



ANNUAL REPORT
2015 16

Connect with every sip

TATA GLOBAL BEVERAGES



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connect WITH every sip

Consumers are the centre of a business' existence. They support us, challenge us and inspire us to go the extra mile. Our beverage offerings and our business have consumer centricity embedded in them, we believe this is essential for business success. The theme of this year's annual report 'Connect with every sip' is an exploration of how Tata Global Beverages (TGB) pursues consumer centricity in everything we do. Building a connect with consumers is a way of life for us. It is this connect that helps us build iconic brands, new routes to market and innovative beverage offerings.

At TGB, we believe consumer centricity has to be part of the way the

organisation operates rather than being confined to just products or marketing campaigns. It starts right from the way we source our products to the way we craft our blends, respond to consumer queries, leverage Consumer Insights to innovate, decide on the best route to market and communicate our brand offerings. Within the pages of this report, you will find examples of our efforts in these areas.

We take pride in the fact that over 300 million servings of our brands are consumed everyday across the globe. With the ability to touch the lives of many comes a sense of responsibility. TGB upholds the Tata Group's promise on consumer centricity:

- **DEVELOP** a deep understanding of the unique needs of our customers.
- **DELIVER** pioneering products and services of outstanding quality and value.
- **DELIGHT** our customers with great experiences at every touchpoint.

The beverage landscape in tea, coffee and water is evolving faster than ever before. This has its roots in consumer trends such as premiumisation, health

& wellness and convenience. Keeping pace with evolving consumer tastes across various geographies is both an opportunity and a challenge. It gives us the inspiration to constantly push our boundaries and reimagine the way we create and market our products.

At TGB, we believe tea, coffee and water are beverages which can sprinkle subtle magic on your day. But they can do that only if our brands are in tune with consumer needs. Whether it is infusing tea with vitamins to meet consumers' health & wellness needs, breaking barriers between consumers and farmers through our Farmers First Hand digital initiative, developing premium blends to deliver enhanced beverage experiences or delighting consumers with unique marketing campaigns - the common thread running through all these efforts is building a connect with the consumer.

We hope you enjoy reading this report along with a cup of your favourite beverage.

We aim to connect with every sip!



TGB at a Glance

Tata Global Beverages (TGB) is a natural beverages business with a heritage of innovation and development and an aim to be the most admired brand in the world. Our focus is to expand our global footprint by entering new markets and strengthening our brand portfolio in Tea, Coffee and Water.

Financial highlights 2015-16

Rs. 8111 CR

Consolidated Revenue from Operations

Rs. 675 CR

EBITDA

Rs. 5.16

Earnings per Share

3000+

Employees worldwide

2nd

Largest player in
branded tea in
the world

60%+

of consolidated
revenue from markets
outside India

40+

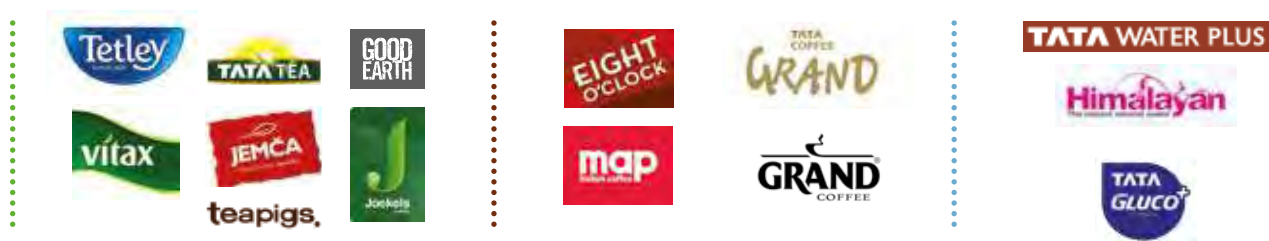
Countries with
significant brand
presence



Geographic Distribution



Brand portfolio



Tata Tea brands

National: Tata Tea Premium, Tata Tea Gold, Tata Tea Life and Tata Tea Agni

Regional: Tata Tea Chakra Gold, Tata Tea Kannan Devan and Tata Tea Gemini

Vision, Purpose and Values



VISION

To be the most admired natural beverages company in the world by making a big and lasting difference in **Tea, Coffee and Water.**

VALUES



PURPOSE

We will focus on creating **magical beverage moments** for consumers and an eternity of **sustainable goodness** for our communities.

We recognise that agility is key to driving growth. We have a bias for action, seizing opportunities and responding to challenges proactively. We are committed to building an agile and responsive organisation, supported by equally nimble processes. With detailed action plans, timelines and measures we are focused on delivery.

Our goal is to evolve brilliant products and services that meet future consumer needs. We recognise that this requires a spirit of innovation and stretch, and a mindset that keeps consumers at the centre. We will continuously challenge status quo and seek alternative solutions, pursuing both global 'new growth' and strong 'local' innovations with equal zeal.



Our brands aren't just products; they are promises we keep and experiences we deliver. With a structured approach we seek to develop valuable insights about what our consumers need – today, tomorrow and years later. For us, quality is foremost; we will not tolerate quality that falls short of promises and expectation. We are committed to building a strong 'consumer ŷrst' mindset, supported by rigorous consumer metrics. We will engage with our customers and build mutually beneficial business relationships.



We recognise that our ambitious goals can be realised only through cohesive teamwork. We encourage collaboration and gain commitment by involving the team in decision-making by creating excitement around common goals. With an open mind, we are willing to change our ideas or perceptions based on new information or contrary evidence.



We do the right thing for the environment and community around us, while inspiring and empowering others to do the same. We are fair and ethical with all our stakeholders. It is important for us to provide an approachable and caring work environment and a physical workplace that is safe, healthy and clean.

Managing Director & CEO's Message



"We take pride in the fact that over 300 million servings of our brands are consumed everyday across the world."

Ajoy Misra
Managing Director & CEO

Dear Shareholders,

The year saw Tata Global Beverages initiating key product launches, strong marketing campaigns and category expansion, in a challenging market environment marked by macroeconomic volatility, high competitive intensity and sluggish category growth in some markets. Your Company is meeting these challenges through strengthening its core businesses, innovating for growth and tapping white spaces in the market. In order to ensure execution of our business plans, we will also focus on improving distribution reach and cost efficiency. Our profit after tax increased significantly, however profit from operations saw a decline due to commodity price increases, higher investment in brand building, promotional intensity and category decline in some developed markets. The fundamentals of the business remain strong with robust brands, extensive distribution networks, a healthy innovation pipeline and effective monitoring of cost efficiency. We see significant headroom for growth in many

of the markets we operate in and we are well positioned to leverage this with our strong brands and a heritage of expertise in natural beverages.

Meeting challenges in the market, strengthening the business and ensuring long-term sustainable growth requires us to be keenly aware of our consumers' needs and changing trends across the world which are impacting lifestyles and beverage consumption patterns. We do this through embedding this focus across our business and making sure we are consumer centric in whatever we do.

Connect with every sip

Our theme for this year's annual report showcases the various ways through which your Company connects with consumers. We take pride in the fact that over 300 million servings of our brands are consumed everyday across the world. This means we have immense opportunity to build a connect with every sip. Consumer centricity is not new to Tata Global Beverages. In India, many years ago we launched tea in poly

packs at a time when no other brand did so, and created a revolution in the way tea was packaged and sold. Since then, your Company has evolved to become a branded beverages company, it has expanded its global presence, launched innovative products, expanded into the coffee and water business. But it has never lost sight of what lies at the core of it all - understanding the consumer. This, we believe is an intrinsic part of who we are and as we keep pace with fast moving trends and market developments, it will continue to be key to achieving our goals.

Leveraging the health & wellness trend

Over the last year, Tata Global Beverages has focused on leveraging the health & wellness trend across its markets. We see this trend manifest in different ways and at different stages in our markets, so our product offerings are customised accordingly. We continue to maintain a strong focus on our green tea portfolio. This is especially relevant given that we're seeing the black tea category de-growing in some developed markets while green,

fruit & herbal and specialty teas are showing strong growth. Tetley Super Green Tea, launched in UK, has vitamins blended with the tea and is the UK's first functional green tea. Encouraged by the excellent consumer response to Tetley Super Green Tea, we also launched a range of Tetley Super fruit teas. Intriguing "a your combinations and benefits relevant to the younger consumer were also made available. In the water segment, Tata Gluco Plus which is being marketed by NourishCo (a Joint Venture between Tata Global Beverages and PepsiCo) has performed very well during the year clocking a volume growth rate of 84%. The energy benefit the brand promises and its revamped communication has found favour with consumers and resulted in strong growth for the brand.

Innovating to stay ahead

Across markets, we've seen a clear emphasis on innovation based on strong Consumer Insights. In India, we entered the branded instant coffee segment with the launch of Tata Coffee Grand, which innovates both in terms of the blend as well as in its packaging and communication. We also launched a Tata Tea blend in India specifically customised for the Maharashtra market. This market was a white space for us and the launch enabled us to strengthen our presence there. Rural India is a challenge and an opportunity for beverage brands. With 'Gaon Chalo', our rural distribution initiative we wanted to not just reach out to these markets, but do so in an innovative way that provided livelihood opportunities for people there. The Gaon Chalo model has proven very effective and currently covers over 74,000 villages across 19 states.

Eight O'Clock coffee in the US developed a specially crafted instant coffee blend for one of the largest retailers in that market. The brand has also adopted innovative ways of connecting with consumers such as inviting consumers to explore the "a yours of Eight O'Clock coffee through coffee beans - a tasty treat made of Eight O'Clock coffee beans.

Premiumisation is a key trend we're seeing in the beverages category with consumers seeking more indulgent beverage experiences. In response to this we've crafted a number of our offerings to cater to this need such as our super premium brand Teapigs in the UK. Teapigs offers innovative "a your combinations such as chilli chai and chocolate & mint tea.

Riding the digital wave

The digital medium is changing the way consumers interact with brands. Most of our brand launches during the year integrated digital communication into their marketing plans in order to create a stronger consumer connect. Whether it was Tata Coffee Grand using virtual reality to take consumers on a tour of the plantations, Himalayan mineral water inviting consumers to 'Live Natural', Tetley in Canada using a YouTube series to generate awareness and engagement around its specialty teas or the Tetley Farmers First Hand initiative which broke communication barriers between consumers and the farmers who grow their tea - innovative digital initiatives were a key focus area.

Connecting through sustainability

In all we do, sustainability continues to play a vital role. We focus on sustainability through our five pillars: Sustainable Sourcing, Climate Change, Water Management, Waste Management and Community Development. We live in a world where consumers are increasingly aware and interested in the way the products they buy are grown or made. So, integrating sustainability with our business also contributes to being consumer centric. Over the last year, we made good progress in Project S-PPF (Sustainable Plant Protection Formulation), an initiative to develop ecological solutions for plant protection in tea. We continue to stay actively involved with the trustea initiative in India and with the Ethical Tea Partnership and play a key role in these initiatives. We also commissioned a Climate Change report during the year on the

74,000
villages across 19 states are currently covered by The Gaon Chalo model

impact of climate change in the tea growing regions of Assam. We believe this initiative will help us contribute to a sustainable and progressive future for the tea industry that also creates a positive societal impact.

In conclusion, I would like to express my appreciation and gratitude for the support we have always received from all our stakeholders. I trust that as you read through the pages of this Annual Report, you will obtain a clear view of the many ways in which we uphold consumer centricity to strengthen and grow our business. The consumer centricity principle is one of our core values and we believe in embedding it throughout our business.

With warm wishes,

Ajoy Misra
Managing Director & CEO

Performance Highlights (Consolidated)



Revenues from Operations (Rs. cr)

FY 2011-12	6640
FY 2012-13	7351
FY 2013-14	7738
FY 2014-15	7993
FY 2015-16	8111

EBITDA (Rs. cr)

FY 2011-12	623
FY 2012-13	768
FY 2013-14	752
FY 2014-15	775
FY 2015-16	675

Profit Before Tax (Rs. cr)

FY 2011-12	574
FY 2012-13	637
FY 2013-14	707
FY 2014-15	500
FY 2015-16	545

Group Net Profit (Rs. cr)

FY 2011-12	356
FY 2012-13	373
FY 2013-14	481
FY 2014-15	248
FY 2015-16	326