

# Tata Coffee Ltd

## 3Q Investor Call Takeaways

- ✓ **Quarter highlights** – Challenging period with global headwinds, logistics disruption and muted demand, IC business saw increases in logistics cost which impacted dispatches in Vietnam and container availability in India, to normalize as trade opens up, demand uncertainty in EU due to repeated lockdowns might take more time to normalize, strong new product development profile helping add new clients, good Vietnam volumes which is running close to peak capacity, cost optimization measures helped margins
- ✓ **Medium-term growth triggers** – Focused on replanting strategy in plantations and higher traded volumes in coffee, very bullish on pepper (1000 MT pa) where expect doubling volumes from 1000MT in 3-4 years, looking at improving product mix and drive better realizations in instant coffee business, Tata Coffee Grand – aggressive growth plan in India branded business with new ad campaign - selling to TCPL, diversifying into other crops like avocado (but high gestation), tissue culture.
- ✓ **MEIS benefits** – MEIS benefits will be given till December 2020, have accounted for the entire 14-15cr benefit till 9MFY21, new scheme to come in January but quantum not yet decided by the government, hopeful of a benefit comparable to MEIS but confident of passing on any shortfall to customers.
- ✓ **EOC** - Performance is stable now, COVID and brand and distribution investments have helped in addition to strong product innovation, market share is stable for bags and has increased for k-cups.
- ✓ **Capex and tax rate guidance** – Expect annual capex of 40crs, tax holiday for 5 years in Vietnam, India tax rate at 22%
- ✓ **Logistics issue impact** – 200-250MT volumes got deferred which should come back in next few months, freight costs also moved esp in Vietnam
- ✓ **Instant coffee expansion plans** - Not yet decided on future capacity expansion, but have excess land in both India and Vietnam but will take time
- ✓ **Vietnam FDC plant** - Topline of 7-7.5mn USD in 3Q, EBITDA positive, utilization at 90% plus – PAT profitability dependent on significant improvement in realizations and sales mix.

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