



# Tata Tea Limited

Evaluation and Analysis of U.S. Acquisitions and  
Recommendations for the Future

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# TABLE OF CONTENTS

<b><u>EXECUTIVE SUMMARY</u></b>	<b><u>2</u></b>
<b><u>COMPANY PROFILE</u></b>	<b><u>3</u></b>
TATA TEA LIMITED	3
TATA TEA INC.	5
TATA COFFEE LTD.	6
TATA TETLEY	6
<b><u>MAJOR ACQUISITIONS IN THE UK AND U.S.</u></b>	<b><u>6</u></b>
TETLEY GROUP	6
GOOD EARTH TEAS	7
EIGHT O'CLOCK COFFEE	8
ANALYSIS OF ACQUISITIONS	8
<b><u>RECOMMENDATIONS FOR THE FUTURE</u></b>	<b><u>10</u></b>
RECOMMENDATION: FOCUS ON TEA	10
RECOMMENDATION: FOCUS ON CHAI	11
GROWTH OF THE U.S. CHAI MARKET	12
COMPETITORS IN THE U.S. CHAI MARKET	13
TATA TEA'S COMPETITIVE ADVANTAGE	17
CONCLUSION	22
<b><u>WORKS CITED</u></b>	<b><u>23</u></b>
<b><u>APPENDICES</u></b>	<b><u>25</u></b>

## Executive Summary

Tata Tea Limited is the number one branded tea operation in India and the second largest branded tea operation in the world. The company is a subsidiary of the powerful Indian conglomerate, Tata Group. Tata Tea has its own subsidiaries to manage its major markets worldwide. Tata Tea Limited has achieved its status as the world's second largest branded tea operation through its many mergers and acquisitions, most notably its acquisition of the Tetley Group in 2000. After this acquisition, Tata Tea became the market leader in Canada and Britain and established its longevity by gaining market share in developed countries in addition to its existing market share in developing countries. Most recently, the company announced its desire to increase market share in the U.S. With its acquisition of Good Earth Teas in 2005 and Eight O' Clock Coffee in 2006, the company has definitely made an impact on the American tea market; however, competition in the U.S. tea market is steadily intensifying as more American consumers become aware of the health benefits and many flavor varieties of tea. But given the growing popularity of tea, chai and ethnic food and beverages in the U.S., Tata Tea can capitalize on its strong reputation in India and the authenticity of its masala chai to capture this U.S. market. Through its successful strategy of acquiring foreign brands, Tata Tea can establish a brand identity in the U.S. as authentic Indian tea by buying emerging players in the U.S. tea market. Tata Tea must then adapt its production, distribution, and marketing strategies to appease the tastes of American consumers while maintaining the authenticity of spiced masala chai tea. By observing the strategies used by competitors in the U.S. chai and tea markets, Tata Tea can develop its own strategy and gain market share and brand awareness.

## Company Profile

### Tata Tea Limited

In 1964, Tata Finlay (now Tata Tea) was set up as a joint venture with James Finlay and Company, a UK based firm, to develop value added teas in the growingly competitive Indian tea market.<sup>1</sup> Tata Tea is part of the Indian conglomerate, Tata Group, the largest private corporation in India, with companies in the automobile, steel, power, communication, and hospitality industries as well. It is the world's second largest branded tea company (after Unilever with its popular Lipton tea brand) with a strong presence in 40 different countries, establishing the company as one of India's first multinationals.<sup>2</sup>

In 1983, James Finlay sold its shares of Tata Finlay to the Tata family, allowing for the creation of Tata Tea Limited and for what the Tatas call "the dawn of a new era."<sup>3</sup> The company chose to switch from the commodities industry to focus on consumer branding. Now widely popular brands in India established soon afterwards include Tata Tea brand, Kanan Devan, Agni, Gemini and Chakra Gold.<sup>4</sup>

With headquarters in Kolkata (formally Calcutta), India, Tata Tea owns 50 grand tea estates in the states of Assam, Kerala, and West Bengal. With more than 39,000 acres under tea cultivation, Tata Tea Limited produces more than 65 million pounds of black tea varieties annually.<sup>5</sup> The number of people employed by Tata, both on the plantations and on the managerial level, is 2,422. The number of employees has steadily decreased throughout the years;

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<sup>1</sup> Tata Tea Limited. (2002). *Company Profile*. [http://www.tatatea.com/comp\\_profile.htm](http://www.tatatea.com/comp_profile.htm)

<sup>2</sup> Ibid.

<sup>3</sup> Tata Tea Limited. (2002). *Historical Milestones*. Retrieved from <http://www.tatatea.com/history.htm>

<sup>4</sup> Tata Tea Limited. (2002). *Packet Tea*. [http://www.tatatea.com/comp\\_profile.htm](http://www.tatatea.com/comp_profile.htm)

<sup>5</sup> Tata Tea Limited. (2002). *Company Profile*. Retrieved from [http://www.tatatea.com/comp\\_profile.htm#top](http://www.tatatea.com/comp_profile.htm#top)

just as recently as 2000, the company had employed more than 59,000 people.<sup>6</sup> This is due to increased automation in the tea cultivation industry and the sale of many of Tata's fields in India in order to focus on the company's growing beverage agenda.

Tata Tea's areas of business include branded tea, specialty tea, instant tea, coffee, and other beverages. Its branded tea is segmented towards all major consumer groups in India and is distributed to over 1.2 million retailers.<sup>7</sup> Its specialty teas include black, fruit, green, and herbal teas under the Tetley (UK), Good Earth (U.S.), and JEMCA (Czech Republic) brands. In Munnar, Kerala, Tata has established a 100% export-oriented unit manufacturing instant tea for the U.S. market, making it the largest such facility outside the U.S. With regards to coffee production, Tata produces approximately 20 trillion pounds of ground and instant coffee annually.<sup>8</sup> The company distributes much of this coffee through an exclusive stocking agreement with the popular Barista chain of cafes in India. In 2006, Tata Coffee acquired Eight O' Clock Coffee, which is the third largest coffee brand in the U.S.<sup>9</sup> Other beverages in Tata Tea's portfolio include ready-to-drink teas, energy drinks, and Himalayan branded water. In addition to its beverages, another major business area for Tata Tea is its plantation operations.<sup>10</sup>

Currently, Tata Tea's worldwide tea brands contribute to nearly 70% of its consolidated sales, with the remaining 30% earned from coffee and investment income (see Exhibit 1).<sup>11</sup> Tata Tea Limited's current subsidiaries include Tata Coffee, Tata Tea Inc., Tata Tetley, and the Tetley Group. Both Tata Tea Inc. and Tata Tetley specialize in supplying instant tea powders to the U.S.

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<sup>6</sup> Tata Tea Limited. (2009). *Forty-sixth Annual Report 2008-2009*. Retrieved from [http://www.tatatea.com/tatatea\\_annual\\_report\\_08\\_09.pdf](http://www.tatatea.com/tatatea_annual_report_08_09.pdf)

<sup>7</sup> Tata Group. (2010). *Tata Tea*. Retrieved from <http://www.tata.com/company/profile.aspx?sectid=HBhdLH6AQyg=>

<sup>8</sup> Ibid.

<sup>9</sup> Tata Tea Limited. (2002). *Historical Milestones*. Retrieved from <http://www.tatatea.com/history.htm>

<sup>10</sup> Tata Tea Limited. (2002). *SBU's*. Retrieved from <http://www.tatatea.com/>

<sup>11</sup> Tata Tea Limited. (2002). *Company Profile*. Retrieved from [http://www.tatatea.com/comp\\_profile.htm#top](http://www.tatatea.com/comp_profile.htm#top)

market. The UK-based Tetley Group has worldwide branded tea operations and the Tetley brand is the second-largest teabag brand in the world.<sup>12</sup>

Tata Tea is also strongly associated with foreign commodities companies and plantation operations. Tata is associated with the Kanan Devan Hills Plantation Company in Kerala, India, and has a majority interest in Watalawa Plantations of Sri Lanka. In addition, Tata is associated with the Mount Everest Mineral Water Company that produces the Himalayan brand of bottled water which Tata acquired in 2007. Tata Tea recently signed a joint venture with the Chinese Zhejiang Tea Export and Import Company as well.<sup>13</sup>

By 1999, the various brands of Tata Tea had a combined market share of 25% domestically. The company has plants and facilities in the UK, the U.S., Australia, Canada, Poland, Russia, Pakistan, Bangladesh and South Africa.<sup>14</sup>

### **Tata Tea Inc.**

In 1987, Tata Tea established a fully owned subsidiary in the U.S. (Tata Tea Inc.). This subsidiary owns a large production facility in Florida, responsible for the manufacturing and distribution of 40 different instant tea products in the U.S.<sup>15</sup> Instant tea powder is sourced from tea plantations in Munnar, Kerala and is processed in the Florida production facility. Tata Tea Inc. then sells its instant tea powder to U.S. corporate customers in three forms: jarred tea powder, iced tea mix, and ready-to-drink tea.<sup>16</sup>

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<sup>12</sup> Tata Group. (2010). *Tata Tea*. Retrieved from <http://www.tata.com/company/profile.aspx?sectid=HBhdLH6AQyg=>

<sup>13</sup> Ibid.

<sup>14</sup> Tata Tea Limited. (2002). *Company Profile*. Retrieved from [http://www.tatatea.com/comp\\_profile.htm#top](http://www.tatatea.com/comp_profile.htm#top)

<sup>15</sup> Tata Tea Limited (2010). *Tata Tea Inc.* [http://www.tatatea.com/tata\\_inc.htm](http://www.tatatea.com/tata_inc.htm)

<sup>16</sup> Tata Group. (2010). *Tata Tea Inc.* Retrieved from <http://www.tata.com/company/profile.aspx?sectid=uPBELaUC7rs=>

## Tata Coffee Limited

In 1991, Tata Coffee Ltd. was created after the Tatas acquired a 52.5% shareholding in Consolidated Coffee Ltd., which at the time represented Asia's largest coffee company.<sup>17</sup> Tata Coffee, now Asia's largest coffee-producing company, has estates in Southern India in the state of Karnataka, with 19,760 acres producing over 19,841,580 pounds of coffee annually. The subsidiary specializes in the manufacture and distribution of pure filter coffee, mixed filter coffee, pure instant coffee, and mixed instant coffee.<sup>18</sup> This coffee is distributed mostly to India and Eastern Europe (Russia and Ukraine), with the company's acquired company, Eight O' Clock Coffee gaining market share in the U.S.<sup>19</sup>

## Tata Tetley

In 1993, Tata Tea entered into a joint venture with Allied Lyons PLC of the UK, leading to the creation of Tata Tetley.<sup>20</sup> Tata Tetley continues to have a very strong brand presence in Russia, Poland, Australia, and the UK, and the joint venture is now a subsidiary of Tata Tea Ltd.<sup>21</sup>

## Major Acquisitions in UK and U.S.

### Tetley Group (UK)

In 2000, Tata Tea Limited acquired the UK-based Tetley Group.<sup>22</sup> At the time of the acquisition, Tetley was the market leader in the tea industry in Britain and Canada and a very

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<sup>17</sup> Tata Tea Limited. (2002). *Historical Milestones*. Retrieved from <http://www.tatatea.com/history.htm>

<sup>18</sup> Tata Tea Limited. (2002). *Tata Coffee Limited*. Retrieved from [http://www.tatatea.com/tata\\_coffee.htm](http://www.tatatea.com/tata_coffee.htm)

<sup>19</sup> Tata Coffee. (2009). *Business Units*. Retrieved from <http://www.tatacoffee.com/>

<sup>20</sup> Tata Tea Limited. (2002). *Historical Milestones*. Retrieved from <http://www.tatatea.com/history.htm>

<sup>21</sup> Tata Tea Limited. (2002). *Tata Tetley Limited*. Retrieved from [http://www.tatatea.com/tata\\_tetley.htm](http://www.tatatea.com/tata_tetley.htm)

<sup>22</sup> Tata Tea Limited. (2002). *Historical Milestones*. Retrieved from <http://www.tatatea.com/history.htm>

popular brand in Australia, the U.S., and the Middle East.<sup>23</sup> The Tetley acquisition had both historical and commercial significance in Indian history. Historically, the takeover was seen as a final stand against the once prominent British colonial presence in India, although India had declared its independence back in 1947. The tea plantations of India had been established and governed by the British in the 1820s, and Indian laborers had been exploited for decades in their own fields.<sup>24</sup> The shift to Indian self-governance was an important historical event and did much to improve national pride. Tata Tea now owns the largest tea bag factory in the world located in Northeast England.<sup>25</sup>

Commercially, Tata Tea's acquisition of the Tetley Group was the largest takeover of a foreign company by an Indian company. Tata Tea outbid the powerful American conglomerate Sara Lee in the £271 million (more than \$410 million) leveraged buyout.<sup>26</sup>

### **Good Earth Teas (U.S.)**

In 2005, Tata Tea acquired Good Earth Corporation for £17.2 million or approximately \$26 million (see Exhibit 2).<sup>27</sup> Good Earth is a herbal and specialty tea and organic coffee business based in California and one of the fastest growing specialty tea brands in the U.S., particularly on the West Coast. The Tatas bought Good Earth in order to provide a platform for

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<sup>23</sup> Tata Group. (2000). *Tata Tea Exploring New Markets for Tetley*. Retrieved from <http://www.tata.com/company/Media/inside.aspx?artid=r5NWKbTdeSA=>

<sup>24</sup> Hohenegger, Beatrice, Ed. (2009). *Steeped in History: The Art of Tea*. Fowler Museum at UCLA: Los Angeles.

<sup>25</sup> Tata Tea Limited. (2002). *Company Profile*. Retrieved from [http://www.tatatea.com/comp\\_profile.htm#top](http://www.tatatea.com/comp_profile.htm#top)

<sup>26</sup> BBC News. (2000). *Tetley Bagged by India's Tata*. Retrieved from <http://news.bbc.co.uk/2/hi/business/658724.stm>

<sup>27</sup> Tata Tea Limited. (2006). *Forty-third Annual Report 2005-2006*. Retrieved from <http://www.tatatea.com/TATA%20Tea%20Limited%20Annual%20Report%202005-06.pdf>

future growth in the specialty tea business in the U.S. market. In the financial year 2005, Tata paid off £2.1 million (more than \$3 million) of debt acquired on the acquisition of Good Earth.<sup>28</sup>

### **Eight O’Clock Coffee (U.S.)**

In 2006, Tata Coffee acquired Eight O’Clock Coffee (EOC) from Gryphon Investors for \$220 million.<sup>29</sup> EOC is the third largest coffee brand by volume in the U.S. market, behind Folgers and Maxwell House. It is also number one in the branded whole bean coffee market and in the value gourmet segment of the U.S. retail market. The Tatas bought EOC in order to expand the presence of Tata Coffee from the domestic market to the global market as a significant competitor with strong and powerful brands, especially in the U.S. The acquisition was financed through a combination of equity and non-recourse debt.<sup>30</sup>

### **Analysis of Acquisitions**

Tata’s acquisition of Tetley Group in 2000 was one of the most strategically wise decisions the company has made. Since its acquisition, the Tetley Group has contributed two thirds of the overall turnover of Tata Tea Limited (see Exhibits 3 and 4).<sup>31</sup> Tata Tea had focused on developing markets and had specialized in tea estates, blending operations and branded tea operations. Tetley expanded the company’s reach to developed markets, allowing it to

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<sup>28</sup> Tata Tea Limited. (2006). *Forty-third Annual Report 2005-2006*. Retrieved from <http://www.tatatea.com/TATA%20Tea%20Limited%20Annual%20Report%202005-06.pdf>

<sup>29</sup> Tata Group. (2006). *Media Releases: Tata Coffee acquires Eight O’Clock Coffee Company for US\$ 220 million*. Retrieved from <http://www.tata.com/article.aspx?artid=FrWIDkVM9Z8=>

<sup>30</sup> Tata Group. (2006). *Tata Coffee acquires Eight O’Clock Coffee Company for US\$220 million*. Retrieved from <http://northamerica.tata.com/media/releases/inside.aspx?artid=CMiiy80JNpU=>

<sup>31</sup> Tata Tea Limited. (2002). *Company Profile*. Retrieved from [http://www.tatatea.com/comp\\_profile.htm#top](http://www.tatatea.com/comp_profile.htm#top)

additionally specialize in global sourcing/blending, teabags technology and the global teabags brand and evolved beverages.<sup>32</sup>

Tata Tea Inc.'s acquisition of Good Earth Coffee and Teas in 2005 has proven to increase market share in the U.S. Looking at Exhibit 5, Good Earth sales increased turnover by £3.8million (more than \$5.7 million).<sup>33</sup> This acquisition complies with Tata Tea's mission: "Be recognized as the foremost innovator in tea and tea-based beverage solutions" and "To drive long term profitable growth."<sup>34</sup> In Exhibit 6, it is apparent that the acquisition of Good Earth increased the market share value of Tata's branded tea in the U.S. by 5% in 2006.<sup>35</sup>

Tata Coffee's acquisition of the Eight O' Clock Coffee Company has proven to be aligned with Tata Coffee's goals to increase market share in the U.S. (see Exhibit 7). The acquisition complies with Tata Coffee's vision: "To emerge as one of the leading players in the coffee industry..." and with its mission: "To move up the value chain by adding value to all our products and operations thereby meeting expectations of all our stakeholders."<sup>36</sup> Given this mission, EOC has potential for great growth in the U.S. market because of its 100 years of brand history and retail coffee presence in the U.S. market. Tata Coffee also experiences great strength in distribution with the acquisition because EOC has 67% of all commodity value penetration of the U.S. retail coffee market.<sup>37</sup>

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<sup>32</sup> Tata Tea Limited. (2006). *Analyst Presentation*. Retrieved from [www.tatatea.com/AnalystPrez01Sep1100.ppt](http://www.tatatea.com/AnalystPrez01Sep1100.ppt)

<sup>33</sup> Ibid.

<sup>34</sup> Tata Tea Ltd. (2002). *Vision & Values*. Retrieved from [http://www.tatatea.com/vision\\_miss.htm](http://www.tatatea.com/vision_miss.htm)

<sup>35</sup> Tata Tea Limited. (2006). *Annual General Meeting*. Retrieved from [www.tatatea.com/AGM06.ppt](http://www.tatatea.com/AGM06.ppt)

<sup>36</sup> Tata Coffee Ltd. (2010). *Vision and Mission*. Retrieved from [http://www.tatacoffee.com/corporate/vision\\_mission.htm](http://www.tatacoffee.com/corporate/vision_mission.htm)

<sup>37</sup> Tata Group. (2006). *Media Releases: Tata Coffee acquires Eight O'Clock Coffee Company for US\$ 220 million*. Retrieved from <http://www.tata.com/article.aspx?artid=FrWIDkVM9Z8=>

## Recommendations for the Future

### **Recommendation: Focus on Tea**

Given the current success of Tata Tea's strategy of growth through acquisitions and mergers, it is wise to continue with this strategy in order to continue expansion worldwide. The company's global aspirations are stated best by Chairman R.N. Tata, "The company is no longer an Indian company. It is an Indian-owned global company. We are gradually converting it into a wellness beverage company. We are looking at different geographies to expand global footprint."<sup>38</sup> However, considering current consumer trends and preferences in the American tea industry, Tata Tea can increase market share by capitalizing on its experience producing, marketing, and distributing high-quality tea. Although Americans are known for their heavy consumption and preference for coffee, the growing popularity of tea should not be understated. According to the Tea Association of the U.S.A., about half of the U.S. population drinks tea on any given day, with much consumption based in the South and the Northeast.<sup>39</sup>

Although the acquisitions of Good Earth Coffee and Teas and Eight O'Clock Coffee proved to be highly successful, Tata Tea Limited should try to gain a bigger market share in the American tea industry, rather than focusing on coffee and other beverages. Looking at Exhibit 9, it is apparent that growth in U.S. coffee and tea consumption has suffered as a result of the recession; nevertheless, growth in per-capita tea consumption has proven to be greater than or on

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<sup>38</sup> Tata Group. (2007). *Media Releases: Tata Tea on Global Mission*. Retrieved from <http://www.tata.com/company/Media/inside.aspx?artid=UjV8mVaHFMY=>

<sup>39</sup> Tea Association of the U.S.A., Inc. (2008). *Tea Fact Sheet*. Retrieved from <http://www.teausa.com/general/pdf/FACTSHEET.pdf>

par with coffee consumption.<sup>40</sup> The tea industry anticipates strong and constant growth, driven by convenience, the health of tea, and the discovery of more specialty tea varieties.<sup>41</sup>

The typical American tea drinker will not buy a down-market product as they value quality over price.<sup>42</sup> This is why Tata Tea must choose to acquire U.S. tea companies that already have a strong reputation in the domestic market. Once acquired, Tata must make sure that the quality of these teas is unparalleled in order to compete in the U.S. market. Tata Tea would benefit more from placing a premium price on high quality teas.

By acquiring more specialty tea companies, Tata Tea has the opportunity to cash in on a growing industry. Tata Tea has the money to do so with liquid cash and resources of £134.8 million or more than \$120 million.<sup>43</sup> Vice Chairman Krishna Kumar called these liquid resources “a strategic warchest.”<sup>44</sup> As Tata Tea Limited continues its expansion in the U.S. and worldwide, the company should carefully consider the best way to utilize this “warchest” in order to maximize market share in the U.S. tea market.

## **Recommendation: Focus on Chai**

The growing popularity of chai in the American tea market is also notable. As seen in Exhibit 8, 23% of tea product purchases in retail outlets or restaurants are of chai drinks.<sup>45</sup> Like

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<sup>40</sup> MarketResearch.com Academic. (2009). *Tea and Ready-to-Drink (RTD) Tea in the U.S.: Retail, Foodservice and Consumer Trends*. Rockville, MD: Packaged Facts. (accessed March 29, 2010).

<sup>41</sup> Tea Association of the U.S.A., Inc. (2008). *Tea Fact Sheet*. Retrieved from <http://www.teausa.com/general/pdf/FACTSHEET.pdf>

<sup>42</sup> Damaghi, Dahlia. (2002). “The Changing World of Chai.” *Tea and Coffee Trade Journal*. Retrieved from <http://www.teaandcoffee.net/0902/special.htm>

<sup>43</sup> Tata Tea Limited. (2009). *Forty-sixth Annual Report 2008-2009*. Retrieved from [http://www.tatatea.com/tatatea\\_annual\\_report\\_08\\_09.pdf](http://www.tatatea.com/tatatea_annual_report_08_09.pdf)

<sup>44</sup> Business Standard (India). (2009). *Tata Tea plans to reinvent itself, down to its name*. Retrieved from <http://www.business-standard.com/india/news/tata-tea-plans-to-reinvent-itself-down-to-its-name/01/16/368832/>

<sup>45</sup> MarketResearch.com Academic. (2009). *Tea and Ready-to-Drink (RTD) Tea in the U.S.: Retail, Foodservice and Consumer Trends*. Rockville, MD: Packaged Facts. (accessed March 29, 2010).

most introductions of ethnic food/ beverages into the U.S. market, chai must adapt to the American palate. Although Indian foods have not become as mainstream as Chinese or Japanese cuisines, chai has become a household name due to its adaption by companies such as Starbucks. Chai is currently available in a number of variations designed to appeal to American tastes and health concerns. For example, SweetLeaf's Wisdom of the Ancients Chai Spice Wisdom Herb Tea, is sweetened with a zero calorie sugar substitute stevia and is designed to appeal to health and weight conscious Americans.<sup>46</sup>

By observing the distribution and packaging strategies of current U.S. firms that produce chai, Tata Tea Ltd. can model its own business expansion strategy and join the ever-growing U.S. chai market. In 2000, chai sales in the U.S. amounted to \$30 million and have been growing steadily despite the national recession.<sup>47</sup> Growth in the U.S. chai market has been and will continue to be driven by consumer awareness.<sup>48</sup> Chai has become a household name through introductions of the product by mainstream American coffee houses, like Starbucks and Caribou Coffee and small independent cafes as well. Chai is now a staple among the offerings of even the smallest cafés. This section will outline the current popular chai producers and distributors in the U.S., their products, distribution strategies, and how Tata can differentiate itself from these companies by using its competitive advantages.

### **Growth of the U.S. Chai Market**

In the 1960s, chai was introduced in the West Coast and quickly became a phenomenon, although awareness was mostly restricted to that region. The 1990s however saw the beginning

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<sup>46</sup> MarketResearch.com Academic. (2003). *The U.S. Market for Ethnic Foods, Volumes 1-3*. New York: Packaged Facts. (accessed March 29, 2010).

<sup>47</sup> Gale Group. (2010). *Oregon Chai Inc.* [company profile]. Retrieved from the Business and Company Resource Center database.

<sup>48</sup> Damaghi, Dahlia. (2002). "The Changing World of Chai." *Tea and Coffee Trade Journal*. Retrieved from <http://www.teaandcoffee.net/0902/special.htm>

of the coffeehouse movement, with the swelling popularity of local cafes and gourmet coffee and tea shops.<sup>49</sup> With this movement and the inclusion of chai on the menus of most of these coffeehouses, chai expanded to the Midwest. By 1995, consumer awareness of chai was moving towards the East Coast in gourmet coffee shops and cafes in Baltimore, Boston, D.C., and New York.<sup>50</sup> In this year, chai received a major commercial boost as Starbucks included hot and iced chai on its menu and sold dry chai product in teabags.<sup>51</sup> During the 2000s, the popularity of chai has steadily increased, and different versions of the product can now be found on the shelves of specialty and commercial grocery stores.

## Competition in the U.S. Chai Market

### *Oregon Chai*

Oregon Chai is not modest about its achievements: “Ask anyone, ‘Who created the Chai category in the U.S.?’ and odds are that they’ll tell you ‘Oregon Chai.’”<sup>52</sup> The company was one of the first companies to introduce chai to the U.S. market and create a buzz about the product with the company’s founding in 1994. Oregon Chai’s liquid concentrate chai is its most popular format, helping the company gain 36% of all chai sales in the U.S. in 2000 with \$11 million in sales.<sup>53</sup> The company founder, Heather McMillen described her product as “...different from a traditional chai. Ours is more of a vanilla, dessert, honey drink as opposed to a serious cup of

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<sup>49</sup> Gale Group. (2010). *Oregon Chai Inc.* [company profile]. Retrieved from the Business and Company Resource Center database.

<sup>50</sup> Cirillo, Joan. (1995). “Chai becomes more people’s cup of tea.” *The Baltimore Sun*. Retrieved from [http://articles.baltimoresun.com/1995-08-16/features/1995228095\\_1\\_black-tea-chai-tea-concentrate](http://articles.baltimoresun.com/1995-08-16/features/1995228095_1_black-tea-chai-tea-concentrate)

<sup>51</sup> Gale Group. (2010). *Oregon Chai Inc.* [company profile]. Retrieved from the Business and Company Resource Center database.

<sup>52</sup> Oregon Chai, Inc. (2010). *For Your Café*. Retrieved from [http://www.oregonchai.com/for\\_your\\_cafe/](http://www.oregonchai.com/for_your_cafe/)

<sup>53</sup> Gale Group. (2010). *Oregon Chai Inc.* [company profile]. Retrieved from the Business and Company Resource Center database.

spice tea."<sup>54</sup> In this way, the product caters to the sweet tooth of the typical American palate and differs from traditional masala chai, which is not as sweet and more heavily spiced. Oregon Chai's strategy seems to incorporate a fuse of traditional and modern tastes.

Oregon Chai's products are made with organic and natural products; therefore, successful distribution in organic grocery stores such as Whole Foods has been possible. The liquid concentrates are certified organic by the USDA and Quality Assurance International (an American organic certification company).<sup>55</sup> Organic Chai has also differentiated its product by targeting health-conscious consumers. The company's Sugar-Free Original chai concentrate which is made with Splenda offers a viable option for diabetic chai-drinkers. (Note: This particular concentrate is the only one of Oregon Chai's offerings that is not organic and all-natural.)<sup>56</sup> The company has widespread distribution channels, reaching to all 50 U.S. states and Canada, and more than 300 distributors, including food service, natural foods, and specialty and chain grocery store channels.<sup>57</sup>

### *The Republic of Tea*

The U.S. based Republic of Tea is not too modest about its achievements either boasting, "Founded in 1992, The Republic of Tea sparked a Tea Revolution."<sup>58</sup> The Republic Chai Concentrate, a liquid chai concentrate is one of the company's bestselling products.<sup>59</sup> The company also distributes chai in the full-leaf and tea bag format with green chai and red chai varieties. Green chai tea is an invention of the Republic and consists of a blend of tea with

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<sup>54</sup> Cirillo, Joan. (1995). "Chai becomes more people's cup of tea." *The Baltimore Sun*. Retrieved from [http://articles.baltimoresun.com/1995-08-16/features/1995228095\\_1\\_black-tea-chai-tea-concentrate](http://articles.baltimoresun.com/1995-08-16/features/1995228095_1_black-tea-chai-tea-concentrate)

<sup>55</sup> Oregon Chai, Inc. (2010). *Our Story*. Retrieved from [http://www.oregonchai.com/our\\_story/](http://www.oregonchai.com/our_story/)

<sup>56</sup> Ibid.

<sup>57</sup> Gale Group. (2010). *Oregon Chai Inc.* [company profile]. Retrieved from the Business and Company Resource Center database.

<sup>58</sup> The Republic of Tea, Inc. (2010). *About the Republic of Tea*. Retrieved from <http://the.republicoftea.com/about/>

<sup>59</sup> The Republic of Tea. (2010). *Bestsellers*. Retrieved from <http://www.republicoftea.com/bestsellers/c/2/>

almonds, cardamom, cinnamon, and spicy ginger. Red chai is another invention of the Republic and consists of a blend of the herb rooibos, black pepper, cardamom, cinnamon, cloves, coriander, fennel, ginger, orange, pimiento, and star anise.<sup>60</sup> Red chai is more of a spiced drink than green chai, which has a sweeter flavor; however, both varieties represent significant distinctions from traditional masala chai.

Like Oregon Chai, the varieties which the Republic offers have been adapted to appease the typical American palate, but in contrast to Oregon Chai, the company only uses Assam and Darjeeling tea leaves from Northern India combined with spices from around the world.<sup>61</sup> Despite its efforts to remain authentic, the company also sells a “chai latte whip” online to allow consumers to froth the perfect chai tea latte at home.<sup>62</sup> This product offering is yet another example of how the company attempts to appease the tastes and preferences of American consumers.

The Republic of Tea packets its chai in colorful tins with labels displaying creative subnames for the products. The Republic Chai is the “Traveler’s Tea,” the Green Chai is the “Merchant’s Tea,” and the Red Chai is the “Emperor’s Rooibos Herb Tea.”<sup>63</sup> The brand is distributed in gourmet food stores, coffee houses, and grocery stores, but the greatest jump in sales occurred after Barnes and Noble agreed to stock the Republic’s product line in its store cafes. By 2000, annual sales were more than \$10 million, a little under the sales of Oregon Chai.<sup>64</sup>

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<sup>60</sup> The Republic of Tea. (2010). *Chai Tea*. Retrieved from <http://www.republicoftea.com/chai-tea/c/10/>

<sup>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> The Republic of Tea. (2010). *Chai Tea*. Retrieved from <http://www.republicoftea.com/chai-tea/c/10/>

<sup>64</sup> Gale Group. (2010). *Republic of Tea Inc.* [company profile]. Retrieved from the Business and Company Resource Center database.

## *Tazo Tea*

It seems that the U.S.'s top tea manufacturers might need a lesson in humility, as even Tazo Tea Co. promises to bring the consumer "a tea unlike any you may have tasted before."<sup>65</sup> The company, founded in 1994, is credited with encouraging avid tea drinkers to switch consumption from Lipton tea bags to specialty brands such as Tazo. Tazo Tea's main distribution channel is Starbucks stores, due to the fact that Starbucks bought the company in 1999.<sup>66</sup> The acquisition of Tazo worried loyal Tazo customers who had substituted the tea for traditional Lipton tea bags and feared that the tea would lose its unique flavor and authentic appeal. Despite these fears, the acquisition by Starbucks has increased consumption of tea and consumer awareness of chai. In 2004, Tazo signed an exclusive deal with Kraft Foods Global Inc. to distribute Tazo in thousands of grocery stores nationwide. Kraft is currently the distributor of Starbucks products in more than 20,000 grocery stores.<sup>67</sup>

Tazo's popular chai products come in various formats, including full-leaf, filterbag, and tea latte. The company offers a decaffeinated variety of filterbag along with decaffeinated and organic chai tea lattes. Tazo only uses CTC tea from northern India (CTC signifies machine-processed tea leaves that are crushed, torn, and curled to make small pellets of tea powder).<sup>68</sup> The organic tea for the chai latte in particular is grown in the Assam Valley of Northern India. Although the black tea itself comes from India, the spices in Tazo's chai, including cardamom, ginger, cinnamon, ginger root, black pepper, cloves, star anise are sourced primarily from

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<sup>65</sup> Tazo Tea. (2010). *History and Mission*. Retrieved from <http://www.tazo.com/tazo.asp?init=>

<sup>66</sup> Read, Richard. (2009). "Starbucks may move Portland's Tazo Tea to Seattle." *The America's Intelligence Wire*. Retrieved from the Business and Company Resource Center database.

<sup>67</sup> Rivera, Dylan. (2004). "Portland, Ore.-Based Tazo Tea Makes Distribution Deal with Kraft." *The Oregonian*. Retrieved from the Business and Company Resource Center database.

<sup>68</sup> Damaghi, Dahlia. (2002). "The Changing World of Chai." *Tea and Coffee Trade Journal*. Retrieved from <http://www.teaandcoffee.net/0902/special.htm>

China.<sup>69</sup> Although Tazo attempts to offer “a true masala chai in the style of the chai wallahs of India,” the inclusion of artificial flavors in the chai mixes detracts from this goal and appeals to the tastes of American consumers.<sup>70</sup> Tazo Tea is not fair-trade certified, but along with The Republic of Tea, the company is a member of the Ethical Tea Partnership, which aims to confirm that the tea manufactured by these companies was produced under socially and environmentally friendly conditions.<sup>71</sup>

### **Tata Tea's Competitive Advantage**

The products of the major U.S. manufacturers of chai offer U.S. consumers great variety, appealing to typical American tastes. Awareness of chai tea has increased exponentially as a result of these various product offerings and sales have skyrocketed as chai has become a household name. Nevertheless, one question arises from the success of these products: will chai be recognizable if U.S. producers continue to add new flavors? Given that “chai” is just a generic term for tea in Hindi, Punjabi, Malayalam and other Indian languages, the product is open to a bit of interpretation and adaptation.<sup>72</sup> Yet, American consumers' perception of chai is so far removed from the original masala chai that few native Indians would even call it “chai.”

Tata's advantage is that it is an Indian company. Unlike Oregon Chai or Tazo, Tata Tea Limited wasn't started by an American who visited India and got inspired; it was started by Indians. Because of its many different subsidiaries, Tata Group as a whole symbolizes the Indian business landscape. The authenticity that American brands such as Tazo and Oregon Chai claim would amount to nothing if Tata Tea dared to do the same. In fact, there is no major Indian

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<sup>69</sup> Tazo Tea. (2010). *Organic Tazo Chai*. Retrieved from <http://www.tazo.com/tazo.asp?init=>

<sup>70</sup> Ibid.

<sup>71</sup> Tazo Tea. (2010). *Social Responsibility*. Retrieved from <http://www.tazo.com/tazo.asp?init=>

<sup>72</sup> Damaghi, Dahlia. (2002). “The Changing World of Chai.” *Tea and Coffee Trade Journal*. Retrieved from <http://www.teaandcoffee.net/0902/special.htm>

company in the U.S. which currently markets itself on the national origin of the brand, despite the increasing number of Indian companies acquiring American companies.<sup>73</sup>

Slowly, Indian companies are realizing the high brand value associated with Indian quality in certain industries. One Indian diamond company is looking to take advantage of its strong Indian brand value by acquiring a chain of 100 U.S. jewelry stores.<sup>74</sup> India is known for cutting, polishing, and manufacturing high-quality diamonds which are then sold to global retail outlets. Indian companies looking to design jewelry in the U.S. have typically stayed in the background, and not acknowledged the brand value of their national origin. However, this Indian company entering the market plans to place its name and origin in the forefront. As competition in an industry increases and intensifies, one way to move up the value chain is by differentiating the product. This Indian diamond company is doing just that.<sup>75</sup>

Tata Tea has the opportunity to differentiate itself through its American product, marketing, and distribution.

### *Product*

Some of the current U.S. chai producers use black tea from India, along with various spices from around the world. Tata Tea owns 39,000 acres of land in North and South India for tea cultivation alone.<sup>76</sup> Tata owns additional land to grow a wide variety of spices, some of which are used in the preparation of chai. Their whole spice products include black pepper,

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<sup>73</sup> Knowledge @ Wharton. (2006). *Indian Companies Are on an Acquisition Spree: Their Target? U.S. Firms*. Retrieved from <http://knowledge.wharton.upenn.edu/article.cfm?articleid=1627>

<sup>74</sup> Ibid.

<sup>75</sup> Ibid.

<sup>76</sup> Tata Tea Limited. (2002). *Company Profile*. Retrieved from [http://www.tatatea.com/comp\\_profile.htm#top](http://www.tatatea.com/comp_profile.htm#top)

cardamom, coriander, ginger, and nutmeg, along with a variety of spice powders.<sup>77</sup> In India, Tata Tea is well-known for its high-quality spices as well as tea.

Tata Tea is a major exporter of spices throughout the world, but not to the U.S. Tata Tea could export these spices to its acquired companies in the U.S., and those spices could be incorporated into these companies' products. Currently, the black tea and spices for Good Earth's chai products does not come exclusively from India, but also from China, Indonesia, Sri Lanka and others.<sup>78</sup> With the inclusion of Indian spices, Good Earth Teas can focus on marketing authentic Indian chai. Good Earth's strategy of distributing products made with black tea and spices from India would make other "authentic" U.S. chai products inferior in quality comparison.

For example, the varieties of chai produced by Good Earth Teas would include cardamom and ginger imported from India, rather than ginger from China and cardamom from Guatemala. The variety of chai flavors offered by Tata acquisitions should be extensive, but maintain the integrity of chai by using black tea leaves from Tata's plantations in Assam and Munnar, Kerala. Good Earth Teas already offers a wide range of chai products including decaf, vanilla, decaffeinated vanilla, cocoa, and organic chai tea.<sup>79</sup> The different flavors of chai should be maintained because a variety of flavors will attract new customers with various preferences looking to try chai. Flavor offerings will continue to attract new subgroups of chai drinkers. For example, some cafes offer a sort of "chai milkshake," a thicker, creamier, and sweeter version of

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<sup>77</sup> Tata Tea Limited. (2002). *Spices*. Retrieved from [http://www.tatatea.com/pro\\_spices.htm](http://www.tatatea.com/pro_spices.htm)

<sup>78</sup> Good Earth Teas. (2010). *Tea Tips: FAQ*. Retrieved from <http://www.goodearthteas.com/faq.html>

<sup>79</sup> Good Earth Teas. (2010). *Our Products: Chai Teas*. Retrieved from <http://www.goodearthteas.com/chai-teas.html>

chai that is more attractive to young American consumers who might not be so health-conscious.<sup>80</sup>

### *Distribution*

Tata Tea's current distribution strategy in the U.S. market is to follow the distribution channels previously established by each of its acquisitions. Prior to its acquisition by Tata Tea, Good Earth was sold mainly in gourmet shops and a few mainstream retail outlets on the West Coast. Now Good Earth is sold in many mainstream retail outlets nationwide, such as Giant Food Stores, Wal-Mart, and Super Fresh.<sup>81</sup> The expanded distribution of this acquired company is very impressive, and Tata should continue to increase the number of channels.

Yet if Tata does consider altering the composition of its products, the products might perform better through distribution in gourmet cafes and retail outlets first. The addition of authentic Indian spices to the product would change the flavor of the chai, and American consumers would be unaccustomed to it. By introducing the product primarily in smaller outlets, Tata could gauge consumer response to the new taste. American consumer tastes are ever-changing, as demonstrated by the growing popularity of ethnic/exotic food and beverages.<sup>82</sup> They crave more authentic and original ethnic food like spicy Indian curry and will hopefully respond to authentic masala chai in the same way.

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<sup>80</sup> Damaghi, Dahlia. (2002). "The Changing World of Chai." *Tea and Coffee Trade Journal*. Retrieved from <http://www.teaandcoffee.net/0902/special.htm>

<sup>81</sup> Good Earth Teas. (2010). *Where to Buy*. Retrieved from <http://www.goodearthteas.com/where-to-buy.html>

<sup>82</sup> MarketResearch.com Academic. (2003). *The U.S. Market for Ethnic Foods, Volumes 1-3*. New York: Packaged Facts. (accessed March 29, 2010).

Another reason to introduce authentic masala chai in gourmet and specialty outlets first is because of chai's status as a designer drink in the U.S.<sup>83</sup> In cafes and coffeehouses nationwide, the price of chai is more comparable to the price of a specialty latte or frappuchino rather than that of a regular coffee or basic latte. It is ironic that one of the most common drinks in India, a nation stricken with poverty, is seen as a luxury drink in the comparatively wealthy U.S. Keeping distribution of authentic masala chai restricted to selected gourmet outlets will help chai maintain its high American status. American consumers will eventually learn that they can alter Indian spiced chai to adapt to their own tastes. For example, health conscious consumers can substitute soy milk for whole milk when preparing their chai.

There are hundreds of Indian eateries nationwide, and these are another possible distribution channel for Tata Tea. Consumers who are patrons of these restaurants come from all nationalities and have already developed a taste for Indian food or are curious about it. These consumers are perfect targets for testing the taste for Indian-spiced masala chai among American consumers.

### *Marketing*

Marketing will be crucial in Tata Tea's efforts to gain greater market share in the U.S. In order to capitalize on its brand value based on national origin, Tata Tea must clarify the connection between Tata Tea and the current and future brands it acquires. American consumers should be made aware of Tata Tea's number one status in India, and that brands like Tetley and Good Earth are managed by this reputable Indian company. Instead of stating "A Subsidiary of Tata Tea Limited" on the side of every box, Tetley can display this more prominently. Marketing

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<sup>83</sup> Damaghi, Dahlia. (2002). "The Changing World of Chai." *Tea and Coffee Trade Journal*. Retrieved from <http://www.teaandcoffee.net/0902/special.htm>

geared towards the quality-seeking tea drinker should be pursued, such as radio commercials during rush hour. (Indians usually drink chai after they return from work in the evening). Another option is marketing the product in finer restaurants and specialty grocery stores through the use of innovative shelf displays in order to attract the consumer who is not very price-conscious.

The bottom line is that Tata Tea can gain a larger market share in the U.S. chai and tea markets by maintaining chai's original integrity and marketing their efforts to produce authentic chai. The key is to produce chai in formats that Americans are used to but to use real quality inputs sourced from India, the birthplace of masala chai tea.

## Conclusion

Tata Tea Limited's expansion through acquisition strategy has worked in the past with much success. Tata should continue to execute this profitable strategy, but with increasing competition in the U.S. tea markets, Tata Tea must differentiate its product. Tata Tea can work with its present and future acquired American companies to develop products that contain authentic Indian tea and spices yet contain flavors that appease the palate of the typical American consumer. Through the growing popularity of tea, and especially chai, in the U.S, Tata Tea can capitalize on its experience growing, manufacturing, distributing, and marketing high quality tea to gain market share worldwide.

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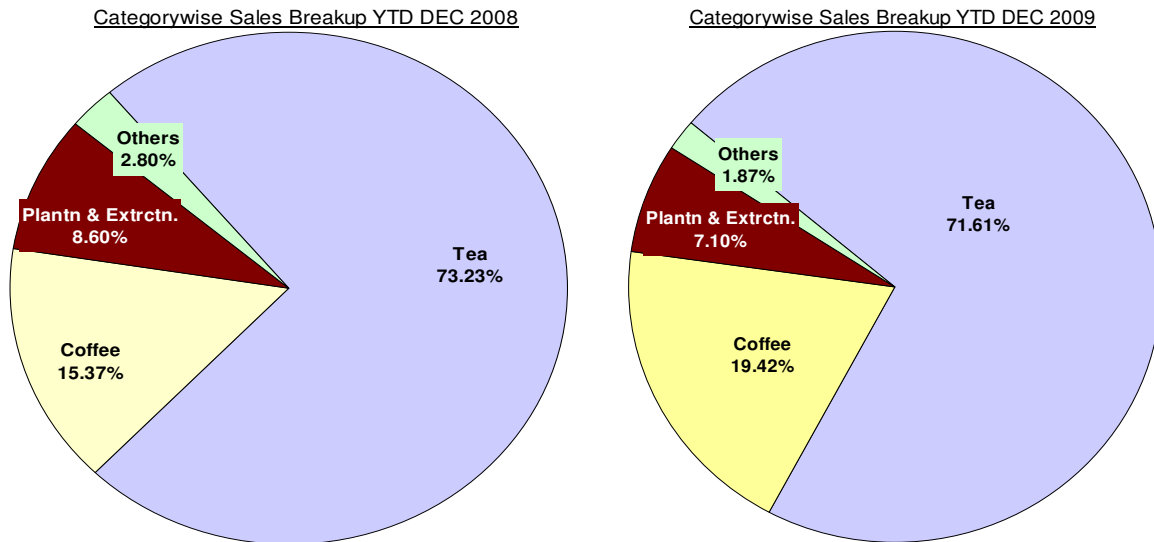
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## Appendix

### Exhibit 1

#### Group Sales— Category-Wise



Tata Beverage Group. (2009). *Analyst Presentation*. Retrieved from <http://www.tatatea.com/ANALYST%20PRESENTATION%20TATA%20BEVERAGE%20GROUP%20Q3%20200910.ppt>

### Exhibit 2

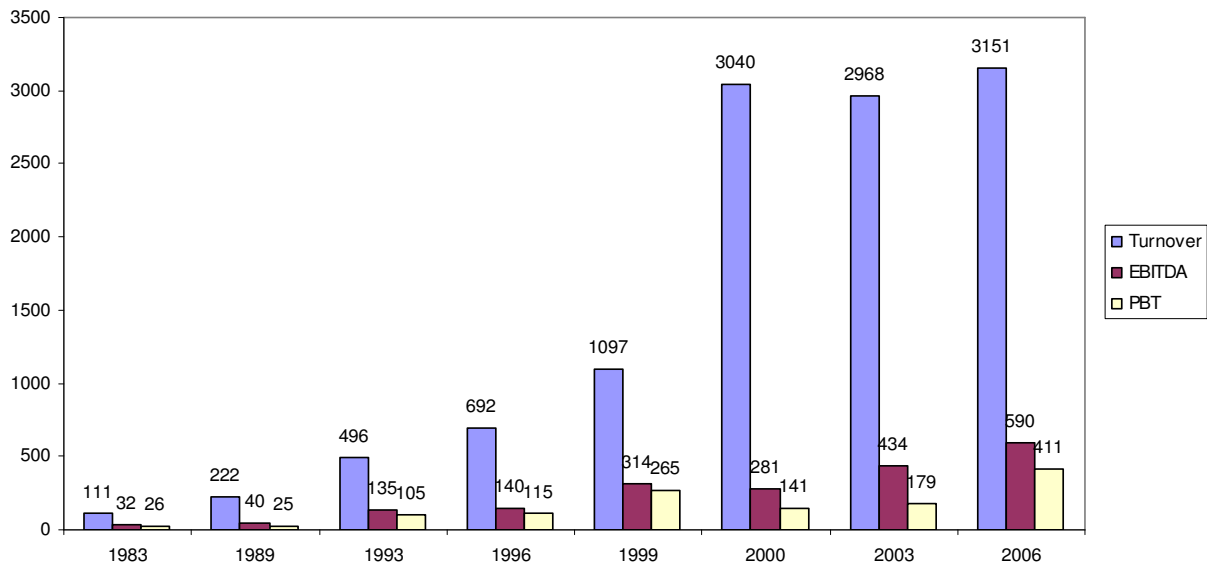
#### Acquisition of Good Earth (2006 data)

	Book value	Fair value adjustments	Fair value
	£m	£m	£m
Fixed Assets	1.7	—	1.7
Stock	1.2	(0.2)	1.0
Debtors	1.4	(0.4)	1.0
Cash	—	—	—
Creditors	(1.5)	(0.1)	(1.6)
Long term borrowings	(2.6)	—	(2.6)
Deferred tax	(0.3)	0.3	—
Net liabilities acquired	(0.1)	(0.4)	(0.5)
Goodwill			17.7
Cost of acquisition			17.2
Satisfied by: Cash			15.7
Acquisition costs			1.5
<b>Total consideration</b>			<b>17.2</b>

Tata Tea Limited. (2006). *Forty-third Annual Report 2005-2006*. Retrieved from <http://www.tatatea.com/TATA%20Tea%20Limited%20Annual%20Report%202005-06.pdf>

### Exhibit 3

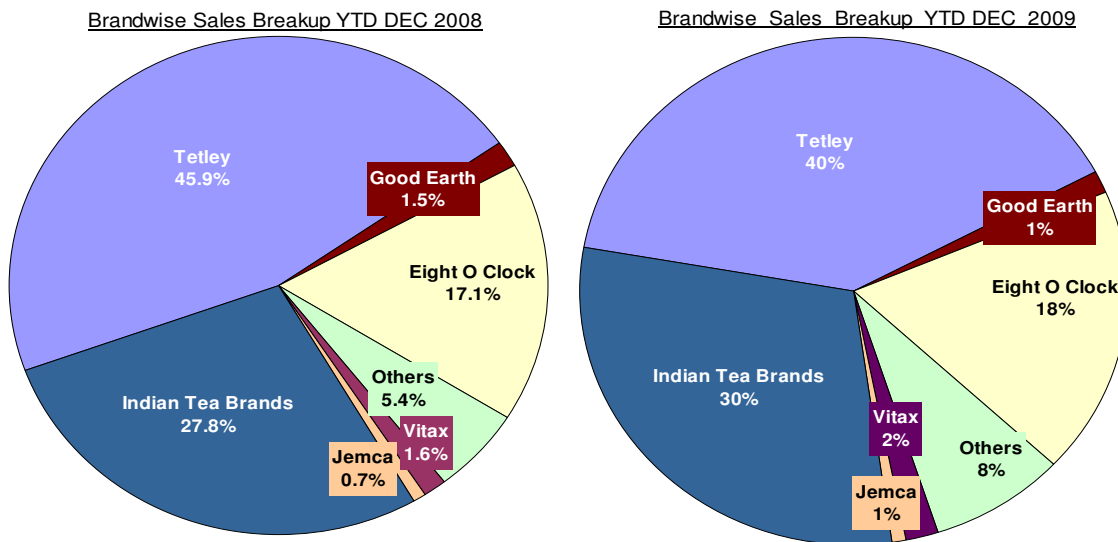
#### Tata Tea Consolidated Growth



Tata Tea Limited. (2006). *Analyst Presentation*. Retrieved from [www.tatatea.com/AnalystPrez01Sep1100.ppt](http://www.tatatea.com/AnalystPrez01Sep1100.ppt)

### Exhibit 4

#### Group Sales— Brand-wise



Tata Beverage Group. (2009). *Analyst Presentation*. Retrieved from <http://www.tatatea.com/ANALYST%20PRESENTATION%20TATA%20BEVERAGE%20GROUP%20Q3%20200910.ppt>

## Exhibit 5

### Continuing Operations by Region (2006)

Period ended 1 April 2006 :

	Turnover by origin £m	Turnover by destination £m
<i>Continuing Operations</i>		
United Kingdom	157.8	127.9
USA*	18.4	21.6
Rest of the World	31.4	58.1
<b>Total Group</b>	<b>207.6</b>	<b>207.6</b>

Period ended 2 April 2005 :

	Turnover by origin £m	Turnover by destination £m
<i>Continuing Operations</i>		
United Kingdom	153.1	125.5
USA	15.4	15.7
Rest of the World	24.5	51.8
<b>Total Group</b>	<b>193.0</b>	<b>193.0</b>

The United Kingdom's turnover by origin is shown after deducting inter-segmental turnover to the Rest of the World of £17.7m (2005: £16.4m).

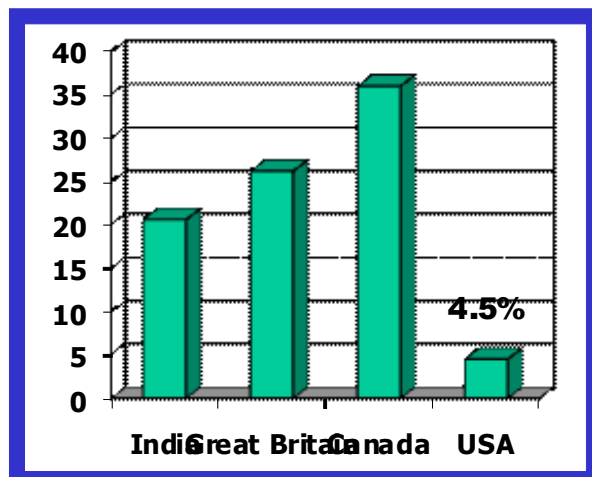
\* Included in the current year figures for the year 2005/06 are the Good Earth sales of £3.8m.

The directors consider the segmental analysis for operating net assets by location and profit on ordinary activities before tax is commercially sensitive information. The disclosure has been excluded from the financial statements on this basis.

Tata Tea Limited. (2006). *Forty-third Annual Report 2005-2006*. Retrieved from <http://www.tatatea.com/TATA%20Tea%20Limited%20Annual%20Report%202005-06.pdf>

## Exhibit 6

### 2006 Branded Tea MAT Value Market Shares— Key Markets



Tata Tea Limited. (2006). *Annual General Meeting*. Retrieved from [www.tatatea.com/AGM06.ppt](http://www.tatatea.com/AGM06.ppt)

**Exhibit 7:** Tata Tea Limited. (2007). *Annual General Meeting*. Retrieved from [www.tatatea.com/AGM07.ppt](http://www.tatatea.com/AGM07.ppt)

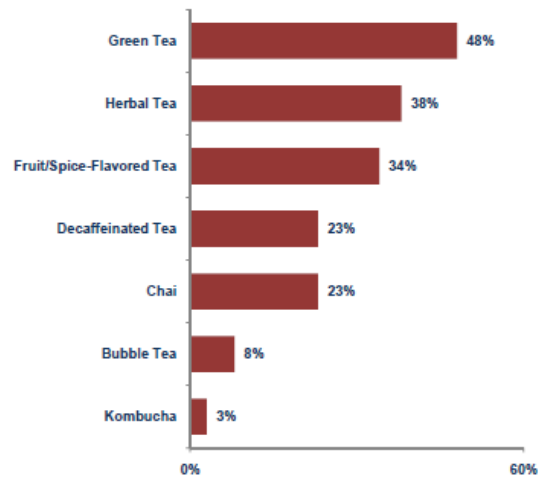
## Exhibit 7

### 2007 The Tetley Group: Branded Market Shares (12 Months MAT)

Geography	Volume %		Value %	
	Mar '07	Change	Mar '07	Change
GB	29.3	+1.0	27.1	-0.1
Australia	19.8	+0.3	13.9	-1.1
Canada	40.7	+1.4	36.7	+0.7
France	10.6	-0.1	9.8	-0.2
USA	9.4	-0.3	6.5	-0.1

## Exhibit 8

Tea Drinker Purchasing Patterns: Retail or Restaurant Purchasing Patterns for Selected Specialty Tea Products, February 2009 (percent)



Source: Packaged Facts online survey, February 2009 (2,600 U.S. adults, including 1,997 tea drinkers).

MarketResearch.com Academic. (2009). *Tea and Ready-to-Drink (RTD) Tea in the U.S.: Retail, Foodservice and Consumer Trends*. Rockville, MD: Packaged Facts. (accessed March 29, 2010).

## Exhibit 9

U.S. Per Capita Consumption of Tea vs. Coffee: 1998-2007 (in gallons)

Year	Tea	% Change	Coffee	% Change
2007 .....	8.4	0.1%	24.6	0.6%
2006 .....	8.4	5.4	24.4	0.6
2005 .....	8.0	0.1	24.3	-1.7
2004 .....	8.0	6.5	24.7	1.6
2003 .....	7.5	-4.0	24.3	2.6
2002 .....	7.8	-4.7	23.6	-2.3
2001 .....	8.2	4.1	24.2	-7.9
2000 .....	7.8	-4.9	26.3	4.6
1999 .....	8.2	-0.2	25.1	5.3
1998 .....	8.3	--	23.9	--

Source: United States Department of Agriculture, Economic Research Service

MarketResearch.com Academic. (2009). *Tea and Ready-to-Drink (RTD) Tea in the U.S.: Retail, Foodservice and Consumer Trends*. Rockville, MD: Packaged Facts. (accessed March 29, 2010).

## Tata Tea Limited

## Balance Sheet as at 31st March, 2009

	Schedule	2009	Rs. in Lakhs 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	6183.99	6183.99
Reserves and Surplus	2	173747.55	174220.67
		179931.54	180404.66
<b>Loan Funds</b>			
Secured Loans	3	44536.03	54250.51
Unsecured Loans	4	30964.29	21500.00
		75500.32	75750.51
<b>Deferred Tax Liability (Net)</b> (Refer Schedule 22, Note 7)		380.00	782.65
<b>TOTAL</b>		<b>255811.86</b>	<b>256937.82</b>
<b>APPLICATIONS OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	19237.48	18075.78
Less : Depreciation		9531.72	8723.91
Net Block		9705.76	9351.87
Add : Capital Work-in-progress		689.84	457.19
		10395.60	9809.06
<b>Investments</b>	6	<b>207367.43</b>	<b>219377.31</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	29110.31	19583.10
Sundry Debtors	8	9184.44	6349.90
Cash & Bank Balances	9	4564.95	1403.58
Other Current Assets	10	30618.78	39513.77
Loans and Advances	11	9797.81	13268.79
		83276.29	80119.14
Less : Current Liabilities & Provisions			
Liabilities	12	31056.42	26186.15
Provisions	13	14930.57	27819.11
		45986.99	54005.26
<b>Net Current Assets</b>		<b>37289.30</b>	<b>26113.88</b>
<b>Miscellaneous Expenditure to the extent not written off or adjusted</b>	14	<b>759.53</b>	<b>1637.57</b>
<b>TOTAL</b>		<b>255811.86</b>	<b>256937.82</b>
<b>Notes on Accounts</b>	22		

The Schedules referred to above form an integral part of Balance Sheet.

This is the Balance Sheet referred to in our Report of even date

For **N M Rajji & Co.**  
Chartered Accountants**J. M. Gandhi**  
Membership No. 37924  
Partner

Mumbai, June 10, 2009

For **Lovelock & Lewes**  
Chartered Accountants**Partha Mitra**  
Membership No. 50553  
PartnerFor **R.N. Tata**  
Chairman**R.K. Krishna Kumar**  
Vice ChairmanFor **Y.H. Malegam**  
D.B. Engineer**U.M. Rao**  
A.R. Gandhi**J.S. Bilimoria****V. Leeladhar****P.D. Unsworth**  
DirectorsFor **P.T. Siganporia**  
Managing Director**Ms. Sangeeta Talwar**  
Wholetime Director**D.K. Sen**

Vice President &amp;

Secretary

### Profit and Loss Account for the year ended 31st March, 2009

	Schedule	2009	Rs. in Lakhs 2008
<b>INCOME</b>			
Sales and Services		136152.85	113470.20
Net of Excise Duty Rs. 18.89 Lakhs (Rs. 16.69 Lakhs)			
(Refer Schedule 22, Note 16)			
Other Income	15	1771.78	1872.65
Investment Income	16	14539.02	10986.38
		152463.65	126329.23
<b>EXPENDITURE</b>			
Purchases		447.93	2648.50
Raw Materials Consumed	17	78598.79	54924.75
Expenses	18	45494.08	38300.35
Depreciation		1064.92	1016.56
(Accretion)/Decretion to Stock	19	(1867.20)	1838.69
		123738.52	98728.85
		28725.13	27600.38
		(4859.73)	(4635.35)
Interest (net)		23865.40	22965.03
Profit before Exceptional Items		(959.25)	15620.53
Exceptional Income/(Expenditure)	20	22906.15	38585.56
Profit before Taxation		7000.00	7300.00
Provision for Taxation	21	15906.15	31285.56
Profit after Taxation		17024.83	15061.61
Balance brought forward		32930.98	46347.17
<b>APPROPRIATIONS</b>			
Proposed Dividend		10821.97	21643.95
Provision for Tax on Dividend (Net)		1711.47	3678.39
(Refer Schedule 22, Note 12)			
Transfer to Debenture Redemption Reserve		3000.00	-
Transfer to General Reserve		1591.00	4000.00
		17124.44	29322.34
Balance carried forward		15806.54	17024.83
<b>Basic &amp; Diluted Earnings per Share (Rs.)</b>		25.72	50.79
Nominal Value Rs. 10 each			
(Refer Schedule 22, Note 13)			

#### Notes on Accounts

22

The Schedules referred to above form an integral part of Profit & Loss Account

This is the Profit and Loss Account referred to in our Report of even date

For **N M Rajji & Co.**  
Chartered Accountants

**J. M. Gandhi**  
Membership No. 37924  
Partner

Mumbai, June 10, 2009

For **Lovelock & Lewes**  
Chartered Accountants

**Partha Mitra**  
Membership No. 50553  
Partner

**R.N. Tata**  
Chairman

**R.K. Krishna Kumar**  
Vice Chairman

**Y.H. Malegam**  
D.B. Engineer

**U.M. Rao**  
**A.R. Gandhi**  
**J.S. Bilimoria**  
**V. Leeladhar**  
**P.D. Unsworth**  
Directors

**P.T. Siganporia**  
Managing Director

**Ms. Sangeeta Talwar**  
Wholtime Director

**D.K. Sen**  
Vice President &  
Secretary

### Cash Flow Statement for the year ended 31st March, 2009

	Year ended 31st March, 2009	Rs. in Lakhs Year ended 31st March, 2008
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax	22906.15	38585.56
Adjusted for :		
Depreciation	1064.92	1016.56
Investment Income	(14360.97)	(10360.32)
Unrealised Exchange Loss	335.93	85.49
Interest Expense	8162.73	6567.55
Interest Income	(3303.00)	(1932.20)
Profit on sale of current Investments (net)	(178.05)	(626.06)
Provision for Doubtful Debts and Advances	14.43	15.73
Liabilities no longer required written back	(1023.19)	(394.19)
Debts and Advances written off	12.93	79.79
Provision for Doubtful Debts/Advances no longer required written back	(0.97)	(121.54)
Loss on sale/discard of Fixed Assets (net)	32.14	14.59
Profit on sale of North Indian Plantation Division	-	(16169.40)
Profit on sale of assets of South India operations	-	(329.17)
Expenses on new business initiatives	594.93	-
Amortisation of Expenditure on Employee Separation Schemes	878.04	878.04
Profit on Sale of long term trade Investments	(513.72)	-
	(8283.85)	(21275.13)
Operating Profit before working capital changes	14622.30	17310.43
Adjustments for :		
Trade and other receivables	1980.54	(4237.25)
Inventories	(9527.21)	(2131.72)
Trade Payables	1136.78	3782.57
	(6409.89)	(2586.40)
Cash generated from Operations	8212.41	14724.03
Direct Taxes paid	(7630.01)	(5913.82)
<b>Net Cash from/(used in) Operating Activities</b>	582.40	8810.21
<b>B. Cash Flow from Investing Activities</b>		
Cost arising out of transfer of North India Plantation Division	-	(336.96)
Purchase of Fixed Assets	(1710.69)	(1560.63)
Sale of Fixed Assets	27.09	524.41
Purchase of Long Term Investments	(489.05)	(13.35)
Sale of Long Term Investments	9086.58	0.50
Expenses on new business initiatives	(594.93)	-
Investments in Subsidiaries	(1720.48)	(16530.76)
Sale of Current Investments (net)	12524.60	2384.17
Investment Income (Note 2)	15461.94	9431.80
Interest received	4397.02	598.78
Inter Corporate Deposits & Loans refunded	-	95.50
<b>Net Cash from/(used in) Investing Activities</b>	36982.08	(5406.54)

## Tata Tea Limited

## Cash Flow Statement for the year ended 31st March, 2009

	Year ended 31st March, 2009	Rs. in Lakhs Year ended 31st March, 2008
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issuance of Shares on Preferential Basis	-	18229.88
Proceeds from Long Term Borrowings	-	32500.00
Debtenture Issue Cost	-	(98.86)
Proceeds from issue of Commercial Paper	52140.40	-
Redemption of Commercial Papers	(39100.00)	-
Repayment of Short Term Loans/Bridge Loan taken from banks	(22000.00)	(55000.00)
Repayment of Long Term Borrowings	(5142.85)	(11025.49)
Working Capital Facilities (net)	(8516.09)	11193.60
Availment of Short Term Loan	20000.00	17000.00
Dividend paid	(21570.72)	(9253.76)
Dividend Tax paid	(3550.67)	(1576.45)
Interest paid	(6671.65)	(6100.34)
Net Cash from/(used in) Financing Activities	(34411.58)	(4131.42)
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>3152.90</b>	<b>(727.75)</b>
<b>D. Cash and Cash Equivalents</b>		
Opening Balance	1403.58	2153.12
Cash balance transferred on transfer of NIPD	-	(23.57)
Effect of exchange rate changes	8.47	1.78
<b>Closing Balance</b>	<b>4564.95</b>	<b>1403.58</b>

## Notes:

1. The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard on 'Cash Flow Statements (AS-3)' issued by Companies (Accounting Standards) Rules, 2006.
2. Investment Income includes Dividend Income **Rs. 13596.62 Lakhs** (Rs. 8618.13 Lakhs) and Interest Income **Rs. 1865.32 Lakhs** (Rs. 813.67 Lakhs).
3. During the year **Rs. 6700 Lakhs** Preference shares were issued by Amalgamated Plantations Private Limited in partial discharge of purchase consideration without payment being made in cash and hence not considered in Cash Flow Statement.
4. Previous year's figures have been rearranged/regrouped wherever necessary.

This is the Cash Flow Statement referred to in our Report of even date

For **N M Rajji & Co.**  
Chartered Accountants

For **Lovelock & Lewes**  
Chartered Accountants

**R.N. Tata**  
Chairman

**Y.H. Malegam**  
D.B. Engineer

**P.T. Siganporia**  
Managing Director

**J. M. Gandhi**  
Membership No. 37924  
Partner

**Partha Mitra**  
Membership No. 50553  
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**R.K. Krishna Kumar**  
Vice Chairman

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**A.R. Gandhi**  
**J.S. Bilimoria**  
**V. Leeladhar**  
**P.D. Unsworth**  
Directors

**Ms. Sangeeta Talwar**  
Wholtime Director  
**D.K. Sen**  
Vice President &  
Secretary

Mumbai, June 10, 2009

## Financial Highlights

	Rs. In Lakhs									
	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Total Income	152464	126329	114611	104017	95024	83845	80684	81606	89116	97449
Profit before Tax	22906	38586	34977	23052	16215	12023	10010	8581	12761	16507
Tax	7000	7300	4320	4359	3323	2870	2950	1385	2740	4050
Profit after Tax	15906	31286	30657	18693	12892	9153	7060	7196	10021	12457
Dividend payout	12533@	25322@	10852@	7693@	6410@	5403@	4439@	3935	5576@	5502
Equity Capital	6184	6184	5903	5622	5622	5622	5622	5622	5622	5622
Share Warrants	-	-	2183	-	-	-	-	-	-	-
Reserves & Surplus	173748	174221	148469	110505##	99275	91903\$	92241	91177#	84076	79588
Shareholders' Funds	179932	180405	156555	116127	104897	97525	97863	96799	89698	85210
Borrowings	75500	75751	79700	24136	19137	19736	22539	21424	23903	26975
Capital Employed	255432	256156	236255	140263	124035	117261	120401	118222	113601	112185
Net Block	10396	9810	24658	25031	30269	31288	33263	34081	33322	31373
Contribution to Exchequer	8045	8270	5358	5654	5719	4456	3833	3498	4762	6130
Payments relating to Employees	9175	7183	17915	17631	21892	21694	23368	24360	23199	20953
No. of Employees	2422	2510	34506	34596	51929	55665	56099	57736	58888	59740
Book value per Share (Rs.) *	287.43	288.19	261.51	202.67	182.69	169.58	170.18	168.29	155.66	147.68
Earnings per Share (Rs.)	25.72	50.79**	53.56**	33.25	22.93	16.28	12.56	12.80	17.82	25.38**
Dividend per Share (Rs.)	17.50	35.00&	15.00	12.00	10.00	8.50	7.00	7.00	9.00	10.10
Total Debt to Equity *	0.42	0.43	0.52	0.21	0.19	0.21	0.24	0.23	0.27	0.32

## Consolidated Financial Highlights

Total Income	490730	437957	410323	315112	307673	309948	296778^	307133
Profit before Tax	125631	205928	56561	41840	31372	28771	17891^	12665
Net Profit	70055	154255	44335	29915	21547	19643	8254^	9867
Book value per Share (Rs.) *	580.94	557.34	359.96	275.27	266.26	234.97	207.20	188.28
Basic Earnings per Share (Rs.)	113.28	250.41**	77.46**	53.21	38.33	34.95	14.68^	17.55
Total Debt to Equity *	0.53	0.59	1.67	1.03	1.02	1.28	1.42	1.53

@ Includes Tax On Dividend.

& Includes one time special dividend of Rs. 20 per share.

\* Computation excludes Revaluation Reserves.

\*\* On the average Share capital for the year/period.

# After deduction of Rs. 3434 Lakhs being the deferred tax liability of previous years, and inclusive of Rs. 7276.07 Lakhs credited pursuant to a scheme of amalgamation.

## Inclusive of Rs. 288.47 Lakhs credited pursuant to a scheme of amalgamation.

\$ After deduction of Rs. 4100 Lakhs of Miscellaneous Expenditure to the extent not written off or adjusted, pursuant to the order of the Hon'ble High Court of Kolkata.

^ As the accounting period of Tata Tea GB Ltd., UK based subsidiary, was for a period of thirteen months, figures have been restated for a twelve month period.

Tata Tea Limited. (2009). *Forty-sixth Annual Report 2008-2009*. Retrieved from  
[http://www.tatatea.com/tatatea\\_annual\\_report\\_08\\_09.pdf](http://www.tatatea.com/tatatea_annual_report_08_09.pdf).

