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UNILEVER TO KEEP INDIA TEA ARM

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Unilever to keep its India tea unit

India, Indonesia biz not to be part of planned spinoff

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Packaged consumer goods company Unilever on Thursday said it intends to retain its tea businesses in India and Indonesia, months after it announced a global strategic review of the tea business. The rest of the tea brands and estates in other regions will be carved into a separate entity.

"In January, Unilever announced a strategic review of its global tea business, which includes leading brands such as Lipton, Brooke Bond and PG Tips. This review has assessed a full range of options. We will retain the tea businesses in India and Indonesia and the partnership interests in the ready-to-drink tea joint ventures," the Anglo-Dutch company said on Thursday when it also announced the first-half earnings for 2020.

In India, Hindustan Unilever Ltd (HUL) sells the Brooke Bond and Lipton tea brands.

"The balance of Unilever's tea brands and geographies and all tea estates have an exciting future, and this potential can best be achieved as a separate entity. A process will now begin to implement the separation, which is expected to conclude by the end of 2021," Unilever said.

The tea business that will be separated generated revenues of €2 billion in 2019.

Analysts tracking the company said HUL's strong position in tea, where it competes



Hindustan Unilever sells the Brooke Bond and Lipton brands in India, which has a large tea-drinking population. MINT

with Tata Consumer Products (Tetley and Tata Tea), makes it a key player in the packaged tea market in India.

This is important in a country with a large tea-drinking population and the second-largest tea grower globally.

"Although we expected this, it does remove any doubts and overhang. We expected HUL

to retain its tea business in India given it has been aggressive on inorganic growth with the huge acquisition of GSK recently. Moreover, the tea business in India is a big growth

opportunity given just two large players, huge unorganized market and massive premiumization opportunity," said Abneesh Roy, executive vice-president, research at Edelweiss Securities.

He said HUL has gained in both volume and value market

share in tea in the past few years.

Unilever's announcement comes just days after HUL posted a 51.7% year-on-year (y-o-y) jump in its food and refreshment business in the June quarter as the nationwide lockdown prompted more households to buy its packaged coffee, tea and jams.

Food and refreshments contributed 19% to segment revenue for the company in the year ended 31 March.

For the same year, consolidated segment revenues of the food and refreshment business stood at ₹7,450 crore, according to the company's annual report for the year.

HUL's food and refreshment brands include Red Label, Brooke Bond and Taj Mahal tea, Bru coffee and Kissan ketchup and jam.

The rest of Unilever's tea brands and estates in other regions will be carved into a separate entity