

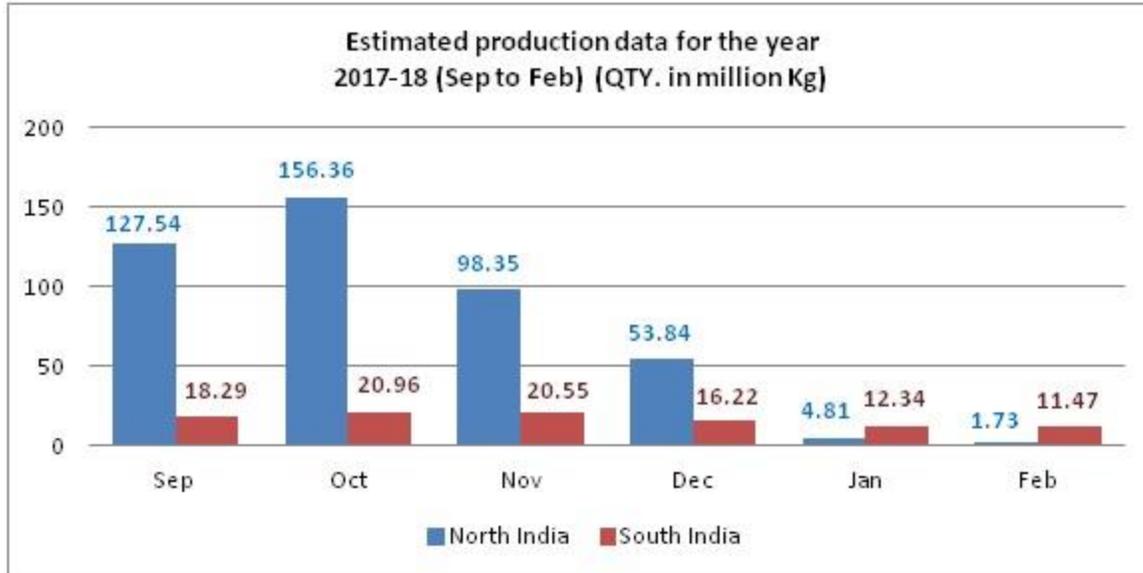
Tea and coffee is among leading hot beverages available in India. The changing consumer preferences over the period has brought considerable changes in the way it is been consumed. Tea is globally one of the most popular and cheapest beverages grown in more than 35 countries but only top seven countries including India contributes 90% of the total world tea production. The tea industry is one of the oldest organized industries in India with a large network of tea producers, retailers, distributors, auctioneers, exporters and packers. Indian tea industry is among the finest in the world owing to strong geographical indications, continuous innovation, strategic market expansion, augmented product mix and due to heavy investments in tea processing units. The main tea-growing regions are in Northeast India including Assam and in North Bengal. Tea is also grown on a large scale in the Nilgiris in South India. Coffee is a versatile beverage and has transcended beyond levels in last few years. In India, coffee is traditionally grown in the Western Ghats spread over Karnataka, Kerala and Tamil Nadu. There are about 250,000 coffee growers in the country; 98% of them are small growers.

Tea

India is one of the world's largest consumers of tea with about three-fourths of the country's total produce consumed locally. The market is huge with large number of local and regional players. In India, tea is consumed in two forms - packaged (branded) or loose. The country is home to a wide variety of teas, including Crush, Tear, Curl (CTC) tea; orthodox tea; green tea and organic tea. India has a manufacturing base for both CTC and orthodox tea, in addition to green tea. India offers high-quality specialty teas, such as Darjeeling, Assam Orthodox and the high-range Nilgiri, which have a distinctive aroma, strength, colour and flavor. Presently, per-capita tea consumption in the country is around 650 grams and it is growing at an annual rate of 3%. The labour cost constitutes around 65% of total production cost and consists of cash wage as well as non cash components like health, shelter, power, water, subsidized food etc. However, shortage of workers is posing a major problem in many of the gardens now and it is increasing as the new generations have started preferring urban jobs over traditional tea plucking.

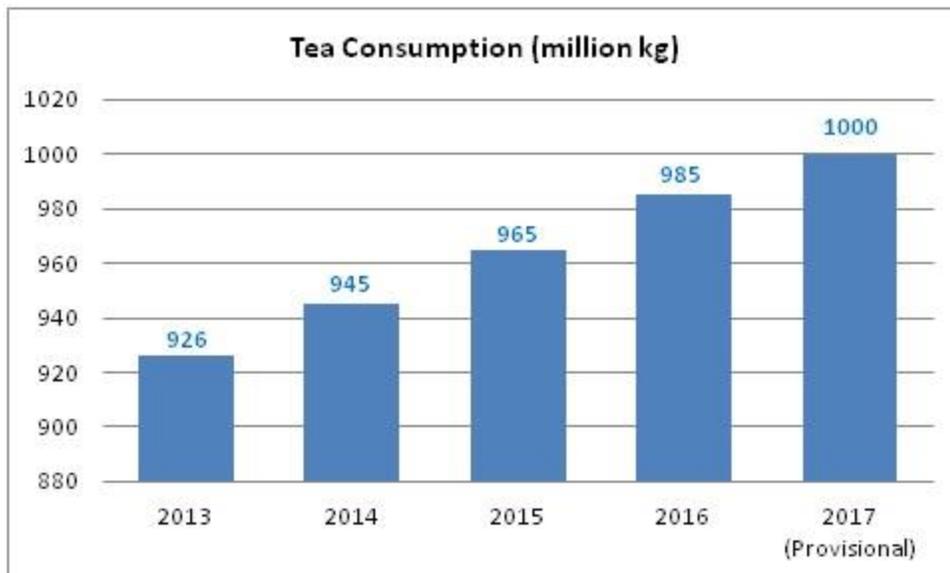
Tea Production

India is the second-largest producer of tea in the world and makes up 26% of the global tea production. India's estimated tea production in February 2018 stood at 13.20 million kg. The estimated production in Assam is pegged at 0.46 million kg, whereas the production in West Bengal is estimated at 1.24 million kg. The production at Tamil Nadu, Kerala and Karnataka state is estimated at 7.78 million kg, 3.42 million kg and 0.27 million kg respectively. According to Indian Tea Association (ITA), the contribution of Small Growers (SG) in the context of overall tea production has been growing to touch almost 50% as per 2017 estimates. The estimated contribution of the small growers was 631.69 million kg in 2017.



Tea Consumption

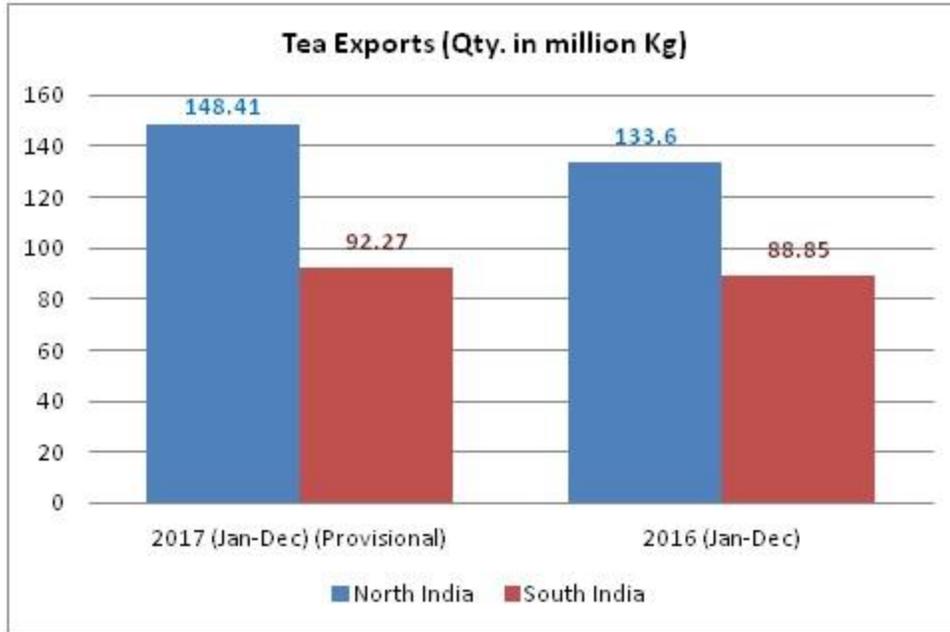
The consumption of tea in the country is on rising trend growing at a steady rate. There has been diversification and value addition in tea production with the passage of time and due to change in the consumption pattern. The total consumption stood at 926 million kg for 2013, 945 million kg for 2014, 965 million kg for 2015, 985 million kg for 2016 and 1000 million kg for 2017 (Provisional).



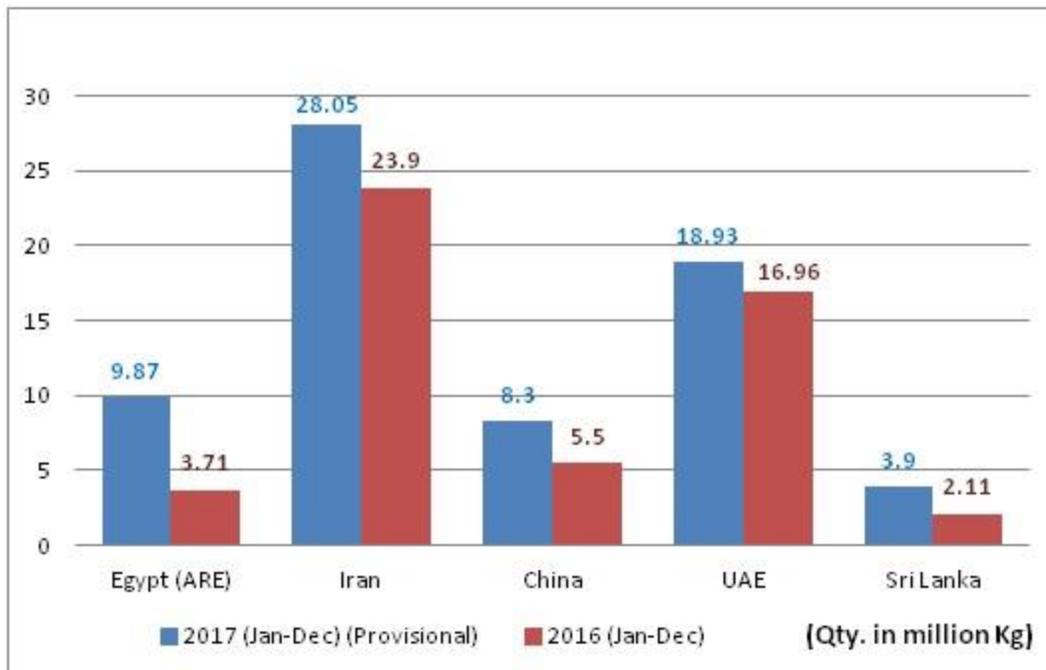
Tea Exports

India has achieved the highest tea exports during the calendar year 2017 (January-December) after 36 years, pegged at 240.68 million Kg. The previous record was in 1981 when the total tea exports reached 241.25 million Kg. The exports increased by 18.23 million Kg (8.20%) during 2017 compare to 2016. The total value of the exports during 2017 stood at Rs 4,731.66 crore,

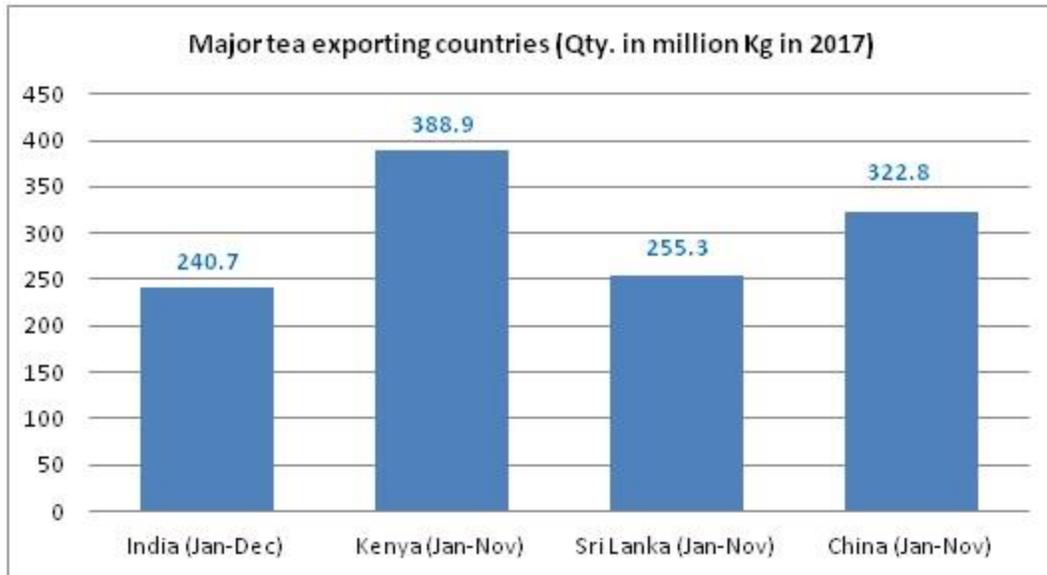
increasing by Rs 263.55 crore (5.90%). Similarly, the total value of the exports in dollar terms was \$726.76 million, an increase of \$61.60 million (9.26%) as compared to last year.



Among major countries importing tea from India; Egypt (ARE), Iran, China, UAE and Sri Lanka have shown significant increase in quantity during the period 2017 (Jan-Dec) compared to 2016. Iran imported 28.05 million Kg followed by UAE and Egypt, which imported 18.93 million Kg and 9.87 million Kg respectively.

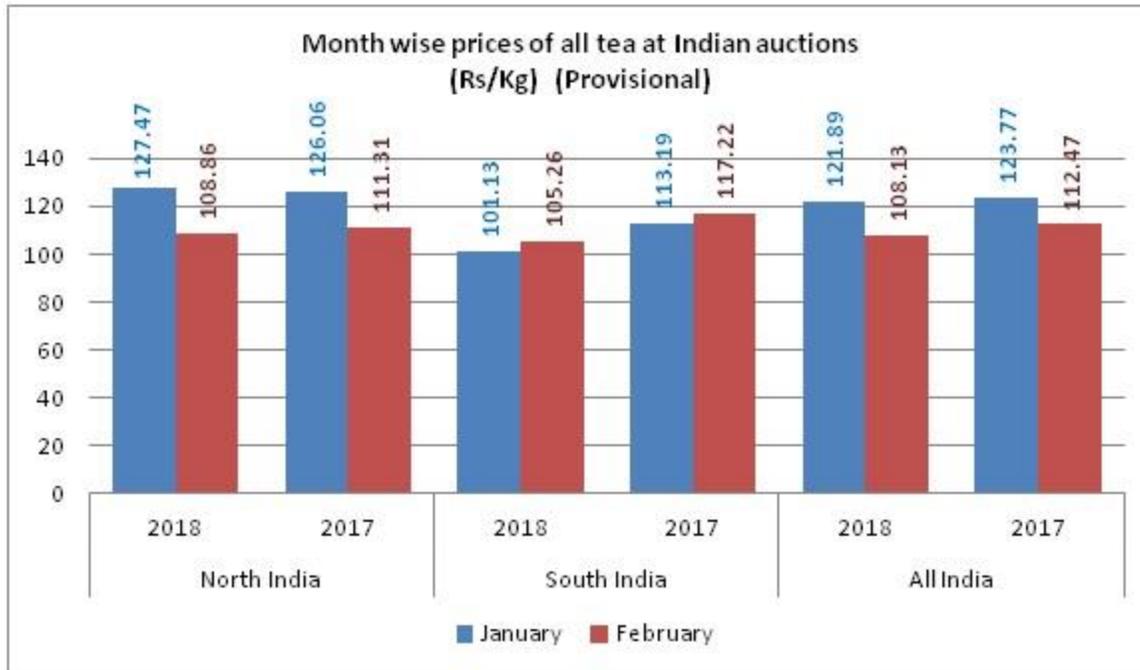


On the global front; Kenya, China, Sri Lanka and India were major tea exporting countries in the world in 2017 with an export quantity of 388.9 million kg, 322.8 million kg, 255.3 million kg and 240.7 million kg, respectively. Additionally in 2017, Tanzania exported 20.8 million Kg (till Sep), Uganda exported 33.3 million Kg (till Oct), Indonesia exported 31.8 million Kg (till July), Malwai exported 22.1 million Kg (till Jul) and Argentina exported 39.1 million Kg (till June).



Price realization

In India, tea generally moves directly from factory either to auction centre for sale or for direct sale to national or international buyers. There are various auction centres located in North & South India through which more than 50% of tea sales are routed. The average auction prices on all India basis stood at Rs 121.89 per Kg in January 2018 while the prices remained soft in February at Rs 108.13 per Kg.

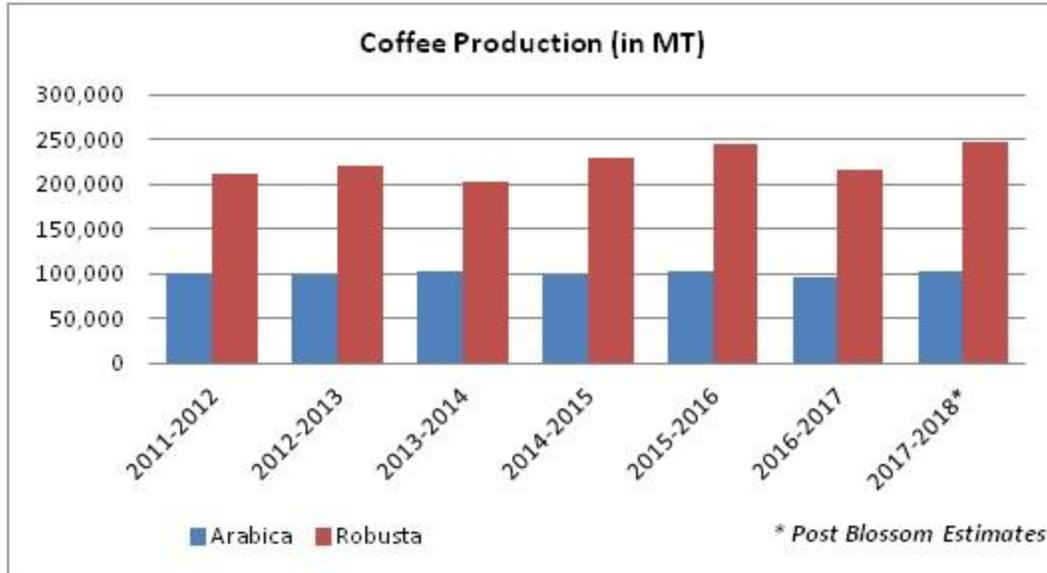


Coffee

Coffee is the second most traded commodity in the world and has gained the status of being the most preferred beverage worldwide. India is the third-largest producer and exporter of coffee in Asia, and the sixth-largest producer and fifth-largest exporter of coffee in the world. The country accounts for 3.43% (2016-17) of the global coffee production. Of the total coffee produced in India, approximately 70% is exported and 30% is consumed domestically. The leading importers of India coffee are Italy, Russia, Germany, Belgium, Turkey, Slovenia, Jordan, Australia, Greece and Poland. As per International Coffee Organization (ICO), world coffee demand continues to show significant growth, with considerable potential for further increases. The opportunity in the instant coffee market is likely to rise at a CAGR of 4.80% from 2017 to 2025.

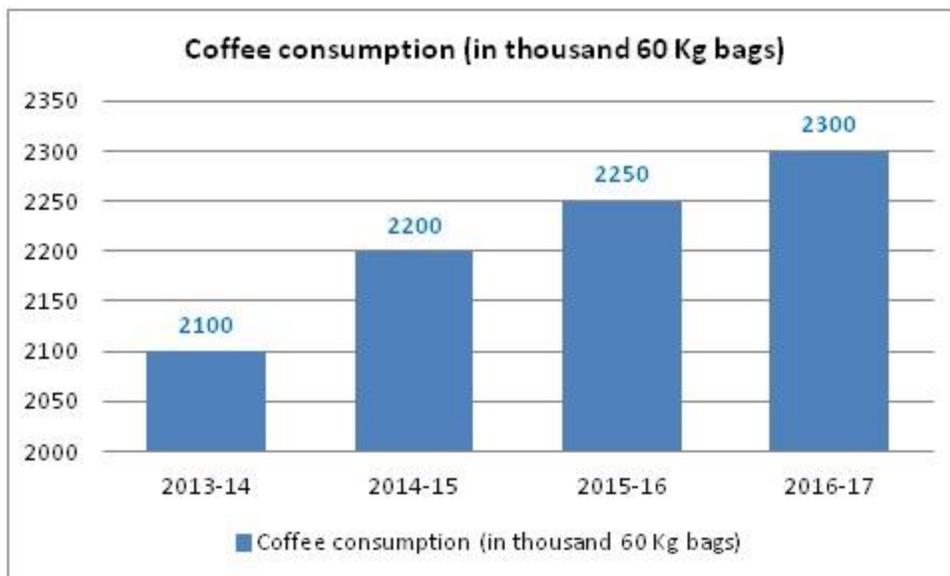
Coffee Production

As per Post Blossom Estimate 2017-18 by Coffee Board, the production is estimated at 350,400 MT which constitutes 103,100 MT of Arabica coffee and 247,300 MT of Robusta coffee. This is an overall increase of 38,400 tonnes (12.31%) over the final estimate of previous 2016-17 year which stood at 312,000 MT. Higher output is mainly attributed to the additional bearing area of about 13,500 hectare in traditional growing areas of Karnataka, Kerala and Tamil Nadu. Coffee output in Karnataka - the country's leading producer - is pegged at 251,760 MT in 2017-18 as against 221,745 MT last year. The state's Arabica output is projected to increase to 75,300 tonnes, while Robusta production is pegged at 176,460 tonnes. The production in Kerala, mainly a Robusta producer is estimated at 68,520 tonnes this year as against 63,265 tonnes last year. In Tamil Nadu, the production is projected to go up to 19,160 tonnes from 16,335 tonnes in the said period.



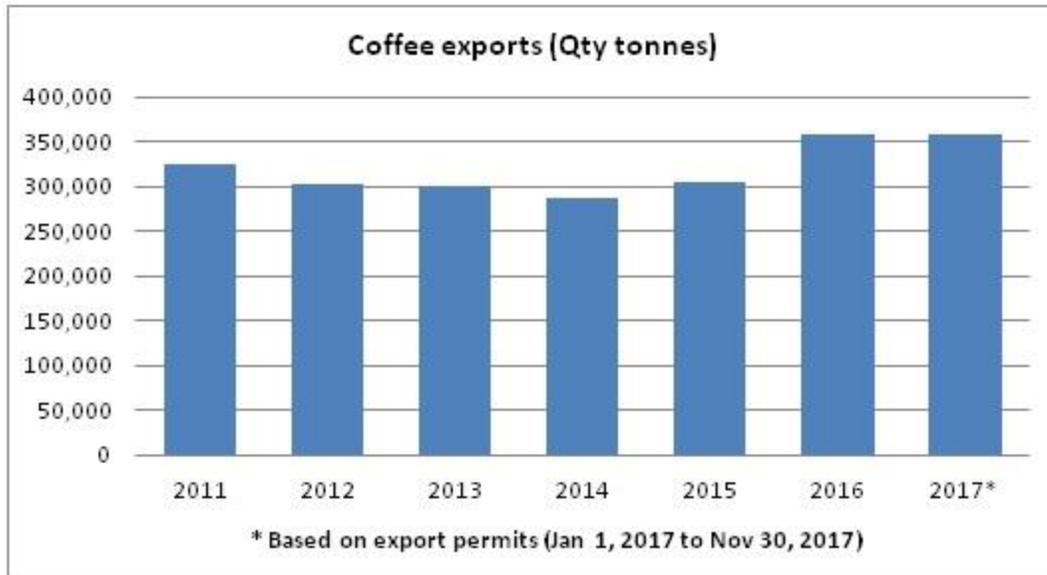
Coffee Consumption

The consumption of coffee in the country is on rising trend. Coffee has changed from being a traditional beverage consumed mainly in South India, to a youthful and trendy beverage with a national presence, consumed in several forms and retail formats. The modern times have witnessed evolution of coffee drinking from an everyday habit to a healthy lifestyle choice. Of the total coffee consumption, 57% is of instant coffee while 43% is Roast and Ground (filter). The consumption of coffee stood at 2200 (in thousand 60 Kg bags) in 2014-15, while consumption stood at 2250 (in thousand 60 Kg bags) and 2300 (in thousand 60 Kg bags) in 2015-16 and 2016-17 respectively.

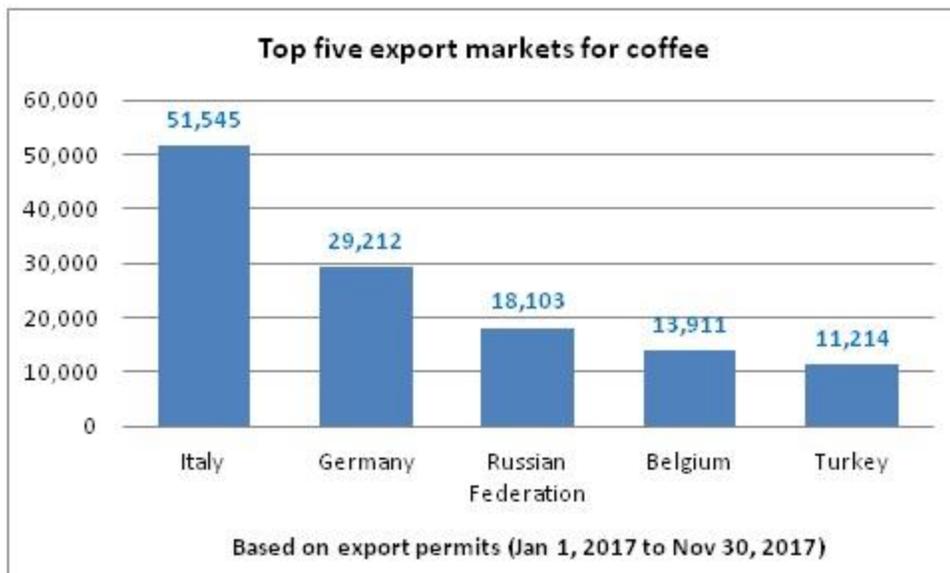


Coffee Exports

World coffee exports amounted to 11.01 million bags in January 2018, compared with 9.12 million in January 2017. In the twelve months ending January 2018, exports of Arabica totaled 77.37 million bags compared to 74 million bags same period last year; whereas Robusta exports amounted to 45.52 million bags compared to 45.51 million bags same period last year. India's coffee export stood at 417,000 (in 60 Kg bags) in January 2018 compared to 385,000 (in 60 Kg bags) in January 2017, whereas export stood at 1,905,000 (in 60 Kg bags) during Oct 2017 - Jan 2018 period compared to 1,702,000 (in 60 Kg bags).



The top five export markets for Indian Coffee are Italy, Germany, Russian Federation, Belgium and Turkey which imported 51,545 MT; 29,212 MT; 18,103 MT; 13,911 MT and 11,214 MT respectively. Italy constitutes a total of 19.27% of total coffee exported from India, while Germany constituted 10.92% and Russian Federation constituted 10.92% and 6.77% respectively of total coffee exported from the country.



Recent Developments

- Tea growers have demanded renegotiation of ASEAN - India FTA agreement. The Confederation of Indian Small Tea Growers Association (CISTA) have raised concerns that after full implementation of the agreement clause in 2019, existing tea import duty of around 100% will be reduced to 45% significantly lowering price of tea imported from ASEAN countries. The ground level tea farmers will be the worst sufferers though the tea traders may not face any trouble.
- The Tea Board of India has urged the government to sign a preferential trade agreement with China so that both the countries can tap each other's market to trade in tea. The board proposed that the tea trade between both the countries should happen at lower duties.
- Tea Board of India has initiated the process of issuance of Identity card with QR code to the small tea growers of Assam. The ID card with QR code presently issued to the small growers shall be used for buying and selling of green leaf from small tea growers by use of a mobile App.
- The Coffee Board has applied for registration of Araku coffee under Geographical Indications to protect the unique identity of the coffee grown by the tribal communities of Araku Valley in Visakhapatnam district of Andhra Pradesh. The Central Government, through the Coffee Board, is promoting production of coffee in Araku Valley by implementing the 'Integrated Coffee Development Project'.

Conclusion

Indian tea industry is among the finest in the world owing to strong geographical indications and has acquired an exalted status on the global tea map. The country consumes tea more than coffee. The per-capita consumption of this beverage in the country is on rising trend. The consumption of coffee in India is restricted only to the urban areas with negligible penetration in rural and semi urban areas providing huge growth opportunity. Several measures have been taken by the government in order to boost production, domestic consumption and exports of tea and coffee. The growing number of young professionals and higher disposable incomes is one of factor that promoted consumption of tea and coffee. The increased access of vending machine in offices and institutions has also triggered interest among consumers which directly enhanced the demand. Additionally, there is a growing demand for a healthy lifestyle and increased awareness about harmful effects of aerated drinks. This trend has shifted the preference of consumers towards tea and coffee which will propel the demand worldwide in near future.

Companies Financial Data In Industry

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
The Grob Tea Company Ltd.	950.60	110.49	459.34	0.21	39.46	24.09
The United Nilgiri Tea Estates Company	321.10	160.44	222.75	0.84	22.31	14.39
B&A Ltd.	280.00	86.80	220.38	1.07	20.44	13.70
CCL Products (India) Ltd.	317.60	4224.97	52.68	0.79	10.23	31.03
McLeod Russel India Ltd.	145.45	1592.03	147.45	0.17	9.27	15.68
Tata Global Beverages Ltd.	246.95	15585.75	111.07	0.95	7.85	31.45
Tata Coffee Ltd.	115.80	2162.80	60.10	1.51	5.71	20.28
Kanco Tea & Industries Ltd.	70.00	35.86	74.48	1.19	4.31	16.23

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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