November 22, 2020

The 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 Code – TATACONSUM

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

The Calcutta Stock Exchange Ltd.
7 Lyons Range
Kolkata 700 001
Scrip Code – 10000027 (Demat)
27 (Physical)

Dear Sir,

Sub.: Transcripts of virtual Analyst/Institutional Investor Meeting held on November 6, 2020.

Please find attached call transcripts of the Company's participation in Conference Call pertaining to Financial Results for the quarter and half-year ended September 30, 2020 of the Company with Analyst/Institutional Investor held on November 6, 2020.

This is for your information and records.

This will also be hosted on Company's website at www.tataconsumer.com

Yours faithfully,
For **Tata Consumer Products Limited**

NEELABJA CHAKRABARTY
Digitally signed by NEELABJA CHAKRABARTY
Date: 2020.11.22 01:38:34 +05'30'

Neelabja Chakrabarty
Company Secretary

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TATA CONSUMER PRODUCTS LIMITED

(Formerly known as Tata Global Beverages Limited)

"Tata Consumer Product Limited Q2 FY-21 Earnings Conference Call"

November 06, 2020

TATA CONSUMER PRODUCTS LIMITED
(Formerly known as Tata Global Beverages Limited)

ICICI Securities

CHORUS CALL®

MANAGEMENT:	**MR. SUNIL D'SOUZA – MANAGING DIRECTOR & CEO.**
	MR. L. KRISHNAKUMAR – EXECUTIVE DIRECTOR & GROUP CFO.
	MR. AJIT KRISHNAKUMAR – COO.
	MR. RAKESH SONY – GLOBAL HEAD OF STRATEGY & M&A.
MODERATOR:	**MR. MANOJ MENON, ICICI SECURITIES LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to Tata Consumer Product Limited Q2 FY21 Earnings 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you and over to you sir.

Manoj Menon: Hi, everyone. Good evening, good afternoon, good morning, depending on where you are logging in from I-Sec. It's our absolute pleasure to host the Tata Consumer Product Limited Second Quarter Fiscal 21 Results Conference Call. The management is represented by Mr. Sunil D'Souza – Managing Director and CEO, Mr. L. Krishnakumar – Executive Director and Group CFO, Mr. Ajit Krishnakumar – COO, and Mr. Rakesh Sony – Global Head of Strategy and M&A. Over to Rakesh for further proceedings please.

Rakesh Sony: Thank you very much Manoj and I welcome you all for this call, for this second quarter performance of TCPL. Without any further ado I will now hand over the presentation to Sunil, over to you Sunil.

Sunil D'Souza: Thank you Rakesh. And thanks, everyone for joining us for this call. I'll go to Slide #3, which is the agenda covering executive summary, a quick integration update, business performance for India, business performance international, financials and outlook. This is a slide which you've seen earlier. Tata Consumer Product is the largest salt brand in India with Tata Salt, the second largest tea brand in India with Tata Tea, fourth largest tea brand in the UK and the leader in Canada, Eight O'Clock Coffee the fourth largest roast and ground brand in the USA, Tata Sampann, which is the leading national brand in pulses in India, also moving into spices and mixes. Himalayan which is the number one natural mineral water band in India. We are an integrated food and beverage company with the heritage of Tata's moving into the FMCG world the number two branded player in tea globally. Rs. 9600 crores consolidated revenue in fiscal 20, with a market cap of about Rs. 45,000 crores, reach of almost 200 million households in India and distribution up to 2.2 million retail outlets now, among the top 10 F&B companies in India with +2250 employees worldwide.

If I now move to the executive summary for the quarter ending 30th September 2020, our India business grew strongly while there was demand normalization in international markets. You would remember that in quarter one, as the COVID pandemic had started off, we had seen a bit of what I would call panic buying and therefore pantry stocking, especially in the developed markets, that is starting to unwind and we're starting to see normalization. Consolidated revenue grew 19% to Rs. 2781 crores driven by strong growth in the India business, consolidated EBITDA of Rs. 402 crores up by 26% despite significant inflation in raw tea prices. Overall, our India business has grown 25% led by packaged beverages growing at 29% driven by both volume and pricing, India Foods up by 13%, and sequential improvement in NourishCo's performance with September growing versus last year. The branded international business grew 11% and consolidated profit before tax for the quarter is up by 31% at Rs. 345 crores. The critical point that I would like to make here is that, while we have gained market share and I would underline that we have gained market share in tea and salt. Moving forward, navigating the unprecedented inflation in raw tea prices will be critical. We've got to balance both margin as well as volume trajectory.

We are well positioned for the future because the integration of the India Foods business and India Beverage business is progressing ahead. And I would say probably slightly ahead of plan, with respect to the reworking of the S&D system, we have finished two of the three phases which we had planned and that is showing results, even though it is very early stages. We have seen an expansion in outlet reach of about 12% and a significant increase in e-com contribution. In fact, e-com contribution from where started in the beginning of quarter one to where we ended quarter two is roughly 2x of where it was.

If I move to the next slide, which is a key business snapshot, India Beverages with a revenue of Rs. 1120 crores was up by 11% in volume and 32% in revenue terms, there was a significant impact of tea cost inflation and therefore pricing and that's why you'll see the differential between the volume and the revenue. On the foods business Rs. 580 crores 6% volume, 13% revenue, this is with growth in salt and significant growth in value added salt which is up almost 100% versus last year same period and a significant increase in mix with pulses and spices. On the US coffee business we've seen pantry destocking and that's why we've seen volume growth of -3%, constant currency growth of 4% and revenue growth overall of 11%. Same thing of pantry restocking in the other international tea businesses where we've had I would say a very decent performance with volume coming in almost flat compared to the huge stock up that we had last quarter. A constant currency growth of 1% and revenue growth of 11%, international tea business coming in at Rs. 444 crores. Food Service International continues to face headwinds, -19% volume growth. This is our businesses in the US and Australia primarily, revenue growth constant currency of -29% and -23% all in, Rs. 56 crores was the top line. Tata coffee which includes the new Vietnam plant was up by 8% in volume, 15% in constant currency and 17% revenue, all-in-all consolidated Group revenue came in at Rs. 2781 crores, 16% up in constant currency and 19% reported.

If I look at the group performance at a glance, our revenue was up by 19% at Rs. 2781 crores, EBITDA was up 26% at Rs. 402 crores, PBT before exceptional up by 31% at Rs 345 crores and group net profit up by 31% at Rs. 273 crores. And we've ended the quarter at Rs. 1439 crores in net cash. We've seen margin expansion across the board; 14.4% EBITDA margin 12.4% PBT margin and 9.8% net profit margin, with an expansion of 90, 120 and 100 basis points respectively. EPS up by 33% at Rs 2.79 but more importantly, our cash EPS which is all in, is at Rs. 4.08 which is up by 30%.

Now, to talk briefly about the macro and commodity overview, we have seen a decent recovery in economic activity post the weakness in Q1 in all the major markets in which we operate which is India, UK, US, all of them have started to show recovery, albeit all of them are still in the negative territory. The critical piece is, I would point out to you the tea prices. If you look at the dark blue line which is the center tea prices in India, this quarter were roughly Rs.120 which is roughly about 80% higher than where they were in the same quarter last year. That is the North Indian prices and it has rub off effect on the South Indian prices and North India was impacted by initially the lockdowns and therefore the pruning that they had to do. And then they had a double whammy in the form of bad weather and flooding, which happened in the month of July and August. As a result of that, we've seen unprecedented inflation which we've had to tackle in our India Business. But on the other side, Kenya had a record crop and we've seen almost flat prices on tea and that had a favorable impact on our other international businesses.

In terms of coffee, well Arabica prices have seen an uptick, robust coffee prices have remained almost stable year-on-year.

Coming to quarterly category performance, firstly the dark blue shades which you will see which is regular Black tea after showing a very strong growth in quarter one as I mentioned with pantry stocking, et cetera happening in the developed market has now come to low single digit figures. That said, we are seeing still positive traction across, non-Black tea which was always outpacing Black tea, we continue to see strong momentum across again. Compared to quarter one, the growth rates have reduced but by any stretch of imagination, they're still in healthy trajectory in the low to mid-teens. The Indian tea market, which was negative in the first quarter, negative roughly 6%, is now up by 6% with sequential improvement month-on-month, with that said we are still seeing volatile demand situation, some ups and downs and we hope to see stability very quickly. US coffee continues to grow with strong promotional activity. I will now move on to the integration update and handover to Ajit.

Ajit Krishnakumar: On page #12, as you will remember, we had provided a brief high level overview of the integration activities last time, this time we wanted to give a little bit more detail and walk you through three or four major points. As you see on this page, that the integration activity is extensive. It is not just integration of businesses; it is also a transformation and upgradation of businesses as required. This is across many facets of business and the critical message to take away is that most of these activities will be completed by the end of this calendar year with some extending to Q4 of the financial year. So that by this fiscal year, the integration of the two businesses will be substantially complete. The other significant point is that the synergies that we had talked about have begun to flow through, we will see some of this in Q3, but it will continue to flow through at or slightly above our expectations. However, just to flag that, while our plans have been going as we anticipated, there would be in Q3 some one-time cost and some small disruptions caused by for example the integration of the S&D system in India. However, by and large this is going very well, In the S&D system, two of the three phases of the consolidation is done - phase one being the elimination of the consignee agent layer, another layer, phase two being a single distributor point for most of the country, these two are substantially complete. The third phase, which is essentially the larger rural and other consolidation is currently underway and will be complete by this year, we're already seeing I think we made a reference to it, we're already seeing some of the benefits of it, but the substantial benefits would flow through later this year. As you will see on the page, we've already seen some increase in outreach, and as we promised last time, we expect to see a doubling of our direct reach. So, we are on track to achieve that. With that, I'll hand it back to Sunil and LK to go through.

Sunil D'Souza: Thanks Ajit. So, I am on Slide #14. And I talk about India packaged beverages. So we had 12% volume growth and 29% revenue growth. I would say commendable performance driven both by higher volume as well as price realization. The critical thing that I would want to mention is we've narrowed our gap versus (competition) in share of handlers, as well as increased the bit of distribution. And that has resulted in market share gains both in volume and value terms, our margins have been stable, despite year-on-year inflation, unprecedented inflation as I would call it in raw tea prices. And this has been possible through dynamic P&L management. The critical thing going forward will be balancing the volume and margin and making sure we walk the tight rope to continue the momentum as we move ahead. So other critical pieces is we've started our activity on upping the ante for our brands. We tied in with Chennai Super Kings for our Chakra Gold, leveraging Tamil heritage. We won multiple awards and Tata Tea Premium won Economic Times awards. We've launched affordable Chakra Gold poly packs in Tamil Nadu, activated festivals and evoked local culture with the Desh Ka Kulhad campaign during August.

On the foods business we have seen 6% volume, 13% revenue, salt grew by 10% along with market share gains, but the critical piece as I mentioned earlier, in line with our premiumization agenda, value added salt portfolio has grown by 100% and in-line with our drive to expand our portfolio. Our pulses have continued to deliver robust growth and they're up by 33%. Our new launches under the Sampann brand name of Poha and Nutri mixes are showing strong traction and consumer optics. Tata Salt has again won the most trusted brand in India. And we have run various campaigns, the most important being the picture on the left where we were the co sponsor for KBC 2020 in our drive to activate our brands.

If I move to Slide #16, which is NourishCo. NourishCo has shown sequential recovery in sales, both volume and value. We are now at 86% of pre COVID revenue levels improving month-on-month and like I said in September we have seen NourishCo grow over the same period last year. Overall, for the quarter, Rs 37 crores (revenue) but that said, this quarter is normally a slow quarter for the out of home beverage business anyways. And we do expect that we will see sequential improvement from here on. We've achieved highest ever volume for Tata Water Plus in September 2020. And in Himalayan we face some headwinds, but we've seen recovery. The critical thing is, our geographic expansion and our portfolio expansion plans are on track and underway. And most importantly, during this quarter, we've transitioned Himalayan to our own distribution network from being outsourced through Varun Beverages earlier.

If, I move to Slide #17 for Tata Coffee, 11%, extractions growth, 6% plantation and 17% revenue growth led primarily by Vietnam, the plantation business has grown by 26% in value, we've seen significant growth in pepper volumes, albeit pepper prices have been a bit soft and that has impacted the overall profitability. The other piece is that the profits have been impacted by an uncertainty around the MEIS which is the export incentive of the Indian government. The good news is that the Vietnam plant is now operating at a +90% capacity. Starbucks which was the business which is probably the most impacted because of COVID and lockdowns. If I first point you towards the graph on the left, we moved from almost a total closure in the month of April to about a 71% index to last year in terms of revenue. We are now in 12 cities with 196 stores. Just as a perspective, this was the picture at the end of September quarter. As of now we have opened 200th store in Amritsar and we have entered a new city of Kochi. 86% of our stores are reopened. We've launched dedicated store for Starbucks merchandise on Flipkart. The critical thing is, consumer loyalty is going from strength-to-strength with Starbucks. Starbucks rewards numbers is up by 20% year-on-year, and roughly 30% of our revenue now comes from the loyalty consumers. We've launched the mobile order and pay feature and they are now present across all home delivery platforms. Starbucks has launched multiple innovations, including one liter fresh brewed, which has done very well from index perspective for innovation. We've launched a gift a Starbucks campaign. And most importantly, we've now been recognized by three different platforms as India's top 100 companies to work for women by Great Places to Work, Working Mothers and Avtar 2020.

I now come to the international businesses. Starting with UK, in UK we've seen 4% revenue growth and we continue to maintain a very strong 20.4 value market share in everyday Black. The discounter channel continues to be the biggest growth driver but as I mentioned, out of home and wholesale channel continue to face headwinds which is more relevant in the UK especially because we've got our super premium brand Tea Pigs which has a very high consumption percentage in out of home. Our Good Earth Tea and Kombucha which we launched in quarter one are performing well and share are as per expectations in our limited launch geographies. Cold infusions which is the other great innovation which is there is under a bit of pressure due to the slowdown in out of home consumption.

If I move to the US, US we've seen 4% growth in coffee. We continue to maintain close to a five share in the coffee bag market. Empirical business which is our out of home business, food service business in the US continues to be under pressure. But despite that, and if I exclude that, we've seen revenue growth of 11% with volume growth at 8%, which is a pretty good standing for us in the US. We've launched Good Earth Sensorial brands, which is seeing good traction.

Canada, we are now number one in specialty tea in value terms in Canada. We were already leaders in Black. So this is a new achievement for the Canada business. Canada, like the other developed markets has also seen a marginal downtick post the initial pantry stocking, revenue growth was 1% against volume decline of seven primarily driven by mix. We've discontinued some of our ethnic brands so that has to be factored into this piece. And we've seen improved profitability because of rationalization of overhead. Pictures on the right show you the strong launches that we are doing and the strong trust that we are making, behind specialties and herbals which is the growth area for us in Canada.

On brand campaigns – We launched campaign under Tatley Mango, both local promotions as well as digital. We've had activation of Tetley UK on this new herbal range with a need a "me moment". We have activated our Sampann portfolio across media television, as well as digital and social media. We've activated coffee on social media in the US and in Canada launched Infusions with an ad, in which we've got an Olympic swimmer who's endorsing the brand. We have won several awards and recognitions, I did mention that Tata Salt was recognized as the most trusted brand for 2020, this is the third time in a row. Tata Tea Premium won award in six categories in economic times, brand equity awards. Starbuck, I mentioned the great places to work for women, Tetley UK won 6 Great Taste Awards for 2020. Our Sampla and Pullivasal Packeting Centers were awarded Silver prize in the 6th edition of the India Green Manufacturing Challenge and in terms of packaging, Himalayan Sparkling and Tata Tea Tulsi Green won the "India Star Award" for Excellence for packaging from Indian Institute of Packaging. We continue to be responsible business partners, our focus on trustea and a partnership with UNICEF continues, we activated campaigns for the Rainforest Alliance with Tetley's Follow the Frog campaign and with #DeshKaKulhad we supported local artisans during the Independence Day week in India.

We continue to be focused on the planet with climate, water, circular economy for plastics, as well as decoupling emissions from group. With that, I hand over to Mr. L. Krishnakumar to walk you through the finance.

L. Krishnakumar: Thanks, Sunil and good evening to all of you. Let's start with highlights on page #28. It's been a strong quarter with good revenue and profit growth. On a standalone basis, our revenues grew from Rs 1427 crores to Rs 1736 crores at 22% increase. EBITDA was higher from Rs 205 Crores to Rs 254 Crores, an increase of 24% in-line with increase in revenue. Consolidated revenue grew from Rs 2347 crores to Rs. 2781 crores, an increase of 19%, 16% growth in underlying currency. EBITDA grew from Rs 317 crores to Rs 402 crores, an increase of 26%. The growth in revenue was driven by all parts of the business. India Beverages grew by 32%, of which we had 12% volume growth, India Foods higher by 13%. International businesses grew by 11%, 2% in constant currency terms. There was a challenge in out of home, food service business in the US but barring that other parts of the business did well and the key markets of Canada, US and UK performed very well. Tata Coffee performance was driven by strong sales in Vietnam, which is operating almost to full capacity.

In terms of profitability, overall profit improvement is reflective of the growth in turnover and control over expenditure. However, in the case of India we've had an extraordinary increase in input cost. Tea cost escalation has been in the range of 65% to 80% depending on the type of tea, we have taken up prices, there is some impact on the operating margins in the Indian business as we continue to manage escalating tea cost.

Moving on to Slide #29, financials on a standalone basis. I'm just going to talk through the current quarter, revenues grew by 22%, EBITDA as we saw earlier went up by 24%. Looking at the line items below, we have exceptional items of 19 crores in this quarter, which primarily represents integration cost and redundancies arising out of restructuring of the business. So overall, after allowing for the exceptional items, profit after tax grew by 9% for the quarter.

Moving on to Slide #30, which is consolidated results. We've seen revenue growth of 19%, Rs 2347 crores to Rs 2781 crores and EBITDA growth of 26%, talking to the other lines, we have exceptional items again of Rs 24 crores representing primarily the items we talked about earlier.

Coming to group net profit, you would see that in the SEBI publication, you will see the share of profits from JV in Associates is Rs 39 crore and higher than the previous quarter, driven by improved performance in our plantation businesses in North India and also some of our joint ventures outside India.

Moving on to Slide #31 segment wise performance. India Beverages saw 32% growth in revenues with a commensurate growth in profits. India Foods 13% growth in revenues and a strong profit growth of 36% driven by cost initiatives and also some amount of rephrasing of A&P spent. International beverages 7% top line growth and a 36% growth in operating profit, good management of commodity costs and good control over expenditure apart from revenue growth helped us to deliver these profits. Non-branded business profitability impacted directly to growth in turnover, because of lower prices of Robusta Coffee, and also an element of lower crop in some of the plantation businesses. If you look at the right hand side, the breakup of business, 45% of the revenues came from India Beverages, 23% Foods, so 67% came from India and about a third came from International Beverages.

Moving on to Slide #32, which is the consolidated balance sheet. No major changes except that working capital is slightly higher and we talked about higher tea cost which is driving the working capital increase. Operating cash flow was strong at Rs. 578 crores compared to Rs. 300 crores in the same period in the previous year. The ROCE excluding goodwill and Brand with indefinite life is almost 20%. That was a strong quarter relative to 14.5% ROCE we saw in the same period in the previous year.

So, over back to Sunil to talk about outlooks and priorities for the business.

Sunil D'Souza: In terms of the outlook macros, all of you are aware of this. The second wave is hitting in Europe and facing multiple lockdowns across different parts of Europe. Parts of the US are experiencing high case rate while in India, the case rate is on a decline for now. The Indian economy seems to be on a recovery path, albeit the path of recovery, pace of recovery will depend on further stimulus measures. We are seeing several measures of consumer sentiment having registered a sharp decline but we are also seeing some green shoots visible in rural consumption. I would say primarily because of three factors, #A agricultural is dependent economy having a good monsoon. Second is the migrant movement back to the villages. And the number three is the government stimulus, which seems to be bearing fruit out there in the rural areas.

On the business front:

We talked about it enough the inflation in India remains a headwind in the short term and we need to balance our growth ambition with margin delivery. We pulled it off quite well in quarter two. The challenge will be to continue that pace in quarter three. Distribution expansion is in progress and new product launches are now gathering momentum. And, I'd mentioned to you last quarter saying that we have taken a pause on new product launches as we are getting our distribution system in order. Now, we will start launching our new products given the fact that as Ajit mentioned, we have finished two out of three phases of the distribution integration. So, the growth momentum in India Foods is expected to continue. The out of home business in India is recovering well, you've seen the month-on-month recovery in Starbucks. And as I mentioned, the same thing holds for the NourishCo business with the NourishCo business now moving past the 100 index mark for the same period last year. However, the food service business in international markets continues to be a bit under pressure and face headwinds. As Ajit already alluded to this, the integration of the food and beverage business is on track and the synergy businesses have started to flow. And the most important thing I would highlight is it is ahead of estimates for now.

We remain focused on our strategic priorities or strategic pillars, which we had laid out right in the beginning of the year, which is continue to build on our core business, continue to build our brands and our market share in tea, salt, a bit in coffee and our Sampann portfolio of pulses, spices and mixes, drive digital and innovation as we seek to transform the company and make it future ready. With the integration, unlock synergies and deliver the numbers which have been committed, create a future ready organization with capabilities and the talent with those capabilities as you go ahead. We will continue to explore new opportunities, both organic as well as inorganic, while making sure that we care for our society and the environment in which we operate.

With this, I hand over back to Rakesh.

Rakesh Sony: Thanks Sunil. So, I'll go back to Manoj and Anirudha and we can now take some questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Just on the first point on the tea price inflation and your comment on managing volume and margin both. Given that tea prices are now coming off, would you look to focus on market share volumes in this phase even if it means that margins go down further in the short term because we do have visibility of the prices coming off or would you continue to try to dynamically manage it quarter-to-quarter even if it means a bit of impact on market share, just wanted to know your clarities on that especially given the commodity have started correcting all the way?

Sunil D'Souza: So let me take that question. So #A our focus on market share will continue to be laser focused. That's number one, number two while you did mention that the prices are coming down, I would just like to highlight that while they were roughly 80% above last year, when we exited the quarter, they are now coming down but they are still significantly higher than where they were last year. We are seeing a trend which is downwards and probably settling down. But we're still not very sure because we've seen that movement up and down. So the critical point exactly like you mentioned is staying close to the ground, making sure that we are in sync with the cost going up and down. And we make sure that we manage pricing and margins dynamically, I wouldn't hazard a guess as to where the prices are going. Because overall, we're still seeing a projection of a shortfall in tea production for the full year given that even if I take a marginal decrease in consumption, there is still going to be a pressure on inventory. So therefore, given all these factors, I would say playing it by ear while remaining laser focus on market share will be critical. The one thing I would want to highlight is that we have made a statement last quarter saying that we are aiming to double our direct reach over the next 12 months and we remain committed to it. Given the fact that our share of handlers is almost equal to and in some places better than competition, we do believe that as we expand our reach that will be critical in driving volumes as well as market share.

Arnab Mitra: Thanks Sunil and my other question. The second and the last question was on the launch of Poha and the Nutri mixes, which I assume you're talking about the dosa mix, idli mix, and those kind of mixes which you have launched. So any sense of what is the current market size of these three mixes and would it be a slow initial phase where your dosa market will be more e-commerce and modern trade or do we see that this category is ready for pretty fast expansion for player like Tata tries to expand the category?

Sunil D'Souza: Okay, so let me answer it in two ways. Number one, I would split this into two different pieces. One is the Poha and one is the Nutri mixes. Poha is a mainstream category and I don't think it will be restricted to e-commerce alone, it is going to be a mass category and it's a category of today. It's not a category of tomorrow, Nutri mixes, we are trying to be early on the bandwagon and as consumer trends move more towards convenience, and the COVID situation is only accelerating trends out there, we are making sure we are front and center with the consumer. Now given where we were in our distribution systems in the past, we were largely focused on e-commerce, but as we put our integrated distributors together with our ability to expand direct reach and execute better in every single outlet with significant increase in feet on street, we do believe that we can carry Nutri mixers into mainstream and make a traction out there. That said Nutri mixes will be a relatively smaller category today. But we are playing this for the future.

Arnab Mitra: Thanks. And just any quantification of the market size that's the last question from my side.

Sunil D'Souza: I would have to get back to you. Rakesh can get back to specifically on that.

Rakesh Sony: So, Arnab if you see Nutri mixes as a category, as we are saying that there is a huge disruption we're seeing. So, if I have to quantify it the branded side of the Nutri mixes will be a couple of thousand crores today, but growing at almost 25% to 30%. Year-on-year. So that's the market that we see currently.

Moderator: Thank you very much. Next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: So my first question is, on the international tea business as we did, by deducting the consol minus standalone and stuff like that. And I'm sure it must be matching with your numbers as well. So the EBITDA margins there are quite robust and on the higher side. So any idea of what is driving that?

Sunil D'Souza: So, I'll ask LK to jump in here. There are two, three critical pieces which are contributing to the EBITDA margins. Number one is an increase in gross margin with both slightly lower commodity costs, I did allude to the fact that Kenya had a record crop and you're seeing prices, which are almost flat versus last year, so that is flowing in. Second thing is a better mix as we push towards premiumization of our portfolio, including cold infusions, et cetera, et cetera. And the third piece is tight control on discretionary and other costs in the middle of the P&L, which has dropped into the bottom line.

Percy Panthaki: So most of these are sustainable, assuming that the tea cost remains where it is, right?

Sunil D'Souza: We do believe that it is sustainable but that said, firstly I think the critical piece for us is, we have growth ambitions so we will continue to make sure that we put in the right investments to balance profitability and growth in India, definitely but also in our key international markets of UK, Canada and the US. LK if you want to add anything more?

L. Krishnakumar: The only other comment I'd make is, we had strong performance in some markets like Canada on our specialty range, which are also higher gross margin. So we are focusing, as we said always to more of non-Black from black. So that is also helping in certain markets. We're not there yet, but it is the contributor in some of the key markets.

Percy Panthaki: Understood. Secondly, I just wanted to ask you, regarding your margins, the synergy benefit. You had mentioned earlier that you're targeting about, 200 to 300 basis points of margins to synergies. So just wanted to know where we are on the journey, how much of that 250 basis points are sort of implicit in the Q2 results and therefore, how much more we can expect going by?

Sunil D'Souza: So, Percy you are absolutely right, we have put out a guidance of about 2% to 3% of total synergies, but that was total including revenue as well as cost synergies. Roughly half of it coming from cost, half of it coming from revenue. The thing is, right now we're focused on the cost synergies and making sure that our systems are structured properly, and we make sure that we leverage both the systems to pull out as much of cost as possible. So, like I &Ajit alluded, we have taken out layers in our system, both in terms of our own internal organization as well as in the distribution structure, second piece is we have created consolidated distributors. We are in the middle of our journey on a consolidated warehousing / logistics roadmap. And next stage, we are moving to a consolidated rural distribution system. So on the cost aspects, we are more or less in-line with what we slated to deliver - there is a small inflow which has happened during the last quarter, but as now we move on, you will see acceleration on those synergies flowing in. We said 18 to 24 months timeline for the delivery of synergies, we remain confident of two aspects one is, we will be ahead of the estimates and second is we will probably deliver them ahead of time also.

Percy Panthaki: So, sir if I understand correctly, what you're saying is that, the cost synergies whatever was possible to achieve your already achieved that and going ahead, it will be mainly focused on top line synergies, is that understanding correct?

Sunil D'Souza: No, Percy what I said is, we will put the structure in place to derive the cost synergies, I don't think the cost synergies have flowed in yet to the bottom line, because remember this quarter has been a whole bunch of juggling on putting the structures there. Now, the structure that has been put in place will start delivering the cost synergies as we move forward. Whether it is distribution, whether it is network, whether it is logistics, whether it is as simple as leveraging common cost for packaging, as simple as that. Things have been put in place, and therefore we remain pretty confident that they will start to flow through on the P&L, as they started to flow through yes a small piece. But that is because of timing because a lot of the stuff was completed towards the end of the quarter. Now, it should start flowing in full blast at the P&L.

L. Krishnakumar: Percy the initiatives are being completed or contracted, so we assure that that they will happen. The run rate will improve progressively.

Percy Panthaki: Right sir. And last question if I may be permitted, basically if I look at your gross margins it's a inter play between the price increases and the cost increases. And the cost increase is we see on spot are not integrated because your consumption cost may be different. So as we go into Q3, how do these play out and at the gross margin level for the India tea business Q3 should be worse than Q2 because there would be a delayed cost inflation for you. Is that the right way to look at it?

L. Krishnakumar: Yes, we'll have to manage Q3 I'm not going to comment on the specific numbers. Like we said, Sunil made the statement we managed Q2 well, Q3 is a challenge. And we are focused, like Sunil said on shares. But having said that, we are employing all levers to see how we can manage the cost inflation.

Moderator: Thank you very much. Next question is from the line of Manoj Menon. Please go ahead.

Manoj Menon: I have one question on salt business and the other one on Sampann, on salt first, If I heard correctly, the commentary the growth was 7%, just one comment which I heard Sunil addressing Percy's question earlier was, you're talking about the structures in place, et cetera. So is there a one off in the salt performance, specifically as we speak currently?

Sunil D'Souza: I didn't we didn't fully understand your question.

L. Krishnakumar: The 7% is a volume growth, value growth is 10%. So, just to correct the number right, what was the next question Manoj. There is no one off.

Manoj Menon: Okay. Understood secondly, we observed in the market that there is a 5% price increase which we have taken in salt from first of October, just trying to understand if it is feasible to comment on that, the underlying thought behind this price increase?

Sunil D'Souza: So, we would take increases in salt depending on our input cost increases given the factors that we've seen in Gujarat especially with the monsoon, COVID lockdowns, labor issues, transportation issues, we've seen cost increases, and we've taken price increases in-line with the cost.

Manoj Menon: Okay, go it. Second question on salt was when I think about the salt business over the next maybe 5, 10 years from a 30 odd percent market share, is it correct to think that this, Tata Salt can be a 60% 70% market share, because one template I have in mind is let say Parachute, you are the category creator, is it realistic to think if yes, just want your comments on this?

Sunil D'Souza: So, let me leave you with this thought - we've got strong ambitions, and it is not only like I said, just a simple share and a volume driven increase. We are also looking at how do we premiumize, how do we expand the portfolio in salt and how do we give a greater variety to consumers, which is a win-win game both from a consumer perspective as well as from a margin perspective for us.

Manoj Menon: Understood. Second question on the Sampann part of the business, while I completely understand that these are time which Nielsen and lot of those scientific methods are not necessarily available, but still any qualitative color on the household penetration increase?

Sunil D'Souza: We have actually not gone into the detail because Sampann is right now, still I would say at a nascent stage, though it is growing very fast, I would say we've still not gone deep detail into the household penetration, the objective being to continue to increase penetration. At some point of time, we will get onto the details and start working on household consumption data.

Moderator: Thank you very much. Next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: So, my question is related to market share again. So, this market share, market share in volume term or value terms and is it, we have gained market from the unorganized players?

Sunil D'Souza: So, I presume the question is on tea market share, so if that is the case we have gained both volume and value market share. And we have gained share both from organized as well as unorganized.

Sumant Kumar: Talking about in the previous call you have discussed, you're going to launch new products in November. So, can you discuss more about the new product launches and you're exploring the new opportunities. So, can you discuss in detail?

Sunil D'Souza: Yes, so we have product launches lined up across tea, we are doing multiple launches as we speak, we have launches in coffee, which includes the reformulation and a relaunch of our entire Tata coffee range in the South, we have an entire range of new Nutri mixes, which we are just launching as we speak and as we go into December and January, you will see the tempo of innovation and new launches going up. Like I said, the reason why we had delayed our launches was to make sure that our sales and distribution execution is up to par, to make sure that we get the full benefit of new innovation launches. Now that we are confident that we have it in place, we have started to launch but that time we are facing it to make sure that there is enough focus on each and every launch as we go forward.

Moderator: Thank you very much. Next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Sunil, you spoke about direct reach and as you mentioned that we are on track to achieve our number of doubling the count there. So, two questions on that, as an outsider how should we track the benefits of direct reach and in the initial stage of that expansion, let's say and let say one year or two years down the line. And second question is 10 lakh number an interim target and you may up the target after a power simulator or you would like to consolidate at this number for a while?

Sunil D'Souza: So let me answer it in two different ways. Number one, first of all, I said our share of handlers is equal to and in some geographies higher than our nearest competitor. So as we expand our numeric reach and therefore rated reach, if you multiply that by share of handlers automatically, the total market share should go up. So through the expansion of direct reach, you should see an impact straight on the market share. That's number one, number two are we expanding direct reach or not, that is crystal clear in Nielsen when they start looking at numeric reach, like I mentioned, as of September end we've already seen an increase of 12% in our total reach per se, I would attribute a small portion of that to direct reach. Now, why do we think we can get to the direct reach number is because we have mapped out city-by-city state-by-state, the total number of outlets and the number of salesmen required and therefore worked backward in the number of distributors required and profitable distributors. And that is the structure that we put in place and therefore, we remain confident that they are on track to double the direct reach over the next 12 months. Again, like I said the number of a million outlets we put out for the next 12 months, as and when they research this thing, obviously there are much more outlets beyond that, once we get to the 1 million number that is when we will re-index our ambition and start looking at profitable expansion of direct reach beyond the 1 million.

Tejas Shah: And just one follow up on distribution integration. So if we see both the businesses tea and salt they had different line of distributors, and they both have handled different volume to value ratio in past. So now when we are integrating, how are they going about it because a salt distributor might find it easier to integrate into a tea business but a tea guy might find it not that lucrative to handle salt. So any insight on that?

Sunil D'Souza: So, let me throw some light on the way we have gone about it. Number one is we've gone about it in a very analytical manner in every city and every place where we have integrated distributors. We've looked at the Beverage distributor, we looked at the food distributor, we looked at ability to invest, ability to bring in infrastructure, commercial acumen and ambition for the future. There are places where we've gone with the beverage distributor, there are places where we've gone with a salt distributor, there are places where we've gone with neither, we've looked at a completely new distributor, because the critical pieces, we are looking at feet on street, we're looking at logistics ability, and we're looking at the ability to invest for the future. So once that is in place, then we have looked at ability to execute and then selected the best in class distributor. So, it has not gone to a beverage distributor or a food distributor we've gone in for the best distributor that we think we could have.

Tejas Shah: Thank you very much.

Rakesh Sony: Can we take a couple of questions from the webcast please. So there is a question from Tanmay. And the question is, with the new lockdowns in Europe, do you think that in-house consumption may revive growth back in the tea business in Q3 due to fresh pantry loading that is one question.

Sunil D'Souza: We hope that it will give us a fresh bump. But, consumers are broadly sort of getting used to this on, off lockdown principles. So while there are geographical lock downs, especially in Western Europe, in specific places, we are seeing an uptick, but I would not say a bump in pantry stocking.

Rakesh Sony There was one question Himanshu from Yes Securities and his question is, could you give us an idea of the extent of price hike in salt and tea during the H1 and the pricing also going forward.

Sunil D'Souza So, as I mentioned we have taken our prices in-line with input costs. So as the prices have gone up, we've taken up pricing going forward. Similar thing with salt, as we've seen cost escalation, we've taken pricing up, we will continue to walk the fine tightrope between price and volume traction to make sure that we are balancing volume and margin on a constant basis.

Rakesh Sony So we'll go back to the call and we will basically take last two questions. For all the questions that has been asked on webcast. We have more or less answered all the questions because a lot of repetition was there. However, any more questions you can reach out to us and we will reply that.

Moderator: Thank you. Next question is from the line of Devika Jain from Ratnabali Investments. Please go ahead.

Devika Jain: So, I basically wanted to know how the shift from loose to packet is happening across all the segments in your Indian business, both in modern as well as in traditional retail?

Sunil D'Souza: So, I don't think the short term I can make a comment, but in the longer term you will see a trend of people moving from loose to package. Roughly half the industry in India tea is still in the loose format. Right now, as prices are going up, we do see some players coming under pressure and therefore probably a slightly accelerated shift happening. But your guess is as good as mine as to how long the shift continues to be in the accelerated format, that it, as I mentioned, we remain focused on market share, and market share both from loose and unorganized as well as organized players.

Devika Jain: And similar traction for salt and pulses?

Sunil D'Souza: It's the same thing, pulses it's largely unorganized. We are the only organized player in the country, you've seen growth of 33% happening in Sampann, I'm sure the pulses category is not growing 33%. So we are gaining share right now, I don't think we have got Nielsen data to give you that share number. Salt we are seeing a share gain, we're seeing a significant uptick. And we hope to continue that.

Devika Jain: Okay, and one last question, how do you see the change in your SKU mix because of premiumization that is happening in salt, like I have seen that the prices are ranging from 17 to approximately 35 per kg. So, what is the mix like now, because there is a huge increase in value added salt, the volume so, what would be the mix now, if you could throw some numbers on that?

Sunil D'Souza: Correct, so I give you this thing while salt grew in high single digits for us, last quarter, value added salt has grown almost at 100% rate. Obviously value added salt means there is a benefit for the consumer, whether it is lower sodium or it is fortified, or it has got some herbal ingredients, et cetera. So we are focused on driving that because both from a value perspective as well as from a margin perspective, as well as from the consumer perspective, it is much more beneficial. But obviously from a company profit and bottom line perspective also it is a win-win proposition.

Moderator: Thank you very much. Next question is from the line of Viraj from Securities Investment Management. Please go ahead.

Viraj: I just have one question on the international business, in the past we kind of talked about restructuring some of the smaller markets, if at all we were also open to looking at exiting some of those markets. So are we through with that transition or portfolio rationalization. Or do you think we still have some more room for that?

Sunil D'Souza: So, we maintain the stand that the portfolio in international is something we will keep looking at from time-to-time and make proper decisions. We have exited China, Russia, and January of this year, we have exited Czech and we continue to look at whether the business is performing as per plan as per expectation or not. That said, we also look at opportunities for example, in Poland we have just moved from a company direct operation into a distributor operation, which in our mind will be a much more financially beneficial performance. It has at least in the short term, we've seen good results, and we continue to, we hope that we will continue this momentum going forward. So each and every business we will evaluate for it's merits, keep looking at it, if we find that something is not delivering as per expectation or does not fit into the portfolio for some reason, I maintain that we will take some decisions and continue to clean it up.

Viraj: Okay, just one last question. The cash position keeps on building up, we have seen a strong healthy generation and overall the cash position every quarter, every half year it keeps on moving up. You also talk about us starting a very strong organic product pipeline and our focus on launching new product. So in a very near to medium term, say next two, three years at least focus would be largely be on the pipeline of innovation which we have or would you be open to looking at other inorganic opportunities?

Sunil D'Souza: So we've always maintained that when we say explore new growth opportunities, they are looking at both organic as well as inorganic. We do believe that we've got quite a lot of opportunities in the portfolio that we are playing in, whether it is in tea, salt, coffee, or most importantly in Sampann where it's in the kitchen brand, and therefore there is significant room for us to expand the portfolio. So you will see organic growth coming through and investments happening, I did mention that we were investing in brand, we were investing on innovation and we were investing on distribution. But apart from that, as and when we find the right opportunities for inorganic, we will make investments. Again, I will repeat what I've said in the past, when we make inorganic investments very clearly, the investments have to pass through two very clear lenses. It has to be a strategic fit in our whole portfolio and for the future. But most importantly, it has to pass the financial metrics and make sure that it is incremental value to stakeholders.

Viraj: And it would largely be in the domestic market right?

Sunil D'Souza: I would not rule out or I would not restrict myself to saying domestic or international, if we see opportunities we will expand wherever we see opportunities again, like I said it has to be a strategic as well as financial fit, you'll probably find more opportunities in the domestic versus international, but I wouldn't rule out one or the other.

Moderator: Thank you very much. Next question is from the line of Arun from Chasegamma. Please go ahead.

Arun: I have one question which is, I feel that the competition in salt segment for you is increasing even ITC with their Aashirvaad brand has entered into salt business and whereas the food segment ready to eat business, already had established brands like MTR. So do you feel the heat with the competition or any loss of market share that you expect in the coming future for salt business?

Sunil D'Souza: So, I cannot forecast about the future in as much detail as I can tell you about the past. Like, I said in the salt segment we have had competitors for a long time. Competitors that you mentioned, there are other competitors which have been playing large multinationals have tried to play. But despite that last quarter, I specifically said that we have gained share in salt. And we will continue to focus on growing distribution and value addition and make sure that we are continuing to gain momentum. On the ready to eat segment, Rakesh did allude to it. The ready to each segment is relatively small in India today, but poised for healthy growth. It would be wrong for us to calculate shares today and project far into the future because the category is going to evolve in many ways. At the poised we have positioned very rightly and poised in a category which is slated for growth. With the focus that we have put behind the brand, we remain confident that we will emerge as one of the strong if not leading players in that category.

Moderator: Thank you very much. Ladies and gentlemen, that will be the last question for today. I will now hand the conference over to the management for closing remarks.

Sunil D'Souza: Thanks everybody. Thanks, I-Sec for hosting us for this quarter results and everybody who logged into the call, and we look forward to interacting with you again with our Q3 results. Thank you very much, have a great weekend. See you soon, bye.

Moderator: Thank you very much. On behalf of ICICI Securities Limited that conclude this conference. Thank you for joining us, you may now disconnect.