

An Organization Study report of

TATA COFFEE

(18MBAOS307)

Submitted by

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1CR19MBA09

Submitted to

VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI



In partial fulfilment of the requirement for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under Guidance of

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2019-2012

CERTIFICATE BY THE INSTITUTION

This is to certify that Ms. ANUPAMA bearing USN 1CR19MBA09 is a bonafide student of Master of Business Administration of our Institution during 2019-21 batch. The organization study report on TATA COFFEE is prepared by her under the guidance of Mrs. Sabeha Mufti, Assistant Professor, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, affiliated to Visvesvaraya Technological University, Belagavi Karnataka.


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DECLARATION

I, **Ms.Anupama H** bearing **USN 1CR19MBA09** hereby declare that the organization study conducted at **Tata Coffee** is record of independent work carried out by me under the guidance of Ms. Sabeha Mufti faculty of M.B.A Department of CMR Institute of Technology, Bengaluru. I also declare that this report is prepared in partial fulfillment of the university Regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belagavi. I have undergone an organization study for a period of four weeks. I further declare that this report is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University /Institution.

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Place:
Date:

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I acknowledge the deep gratitude to all those who have made organization study successful and helped in preparing the report.

I would like to express my sincere thanks to Dr. Sanjay Jain, Principal of CMR Institute of Technology, Bengaluru for his valuable support and guidance throughout the course of organization study.

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I thank my Internal Guide, Ms. Sabeha Mufti, Professor of the Department of MBA, CMR Institute of Technology, Bengaluru for his constant guidance and support throughout the organization study.

Mr. Anupama H

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WEEKLY PROGRESS REPORT

Student Name	Anupama H
USN	1CR19MBA09
Title of the Study	An Organisation study
Organization	Tata Coffee
WEEK-1	
Duration (start date - End date)	6.8.2020 - 12.8.2020
Chapter s covered	Chapter 1 and Chapter 2
Descriptions of activities performed during the week	Introduction to organization, Industry profile and company profile
WEEK-2	
Duration (start date - End date)	13.8.2020 - 18.8.2020
Chapter s covered	Chapter 3
Descriptions of activities performed during the week	McKensy's 7S framework, Porter's Five Force Model.
WEEK-3	
Duration (start date - End date)	19.8.2020 - 26.8.2020
Chapter s covered	Chapter 4 and Chapter 5
Descriptions of activities performed during the week	SWOT Analysis and analysis of financial statements
WEEK-4	
Duration (start date - End date)	27.8.2020 - 30.8.2020
Chapter s covered	Chapter 6
Descriptions of activities performed during the week	Learning experience and Bibliography

Anupama.H.

Signature of the Students

Sabel

Signature of the Guide

TABLE OF CONTENTS

Chapter No	Title	Page No.
	Executive Summary	
1	Introduction Introduction about Organization Industry Profile	8-10
2	Organization Profile Background Nature of Business Vision, Mission and Quality Policy Workflow Model Product/Service Profile Ownership Pattern Achievements/Awards Future Growth and Prospects	11-16
3	McKensy's 7S Framework and Porter's Five Force Model McKensy's 7S Framework Porter's Five Force Model	17-25
4	SWOT Analysis	26-31
5	Analysis of Financial Statements	32-38
6	Learning Experience	39
	Bibliography	40

EXECUTIVE SUMMARY

Tata Coffee Ltd (formerly Consolidated Coffee), a subsidiary of Tata Tea and one of Asia's largest plantation companies cultivates coffee, pepper, oranges, paddy, cardamom and other plantation and agricultural products. The company's estates are at Coorg in Karnataka, at an elevation of 3000 ft. It also supplies manure and other estate requirements. As Forward Integration the company set up a coffee curing works at Kodagu, Karnataka in 1983-84. The company, by acquiring Glinlorna Tea Estate at Kudige, diversified into Tea. Further, the second diversification into manufacture of Mechanical time-pieces is made with the acquisition of Bombay-based Sifco, a JV company between Favre-Leuba, Switzerland and Jaz, France and a time-piece manufacturer in 1988. The company became a subsidiary of Tata Tea when the latter acquired around a 52% stake in the company in 1990. The last decade of the 20th Century witnessed the company actively engaged in branded/ packaged coffee business.

It launched Coorg Coffee, a 100% pure coffee, in Karnataka and neighbouring states, in Apr. 93. Further, it has also launched instant coffee bags for the north-Indian market which is not familiar with south-Indian filtered coffee. The company has the advantage of being able to use Tata Tea's distribution system. Its main advantage lies in the fact that it is a plantation company and is thus able to hold the price line if it so desires, unlike multinationals which pay market prices for their raw material.

During 1999-2000, Asian Coffee (ACL), Coffee Lands (CLL), Charagni (CL) and Veerarajendra Estates (VEL) amalgamated with the company. Brand Equity Business Promotion Agreement (BE-BP Agreement) was executed by the company with M/s Tata Sons. The company acquired a coffee estate in Kodagu, Karnataka. Further, during Nov. 2003, the company has finalised an agreement to acquire High Hill Company India Pvt. Ltd., which owns a 3600 MT Instant Coffee facility at Jeyamangalam in Theni District of Tamil Nadu. The amalgamation of Conscofe Investments, a wholly owned subsidiary of the company with itself was completed with the approval of the arrangement by the High Court of Karnataka. During 2004-2005, the process relating to acquisition of High Hill Coffee India Private Ltd was completed and consequently High Hill Coffee India Private Ltd became a Wholly owned subsidiary of Tata Coffee with

effect from 23.11.2004. The company divested its entire stake in Barista Coffee Company Ltd, to the Sterling Group, during the under review. During 2005-2006, the company acquired 5 Tea estates and 1 Coffee estates located in the Anamallais region in Tamil Nadu and Kerala from Tata Tea Ltd.

The Instant Coffee Facility at Theni, Tamil Nadu acquired by the company has started normal operations during the year. The company during the year entered into an agreement with E&E Verfahrenstechnik GmbH, Germany for supply, installation and commissioning of a state of the art Freeze Drying Plant capable of producing 2000 MT of a Freeze Dyed Coffee. The Civil works has commenced and the first shipment of the equipment is expected to receive shortly. The trial production and commercial production is schedule to commence by November 2006 and January 2007 respectively. The project is set up on companies own land adjacent to the Instant coffee manufacturing facility at Theni. The liquid concentrate manufactured at the companies existing facility at Theni will be used as raw materials for Freeze dried coffee.

The company is also in the process of setting up a soluble coffee plant in Uganda under a Joint Venture with Tata Uganda Ltd, Africa, being a large coffee producer. During 2006-07, the new Freeze Dried Coffee Plant was inaugurated in Theni, Tamil Nadu in March, 2007. This is a state-of-the-art, Plant supplied by E&E Verfahrenstechnik GmbH, Germany and one of the only three plants in the world with a seven belt dryer.

The Freeze Dried Coffee segment should help the Division improve its margins going forward, with focus towards manufacture of higher value added products like Freeze Dried Coffee and Agglomerated Coffee with the objective of insulating the Division from commoditization of instant coffee. The Division is also exploring the possibility of launching a Freeze Dried Coffee brand in Russia and CIS Countries. The Company is proposing to set up a 3600 MT p.a soluble coffee plant in Uganda under a Joint Venture with Tata Uganda Ltd., Kampala, Uganda. For the purpose a new Company by the name of Tata Coffee (Uganda) Limited has been formed in Uganda and an Agreement has been signed between the JV Company and the Ugandan Government. Africa being a large coffee producer, the Joint Venture would be able to source coffee at competitive prices.

The Ugandan Government has agreed to provide various incentives /benefits in the form of duties, taxes etc. Uganda, being a Least Developed Country (LDC), also enjoys the most favoured nation status as a result of which certain imports into the European Union from Uganda do not attract any duty. This concession is likely to be extended to value added offerings, which could include Instant Coffee. During the year the Company entered into a Joint Venture arrangement with Beeyu Overseas Ltd., for the marketing and sale of its instant coffee products in the international Market and in this connection acquired a 51%

equity stake in a Joint Venture Company viz. Alliance Coffee Limited consequent to which Alliance has become a subsidiary of the Company.

The entire focus of Alliance will be on consolidating the Companys presence in the existing markets, establish new markets and develop brands for the Companys instant coffee products in the International Markets which would go a long way in helping the Division move away from bulk sales to branded sales. A Gasification Plant is also being set up by the Company at its instant Coffee facility at Theni which will help reduce power and fuel costs to a substantial extent. For the purpose, the Company has entered into an agreement with CICB-Chemicon Pvt. Ltd.

The project would be eligible to carbon credit in view of the resultant reduction in emission of green house gases which cause global warming. During the year, the Company signed a Definitive Agreement to acquire Eight O Clock Coffee Company (EOC), U.S.A. from Gryphon Investors for a total acquisition price of US\$ 220 million. During the year, Alliance Coffee Limited, Consolidated Coffee Inc, USA, Eight O Clock Holdings Inc, USA and Eight O Clock Coffee Company, USA became subsidiaries of the Company. Eight O Clock Holdings Inc was merged with Eight O Clock Coffee Company in April, 2007

CHAPTER-1

INTRODUCTION TO TATA COFFEE



TATA COFFEE

Type	Public company
Traded as	BSE
Industry	Coffee
Founded	1922
Headquarters	Kolkata , India
Key people	R. K. Krishna Kumar (Chairman) Chacko Purackal Thomas (MD & CEO) ^[1]
Revenue	▲ ₹4,162 million(US\$58 million) (FY2011) ^[2]
Operating income	▲ ₹659 million (US\$9.2 million) (FY2011) ^[2]
Net income	▲ ₹551 million (US\$7.7 million) (FY2011) ^[2]
Owner	Tata Consumer Products
Parent	Tata Group
Website	www.tatacoffee.com

Tata Coffee (also known as The TATA Cafe) is coffee company owned by the Tata Consumer Products, a subsidiary of Tata Group. The company owns 19 coffee estates in southern India.^[3] The estates are spread across the districts of Coorg, Chikmagalur, and Hassan in Karnataka and Valparai district in Tamil Nadu. Tata Coffee is the largest integrated coffee plantation company in the world.^[4]

Tata Coffee entered into a coffee sourcing and roasting agreement with Starbucks Coffee Company to supply coffee beans to its coffee chains in India. Both agreed to work toward developing and improving the profile of India-grown coffee around the world, as well as improving the quality of coffee through sustainable practices and advanced agronomy solutions.^[3] In 2012, the two companies launched the equal joint venture Tata Starbucks (formerly Tata Starbucks limited). According to the reports, Tata Coffee established a \$50 million greenfield instant coffee facility in Vietnam.

PROFILE

Tracing our roots to 1922, Tata Coffee is one of the largest integrated Coffee cultivation and processing companies in the world and the largest corporate producer of Indian Origin Pepper. With the utmost emphasis on sustainability and traceability, we produce some of the finest Indian Origin Green Coffee Bean, Instant Coffee, Pepper and Tea. Our 19 estates are spread over nearly 8000 hectares in the lush Western Ghats, flourished with a plethora of flora and fauna. Being one of the leading players in the B2B Instant Coffee industry, our assets include plants at Toopran (Telangana) and Theni (Tamil Nadu). These plants produce Freeze Dried, Agglomerated, Spray Dried Coffees and other coffee mixes. We are also home to some of the finest Indian Origin Pepper, intercropped amongst Coffee in our own estates. Along with these, our tea estates and factories in the Anamallais region also produce certified Orthodox and CTC Teas.

Tata Coffee is a part of the Tata Group. Founded by Jamsetji Tata in 1868, the Tata group is a global enterprise, headquartered in India, comprising over 100 independent operating companies. The Group operates across enterprise and social sectors in 6 continents, with a mission 'To improve the quality of life of the communities we serve globally, through long-term stakeholder value creation based on Leadership with Trust'.

HISTORY

Tata Coffee's past was rooted in 1922 when two companies—M/s Coorg Co. Ltd., London and M/s Pollibetta Coffee Estates Co. Ltd., London—both managed by Matheson and Company, combined to form Consolidated Coffee Estates Ltd., Edinburgh. In 1943, Consolidated Coffee Estates Ltd., Edinburgh became a full-fledged Indian company headquartered in Pollibetta. In the same year, the shares in Consolidated Coffee Estates Limited (CCE) were offered to the general public through a prospectus, with the parent, Edinburgh Company, being allotted a major share as a consideration for transfer of its estates. Shortly thereafter, during the early part of the 1950–1960 decade, the Edinburgh Company sold all its shareholdings to the Indian public, relinquishing its controlling interest in CCE and becoming one of the first sterling plantation company to become an Indian company. During 1966–67, Volkart properties in India, which included four estates, two curing works and an export division, merged with CCE, and the company was renamed as the erstwhile Consolidated Coffee Limited (CCL). Tata Tea Limited, in a trend setting and transparent open offer to the resident shareholders, acquired a controlling interest in CCL during 1991-1992. CCL became the single largest coffee plantation company in Asia with its estates located in Kodagu, Hassan, and Chikmagalur districts of Karnataka. In a historic move in September

1999, M/s Asian Coffee Ltd., M/s Veerarajendra Estates Ltd., and M/s Charagni Ltd., merged with CCL, and became the single largest integrated plantation company in the world. In 2000, the company was renamed as "Tata Coffee Limited".

Tata Coffee Ltd (formerly Consolidated Coffee), a subsidiary of Tata Tea and one of Asia's largest plantation company cultivates coffee pepper, oranges, paddy, cardamom and other plantation and agricultural products. The company's estates are at Coorg in Karnataka, at an elevation of 3000 ft. It also supplies manure and other estate requirements. As Forward Integration the company set up a coffee curing works at Kodagu, Karnataka in 1983-84. The company by acquiring Glinlorna Tea Estate at Kudige diversified into Tea. Further the second diversification into manufacture of Mechanical time-pieces is made with the acquisition of Bombay based Sifco, a JV company between Favre-Leuba, Swiz and Jaz, France and a time-piece manufacturer in 1988.

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CHAPTER-2 ORGANISATION PROFILE

During 1999-2000, Asian Coffee (ACL), Coffee Lands (CLL), Charagni (CL) and Veerarajendra Estates (VEL) amalgamated with the company. Brand Equity Business Promotion Agreement (BE-BP Agreement) was executed by the company with M/s Tata Sons. The company acquired a coffee estate in Kodagu, Karnataka. Further during Nov. 2003 the company has finalised an agreement to acquire High Hill Company India Pvt. Ltd., which owns an 3600 MT Instant Coffee facility at Jeyamangalam in Theni District of Tamil Nadu.

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Vision

Tata Coffee will strive to be the preferred choice in the premium markets.

Customer centricity, quality, sustainability and an engaged workforce will be our drivers to achieve a Rs.1,000 crore enterprise by 2015.

Tata Coffee shall be perceived as one of the most respected organisations in the plantation and extraction business.

Mission

To continuously enhance value to stakeholders through our operations while preserving and enhancing the ecological wealth entrusted to us.

Improving the quality of life of our people.

Values

Integrity

Understanding

Excellence

Unity

Responsibility

Safety policy

To provide a safe working environment by incorporating the best practices in safety at all our locations, thus safeguarding the overall wellbeing of our employees.

Quality Policy

Our policy is to achieve customer delight through excellence in quality in all our products, processes and services to emerge as a leading player.

Climate Change Policy

We will play a leadership role in climate change by being knowledgeable, responsive and trustworthy, and by adopting environment-friendly technologies, business practices and innovation, while pursuing our own growth aspirations and the enhancement of shareholder value

We will measure our carbon footprint and will strive to:

Be the benchmark in our industry segment on carbon footprint, for our plants and operations.

Engage actively in climate change advocacy and the shaping of regulations in different business sectors.

Incorporate a 'green' perspective in all our key organisational processes.

Environment Policy

We are committed to preserving and enriching the environment by optimal use of resources and adopting green processes.

“Reduce Reuse Recycle”.

PRODUCT PROFILE

With the utmost emphasis on sustainability and traceability, we produce some of the finest Indian Origin Green Coffee Bean, **Instant Coffee**, Pepper and Tea. Our 19 estates are spread over nearly 8000 hectares in the lush Western Ghats, flourished with a plethora of flora and fauna.

OWNERSHIP PATTERN

COMPANY PROFILE OF TATA COFFEE, NSE, INDIA	
Date of Incorporation	19-Nov-1943
Date of Listing	02-Jun-1995
Management	
Name	Designation
L Krishnakumar	Additional Executive Director
P G Chengappa	Addnl.NonExe.Independent Director
R Harish Bhat	Chairman
K Venkataramanan	Executive Director & CFO
Chacko PurackalTInomas	Executive Director & Deputy CEO
V Leeladhar	Independent Director

COMPANY PROFILE OF TATA COFFEE, NSE, INDIA

Siraj Azmat Chaudhry	Independent Director
S Santhanakrishnan	Independent Director
Sunalini Menon	Independent Director
Sanjiv Sarin	Managing Director & CEO

FUTURE GROWTH PROSPECTS

Highlights:

- Volume-led growth mainly aided by domestic instant coffee business
- Strong EBITDA margin improvement primed by the plantation business
- Elevated competitive pressure remains a key watch
- Volume growth and product mix to drive earnings growth

Rs crore	Q4 FY19	Q3 FY19	Q4 FY18	QoQ	YoY
Sales	460.5	465.4	440.4	-1%	5%
Raw material	137.2	143.3	150.4	-4%	-9%
Gross margin	49.6%	50.1%	44.2%	-52 bps	540 bps
Employee cost	82.4	81.0	82.7	2%	0%
Other expenses	83.1	97.1	74.6	-14%	11%
EBITDA	63.0	55.2	37.4	14%	68%
EBITDA margin	14%	12%	8%	183 bps	518 bps
Other income	3.9	4.9	8.1	-19%	-51%
Profit before tax	40.1	33.1	21.4	21%	88%
Net profit	17.9	21.8	22.4	-18%	-20%

Note: Lower net profit is due to high base of last year where there was a tax reversal of Rs 53 crore on account of reduction in the US Federal Tax rates.

Key positives

Q4 FY19 consolidated sales grew five percent on account of volume growth in the value-added coffee business, partially offset by plantation business. Value-added business (83 percent of sales) was up seven percent in the quarter gone by, aided by domestic instant coffee business sales – 18 percent sales growth year-on-year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) margin gained both annually (518 bps) and sequentially (183 bps QoQ) on account of sharp improvement in operating performance of the plantation business (17 percent of sales). This was partly aided by weak base of last year when the plantation business posted a loss at the operating level due to Kerala floods and lower product realisations.

Key negatives

Competitive pressure remains for the value-added segment. Operating margin in this segment is marginally lower than last year. Key drag in this segment has been Eight O'Clock business (around 60 percent of consolidated revenue), wherein sales are down seven percent. Profitability of this business has been also impacted by restructuring cost of Rs 4.84 crore (versus Rs 10.81 crore last year).

Key observation

Vietnam plant (5,000 tonne capacity) for freeze dried coffee has been commissioned and expected to attain 70 percent utilisation in FY20. The management expects margin from this facility to be higher than the Indian coffee business.

Outlook

The company is gradually treading past some of the domestic challenges. The plantations business is expected to witness 10-15 percent volume growth in FY20. Volume growth would be aided by the quick ramp-up of the Vietnam plant. Pricing growth is expected to be muted. Taking account of a gradual improvement in Eight O'Clock coffee business, we expect a 12 percent sales growth in FY20.

On account of elevated competitive pressure we don't expect a sharp rebound in operating profit margin. Rather a gradual margin improvement led by an anticipated change in product mix.

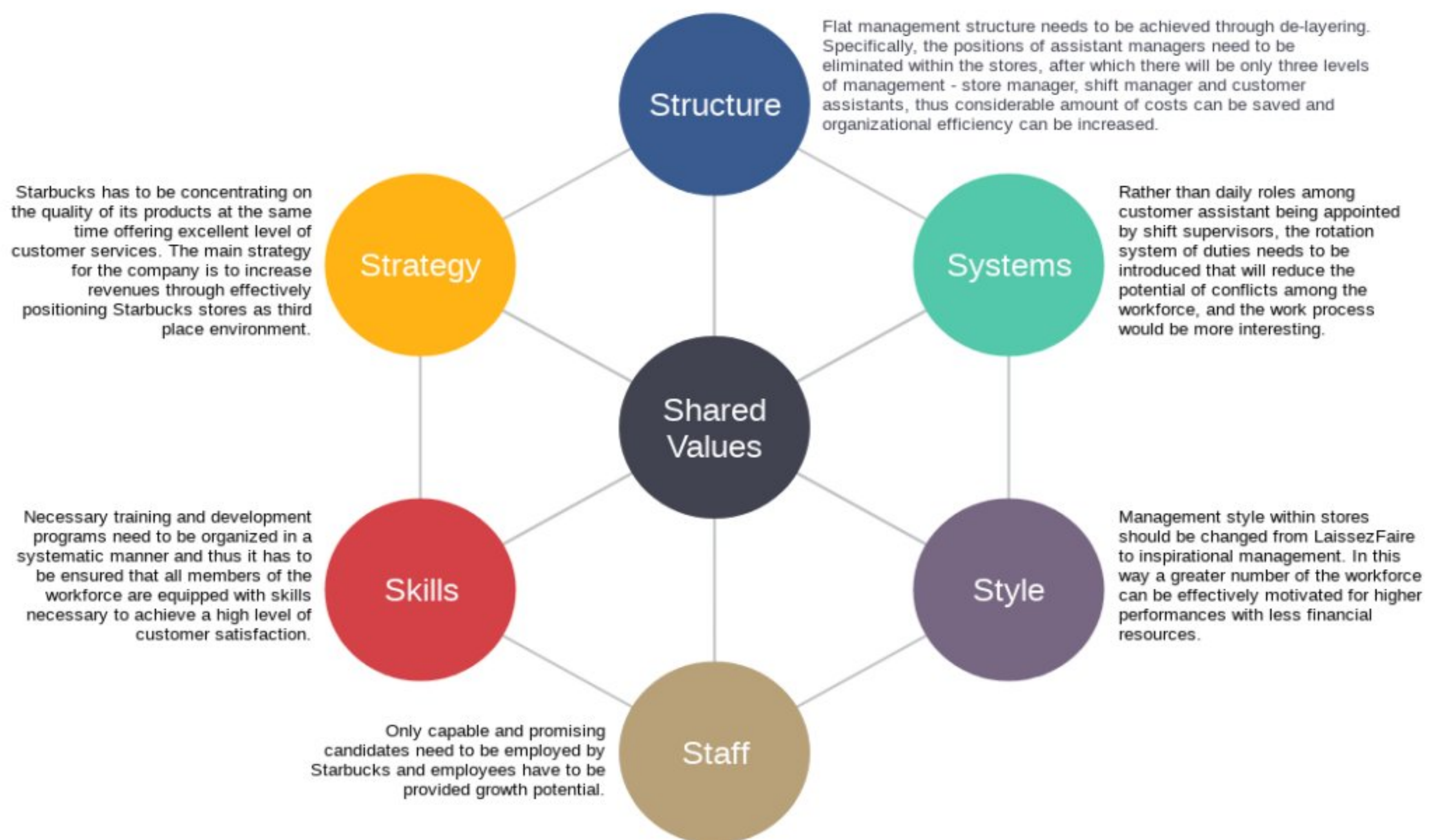
As far as the stock is concerned, it has corrected by 33 percent from its 52-week high and currently trades at 22 times FY20 estimated earnings. The counter merits attention as it is witnessing improving volume trend in select segments and is likely to benefit from a favourable product mix. We take note of the management's mention that asset monetisation of non-core assets would continue. This gives credence to the opinion that restructuring of business is not over.

AWARDS

- Since 2002, Tata Coffee has been consistently named the best coffee in India by the Coffee Board of India's annual *Flavour of India – Fine Cup Award*, holding the title, in 2017, for the seventh consecutive year.
- In 2012, Tata Coffee was recognized for initiatives taken to mitigate climate change risks with the 2011 - 2012 *Green Business Leadership Award* by The Financial Express and Emergent Ventures India (FE-EVI), an integrated climate change company partnered with the Indian School of Business.
- On 16 October 2017, Tata coffee was judged "Best Coffee in India" at the *Ernesto Illy Second Annual International Coffee Awards*.

CHAPTER – 3

McKensy's 7s frame work



- **Strategy:** this is your organization's plan for building and maintaining a competitive advantage over its competitors.
- **Structure:** this how your company is organized (that is, how departments and teams are structured, including who reports to whom).
- **Systems:** the daily activities and procedures that staff use to get the job done.

- **Shared values:** these are the core values of the organization, as shown in its corporate culture and general work ethic. They were called "superordinate goals" when the model was first developed.
- **Style:** the style of leadership adopted.
- **Staff:** the employees and their general capabilities.
- **Skills:** the actual skills and competencies of the organization's employees.

Strategy:

The main **strategy of Tata Coffee** is to get away from the commodity business and convert itself into an Fast Moving Consumer Goods (FMCG) company. In that direction we have launched a new brand Mr. ... Apart from this we have plans to tie-up with a company in Russia for a joint venture to manufacture instant **coffee**. **Strategy** is a plan developed by a firm to achieve sustained competitive advantage and successfully compete in the market. What does a well-aligned strategy mean in 7s McKinsey model? In general, a sound strategy is the one that's clearly articulated, is long-term, helps to achieve competitive advantage and is reinforced by strong vision, mission and values. But it's hard to tell if such strategy is well-aligned with other elements when analyzed alone. So the key in 7s model is not to look at your company to find the great strategy, structure, systems and etc. but to look if its aligned with other elements. For example, short-term strategy is usually a poor choice for a company but if its aligned with other 6 elements, then it may provide strong results.

Structure:

SWOT analysis of Tata Coffee analyses the brand/company with its strengths, weaknesses, opportunities & threats. In Tata Coffee SWOT Analysis, the strengths and weaknesses are the internal factors whereas opportunities and threats are the external factors.

SWOT Analysis is a proven management framework which enables a brand like Tata Coffee to benchmark its business & performance as compared to the competitors and industry. As of 2020, Tata Coffee is one of the leading brands in the food & beverages sector.

Structure :

Represents the way business divisions and units are organized and includes the information of who is accountable to whom. In other words, structure is the organizational chart of the firm. It is also one of the most visible and easy to change elements of the framework.

Systems :

Are the processes and procedures of the company, which reveal business' daily activities and how decisions are made. Systems are the area of the firm that determines how business is done and it should be the main focus for managers during organizational change.

Systems include the following Planning: Stage one there is lack of planning. In stage two plans are made in accordance to funders needs. In stage three plans are made annually irrespective of organizations strategies. In stage four annual planning is done with organizations strategies in mind. Human resource management: In stage one the human resource policies and procedures do not exist. In stage two the organization feels a need for them. In stage three the policies and procedures are in place. In stage four these policies and procedures are consistently followed and reviewed to retain talented and committed staff. Monitoring and evaluation: The organizations work is monitored and then evaluated by external evaluators on demand by the funders in stage one. In stage two organizations have its own reasons to monitor the work i.e. to see adherence to the plan. In stage three monitoring is done to evaluate the progress towards achieving determined goals and objectives. In stage four monitoring is done not only for the above mentioned reasons but also for the improvement of work, which can be attained and a better planning of next phase of work. Information management & data collection: In stage one data collected are generally inaccurate and report submissions are rarely on time. In stage two introductions of systems to improve data collection accuracy and on time report submissions. In stage three the systems yield accurate data collection and almost perfect on time report submissions. In stage four the systems are enabled for cross checking the collected data, minimizing the chances of any error. And strict consequences are enforced on account of any late submissions. Information management: use of information in stage one no feedback is given by the manager on submission of report. And that report gets filed away untouched. In stage two staff who submits their reports gets instant feedback and the information in the report is used to make decisions. In stage three instant feedback is given by all managers and the information obtained is made the basis for all the decisions taken. In stage four, not only is an immediate feed back given, but the one who submitted the report sits with the manager and analyses the report. Quality assurance: In the first stage the organization prefers the number of service provided than the quality of services provided. In stage two the organization realizes the necessity of the quality of services provided. In stage three the organization dedicates itself to quality control. In stage four there is a well established system for assessing and improving the quality of the services Financial management: In the stage one there is no coordination between financial staff and program managers. And also the finance system is inefficiently run.

In stage two financial staff seeks input from program managers and finance system has a track of the cash flow but without links to program outflow or services. In stage three financial staff work in conjunction with the program staff and the finance system has knowledge of the cash and program flow. In stage four program managers and financial staff work together and the finance system has the complete picture of the expenditure, revenue, cash flow in relation to the program outputs and services. Revenue generation: In

stage one the company has only one, but large funder who controls and shapes the company strategies. In stage two the need for multiple diversified funders is realized.

In stage three the diversification is implemented and significant revenue from different funders covers the needs. In stage four a long term strategy is implemented leading to a balanced diversification helping current and supporting future needs. Supply management: In stage one no system in place to procure, track or regulate supplies. In stage two a supply system is designed to track the flow and use of supplies. But no trained staff is available. In stage three the system helps forecast the demand of supplies. Trained staff is also made available to use the system. In stage four the trained staff continuously uses the system to forecast requirements and reduce gaps. They are also trained to avoid stock outs.

Skills :

Are the abilities that firm's employees perform very well. They also include capabilities and competences. During organizational change, the question often arises of what skills the company will really need to reinforce its new strategy or new structure.

The skills factor here is the ability and attributes of the employee. It determines the work quality and the speed for the completion of the task, hence playing a crucial role. Around 2015, an online study was conducted among a sample of 200 plus human resource managers by the Harrison Poll. The study found that the top concern among 48% of the employers was the identification and selection of competent workers. Because, with greater skills, comes a greater chance for an efficient workflow towards the company's growth.

However, this pipeline has for many companies, clogged. One of the various reasons for this problem seems to be the skill gap between the employers and the employees. If this skill gap reduces, then the benefits that come along with it include long-term profit and co-ordinate efficiency in the work processes. It also helps the employees work in the organization for a more extended period.

When framing a new strategy or structure, companies find themselves in a tight spot as they need to understand and discover the new skills that will be required. For instance, it is not possible for a stitching skill to find a place in a SaaS business. This need proves the model's idea that all the elements should be aligned. Most of the time, when a company is changing, many employees are discharged. The same 2015 study by the Harrison Poll was also conducted among 2,027 employees. It found that more than half of the samples (76%) agree that the employer should provide the employees with extra training in career development. This factor emphasizes the involvement of the leadership style in the skills factor.

Staff:

Element is concerned with what type and how many employees an organization will need and how they will be recruited, trained, motivated and rewarded.

The staff element includes the number of employees and the type under which they fall. When compared to a living being, the employees are the cells of the organization. For instance, like cells, they are comparatively more in number. A single cell cannot make a huge impact, and the same goes for the employees. The staffs play a fundamental role in the working system of the organization. Therefore, it is surreal to imagine an organization function without staff.

With the system factor, most staffs find task automation very convenient as it allows them to manage time with other tasks efficiently. The process of opening emails, collecting data, and consolidating them are

now evitable with the rise of many SaaS business. Provided below is a link to discovering and understanding selected SaaS automation tools that enable task improvement.

Like tumor cells that do not obey the signals or commands from the brain, similarly, there may be certain employees who disregard the work values and functions. Therefore, it is crucial for the higher authorities, always to check and regulate the work processes at every level. Since, the tumor could be anywhere, even in the brain. Identifying, locating and eliminating the tumor may be a tedious task, but it is too crucial to ignore. If such staff is overlooked, then it can be a significant threat to the organization as a whole. A real-life example of this could be the Enron scandal. However, we see that the tumor was in the brain (executives); hence, its death in the year 2001 was certain.

Style :

Represents the way the company is managed by top-level managers, how they interact, what actions do they take and their symbolic value. In other words, it is the management style of company's leaders. The style factor symbolizes the technique and fashion in which the company is handled. It revolves around the leadership qualities possessed by the individual or management group, who are in charge. With great power, come great responsibilities. Similarly, the leaders must have a wide range of qualities, to be able to take care of any responsibility handed to them.

One of the many reasons why IBM, MySpace, BlackBerry, Yahoo and many such, once prominent companies are close to losing relevance, is because of 'active inertia', as stated in this Harvard Business Review article. It is the act of not willing to change from the path which took them to success. Yes, change is risky, but without it, there is no chance for survival, which is similar to evolution. Hence, it is significant for a leader to be innovative and have change management skills. He/she must also have convincing skills and must be an excellent listener to innovative suggestions put forth by the employees. Nokia is an example for a company that overlooked ideas to change models, which was put forth by a few of its employees.

The leadership qualities can determine the style in which the organization will run. Leading by example, accountability, optimism, emotional intelligence, unforeseen event planning, inspirational, humility and understanding power are some of the essential qualities a leader must possess or at the least acquire. Some of the organizations with excellent management and leadership style include TATA, BMW, Apple, Netflix, etc. However, above all, a leader needs to understand that without the other six elements, his/ her skills are futile when it comes to managing an organization.

Shared Values: Are at the core of McKinsey 7s model. They are the norms and standards that guide employee behavior and company actions and thus, are the foundation of every organization.

Porter's 5 Forces:

Porter's Five Forces is a model that identifies and analyzes five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths. Five Forces analysis is frequently used to identify an industry's structure to determine corporate strategy. Porter's model can be applied to any [segment](#) of the economy to understand the level of competition within the industry and enhance a company's long-term profitability. The Five Forces model is named after Harvard Business School professor, Michael E. Porter.

Understanding Porter's Five Forces

Porter's Five Forces is a business analysis model that helps to explain why various industries are able to sustain different levels of profitability. The model was published in Michael E. Porter's book, "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980.¹ The Five Forces model is widely used to analyze the industry structure of a company as well as its corporate strategy. Porter identified five undeniable forces that play a part in shaping every market and industry in the world, with some caveats. The five forces are frequently used to measure competition intensity, attractiveness, and profitability of an industry or market.

Porter's five forces are:

1. Competition in the industry
2. Potential of new entrants into the industry
3. Power of suppliers
4. Power of customers
5. Threat of substitute products¹

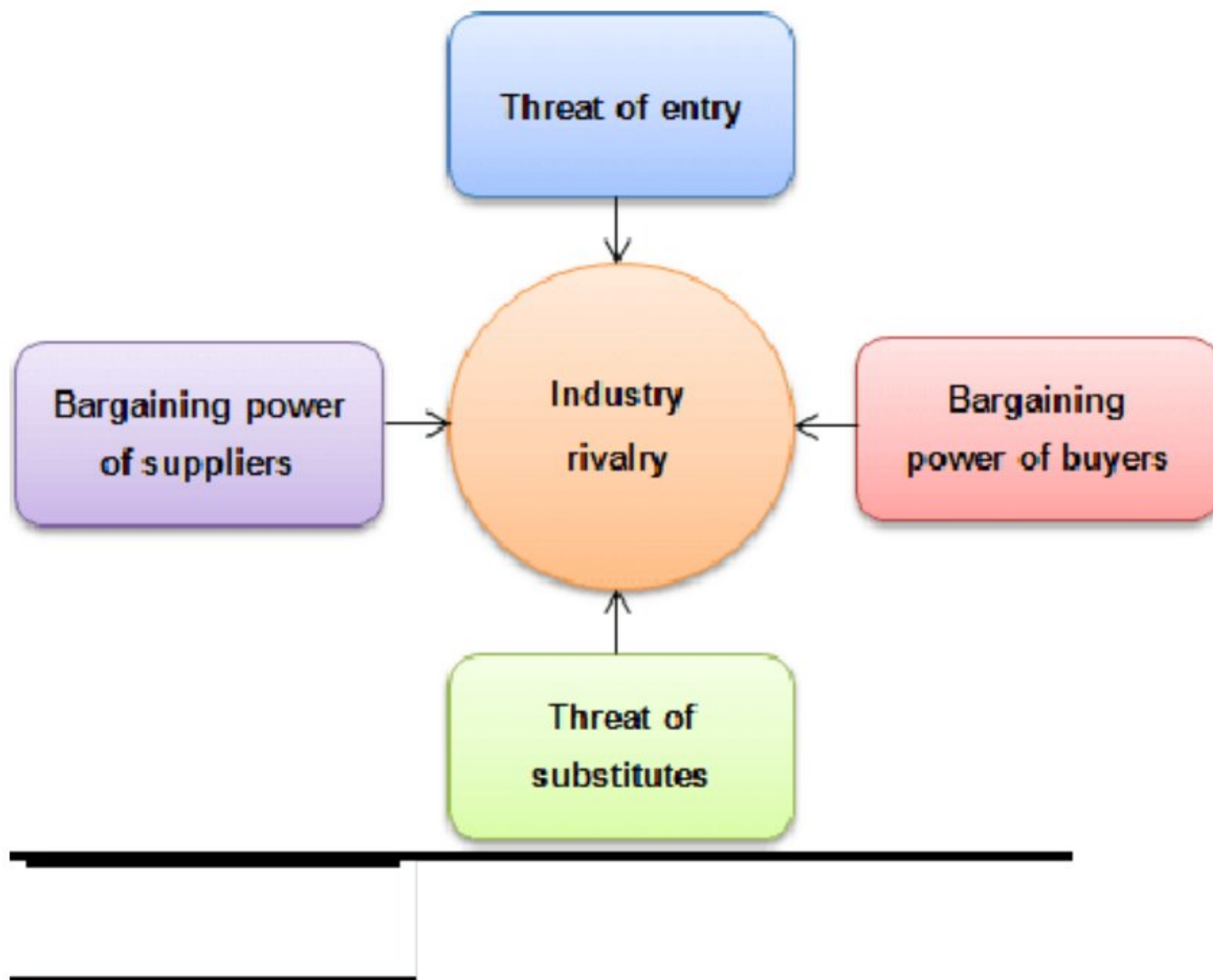
Tata coffee

The Porter's five forces analysis

studies the industry of operation and helps the company find newsources of competitive advantage. The analysis surveys an industry through five major questions.

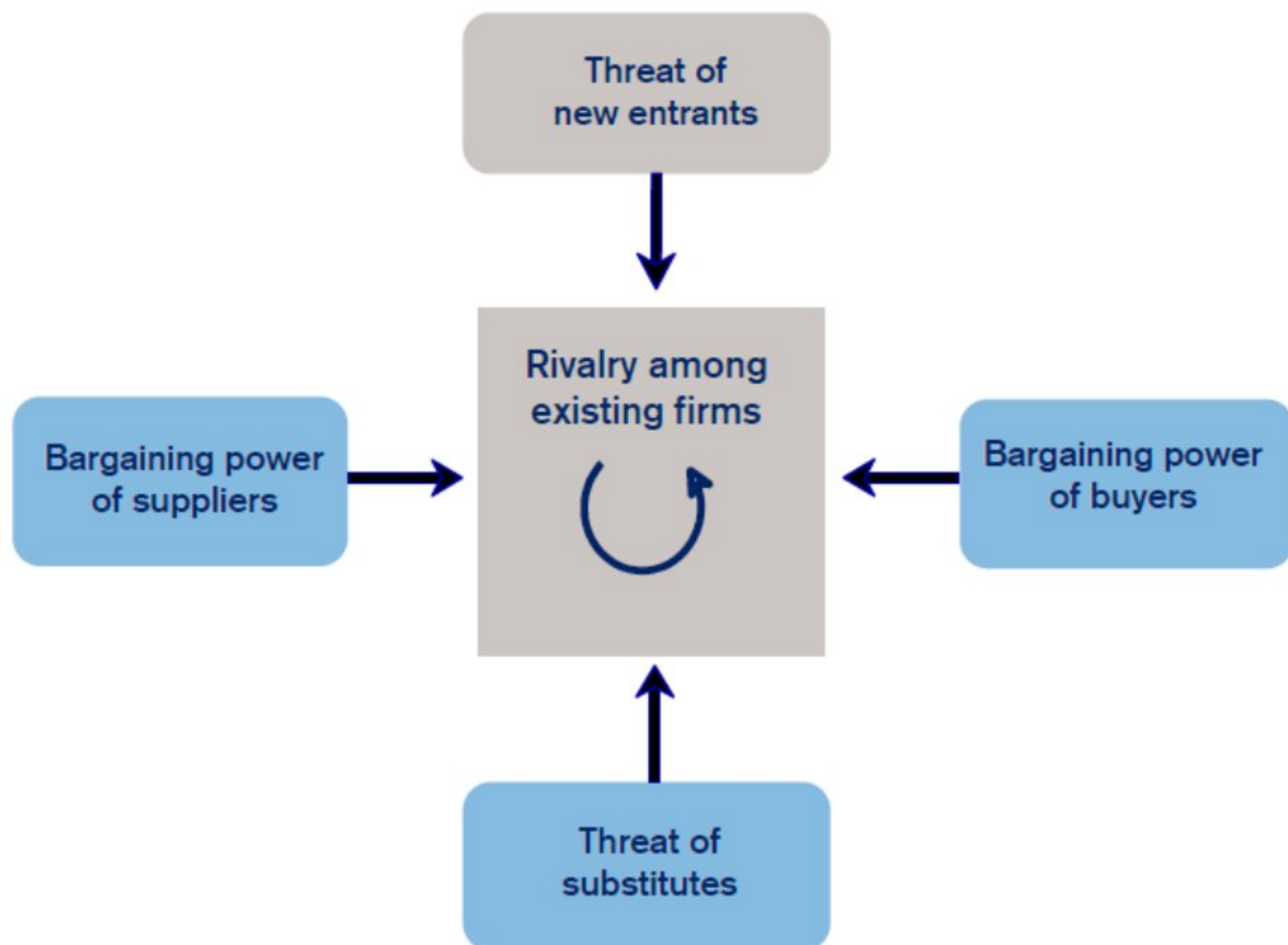
Once Porter's

Five forces analysis is done, a company can make a strategy that places itself in thebest position among the competitors and also makes it immune to shifts in the future market trends(Porter, 1997).



Porter's Five Force Analysis

Michael Porter is well known for his five forces framework, which remains one of the best ways to assess an industry's underlying structure.



While some investors and analysts employ the framework to declare an industry attractive or unattractive, Porter recommends using industry analysis to understand “the underpinnings of competition and the root causes of profitability.”

Porter argues that the collective strength of the five forces determines an industry’s potential for value creation. But the industry does not seal the fate of its members.

An individual company can achieve superior profitability compared to the industry average by defending against the competitive forces and shaping them to its advantage.

Here is how to look at each of these factors:

1. Threat of new entrants, or barriers to entry, is arguably the most important of Porter’s five forces. While people commonly treat Porter’s five forces with equal emphasis, I believe that threat of entry and rivalry is the most important as it defines how companies in an industry behave and perform.

Factors that can limit the threat of new entrants in an industry include:

- Existing loyalty to major brands
- Incentives for using a particular buyer (such as frequent shopper programs)
- High fixed costs
- Scarcity of resources
- High costs of switching companies
- Government restrictions or legislation

2. Supplier power is the degree of leverage a supplier has with its customers in areas such as price, quality, and service.

An industry that cannot pass on price increases from its powerful suppliers is destined to be unattractive. Suppliers are well positioned if they are more concentrated than the industry they sell to, if substitute products do not burden them, or if their products have significant switching costs.

They are also in a good position if the industry they serve represents a relatively small percentage of their sales volume or if the product is critical to the buyer.

Sellers of commodity goods to a concentrated number of buyers are in a much more difficult position than sellers of differentiated products to a diverse buyer base.

Here are a few reasons that suppliers might have power:

- There are very few suppliers of a particular product
- There are no substitutes
- Switching to another (competitive) product is very costly
- The product is extremely important to buyers – can't do without it
- The supplying industry has a higher profitability than the buying industry

3. Buyer power is the bargaining strength of the buyers of a product or service.

It is a function of buyer concentration, switching costs, levels of information, substitute products, and the offering's importance to the buyer.

Informed, large buyers have much more leverage over their suppliers than do uninformed, diffused buyers.

Here are a few reasons that buyers might have power:

- Small number of buyers
- Purchases large volumes
- Switching to another (competitive) product is simple
- The product is not extremely important to buyers; they can do without the product for a period of time
- Customers are price sensitive

4. Substitution threat addresses the existence of substitute products or services, as well as the likelihood that a potential buyer will switch to a substitute product.

A business faces a substitution threat if its prices are not competitive and if comparable products are available from competitors.

Substitute products limit the prices that companies can charge, placing a ceiling on potential returns.

Here are a few factors that can affect the threat of substitutes:

- The main issue is the similarity of substitutes. For example, if the price of coffee rises substantially, a coffee drinker may switch over to a beverage like tea.
- If substitutes are similar, it can be viewed in the same light as a new entrant.

5. Competitive rivalry describes the intensity of competition between existing firms in an industry.

Highly competitive industries generally earn low returns because the cost of competition is high. A highly competitive market might result from:

- Many players of about the same size; there is no dominant firm
- Little differentiation between competitors' products and services
- A mature industry with very little growth; companies can only grow by stealing customers away from competitors

What is important here is the number and capability of competitors in an industry. If an industry has many competitors, and they offer equally attractive products and services, then a company most likely have little power in the situation, because suppliers and buyers will go elsewhere if they don't get a good deal from the company.

On the other hand, if no one else can do what a company does, then it can often have tremendous strength.

Chapter 4

Swot analysis

SWOT analysis (or **SWOT matrix**) is a strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning.

This technique, which operates by 'peeling back layers of the company' is designed for use in the preliminary stages of decision-making processes and can be used as a tool for evaluation of the strategic position of a city or organization.^[3] It is intended to specify the objectives of the business venture or project and identify the internal and external factors that are favorable and unfavorable to achieving those objectives. Users of a SWOT analysis often ask and answer questions to generate meaningful information for each category to make the tool useful and identify their competitive advantage. SWOT has been described as the tried-and-true tool of strategic analysis, but has also been criticized for its limitations.

SWOT Analysis is a proven management framework which enables a brand like **Tata Coffee** to benchmark its business & performance as compared to the competitors and industry. As of 2020, **Tata Coffee** is one of the leading brands in the food & beverages sector.

Tata Coffee Ltd. SWOT Analysis: Strengths, Weakness, Opportunity, and Threats

Strengths

Strong Performer, Getting Expensive (DVM)

High Piotroski Score - Companies with strong financials

Stocks where Mutual Funds Increased Holdings in Past Month

Rising Net Cash Flow and Cash from Operating activity

Company with high TTM EPS Growth

Good quarterly growth in the recent results

Growth in Net Profit with increasing Profit Margin (QoQ)

Growth in Quarterly Net Profit with increasing Profit Margin (YoY)

Increasing Revenue every Quarter for the past 4 Quarters

Strong cash generating ability from core business - Improving Cash Flow from operation for last 2 years

Book Value per share Improving for last 2 years

Company with Zero Promoter Pledge

Recent Results : Growth in Operating Profit with increase in operating margins (YoY)

Stock gained more than 20% in one month

Strong Momentum: Price above short, medium and long term moving averages

Weakness

MFs decreased their shareholding last quarter

190% returns

Opportunity

Companies with current TTM PE Ratio less than 3 Year, 5 Year and 10 Year PE

Companies with 10% increase in share price over three months, with rising net profit growth

Undervalued Growth Stocks

30 Day SMA crossing over 200 Day SMA, and current price greater than open

Expert Stock Screener: Benjamin Graham Value Screen

Best Bargains Screener: Above line growth, Below line valuations

Price crossing above SMA20 today, and greater than SMA5

High Momentum Scores (Technical Scores greater than 50)

Highest Recovery from 52 Week Low

RSI indicating price strength

Stocks near 52 Week High with Significant Volumes

Threats

High DVM Mid and Small Caps (subscription)

Average Affordability - Stocks with Medium Trendline Valuation Score versus Benchmarks

Average Bullish Trend - Stocks with Medium Trendline Momentum Score versus Benchmarks

Top Gainers



The table below lists the SWOT (Strengths, Weaknesses, Opportunities, Threats), top Tata Coffee competitors and includes Tata Coffee target market, segmentation, positioning & Unique Selling Proposition (USP).

TATA COFFEE BRAND ANALYSIS

Parent Company

Tata Group

Category

Food Processing

Sector

Food & Beverages

Tagline/ Slogan

Discover the refreshing world of Tata Coffee

USP

Refreshing taste of coffee

Tata Coffee STP

**Tata Coffee
Segmentation**

People looking to have quality coffee

**Tata Coffee Target
Market**

All people in the upper and middle class

**Tata Coffee
Positioning**

Experience the best refreshing coffee

Tata Coffee SWOT Analysis

**Tata Coffee
Strengths**

Below are the Strengths in the SWOT Analysis of Tata Coffee:
1. Strong brand name and one of the largest integrated coffee plantation in the world
2. Has brought about continuous improvement in harvesting and

- processing techniques by working with Starbucks
3. Has diversified into timber business as well under brand name "Conswood"
 4. Strong backing by parent company
 5. Good distribution and availability
 6. Good visibility through print ads

Tata Coffee Weaknesses

Here are the weaknesses in the Tata Coffee SWOT Analysis:

1. Intense competition means limited market share
2. Health conscious people avoid coffee as it contains caffeine

Tata Coffee Opportunities

Following are the Opportunities in Tata Coffee SWOT Analysis:

1. Also, domestic consumption being very small, there lies a huge opportunity to expand the market with the help of intensive coffee promotion
2. Opportunity in terms of diversification into other businesses

Tata Coffee Threats

The threats in the SWOT Analysis of Tata Coffee are as mentioned:

1. Cheap labour is one of the most critical cost factors in coffee production. Substantial increase in labour cost can erode competitiveness of Indian coffee in the international markets
2. Coffee is one of the few agricultural crops in India which is subject to taxes
3. Russia, the largest importer of coffee from India, is undergoing an economic crisis. As a result, it has suspended coffee imports

Tata Coffee Competition

Competitors

Below are the top 4 Tata Coffee competitors:

1. McLeod Russell India
2. **Jay Shree Tea and industries**
3. Bansions Tea Industries
4. **Nestle**

CHAPTER-5

Analysis of financial statement

Financial statement analysis is the process of analyzing a company's **financial statements** for decision-making purposes. External stakeholders use it to **understand** the overall health of an organization as well as to evaluate **financial** performance and business value.

Financial statement report

A **financial analysis report** is, basically, a document that attracts high interest of investors as it contains a detailed appraisal of a company's **financial** health. How to write a **Financial Analysis Report**. 1. Start the **report** with an "Executive Summary" of important findings from the **financial analysis**.

BALANCE SHEET OF TATA COFFEE (in Rs. Cr.)	MAR '20	MAR '19	MAR '18	MAR '17	MAR '16
	12 mths	12 mths	12 mths	12 mths	12 mths
SOURCES OF FUNDS					
Total Share Capital	18.68	18.68	18.68	18.68	18.68
Equity Share Capital	18.68	18.68	18.68	18.68	18.68
Reserves	981.82	951.99	901.49	878.59	739.11
NETWORTH	1,000.50	970.67	920.17	897.27	757.79
Secured Loans	71.03	87.90	45.00	43.00	48.75
Unsecured Loans	0.00	0.00	50.96	30.00	45.00
TOTAL DEBT	71.03	87.90	95.96	73.00	93.75

TOTAL LIABILITIES	1,071.53	1,058.57	1,016.13	970.27	851.54
Gross Block	521.43	498.84	464.13	434.09	509.39
Less: Accum. Depreciation	87.57	67.89	49.07	30.18	167.19
NET BLOCK	433.86	430.95	415.06	403.91	342.20
Capital Work in Progress	55.31	44.41	36.84	20.16	0.00
INVESTMENTS	334.42	306.12	221.91	249.30	215.99
Inventories	251.71	252.40	244.13	242.23	221.59
Sundry Debtors	111.65	97.86	106.53	94.47	95.34
Cash and Bank Balance	6.72	4.70	27.78	3.51	27.83
Total Current Assets	370.08	354.96	378.44	340.21	344.76
Loans and Advances	69.74	110.05	145.84	157.61	150.39
Total CA, Loans & Advances	439.82	465.01	524.28	497.82	495.15
Current Liabilities	146.61	145.18	141.30	155.27	130.55
Provisions	45.29	42.75	40.65	45.66	72.07
Total CL & Provisions	191.90	187.93	181.95	200.93	202.62
NET CURRENT ASSETS	247.92	277.08	342.33	296.89	292.53
TOTAL ASSETS	1,071.51	1,058.56	1,016.14	970.26	850.72
Contingent Liabilities	597.74	522.30	451.20	25.25	50.46
Book Value (Rs)	53.57	51.97	49.27	48.04	40.57

TATA COFFEE Income Statement Analysis

- Operating income during the year rose 15.1% on a year-on-year (YoY) basis.
- The company's operating profit decreased by 8.0% YoY during the fiscal. Operating profit margins witnessed a fall and stood at 13.5% in FY19 as against 16.9% in FY18.
- Depreciation charges increased by 3.8% and finance costs increased by 32.4% YoY, respectively.

- Other income declined by 16.3% YoY.
- Net profit for the year declined by 42.8% YoY.
- Net profit margins during the year declined from 11.8% in FY18 to 5.9% in FY19.

TATA COFFEE Income Statement 2018-19

No. of Mths Year Ending		12 Mar-18*	12 Mar-19*	% Change
Net Sales	Rs m	15,673	18,040	15.1%
Other income	Rs m	220	184	-16.3%
Total Revenues	Rs m	15,894	18,224	14.7%
Gross profit	Rs m	2,642	2,432	-8.0%
Depreciation	Rs m	549	570	3.8%
Interest	Rs m	346	458	32.4%
Profit before tax	Rs m	1,968	1,588	-19.3%
Tax	Rs m	-11	632	-6,061.3%
Profit after tax	Rs m	1,870	1,069	-42.8%
Gross profit margin	%	16.9	13.5	
Effective tax rate	%	-0.5	39.8	
Net profit margin	%	11.8	5.9	

* Results Consolidated

TATA COFFEE Balance Sheet Analysis

- The company's current liabilities during FY19 stood at Rs 5 billion as compared to Rs 4 billion in FY18, thereby witnessing an increase of 11.5%.
- Long-term debt stood at Rs 10 billion as compared to Rs 9 billion during FY18, a growth of 17.0%.
- Current assets rose 4% and stood at Rs 8 billion, while fixed assets rose 21% and stood at Rs 23 billion in FY19.

- Overall, the total assets and liabilities for FY19 stood at Rs 32 billion as against Rs 29 billion during FY18, thereby witnessing a growth of 10%.

TATA COFFEE Balance Sheet as on March 2019

No. of Mths Year Ending		12 Mar-18*	12 Mar-19*	% Change
Networth	Rs m	11,224	11,803	5.2
Current Liabilities	Rs m	4,316	4,814	11.5
Long-term Debt	Rs m	8,515	9,965	17.0
Total Liabilities	Rs m	29,100	31,887	9.6
Current assets	Rs m	7,651	7,935	3.7
Fixed Assets	Rs m	19,125	23,063	20.6
Total Assets	Rs m	29,100	31,887	9.6

* Results Consolidated

Interim results exclude extraordinary / exceptional items

TATA COFFEE Cash Flow Statement Analysis

- TATA COFFEE's cash flow from operating activities (CFO) during FY19 stood at Rs 1 billion, an improvement of 16.5% on a YoY basis.
- Cash flow from investing activities (CFI) during FY19 stood at Rs -2 billion on a YoY basis.
- Cash flow from financial activities (CFF) during FY19 stood at Rs -92 million on a YoY basis.
- Overall, net cash flows for the company during FY19 stood at Rs -326 million from the Rs 384 million net cash flows seen during FY18.

TATA COFFEE Cash Flow Statement 2018-19

Particulars	No. of months	12	12	% Change
	Year Ending	Mar-18	Mar-19	

Cash Flow from Operating Activities	Rs m	1,243	1,449	16.5%
Cash Flow from Investing Activities	Rs m	-1,878	-1,703	-
Cash Flow from Financing Activities	Rs m	1,020	-92	-
Net Cash Flow	Rs m	384	-326	-

* Results Consolidated

Interim results exclude extraordinary / exceptional items

Current Valuations for TATA COFFEE

- The trailing twelve-month earnings per share (EPS) of the company stands at Rs 57.2, an decline from the EPS of Rs 100.1 recorded last year.
- The price to earnings (P/E) ratio, at the current price of Rs 85.0, stands at 14.9 times its trailing twelve months earnings.
- The price to book value (P/BV) ratio at current price levels stands at 0.2 times, while the price to sales ratio stands at 0.1 times.
- The company's price to cash flow (P/CF) ratio stood at 9.7 times its end-of-year operating cash flow earnings.

Per Share Data/Valuations

No. of Mths Year Ending		12 Mar-18*	12 Mar-19*
Sales per share (Unadj.)	Rs	839.0	965.7
TTM Earnings per share	Rs	100.1	57.2
Diluted earnings per share	Rs	10.0	5.7
Price to Cash Flow	x	0.7	9.7
TTM P/E ratio	x	1.5	14.9
Price / Book Value ratio	x	0.2	0.2
Market Cap	Rs m	1,588	15,878
Dividends per share (Unadj.)	Rs	1.5	1.5

* Results Consolidated

Interim results exclude extraordinary / exceptional items

Ratio Analysis for TATA COFFEE

- Solvency Ratios

Current Ratio: The company's current ratio deteriorated and stood at 1.6x during FY19, from 1.8x during FY18. The current ratio measures the company's ability to pay short-term and long-term obligations.

Interest Coverage Ratio: The company's interest coverage ratio deteriorated and stood at 4.5x during FY19, from 6.7x during FY18. The interest coverage ratio of a company states how easily a company can pay its interest expense on outstanding debt. A higher ratio is preferable.

- Profitability Ratios

Return on Equity (ROE): The ROE for the company declined and down at 9.1% during FY19, from 16.7% during FY18. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.

Return on Capital Employed (ROCE): The ROCE for the company declined and down at 9.9% during FY19, from 11.2% during FY18. The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company.

Return on Assets (ROA): The ROA of the company declined and down at 4.8% during FY19, from 7.6% during FY18. The ROA measures how efficiently the company uses its assets to generate earnings.

Key Ratio Analysis

No. of Months Year Ending		12 Mar-18*	12 Mar-19*
Current ratio	x	1.8	1.6
Debtors' Days	Days	45	35
Interest coverage	x	6.7	4.5
Debt to equity ratio	x	0.8	0.8

Return on assets	%	7.6	4.8
Return on equity	%	16.7	9.1
Return on capital employed	%	11.2	9.9

* Results Consolidated

Interim results exclude extraordinary / exceptional items

To see how TATA COFFEE has performed over the last 5 years, please visit [here](#).

TATA COFFEE Share Price Performance

Over the last one year, TATA COFFEE share price has moved up from Rs 123.7 to Rs 85.0, registering a loss of Rs 38.7 or around 31.3%.

Overall, the S&P BSE SENSEX is up 7.0% over the year.

CHAPTER-6

LEARNING EXPERIENCE

Tata Coffee has always been one of my favourite drink since childhood. And coffee being one of the finest drink and have a been favorites of the people all around the world has made to do a project with the best Coffee organization. Its been fun working and a very good learning about tata coffee.

This panedmic has made me to make different variety of coffee with Tata brand.

1. The coffees are directly sourced from two of Tata coffee's 19 estates located in Coorg region
2. They Empower communities
3. Learned about the various groups apart from coffee division
4. Learned about there best customer experience
5. Tata Coffee has moved now digitally and have opened an ecommerce portal for a better customer reach.
6. The coffee is tasted and evaluvated by the best tasters and evaluators.
7. The estate coffees are processed uniquely with great care.
8. Tata Coffee is one of the largest integrated Coffee cultivation and processing companies in the world and the largest corporate producer of Indian Origin Pepper.
9. They have around 19 estates and its spread over nearly 8000 hectares in the lush Western Ghats
10. They are also home to some of the finest Indian Origin Pepper, intercropped amongst Coffee in there own estates.
11. Learned about there strength and weakness.
12. Their marketing strategies in promoting their products.
13. Learned about their origin of the company.
14. Learned about their quality assurance.
15. Learned how to make research and report.

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