaping up like? Is there some slowdown that you are sensing and hence, you are not going for a capacity expansion or what is it? If you can portray some global picture, that would be helpful, sir?

Amit Pant: We don't see a challenge on the global demand. On the overall global demand, no, we don't see a challenge. There are pockets where there is a challenge. I think Venkat mentioned earlier in the summary that there are certain markets where we are seeing the effect of recession and inflation on a much stronger level than certain other markets. But coffee in general, and that's true for Instant Coffee also.

If you look at over the last 10, 15 years, the growth has been a very resilient category, the growth despite slowdowns and financial issues in certain parts of the world last 10, 15 years, Coffee has not stopped growing. So, we are sanguine about prospects of coffee. We would recon that coffee would continue to grow at a pace that it's been growing in the last 10, 15, 20 years. Yes, but certain pockets will be impacted higher in their ability to respond to what you are seeing today in terms of macroeconomic problems.

Akshay: So, sir, would this be temporary issue? Or you see this as a prolonged issue? Because if the inflation cools up then, do you see that they're coming back? Or how do you see that?

Amit Pant: Yeah. So, see if history is anything to make a comment on, these things are periodic. So, inflation is cyclical. Some of the other factors like currency, currency is being severely depreciated, All these are periodic issues and over a period of time, things are cyclical. So they even-out, so we don't expect a long-term challenge anywhere. We expect some of these markets to rebound in due course.

Akshay: Any customer additions that we would have done?

Amit Pant: Yeah. So I wouldn't like to go into specifics here, but yes, I mean in both India and Vietnam over the last, I think, especially over the last year, there has been addition of new clients, there have been addition of new portfolios. So that all bode well for both these, both our FX in India and Vietnam. Specifics I wouldn't like to go into on this call right now.

Moderator: The next question is from the line of Dhiral from Philip Capital.

- Dhiral:** Sir, if you can elaborate which pockets, we are seeing in a slow down or a growth concern?
- K. Venkataramanan:** See, one geography which is clearly we are seeing a challenge is Africa, because see, there it is impacted, we packed SKUs for some of the customers there, so that has been impacted, largely two reasons, one is the coffee prices itself, which Amit said that it will rebound. So now with some kind of easing in prices and also the kind of packing materials and freight and all that. So those are all pushed up the cost for the market to absorb. So that is one geography which we would call-out specifically. Anything, any other?
- Amit Pant:** I think Africa is one definitely where we've seen challenges as Venkat outlined right now. The other markets where we've seen things a little slow, especially if you look at our India asset, Southeast Asia. But again as I said earlier, with China opening up, there'll be a knock-on effect on countries around China. So we expect demand eventually, sort of recover and rebound by middle of this year or by end of this year in Southeast Asia. Africa, we believe is a larger challenge because certain other product categories similar to coffee has also been impacted because of their ability to withstand a very significant inflation factor.
- Dhiral:** And sir, as you talked about that we are already getting that 100% capacity in Vietnam in last many quarters. And you are also be targeting to grow at 100%. So, what is restricting you to do a capex looking at the demand environment improving?
- K. Venkataramanan:** See, the thing is like this, Vietnam is a freeze-dried facility. So we need to assess the demand over the next, see, when we invest substantially large capex, so INR 50 million, INR 60 million in terms of 5,000-ton capacity, so obviously, we need to assess the capacity over a long period of time, maybe three to five years and all that. So depending on that only the decision we can take. So as I said, we continuously evaluate, but I don't think we have positioned to sort of comment anything on any concrete steps. That's where we are.
- Dhiral:** So, because one of our competitors again from the domestic market, sir, we are aggressively expanding capacity on the announced for a new capex of freeze-dried even in Vietnam, that's why. So they are growing much faster than us?
- K. Venkataramanan:** So, our competition, if you are mentioning that they have some great capacity in Vietnam. The point is, everybody looks at the market from their own lens, in the sense, what they know, what priorities they have. So obviously when we invested in our plant in Vietnam, went in commissioning in '19-'20, sometime in May 2019.
- And after that, of course, now it's three years. So we are well stabilized there and we have started doing quite well there. So the next wave of expansion has to come for us, which we are continuously evaluating. So we don't want to comment on what our competition per se is doing because how they look at market may be different.
- Dhiral:** Just last one thing, sir. How much Robusta coffee you're collected? I missed the number.

- Amit Pant:** You are saying from the highs of last year, how much it is collected?
- Dhiral:** Exactly.
- Amit Pant:** If you look at where the market is right now, I think about 17%. So, the shrinkage in Robusta is far lower than what we have seen in Arabica.
- Dhiral:** And sir, what is the current Robusta price is?
- Amit Pant:** See, yesterday, if you're looking at the London chart yesterday, it's settled at around US \$1,941 per ton. It had gone up to a high, if I recall correctly, last year, close to US \$2,350. So, the contraction has been about 17%.
- Moderator:** The next question is from the line of Rahul Ranade from Goldman Sachs Asset Management.
- Rahul Ranade:** My question was on Eight O'Clock Coffee. So, if I do a simple consolidated minus standalone, some because of gross margin improvement, which has happened on a sequential basis for us?
- K. Venkataramanan:** Yes.
- Rahul Ranade:** So, I remember from last quarter call commentary where we said that it will take some time for Eight O'Clock margin to come back to normal. So just wanted to understand where are we in that process and how long it would take for us to recover the margins on that?
- K. Venkataramanan:** See, typically last quarter also I had mentioned regarding these roasters carry a little inventory in terms of weeks carried is typically little, long, depends on, could be about 25 weeks and all those kinds of levels. So for that to come back with the kind of improvement in prices would take maybe two or three quarters roughly. I am just estimating that it would take about two or three quarters, but there are other factors also at play. So that's where we are. I won't put a specific month or quarter by which the margins would improve, but then that process has already started, so whatever actions are required are being taken.
- Rahul Ranade:** And what would the rough margins be? We get the consol minus standalone, but would it kind of be possible to give margins for, let's say, Eight O'Clock separately or Vietnam separately?
- K. Venkataramanan:** No, sorry, Rahul, we won't be able to share.
- Moderator:** The next question is from the line of Varun from ICICI Securities.
- Varun:** My question is on like after the post-merger of Tata Coffee with Tata Consumer, what changes in management structure is likely to be?
- K. Venkataramanan:** No, I have no answer for that because it is still a couple of months away with this merger. So, I don't think I'll be able to answer that. I don't think anything is there concrete at this point of time.

- Varun:** Sir, and secondly, what are the top three benefits on the top of the mind that we should see this merger kind of bringing on the table? Or I mean that you wish to highlight what are the top three things?
- K. Venkataramanan:** See, the extraction business, what we call instant coffee, the Tata consumer has also got an instant tea business. We have coffee extraction business, so there is kind of combining that would put a lot of synergies in-place in terms of reach, customers, projects, in terms of the distribution. So those are the kind of the infrastructure itself in terms of synergy, which will be there.
- Secondly there is a compliance costs listed as a separate listed entity. So this also would be know, that it becomes a kind of larger kind of unified entity, whereby the Tata Coffee shareholders straightaway would get into a rather the larger consumers play in the sense of getting the Tata Consumer shares.
- And thirdly, it is also leading to a separate plantation entity, because Tata Consumer already has got the shareholding in two plantation entities and so there is more dedicated focus onto the plantation vertical and the plantation entities per se. So these are the sort of three broad things. Definitely it is win-win, definitely and with a sound rational listing has been planned.
- Moderator:** The next question is from the line of Kiran from Kiran Investments.
- Kiran:** Sir, Tata Consumer is launching any new products in the coming six months, three months?
- K. Venkataramanan:** So, they have their Analyst call sometime in early February. Please, I'm sure that Tata Consumer team will have to answer that.
- Moderator:** As there are no further questions, I would now like to hand the conference over to the management for the closing comments.
- K. Venkataramanan:** Thank you very much for joining this call, and we thank the investors for continued interest in the company. Thank you very much.
- Moderator:** Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.