October 28, 2021

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/Madam,

Sub: Transcripts of Conference Call pertaining to Financial Results

We enclose herewith a copy of the Transcripts of Conference Call held on Monday, October 25, 2021, in respect of the Financial results for the quarter and half-year ended September 30, 2021.

The same can also be viewed at: https://www.tataconsumer.com/investors/financial-information/call-transcripts

This is for your information and records.

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

Neelabja Chakrabarty
Company Secretary

Encl: as above

TATA CONSUMER PRODUCTS LIMITED
(Formerly known as Tata Global Beverages Limited)
11/13 Botawala Building 1st Floor Office No 2-6 Horniman Circle Fort Mumbai 400 001 India
Tel: 91-22-6121-8400 | Fax: 91-22-61218499
Registered Office: 1, Bishop Lefroy Road, Kolkata – 700 020
Corporate Identity Number (CIN): L15491WB1962PLC031425
Email: investor.relations@tataconsumer.com
Website: www.tataconsumer.com

“Tata Consumer Products Limited
Q2 FY2022 Earnings Conference Call”

October 25, 2021

ANALYST: **MR. MANOJ MENON - ICICI SECURITIES**

MANAGEMENT: **MR. SUNIL D'SOUZA - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - TATA CONSUMER PRODUCTS LIMITED**
MR. L KRISHNAKUMAR - EXECUTIVE DIRECTOR & GROUP CHIEF FINANCIAL OFFICER - TATA CONSUMER PRODUCTS LIMITED
MR. AJIT KRISHNAKUMAR - CHIEF OPERATING OFFICER - TATA CONSUMER PRODUCTS LIMITED
MS. NIDHI VERMA - HEAD INVESTOR RELATIONS & COMMUNICATION - TATA CONSUMER PRODUCTS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2022 Earnings Conference Call of Tata Consumer Products Limited 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 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, Head of Research, ICICI Securities. Thank you and over to you Sir!

Manoj Menon: A very good morning, good afternoon, good evening depending on the part of the world you are joining from and also a warm seasons greetings to all of you given the festive season just about in going through in India at this point. As I said it is our absolute pleasure to host Tata Consumer Products Limited management for the Q2 FY2022 results earnings call. The company is represented today by Mr. Sunil D'Souza, Managing Director and CEO, Mr. L Krishnakumar, Executive Director and Group CFO, Mr. Ajit Krishnakumar, Chief Operating Officer and Ms. Nidhi Verma, Head Investor Relations and Communication. Now over to Nidhi for the further proceedings. Thank you.

Nidhi Verma: Thanks Manoj. Good morning everyone and hope you had a good weekend and had the time to go through our presentation and some of the investor materials. So for today's presentation, we will spend about 20 minutes going through some of the key highlights and performance updates which Sunil will do and then we will straight away dive into question and answers. I will just quickly draw your attention to the disclaimer statement if you can just look through this and I would now hand it over to Sunil.

Sunil D'Souza: Thanks Nidhi. I will quickly jump on straight to the executive summary for the quarter, give you a highlight of where we are on our strategic priorities and a broad snapshot of our businesses and the outlook as we see it going forward. In the interest of keeping it crisp I am presuming that quite a lot of you would have had the time to go through this deck on the weekend, I will try and hit the big points. So if I go to slide #6 during the quarter consolidated revenue grew 11%. Just to put in perspective last year same quarter we had two businesses which we had divested which is Empirical Food Service business in the US and map out of home coffee business in Australia and that is why we are saying ex-international food service business. Bringing the two year CAGR to 14%, India was very strong growth, we had 14% growth on the India beverage business with 2% volume growth, but this 2% came on the back of strong volume growth in the same quarter last year. India foods business going from strength to strength with 16% volume, 23% revenue. International business grew 3% it was almost flat, i.e. 0.5% actually in constant currency terms cycling a elevated base driven by pantry loading that we had seen last year same quarter. Just to put it in perspective Q1 last year was the peak of the pantry loading, Q2 was the bit of tapering, Q3, Q4 had come back to normalcy, so more or less the international business in terms of the macro outlook is now back to normal. Tea cost inflation which was impacting our margins has tapered off and we have seen sequential improvement in gross margin for the second consecutive quarter and you could expect margins improving quarter-on-quarter at least for the next two or three quarters as we go forward.

EBITDA margin for the quarter was up by 50-basis points versus last quarter, but down 60-basis points year-on-year and primarily driven by ATL investments in India business behind brand building being up by 75% year-on-year. We continue to drive efficiencies in working capital, we have had reduction of 16 days in working capital versus last year and about 1700-basis points improvement in free cash flow to EBITDA conversion versus the same quarter last year. In terms of results exactly what I have talked about 2% volume, 14% revenue in India beverages, 16% volume, 23% in India foods, U.S. coffee volume was flat, constant currency growth was 1%. International tea volume growth of 1% flat in revenue terms constant currency, overall therefore 11% revenue growth translating to Rs.3033 Crores of topline. Quickly H1 I will not go through all the detailed numbers, but overall even for H1 it is 11% consolidated revenue growth at Rs.6042 Crores.

In terms of margins overall and growth percentages, EBITDA was up by 5%, margin down 60-basis points that flowed through into group net profit. Again 5% growth on group net profit, margin 9.4 negative 40-basis points, EPS growth year-on-year is 4% now, group net profit Rs.302 Crores and we are sitting with Rs.2250 Crores of cash. Quick highlight on strategic priorities. Just to highlight and recap- we have defined six strategic priorities - strengthen and accelerating our core businesses, driving digital and innovation, unlocking synergies and focus on cost, creating capabilities and talent and future ready organization, exploring new opportunities both organic and inorganic and embedding sustainability.

Now in terms of brands, we talked about 75% increased in ATL spends this quarter, high focus across the country, we have invested in the south behind Chakra and Kanan Devan. Tetley, as the economy has opened up and more on premise and premium outlets get opened up, we have focused behind that. Soulfull which we had focused on integrating in the first 40, 45 days or so of the quarter, we have now started ramping up with A&P and you should see a product pipeline starting to come out in line with our plans. Salt ,same thing we have focused on building out salt ATL, all in you would see increase on distribution and ATL starting to play out in our share gains, tea up by 170-basis points nearly and salt, a very good 440-basis points growth versus same quarter last year.

We had committed to getting to one million outlets in 12 months, the good news is we are ahead of that number. 1.1m is the number that we hit in September, so time to raise the bar. We are moving the target to 1.3 million outlets by FY2022. We had also committed saying we will increase total reach to 2x of where we were, which was two million outlets in September 2020. In 36 months, we have already moved it by 30% so we are exiting at 2.6

million outlets in September and continuing to add every quarter. Other thing apart from expanding distribution is to make sure that our team focuses on beyond tea and base salt, so we have started a premium DSR program, we now cover about 17000 outlets with additional sales people only focusing on the premium part of the portfolio and the new brands that we are launching. Sampann, Tetley, Coffee and Soulfull is an example here.

E-commerce just to recap, we had started with 2.5% when we started our journey as Tata Consumer Products, it is now up to 7% of sales continuing to show robust growth up 39% this quarter, institutional channel which we had started off is now delivering strong results up 117%. The NourishCo business, which we are quite bullish on and we had bought this and we were clear that we are going to expand geographically and portfolio.Portfolio work has started you will see that in a bit, but outlets up by 49% year-on-year. Rural, which is where we have opportunity more than urban I would say and we had started appointing rural distributors, we are now up to 4000 plus distributors aiming to exit 5000 by March.

Innovation- continuing the focus expanding the range of Sonnets, Tata Gluco Plus jelly which we expect to be a blockbuster started off on a very strong wicket in the NourishCo portfolio, partnered with Tesco and the Loop system to get reusable tins into the UK business and as I mentioned Soulfull now that we have finished integration, we are at 4x the number of outlets that we used to or they used to service.We now starting our new product pipelines, this is one of the first Soulfull 0% added sugar Muesli and we have now launched Rs.10 Soulfull Ragi Bites into the market. Sustainability remains a focus. I already talked about Loop.We are one of the founder signatories on the India plastics pact. We have focused on better communities, we started this program in Jharkhand.Apart from that we have an MoU with the Indian Institute of Millets Research, millets is a more sustainable crop and it is a strategic portfolio product -helps us and helps the environment.

Our sustainability efforts have got recognized, we have been rated A by MSCI ESG ratings, Sustainalytics has moved us up from severe to medium in their last update and CRISIL released their first India’s ESG report in which we are in the top set of FMCG companies. Quickly, GDP- all key markets in which we operate starting to recover. Commodities, tea prices starting to come off their highs, they are in the middle if I may, but now sort of range bound. That said it is significantly below where they were in September, October of 2020, but they are still above where they started in September October 2019, so somewhere in between. But our pricing actions have already happened to a large extent and therefore we would expect margins to be moving up from here on. A slight bit of an uptick on Kenyan teas with the new Kenyan tea act which has got passed, it is a wait and watch for that for now. Coffee I am sure all of you are aware it has moved up significantly from where it was, it has both positives and negative for us. We have got to deal with increased coffee buying prices in the US, but Tata Coffee which is our listed subsidiary gets the benefit in terms of plantations and little bit in terms of its extraction business.

Moving straight to business performance. I'll start with India Packaged Beverages, 2% volume, 10% revenue, 168-basis points of market share gain. Now just to clarify that market share gain, Nielsen has not released its September report, we have taken a rolling three months, so this is June, July, August number, but we would expect September to be coming in slightly better than this, but we are keeping fingers crossed on that piece. EBIT margin has been on an upward trajectory as the inflation has tapered off and we continued to be market leaders in the e-commerce channel.

On India foods, 16% volume, 23% revenue very strong performance. Premium salt grew by 42%, Tata Sampann grew nearly 30% on a base which was close to 30% in the same quarter last year as well. The EBIT margin for the quarter however was impacted by the portfolio mix, the mix between Sampann and salt, the investment behind Soulfull, increased A&P behind the India foods business and other expenses including logistics and freight.

NourishCo I talked about 121% revenue growth. Year-to-date they will be up by 107%. Strong performance and now with out of home opening we do expect them to accelerate. I talked about new product innovation- Fruski which we had done a pilot on successfully and therefore starting expansion and Tata Gluco Plus, the jelly introduction has got off to a very strong launch.

Tata Coffee, plantations was negative 24%, but extractions was positive, but very strong delivery on the EBIT line, but topline was a bit muted because of tea and lower realization even in pepper.

Tata Starbucks as the out of home has opened up, very strong recovery in the quarter and we continue our journey of opening stores. In the quarter, they opened 14 stores. Now they are up to 233, now they are present in 19 cities which includes Jaipur, 88% of stores are reopened. The good news is September 2020 same store sales is now 94% index to September 2019, so that shows consumer is coming back in the stores where expanded footprint will start paying dividends quickly.

In terms of international, the UK 1% revenue. The good news is our three brand strategy which is primarily to deal with the fact that we need to move from being just a black tea company into the fruit and herbals, speciality andin premium spaces is starting to pay results. Very strong growth on teapigs as well as, if you include Good Earth as well, we are starting to see traction in our overall tea share in the UK. US coffee revenue growth of 1%, tea which had gone through strong bump last year in the pantry loading is now starting to normalize. Coffee bag share flat. to slight bit of a pressure, but we are confident we can get it back very quickly.

Canada ,again they bore the brunt of the lockdown, because the Canada lockdown continued for quite sometime and pantry loading also given by the fact that we are the number one tea brand there was very high base last year, but now coming back to normalcy. Market share continues to be a very strong story out here.Tetley gained share led by regular tea outpacing the category and specialty tea growing in line with the category. Now I hand over to L.K. for the financial performance. L.K. over to you.

L Krishnakumar: Thanks Sunil and good morning everyone. I will take you through a few slides of the financial performance starting with highlights for the quarter ended September. On a standalone basis revenue increased by 14% from 1736 to 1988 reflecting the growth in India beverages and foods business, EBITDA grew by 6% and in the later slides we will talk through some of the reasons why EBITDA growth has been lower. Consolidated performance revenue up by 9%, 11% on like to like basis adjusting for exit. We had the food service business last year which we exited, so adjusting for that we grew 11% but out of that the growth in the India branded business was 17% with beverages growing by 14% and India foods growing by 23%. Vietnam and Tata Coffee including-Vietnam was flat, so was the international business, adjusting for exits. EBITDA growth was 5%, we saw gross margin improvement in India Beverages as tea cost came down, there was improved performance in the extraction business of Tata Coffee and there was higher investment behind brands in India.

So if we move on to the next slide which is the financials on a standalone basis. Revenue 14%, we have talked about that earlier with beverages 14% and foods by 23%. EBITDA growth lower at 6%. Just, we need to look at an EBITDA margin of 13.5% compared to 14.6%. Now if you compare the EBITDA movement versus the same period last year, we will see that gross margin is improving with commodity cost coming off, but increases have been in the A&P line as well as in other expenses. There is higher investment behind A&P in this quarter, it is not a reflection of all quarters to come. On the other expenses, which is again some part is to do with Soulfullinvestment .With increase in freight and inflation cost and some amount of fixed cost investment for building a platform for future growth. So all these are contributors and we expect EBITDA margin to show an increasing trend.

PAT 9.5% compared to 9.8% in the same period in the previous year. If you move on, H1 revenue up by 18%, strong growth by India businesses, EBIT down by 9%. Again it is reflection of tea cost in the earlier parts which is now leveling up, PAT higher by 22%. Overall we have also had the benefit of final dividend from overseas companies in the earlier quarter which is why on a standalone basis we are seeing an improvement in profitability. Moving on to the consolidated performance. For the quarter, revenue from operations up by 11% adjusting for exit, EBITDA again 13.9% lower than 14.4%. Reasons I explained earlier primarily to do with higher investment and A&P, a little bit of margin erosion on the foods business which we will talk about in a moment and some inflationary cost increases as well as some fixed cost investment.

PBT before exceptional items 364 up from 345 with 5% increase, PAT 261 at 12% increase and group net profit increase is lower, if you look at the share of net profit from JVs and Associates, you will see that it is lower from the same period in the previous year, Two main movements- loss of Starbucks is lower than in the previous year. Profit of APPL and north India plantation is slightly lower than the previous year, so these two are reflected in the share of profit from JVs and Associates. Starbucks has got very strong growth trajectory especially in the last two months, so we are very confident about the rest of the year, it will be a phenomenal story for Starbucks. Six months performance, again we have talked through the trends and underlying trends, revenue growth of 10% and the profits is lower because of impact of tea cost and some amount of investment.

Moving on to the segment performance, India Beverages higher by 14% and we talked through the reason earlier and Sunil went it in detail. Segment results higher by 17% reflect impact with improved gross margin due to lower tea cost. Notwithstanding higher investment there is an improvement in profitability compared to revenue growth. India Foods saw growth of 23% and a decline in EBIT margin and as Sunil mentioned small impact on gross margin as Sampann continues to grow. There is also investment behind Soulfull, there is higher tA&P investment, there is inflation in freight and logistic cost and there is some fixed cost investment for infrastructure. So all these are contributors, we do not expect this trend to be there forever, we would certainly see the margins improvement from where we are today.

International business adjusting for exits, flat topline growth, some improvement in margins because of better management of commodity cost. Non branded business- its a good period for extraction with improved profitability, we are seeing a 19% growth in profits. The segment wise contribution India beverages 46% of revenues and 48% of EBIT, India Foods 26% of revenue and 21% of EBIT, international 28% and 31%. So these are the highlights for the quarter and I handoverto Sunil for the outlook.

Sunil D'Souza: Thanks L.K. Overall in terms of the macros I think we are seeing the second wave is receding ,vaccination progressing and therefore leading to a fast recovery, we have already seen the impact in the Starbucks and Nourishco business of the opening up of the economy. Our international markets are seeing a return to pre-COVID demand trends and I think we are now entering a period of stable demand unless …your guess as good as mine on whether there is a third wave, right now we do not see that as a very high risk out here. We continue to stay focused on driving growth in the core business while adding new levers across different functions. India Package Beverages as I mentioned to you has seen a moderation in tea cost. That said, right now pricing is range bound, but we will be dynamic in pricing to make sure we are driving competitive volume and value growth. Just as a perspective, whether you take MAT last 12 weeks, last four weeks, we have had constant uptick in market share and we intend to continue driving that as we build margin into the business. Momentum on the India Foods business topline should continue with focus on distribution and investment behind brand and innovation. You have seen in the jump on salt share, you have seen the Sampann growth coming back, we intend to keep pressing the accelerator on these. The out of home business is fast moving towards normalization, Starbucks is recovering and Nourishco growth momentum should continue/accelerate from here on. Inflationary trends especially in the India business ,more in the foods business than in the beverage business especially the cost of coal and energy. Apart from that packaging, freight also starting to emerge which we will be addressing via cost optimization, productivity, focus on revenue management to try and mitigate this impact. And we will continue to streamline operations and we are working on simplification of the international business. So that is the broad outlook, with that back to you Nidhi.

Nidhi Verma: Thanks Sunil. Moderator, we can just go to the Q&A queue now for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman: Good morning. Just two questions, firstly on tea prices you indicated that obviously we should expect steady improvement in gross margin and potentially lower tea prices, but there have been some articles on the impact of higher coal prices so may be can you give us some perspective on how relevant that is and how much of an impact that will have. And secondly in terms of higher advertising and promotion spends, you did indicate some brands in your commentary but can you again give us more color on which segments are the spends and the trajectory for those may be over the next year? Thanks.

Sunil D'Souza: On the tea prices actually if I just provide some color around it, I think the initial bump last year was supply demand mismatch and that is why we have seen this rapid inflation. It has started coming down apart from a brief uptick at the end of Q1 where two things happened. There was a bit of drought conditions in Assam and then with the second lockdown I think there was a bit of fear thing that will it be the same impact as Q1 of last year, that did not happen. That said there has been a bit of issues on rainfall etc., and that is why you have not seen it taper down more than what it has. While we do think there is a little bit of impact on fuel, coal etc., happening out there, we do not expect to be as severe as what we had seen last year. That said, like I mentioned I think we have been dynamic on pricing to make sure a) we are competitive, b) we are making sure that we are building in consumer elasticity into the equation and most importantly maintaining volume and market share trajectory. So we will stay close to this. Yes, your guess is as good as mine as to how much up or down the whole piece moves because remember supply will go up, but there might be a pressure on cost so that equation has to bear out, so keeping fingers crossed and we will continue to make movements as we see these prices move up or down, so that is number one. Number two- on the ATL spends I would like to highlight that I think we have made this statement earlier that we were not spending as much as we would have liked or as much as we needed to spend to build competitive strengths for our brands because ultimately building brands gives you more pricing power and builds margins in the portfolio and therefore you will see the spends going up. It is not that we are spending across all different brands, we have got a very clear target brand architecture that we are targeting towards and those are the brands we are spending behind, so you would have seen big money going behind the premium end of the portfolio in tea, for example Tetley, Gold, Premium, Agni is one where we are starting to build the brand apart from just distribution. In the foods business, salt, premium salt is the focus, Sampann which is a new brand for us to build is the focus. So coming from behind, coming on to par, so while you are seeing percentages versus last year going up, if you look at it as a percentage of sales from TCPL and compare it to our peers I think we are just about catching up now.

Aditya Soman: I understand I think I am very clear on second bit, I think on the tea price again, can you give us a sense of what component or what proportion of total tea cost or food cost would be fuel and coal?

Sunil D'Souza: I do not think it will be significant enough, but that said I think Nidhi can get back to you separately on that exact piece.

L Krishnakumar: That impact is more significant in the food business, not very significant as far as beverages goes.

Aditya Soman: Thank you.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Thanks for the opportunity. A couple of questions from my side. First pertains to margin expansion or at least positive guidance that you have given on beverage business side. So just wanted to get some insights on competitive intensity here, because we are fighting or we are competing at a lot of unorganized/regional players who are very price sensitive, so when the benefit comes how much confident are we to retain the benefit to see it seeping down to March level so that is first question.

Sunil D'Souza: Over the last I think 12 to 18 months you would have seen very clearly, the large organized branded players gaining share and we have probably been in the top of the pack in terms of share gain. As prices normalize so to speak, given increased distribution, given innovation, given brand building, we do expect to continue to drive for share momentum. We have brands straddling across the whole price range if I may and if you actually look at our portfolio, I think we have got more of an opportunity to drive share in the mass premium to premium ends and that is where we have focused on building our brands. Butthat said, we even have opportunity on converting from loose to branded, that trend will continue. So there will be growth on both ends of the spectrum, one is from the unbranded to branded and the other one is I think we will continue to gain share from regional/locals, we remain quite confident about that.

Moderator: Thank you. We will move to the next question which is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: I had actually one question on volume growth in tea, so I wanted to understand would we be in a period of bit of sluggish volume growth for few quarters now mainly because of two reasons. One is as the commodity prices correct, do we see some of the local players or loose tea becoming more competitive versus a bigger branded player like Tata because they would adjust prices down possibly more on spot basis and generally the trade also does not like to stock up when prices are doing down. And second you mentioned the high base, I think the second half base is also quite high for the tea business, so given these two, do you expect some bit of sluggishness in the near term in terms of tea volumes?

Sunil D'Souza: Referring specifically to the volume sluggishness in this quarter I would just say that I think in the last 12, 18 months it is hard to read quarter-on-quarter or cycling versus last year because of all the multiple things that have happened in the market. I just like to point out that we are cycling a very high growth number of last year and despite that, grown in this quarter, that is number one. Number two, losing shares to locals, remember this downward trend has started sometime around beginning of this calender year or it is trending downwards albeit in bits and spurts and despite trending downwards, the organized players have gained share, so the local A and local B as we call them have actually lost share and there is no reason for us to say that trend will turn dramatically. You are right about the fact that there might have been a downstocking when the first round of price stabilization happened, but I think given the fact that we are, at least in the Indian context ,we count in consumer staples I do not think there is that much of a inventory ups or downs especially in the branded players portfolio. The locals and loose will obviously be playing that game, but for us I do not think inventory movements at retail is such a big segment. We do think if you look at past trends, the tea business has been showing high single digit volume growth and there is no reason for us to believe that as we enter a normal phase, that trend should not continue going forward.

Arnab Mitra: Thanks Sunil for that. Second and last question was on working capital. So this reduction you have seen, is there any fundamental change in how much inventory you hold in terms of your business, is there any fundamental change in the business thinking on that?

Sunil D'Souza: The working capital movement which has happened are primarily on account of two things. One is receivables and the credit that we give out into the market. If you remember, in September last year we started reworking our entire distribution system, we trimmed from 4500 odd distributors to 1500 distributors of scale, we also moved into a cash business or significantly cash business in general trade, so receivable in our books are primarily to do with the e-commerce and modern trade which is in line with industry. In general trade, these were not inline with the industry and we used to give credit which we pulled back significantly, so that is one piece. Second on tea is we are making sure that while we are booking inventory, it is not necessarily we are paying for them today, we are taking advantage of our market strength to make sure that we look not to carry inventory on our books and this is the model that we will continue to adopt going forward.

Arnab Mitra: That is very clear. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Jaykumar Doshi from Kotak. Please go ahead.

Jaykumar Doshi: Thanks a lot for opportunity. I have two questions. The first one is on food margin- if I look at 23% growth and yet 18%, 19% decline at EBIT level, what percentage of this if you can give some color could be attributable to Tata Sampann and when do you expect the margins to come back to 15%, 16% for foods, so are you planning any price increases in salt to offset the impact of higher freight?

Sunil D'Souza: There is an impact of mix, but it is not significant, because gross margins are broadly flat to slight bit of a movement. So while the Sampann, Salt and Soulfull portfolio is playing out, it is not as much of an impact on the gross margin, the impact is actually more below the gross margin line, inline with increased A&P spends behind the food business, we do need to build Sampann into a stronger brand, we do have opportunities to drive premiumness in salt and you have seen that playing out in the share gain that we are seeing in salt. Apart from that, we have investment behind Soulfull which was budgeted for. eEpecially now that we have built distribution which is 4x of where it was when we acquired Soulfull, we will continue to power Soulfull brand strength to make sure that we build the business there. Apart from that, there has been a small bit of reallocation of corporate cost as the food business becomes bigger and apart from that as I mentioned we have seen a bit of inflation creeping into freight, logistics, warehousing etc. So that said, I think L.K. talked about it, going forward you should start seeing the margins on the business go forward. We will make sure that we are balancing topline and margin growth because we do believe that the big opportunity for Tata Consumer Products is to build a far larger foods business than what we have today.

L Krishnakumar: We do not want to place too much importance on this quarter. We have to look at it in the context of wanting to build a larger foods business right and probably this is not the margin aspiration for us.

Jaykumar Doshi: That is very helpful. One quick, there is an article Tata Industries is looking at moving Tata Q brand to Tata Consumer Products, any comments you can offer on overall ready to eat opportunity and what are your thoughts?

Sunil D'Souza: I would just not to want to comment on media speculation right, you will always find a lot of things written about Tata Consumer going after 10 different things. We do see a large opportunity in the food business and we remain committed to growing both organically and inorganically.

L Krishnakumar: And ready to eat is an area of interest for us and we are evaluating it among other opportunities.

Jaykumar Doshi: Thank you so much.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: My first question is on the salt business, so just wanted to understand what has led to such a robust growth in the salt business something which is such a penetrated category. Now I understand obviously that the market structure is such that there is a significant unorganized business which will lose share to the organized, but the kind of growth that you have done, does it suggest that the pace of shift from unorganized to organized, it has accelerated above normal in this quarter for whatever reason or should we take this as a normal pace of shift?

Sunil D'Souza: You are right about the growth in the salt business, I think it is driven by two or three different factors playing out. Number one is the distribution increase. When I mentioned that we moved from a two million outlet reach to 2.6 million, that holds to almost similar numbers both for beverages and foods that we have expanded distribution, that is number one. But the more important piece is we have moved from about 400,000 or 500,000 outlets that we would touch in both the businesses directly, up to 1.1 million, the execution in stores has become a lot better, that is the first piece. Second piece, we are playing the portfolio, as I said we have an opportunity in both. Number one is Tata Salt in terms of market share is probably 5 to 6x if not more of the next largest competitor and all the next four put together do not total up to the share that we have in Tata Salt, so we have got a very strong brand. So as long as we drive distribution, build the brand and expand the portfolio, we do believe we have got significant opportunity for growth and that is what we are seeing playing out. Yes, this quarter was a good topline to achieve, we are keeping fingers crossed that we will continue to deliver good volume and revenue growth as we go forward.

Percy Panthaki: Right Sir. My second question is on the Sampann business and I will restrict myself only to the spices and pulses part of it. Between these two, over the next four to five years, where would you put the greater percentage of your marketing budget between the pulses and the spices business?

Sunil D'Souza: Let me say I do not think we have got to that level of detail in terms of the split of the marketing this thing. Albeit to say that whether it is in salt or in beverages or in Sampann I think we have got an opportunity to build distribution and power our brands to drive topline growth. Sampann has a huge runway to play with and as we expand our portfolio we need to build it into a stronger brand. We have just started the journey and we will continue to tweak our strategy as we go forward.

Percy Panthaki: But do we see material aggression on the spices business side. I asked because this is first of all a large industry and proven business model with many players and we know that this business can make 20% EBITDA margin once there is enough scale. So do you like really plan to push this much more aggressively than the pulses business where the business model itself is a little sort of undiscovered and the margins in any case will be very low.

Sunil D'Souza: I would say it is not an 'or' game, it is an 'and' game and that is why we are building Sampann as an overall brand. But you are absolutely right. The margins in the spices segment are very good, we have been doing lot of work behind the scenes on making sure that we are getting the product formulation right. As you rightly mentioned spices in, India it is not a one size fits all. Especially when you go the blended categories, even in the pures, the way coriander for example, is perceived in the north, versus the south, it is different… the color, the flavor is different, similarly the chilli- both the heat and the color percentages, so we are right now in the middle of or just about finished an entire exercise on figuring out how we go, laser focused on building one national brand, but making sure it has got different variants to appeal to different people in different markets, the margins are attractive and you will see acceleration behind spices as we go forward.

Percy Panthaki: That is all thanks and all the best.

Moderator: Thank you. The next question is from the line of Alok Shah from Ambit Capital. Please go ahead.

Alok Shah: Thank you Sir for giving us an opportunity. I just wanted to know one thing on the ad spend I think initially you mentioned that this level of ad spend may not sustain, but on an absolute basis if I were to look at Q3, Q4 which was a more normal quarter like the current quarter, our spend on a standalone basis has been the range of about Rs.125 Crores odd and currently it was Rs.133 Crores, so should we build moderation from the current level or you think this current run rate of about Rs.130 Crores odd should sustain the brands that we aspire to build?

Sunil D'Souza: I am not sure I got the details, but just to give you a perspective, we are coming from behind in terms of spends behind our brands. On a ATL basis if you look at percentage to sales compared to high single digits, lower double digit that most big branded players in the FMCG spaces would spend, we are significantly lower down and therefore you will see this upping. The idea was, in the synergies we have taken out significant amount of cost and a large part of that has been redeployed into building brands and building distribution. So I do not think we intend to reduce ATL as a percentage of sales, if anything we would maintain/make sure that we have got enough firepower for our brands going forward especially as we build the premium ends of our portfolio.

Alok Shah: Got it and just one followup on that is that when you look at lot of other consumer goods companies, it is also because of the share of the personal care, home care etc where the margins are more than 50 to 55% odd, but in our portfolio the margins would not be that high, so as you said highest focus would be on the ad spendt towards the premium brands, is that understanding correct Sir?

Sunil D'Souza: That is one piece. The other piece is- in the FMCG business, we normally follow ratio of share of voice toshare of market. You want to make sure that you are competitive in distribution as well as competitive in reaching the minds of the consumer, so SOV to SOM benchmark that we follow makes sure that in the category that we are playing in, we are up there .SOV has to be slightly higher than the share of market ,that is the way it is indexed, so while I do understand that in other parts of the FMCG business, there are higher margins and therefore it affords higher A&P, but in the categories that we are playing in, we will be highly competitive.

Alok Shah: That is it from my side. Thank you very much. Good luck.

Nidhi Verma: We can go to the webcast, now to take a couple of question. Sunil, there is a question from Aditya at JST Investment, he is asking what is the vision for the foods business and after Soulfull are we looking at more healthy brands under our fold?

Sunil D'Souza: Absolutely, like I said I think we see the biggest runway for growth in the foods business. We are looking at opportunity growth from an organic as well as inorganic perspective. Just to highlight , we are sitting with Rs.2250 Crores of cash, so we have enough firepower if and when we see opportunities but like I earlier mentioned just because we have got money in the pocket and we enter a supermarket we do not have to buy anything. What we are very, very conscious about is we have got to create value for shareholders and therefore we take hard looks at both the strategic and financial fits, we probably passed significantly more opportunities than we have ever done in the past, but yes we are constantly scanning the horizon on any and every opportunity.

Nidhi Verma: Okay, thank you. Next question is from Saurabh Shah, he is asking if we have any plans to review the international business especially given higher investments that may be needed in the domestic business?

Sunil D'Souza: I would treat this as two separate pieces per se. I do not think we will shy away from higher investments in the India business and you have seen us up our A&P, increase our distribution, strengthen our entire digital, innovation pipelines, so we are making the investments that are needed in the India business. That does not mean we have got to move away from the international. International is a separate piece which we have always mentioned saying that it is a stable business with decent market shares, we right now focus on three big markets, it is a good cash flow business and the focus there is to make sure that we get our strategy right. I think we have got a few pieces right, for example in the UK which I pointed out with the three brands strategy, we are looking at cost and optimization in those businesses to make sure that they are fueling their own growth from simplification etc., that we are looking at.

Nidhi Verma: Okay, thanks Sunil. Moderator, we can go back to the Q&A queue.

Moderator: Thank you. The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: Thank you for the presentation and thanks for the opportunity. I just had one question, this is on inflation on the packaging side for both paper and plastics, is there something which is worrying you in terms of being long term as compared to the inflation and other raw materials and if yes, is the company thinking about doing something around it , that is my question.

Sunil D'Souza: Sheela, you are absolutely right. I think basically for us it is a tale of two cities. We have seen tea price inflation coming down strongly and benefitting the India packaged beverages business, but on the other side, there is I would say oil and liquidity led inflation which we have seen starting to nudge up in the foods business per se. So yes it is having an impact on packaging, freight, logistics, etc., it is starting to creep up and like I mentioned in my outlook we are looking at various different levers that we have which includes revenue management, which includes packaging sizes, pricing as part of that, various discretionary spends, A&P, the right level to make sure we are trying to balance it, but I do see the oil led inflation probably lasting out longer than all the other pieces put together.

Sheela Rathi: Where I was coming from is less to do with oil, but more to do with supply constraint which could build up in the medium term especially on supply of paper and plastic due to concerns on ESG, so that is where I was looking at, that is this inflation here to stay because the supply could be an issue in the medium to long term?

Sunil D'Souza: Let me say we do not see supply constraints as being an issue. Right now, for example a significant portion of our salt packaging is already recyclable, we are moving to recyclable packaging in beverages as well in line with our commitments on ESG etc., but we do not see supply constraints as being the issue out there. We do see cost creeping up because of fuel and oil led inflation out there.

Sheela Rathi: Thank you.

Nidhi Verma: Moderator, I will just take another question from the webcast. Sunil, Chanchal is asking in NourishCo, you got water business right, so between water business and food business which will ramp up faster, given both have huge opportunity.

Sunil D'Souza: I would say it is again not 'or' ,it is 'and.'We have got opportunities in both the businesses, but like I said NourishCo I think is on a real roll 107% growth year to date despite the fact that we saw lockdown, the great news is I think we have got the business models right. Just I did not mention it on the call, Himalayan business has broken even in the last quarter. After so many years of having the business, we have actually turned the business on the profitability front, you have seen the increase in number of outlets, you have seen the new product pipeline starting to come out, Fruski which we started as a pilot in Hyderabad and Vizag, very quickly we ran out of capacity, now we have added capacity and we start ramping that up, innovation in the cups which is a very, very unique package and we are the leaders in that, the jelly has started off, I normally do not use this term, but gone up like a rocket and I hope to continue that momentum. So it is accepting both of them have different priorities and we will continue to stay focused to make sure we leverage both of them to get our growth aspirations right.

Nidhi Verma: Moderator, we can go back to the Q&A queue now please.

Moderator: Thank you. The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

Manoj Menon: I just had one question, this is pretty much a top down. Based on what you are seeing in different parts of the portfolio in India given that you have recently leveraged that portfolio now versus what it has five years back, when I said diversified it could be region, it could be products, it could be SKUs, given the sort of inflation what we have seen in general in the economy which is probably happening after a decade and also in consumption with some commentary which we heard from companies like Unilever etc., that it seems to be hurting demand at least that is what their problems with these, so just wanting to understand based on what you are seeing and not-necessarily what Nielsen number says on market growth etc., if you can give us examples on what the consumer is actually saying or behaving currently in terms of SKUs and where the opportunity lies for you within that parameter. Second, does this have any sort of an impact for you in your business plans for let us say innovation over the next 12 to 18 months? Thank you.

Sunil D'Souza: I am not a forecaster, all I can say is I have been hearing bits and snippets of what various people are saying. So you would have heard this chatter about rural being slower than urban and lot of this is coming out of various different categories which Nielsen is tracking. I would say for us actually it is not as much of a concern as it would be for many other companies because like I said, our urban footprint is far stronger than rural, so rural is more of a share opportunity for us, that is number one. Number two, in terms of outlook I am not sure it is a sustained long term problem simply because, we have had a good monsoon, MSPs are good, we are coming out of the COVID wave which this time around actually impacted the rural heartland and I think consumers were not very sure, so I do see improvement from here on, now again do not take my word for it, because like I said I am not a forecaster, I just try and distill what I am hearing around. You would have also hear different companies talk of stress in different parts of the country, again I would not be too worried about that because for us very simply put in the categories that we play, if I take tea and salt I do think we have got share opportunities in branded and we have got the opportunity move from unbranded to branded.Similarly in salt, we have got opportunity both on the premium space as well as below out there and Sampann is literally white space which we have got to go out and Sampann, Soulfull, NourishCo, we have got to go out and chart out our own trajectory. So while we would keep a close eye on trends as they happen, I would be more keen on making sure that our share aspirations and our topline aspirations remain in the right place.

Manoj Menon: Thank you Sunil.

Moderator: Thank you. The next question is from the line of Devika Jain from Ratnabali Investment Private Limited. Please go ahead.

Devika Jain: Good morning Sir. I just had one question. I wanted to understand how do you plan to capitalize group company advantages, so basically what is your strategy to go about it and the less group dependent at the same time?

Sunil D'Souza: If I got your question right, we work very closely with different group companies albeit in the right legal and governance framework to make sure we are leveraging all the advantage that the Tata Group brings to the table. So for example in the whole Tata digital sphere which is actually owned by Tata Sons, we are making sure that we are staying close and collaborating with companies to derive maximum amount of synergies.

Devika Jain: Okay, that is about it. Thank you.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Can you talk about the other expense trajectory from here, we have seen overall Y-o-Y and Q-o-Q increase, so what will be the trajectory from here, the expense is going to stabilize or going to moderate from here?

Sunil D'Souza: L.K. can I request you to take that?

L Krishnakumar: I will take it. I think we expect that as business grows, the proportion as a percentage to sales will improve, so I am not commenting on quarter-on-quarter. I said this element of sales and investment in building capability- if you get more sales, the percentage to sales we expect to come down from where it is today, there is also some element of inflation which is there, we do not think that will be there for long that also will come down. And as we have some initiatives on restructuring and all that which is now complete which also could give some benefit. So overall in the medium term we would expect an improvement in the percentage than what we are today.

Sumant Kumar: And the second question is the food margin, can you discuss about we have seen significant decline in food margin, so what will be the normal trajectory for food margin in the annual basis, I am not talking about quarterly numbers, number one. Number two, the tea side we have seen 2% kind of growth may be because of high base, but with the expansion in the reach we are not expecting a lower single digit kind of growth in the tea?

L Krishnakumar: Question is not clear.

Sunil D'Souza: Let me try and answer the tea, like I said I think I answered it earlier on the call, longer term we do expect it to hit high single digit growth that was prevalent in the tea business, there is no reason for us to change our views on that. I would urge you not to draw too much into the quarter-on-quarter moves up and down out here simply because it has been a very, very volatile environment. On the foods business again L.K. mentioned this is not the long term numbers that we are seeing, we want to continue to move it upwards and I think you will see that coming forward.

Sumant Kumar: Thank you so much.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Good afternoon Sunil and L.K. Thanks for the opportunity. I had two questions. If I look at the food part of the business towards total branded business, it has already moved from 23% to the higher of 25%, could you help me to understand where do you see this business to settle may be medium to long term may be another two to three years?

Sunil D'Souza: In the food space again to reiterate, TCPL aspires to be a large FMCG company and as a first step in that we want to build a large F&B company and in that space we see food as the bigger growth driver, so you see focus on growing salt of course, you see the focus on expanding the Sampann portfolio and you would also see us make organic, inorganic moves like we made in Soulfull.

Nidhi Verma: Moderator, we will take one last question now please?

Moderator: Thank you. The next question is from the line of Jayant Mamania from Care PMS. Please go ahead.

Jayant Mamania: Good afternoon. I have couple of questions. One is regarding the single-origin coffee Sonnet that we have launched and we have launched more variants also recently, so can you tell us how big it can be in a period of two years and is there any plan to launch offline?

Sunil D'Souza: Let me say it is not only Tata Coffee Sonnets. We have started our D2C play, because we do think this was the long term trend which would have come about any ways and the COVID environment has probably accelerated that, we do see a place for D2C brand because a), it helps us play in premium categories at a very low cost b), it helps us to reach target consumers and communicate with them directly and c), more importantly we get feedback realtime on how consumer trends are moving, so we have launched Tata Tea 1868, we have launched Eight o'clock coffee and we have launched Sonnets. Now we are seeing a decent response I do think we can accelerate this. I would not hazard a guess on how big it can be because we have got to get several pieces right both in terms of the communication and the logistics as we roll this out. That said , the focus on D2C brands will continue to be there and if we see that they are decent enough to necessitate or there is an opportunity to move them into premium retail outlets ,we will take a call at the right time.

Jayant Mamania: Okay, in case of tea, what is our average domestic price realization in this quarter and in the corresponding quarter?

Sunil D'Souza: I think Nidhi will revert to you separately on that very specific question and she will get back to you.

Jayant Mamania: Okay, thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Ms. Nidhi Verma for closing comments.

Nidhi Verma: Thank you so much everyone for your time today. I recognize we have run out of time, so if you have any further questions, please feel free to get in touch with me and have a very happy festive season ahead. Thank you.

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