

THE HINDU BUSINESS LINE
Business Line

Tata Tea, Pepsi in deal for health drinks

Our Bureau

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Two large beverage majors, Tata Tea and Pepsico, have signed an MoU for a joint venture in the non-carbonated ready-to-drink health and wellness market.

A definitive agreement for the joint venture could be expected in the coming months, the Ratan Tata-led business conglomerate announced to the stock exchanges.

"The proposed joint venture is not intended to conflict with any existing arrangements of the parties. The transaction will be subject to corporate and statutory approvals as may be required."

More information on the joint venture will be disclosed once the companies strike a definitive agreement, the company notice said.

While Tata Tea has huge ambitions in the global beverages market (it sometimes uses banners that say 'Tata Beverages'), it needs the help of a global beverage giant's distribution muscle to make inroads into that category in India considering its current tea distribution network may not prove adequate. Tata Tea has been steadily focussing on the 'good for you' beverages portfolio ever since it sold off its 30 per cent stake for Rs 2,106 crore in the US based

Energy Brands to Coca Cola in 2007.

WATER AND BEVERAGES

Moving beyond the stagnant tea category, the focus on health and wellness based beverages could include beverages from juices to fortified water.

While the Tata company acquire the 'Himalayan' brand of natural mineral water, its ambitions of becoming a global beverage player is now taking shape as it is getting ready to bring in a range of products which could straddle the entire pyramid of 'enhanced' water and beverages. Bringing in Pepsi as partner could well be

a prelude to realising these ambitions, said analysts. The MNC already has its health and wellness oriented brands such as Aquafina, Tropicana and Gatorade in the non carbonated category. At the same time, the product overlaps between the two partners could lead to a conflicting situation and Pepsi may not be able to devote enough attention to its partner's brands, said analysts.

However, the final details of the Tata Tea-Pepsico joint venture are yet to be disclosed; neither company was willing to comment on their plans.

The Tata Tea scrip was up by 2.83 per cent and closed at Rs 1,000.08 on Friday.