

# Dilmah Ceylon Tea Company PLC



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- Porter's five forces model
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# Introduction to Dilmah

- Dilmah was started on 1988 by Merrill J. Fernando.
- Pioneering the concept of “single origin tea”.
- First value added Sri Lankan owned global brand.
- Three core pillar – Taste, goodness and purpose.
- Fully vertically integrated tea company.
- Available in more than 100 countries.

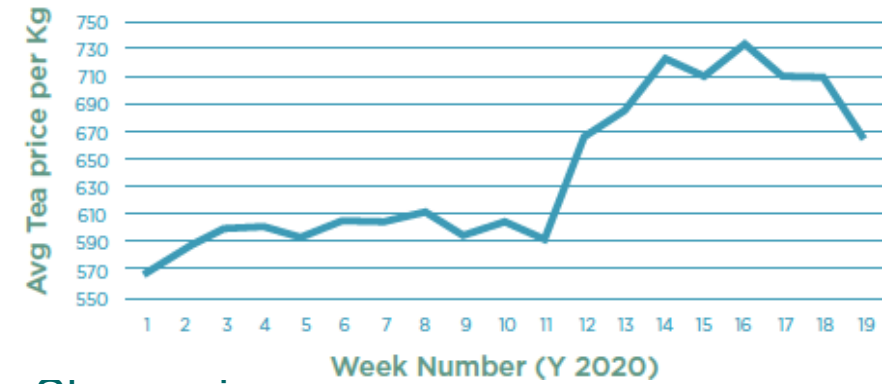


# Finance

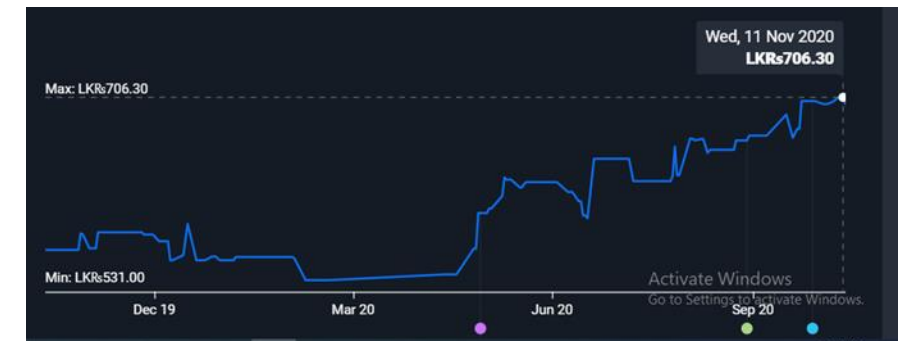
Financial performances	2019/20	2018/19	Y-O-Y
Revenue (Rs. Mn)	11,610	10,713	8%
Operating profit (Rs Mn)	1,975	1,582	25%
Profit before tax (Rs Mn)	1,989	1,694	17%
Profit after tax (Rs Mn)	1,559	1,591	-2%
Current ratio (times)	3.4	9.5	-64%

Shareholder information	2017/18	2018/19	Y-O-Y
No of shares	20,737,500	20,737,500	-
Closing price (Rs)	531.00	619.90	-14%
Earnings per share (Rs)	75.19	76.71	-2%
Dividends per share (Rs)	25	35	-29%
Market capitalization (Rs Mn)	11,012	12,855	-14%

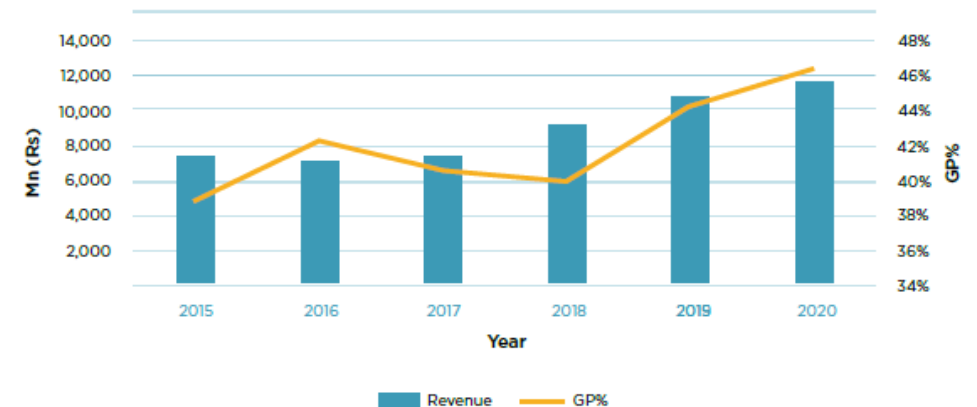
## Movement of tea price in Colombo tea auction



## Share price



## Revenue and Gross profit growth



# Marketing

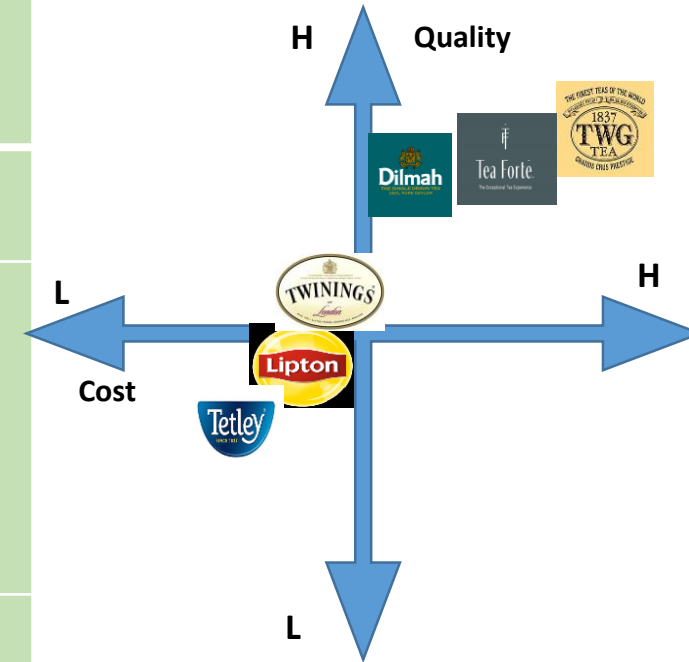
## Market segmentation

Geographic	Characteristics
Region	Asia, middle east, USA, UK, Australia, New Zealand, Canada, Russia, Europe.
Population density	Urban, Suburban
Climates	All climates
Demographic	
Age	Ceylon single origin tea /Watte series – middle ages to elderly customers Organic tea/ natural green tea/ decaffeinated – Health conscious customers between 30 – 50 age group. Fun tea selection/ t- series/ vivid tea – young generation
Gender	Male & Female
Monthly income	Medium and higher income level.
Psychographic	
Social class	Middle class and upper class
Behavioral	
User status	Daily users, loyal to brand, quality conscious, conventional
Benefits	Health consciousness

## Marketing mix (4Ps)

Product	Wide product range Packaging Quality level Core benefits
Price	Value based pricing strategy Charging premium price.
Place	Own distribution channel and international distribution channels. Own tea boutique - T- lounge Super markets /hyper markets/ traditional trade/ continece stores Online retail Hotels/ restaurants/café/ airlines.
Promotion	ATL – TV advertisements, magazine, paper and directory advertisement. BTL – Trade shows, sports events. Digital marketing

## Positioning



# Operation



Over 300  
tea standards

**Tea standards**  
Formulated by Dilmah team of globally renowned tea exports and approved personally by chairman and CEO. Tea standard determines the elevation, region and quality of teas to be produced.

Carbon  
neutral  
product

**Grading and testing**  
Selection based on samples obtained from plantation and brokers to meet company standards. Evaluate 10,000 to 12,000 samples weekly.

State of art  
cleaning and  
bulking  
system

**Collection, storage, Cleaning and bulking**  
Cleaning and bulking of the fresh stock in hand to expected consumption levels of the relevant blends.

941  
Suppliers

100% tea  
is procured  
from  
Colombo tea  
auction

**Sourcing**  
Procuring tea, spices, herbs, flavors and packing materials

80% tea  
packs are  
tear-strip.

Production  
volume 5639  
MT

**Production and packaging**  
Based on the confirmed orders in i-store, production will conduct and high tech machines are used for packaging.

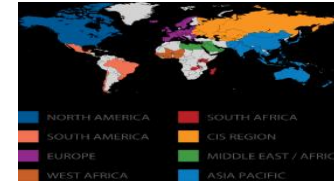
100%  
Delivery in  
full on time  
(DIFOT)

108  
distributors

**Marketing and distribution**  
Marketing and distribution to over 100 countries through distributors and agents and also via online sales.

# Operation

World's only vertically integrated tea brand from tea plant to tea cup



19,000 hectares of tea plantation in own subsidiary companies.

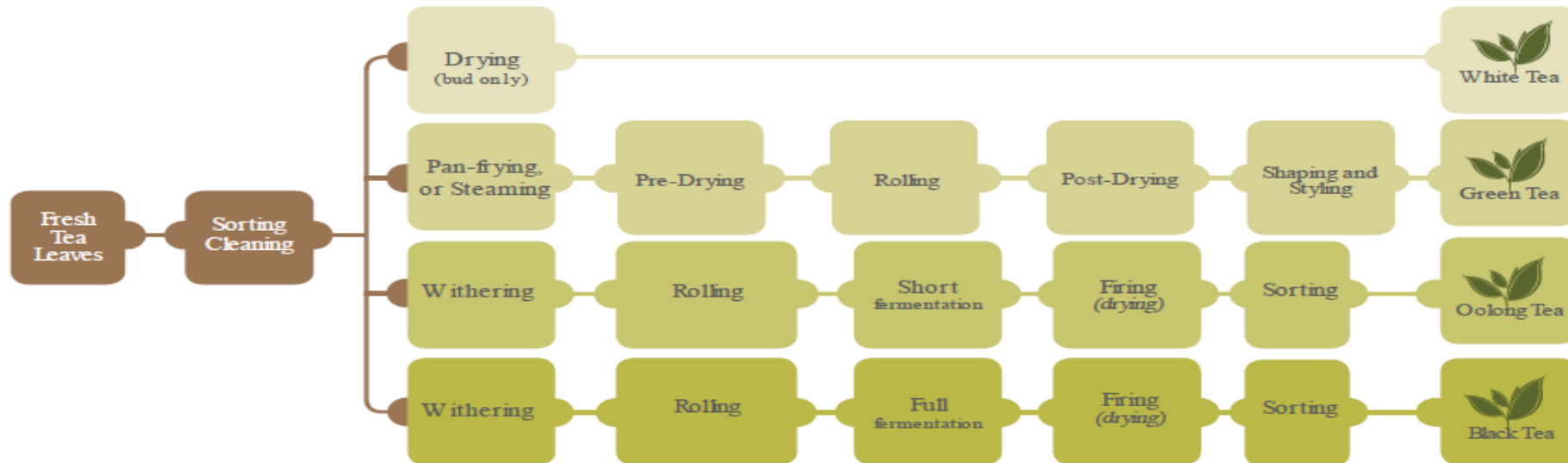
Factories for primary production.

Forbes and walker Tea and commodity brokering.

Value adding production and packaging factory

Own distribution channel worldwide.

Own retail brand T-lounge



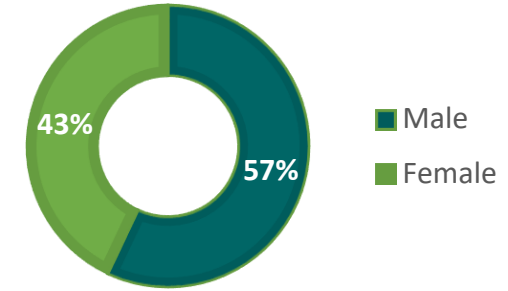
# Human Resource

No of employees  
**587**

Employees retention rate  
**85%**

Total training hours  
**21,584**

## EMPLOYEES BY GENDER

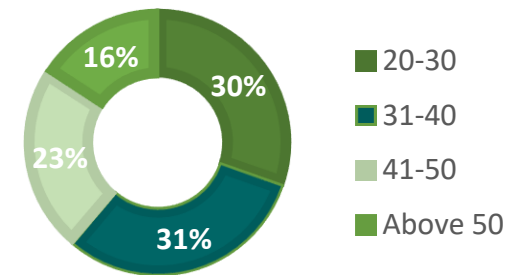


## Digitalized HR process

## Human capital priorities



## EMPLOYEES BY GENDER





# SWOT analysis

## Strengths

- Most recognized Sri Lankan owned global brand.
- Fully vertically integrated tea brand.
- 100% carbon neutral product.
- Over 300 tea standards over 3000 products.
- Strong R&D and innovation centers.
- Accreditation for quality, environment management, organic production.
- Skillful and experienced work force.

## Weaknesses

- Rely on international distributors in many markets.
- Lesser market share in local market.
- Only specialized on tea.

## SWOT

## Opportunities

- Expand the global footprint.
- Rising elderly population.
- Improve health consciousness.
- Product development targeting young generation.
- Expand online channels.
- Suitable acquisition to improve vertical integration.

## Threats

- High competition from China, India and Kenya market.
- Fake products, low quality products are reached market as Ceylon tea.
- Climate change affect to decline tea plantation and quality of tea leaves.
- Popularity of other subsidiary drinks.
- Categorized as conventional drink.
- Increase of production cost due to high labor cost.
- Issues of supply chain due to Covid-19

# PESTEL Analysis

PESTEL factors	Key drivers
Political	Political stability is high and export friendly Influence of labor union is high in plantation industry. Trade union actions impact to reduce tea production.
Economical	Exchange rate fluctuation – Depreciation of LKR financially beneficial for the company. Global economic growth stabilized at 2.9% in 2019 and declines further in 2020 due to COVID-19 pandemic. Sri Lankan economy also reflects similar pattern. Trading activities has slowed down. Average tea price has been increased in Colombo tea auction due to short supply and high demand.
Social	Demand for tea has been increased due to people spend more time in home due to pandemic. Tea is considered as healthier drink and people opt hot drinks as good drink for COVID-19. Tea is considered as more conventional drink and young generation swift to other drinks.
Technological	R&D has improved in tea industry regarding plantation, manufacturing, value adding, packaging etc. Online platforms have developed to retail businesses. Digital media and social media has become strong media platform.
Ecological	Dry weather condition and lack of rainfall affect to tea production. Length of the winter, temperature and humidity affect the demand of tea.
Legal	Operation need to be conducted according to Tea Control Act of Sri Lanka. Government decided to increase daily wage of labors in tea plantation industry and it will lead to increase production cost.

# Porter's five forces analysis

## Bargaining power of suppliers is low

Dilmah set company standards.  
Procure tea from Colombo tea auction.  
Dimah has its own tea plantation and footprint in throughout the value chain.  
Instead of tea, there are many suppliers for other items.

## Threat of substitute is high

Coffee is still the dominant drink in many parts of the world.  
Instead of coffees, there are many substitute drinks such as natural drinks, herbal drinks Energy drinks, carbonated drinks etc.

## Competitive rivalry is high

Intense competition between different tea brands.  
Competition from substitutes.  
Strong promotion campaign from many brands.

## Bargaining power of customers is high

Brand loyalty is high.  
However, there are lots of substitutes.  
Switching cost is relatively low.  
Powerful customers like airlines and hotel chains.

## Threat of new entrants is low

Large investment is required to buildup distribution channel throughout the world.  
Difficult to match the long term experience and unique positioning.

# Main issues

- Manage the production cost due to possible increase of labor cost.
- Impact of climate change for the production.
- High level of competition from China, India and Kenya.
- Tarnish the brand name of Ceylon tea due to import low quality products.
- Threat of substitutes such as coffee.

# References

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Thank you