

# Tata tea analysis



At present day Tata Tea Group of Companies is the second largest global brand in tea industry. The group comprises Tata Tea Inc. in India and I-JK based Tetley Group.

These groups came together in 1992 to form a JV and subsequently Tetley was acquired by Tata Tea to form a major market force. The group has presence in more than 40 countries with significant market share. Operations in India comes under the purview of Tata Tea where as the overseas operations are controlled by Tetley Group. Both the brands are distributed as per the location.

As Tata is a trusted name in India, Tata tea is pushed in the Indian market and markets where there are substantial Indians. Tetley forms the company's global face and the largest markets focus on the Tetley brand.

There are few markets where both the brands coexist, in such locations Tetley is marketed as the premium brand. Tata Tea group of companies get 86% of the total revenues from the worldwide business of branded tea whereas the 14% comes from other sources such as Bulk Tea, Coffee, and Investment Income. Two third of the Tata Tea Ltd. revenues come from Tetley group businesses.

We will be primarily focusing on the global Tata Tea market with an add-on on Indian market in this report. Current Status Tata Tea global number two in tea Tata Tea, part of the gigantic Indian Tata Group, is the number six hot drinks company in the world, with a value market share of nearly 2% \* The company's drinks presence is chiefly in tea, in which it is the global number two. It is a mass- market player. \* Tata Tea has a broad regional, if not global

profile, although its presence is concentrated in a relatively small number of markets, led by India and the I-JK.

Tata Tea targets wider beverage future \* The company has embarked on an aggressive acquisition-led growth strategy in recent years, focusing not only on hot drinks but also soft drinks. \* Tata Tea has made hot drinks purchases in the US, the Czech Republic and Poland, while it has also pursued the development of its bottled water and RTD beverage portfolios.

\* Organic growth at Tata Tea has been driven by a change in focus from volumes to a better product mix, including more premium launches. Tata Tea is basically working for the right international mix.

The focus is on having a common marketing systems and creating a global database for market and data collection. Thus, enabling a better control over the market parameters.

Tata Tea is actively pursuing diversification of its product portfolio to include green tea, rooibos, fruit and herbal products to reduce its dependence on black tea and to develop into a beverage company. In the forecast period, the company is expected to look out for acquisitions and launch new products in bottled water and RTD tea.

In the forecast period, Tata Tea is expected to strengthen its presence in premium tea by launching wellness products such as Tetley green tea, specialty estate teas as well as flavored tea, targeting high-end consumers. Simultaneously, the company is predicted to continue pushing for higher volumes in rural areas through its regional brands, by focusing on low prices

and widening its distribution. The government policies in the recent years have been very favorable to the tea industry in India and Tata Tea has leveraged the fact to the maximum.

They have forayed in different locations such as Czech Republic by taking over Jemica, the brand capturing the 26% local market.

Tata Tea is also working along with the Tea Board of India to launch Indian tea in new markets and rejuvenate the marketing campaigns in the existing Markets. As per the plans, Tata Tea is expanding to the new markets, where the brands will be introduced by way of “ soft launches”. These regions include the Gulf countries, West Asia North Africa (WANA) countries, Syria, Jordan and certain markets in the Far East.

The Tetley Group will offer the Tetley brand in most of the developed markets of the world, as well as in Pakistan, Bangladesh and Russia Financial Assessment Net sales of the company grew by 12% to Rs.

4, 874. 0 crore from Rs. 4, 336. 3 crore in FY08 on the back 10% growth in tea business and 20% growth in coffee business.

Operating profit as Rs. 650. 5 crore, 8% down compared to FY08 mainly because of increase in consumption of raw material on account of hardening of commodity prices. OPM declined by 303bps to 13. 4%.

Interest cost declined drastically.