

02nd August 2024

CMP – ₹1208/-

View – Add on Dips

Q1FY25 Performance

- Revenue from Operations for the quarter at ₹4352crs up 16% YoY with underlying growth of 10% in the India Food Business and flat volume growth in the India Beverage business.
- Organic growth, excluding acquisitions (Capital Foods and Organic India) was 10% YoY.
- Consolidated EBITDA grew 22% YoY to ₹667crs. EBITDA margin expanded by 70bps, mainly driven by improved in profitability across businesses.
- Profit before exceptional items and tax at ₹465crs is lower by 6% YoY as an improvement in operating performance was more than offset by finance cost and amortization charges.
- Exceptional items in Q1FY25 mostly related to business restructure and reorganization of ₹17crs.
- Reported PAT declined 12% YoY to ₹314crs due to lower other income, higher interest and depreciation costs.

Important Statistics

Nifty	25,011
Sensex	81,868
M.CAP (₹ cr)	₹1,05,379
52 Week H/L (₹)	₹1254/₹817
NSE Code	TATACONSUM
BSE Code	500800
Bloomberg Code	TATACONS:IN

Shareholding pattern (%)	Jun'24
Promoter	33.55
FII's	24.12
DII's	18.69
Public &Others	23.62

Key takeaways from Q1FY25 result

- **India Tea + Foods Business:**
 - India beverages revenues grew 6% YoY (+1% organic growth), with flat volume growth as the category was impacted an intense summer. Coffee continued its strong trajectory with a revenue growth of 28% for the quarter.
 - **Nourishco (Ready to drink business)** recorded revenue growth of 7% during the quarter. Growth was muted because of a high base and intense summer impacting out-of-home consumption.
 - **India Foods business** revenue grew +30% (+14% organic growth), continuing its double-digit growth trajectory. Salt revenue grew 9%, driven by strong volume growth. Additionally, in line with the premiumization agenda, the value-added salt portfolio continued its strong momentum and grew 35% during the quarter.
 - **Growth businesses** (Tata Sampann, RTD, Tata Soufull, Tata SmartFoodz, Capital Foods, and Organic India) recorded 66% growth (20% organic growth).
 - **Tata Sampann portfolio** continued its strong momentum and grew 37% for the quarter. Growth businesses, including Capital Foods and Organic India, account for 29% of India's business vs 20% in Q1FY24. Tata Copper+ continued its momentum, registering 22% YoY revenue growth.
- Following the **recent acquisition of Capital Foods** (owner of brands Ching's Secret and Smith & Jones), the end-to-end integration spanning go-to-market, digital systems, supply chain, policy & regulatory compliance, and organization structure has been completed on an accelerated timeline within 90 days.
 - Capital Foods and Organic India registered revenue of ₹164crs and ₹71crs, respectively, despite necessary channel inventory clean up in Capital Foods, and the integration phase in Organic India
 - Total outlet reach of 950k outlets in FY24, up from 650k outlets as of Mar'23.

Relative Performance

Absolute Return (%)	1 Yr	3Yr	5 Yr
Tata Cons	46	56	361
Nifty 50	28	53	123
Sensex	25	50	117

Source: Company, Way2Wealth Research

Financial Summary

Particulars	FY22	FY23	FY24
Revenues	12,425	13,783	15,206
YoY Growth	7%	11%	10%
EBITDA	1,719	1,856	2,284
EBITDA Margin	14%	13%	15%
PAT	1,015	1,320	1,215
PAT Margin	8%	10%	8%
EPS	10.15	12.96	12.07
PE	119.0	93.2	100.0

Source: Company, Way2Wealth Research

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- **Non-branded business** which includes tea solubles, coffee solubles, India, Coffee plantation, India and coffee solubles Vietnam grew 33% YoY led by strong coffee realisations across solubles and plantations. The plantations business recorded a revenue growth of 34%, owing to muted volumes and lower tea prices.
- The merger of Tata Coffee with Tata Consumer Products (TCPL), is completed with an effective date being 1 Jan 2024. This is in line with the company's strategic priority to unlock synergies while simplifying and streamlining businesses.
- **International Business:**
 - International business recorded 8% revenue growth in constant currency terms excluding Capital Foods and Organic India acquisitions. International business EBITDA grew 42% (CC) YoY. EBITDA margin expanded 480bps mainly driven by softening of input costs and pricing.
 - UK business saw strong revenue growth of 14% CC terms (reported revenue growth of 18%). EBITDA margins improved sharply driven by strong topline growth. Brands like Good Earth, and teapigs continue to deliver strong growth.
 - USA coffee (EOC) revenue declined 4% YoY in CC terms (reported revenue de-growth of 2%). The Tea business grew 8% YoY.
 - Canada- revenue grew 12% CC (reported revenue growth of 14%) with speciality tea growing by 17%
- **Commodity Movement:**
 - North/South India tea prices were 16%/4% higher y-o-y. Kenyan tea prices were stable y-o-y as well as q-o-q. In coffee, Arabica prices continued to inflate during the quarter, while Robusta prices have touched record highs due to global supply shortages. Average prices for Q1 were 57% higher
- **Right Issue:** TCPL announced a right issue of 3.67crs shares at a price of ₹818 per share (~₹3000crs). Proceeds will be used to repay short-term financing raised for acquisitions of Capital Foods and Organic India. The rights entitlement Ratio is 1:26, with 1 rights equity share for every 26 fully paid equity shares held by an eligible equity shareholder.
- **Tata Starbucks (JV):**
 - Revenue for the quarter grew 4% YoY and 12% in FY24 and added 17 net new stores during the quarter (total stores 438) as of Q1FY25.
 - Entered 4 new cities during the quarter and now present across 65 cities.
- **Others:**
 - The E-commerce channel grew 61% and Modern Trade recorded 28% growth in Q1FY25 and continues to be instrumental to the growth agenda.
 - A&P to sales for India business stood at 7.8% in Q1FY25
 - It initiated pilot expansion to pharmacies in six cities. Further, it also initiated food service in two cities with HoReCa, corporate canteens, and B2B as key customers.
 - Innovation-to-sales for India was 5.1% in FY24, up from 3.4% last year.
 - Momentum on innovation continued with a focus on value added offerings. Launched Tata Salt Punch Tatva, Easy Cook Ragi Atta, Masala Oats + Dal Shakti, Cold Pressed Olive Oil during the quarter.

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View – **Add on Dips**

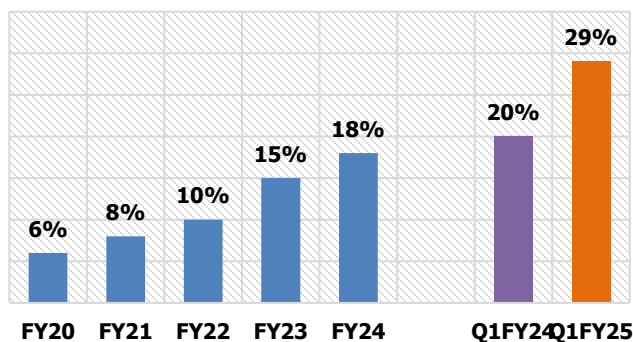
Story in charts

Key Business Snapshot (Q1FY25)

Q1FY25	India Beverages	India Foods	International (Tea & Coffee)	Non-branded	Consolidated
Revenue (cr)	1,523	1,346	988	501	4,352
Revenue growth	6%	30%	10%	33%	16%
Constant currency growth			8%	32%	16%

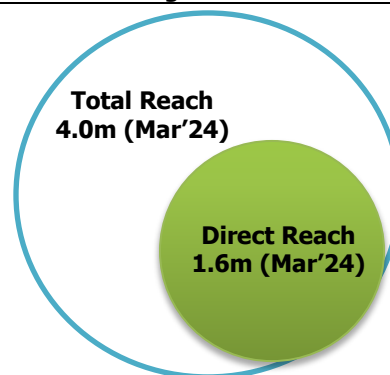
Source: Company, Way2Wealth Research

Growth Businesses as a % of India Business



Source: Company, Way2Wealth Research

Progress on S&D



Risks

- Inflation in raw material prices
- Slowdown in the economy

View

TCPL delivered good topline growth of 16% in Q1FY25 (+10% organic growth), with an EBITDA growth of 23%. Also delivered strong performance in International markets, along with significant margin expansion, led by structural interventions and pricing actions. The Tea business was impacted due to an intense summer. However, we expect an uptick in India beverage business in upcoming quarters.

New growth engines such as Tata Sampann, NourishCo, Tata Soulfull, and the ready-to-eat/ready-to-consume business (Tata Smartfoodz) continued thier strong growth trajectory with a revenue growth of 66% in Q1FY25 and also it rapidly scaled up distribution network along with digitization prowess across the supply chain.

Given quality play, at the current price of ₹1208, it is trading at a premium valuation (P/E 102x to TTM EPS of ₹11.8 and forward P/E at 71.4 times). Higher disposable income along with the revival of consumer spending should propel TCPL's growth going ahead. We continue to maintain our positive view on the stock and advice investors to add on dips for the long term.

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View – Add on Dips

Quarterly Performance

(₹ Cr)

Particulars	Q1FY25	Q1FY24	VAR	Q4FY24	VAR	FY24
Revenue	4352.1	3741.2	16.3%	3926.9	10.8%	15205.9
Other Income	39.2	57.8	-32.2%	38.5	1.9%	245.6
TOTAL INCOME	4391.2	3799.0	15.6%	3965.4	10.7%	15451.5
Total Raw Material Cost	2397.4	2163.3	10.8%	2115.9	13.3%	8563.9
Cost of Raw Material & Components Consumed	1683.8	1469.9	14.6%	1566.2	7.5%	5730.2
(Increase)/ Decrease in Inventories	-133.8	38.7	-445.5%	-208.0	-35.7%	-121.6
Purchase of Traded Goods	847.4	654.7	29.4%	757.7	11.8%	2955.3
<i>Total Raw Material Cost % to Sales</i>	<i>55.1%</i>	<i>57.8%</i>	<i>-4.7%</i>	<i>53.9%</i>	<i>2.2%</i>	<i>56.3%</i>
Employee Cost	345.0	295.8	16.6%	341.3	1.1%	1258.6
<i>Employee Cost % to Sales</i>	<i>7.9%</i>	<i>7.9%</i>	<i>0.3%</i>	<i>8.7%</i>	<i>-8.8%</i>	<i>8.3%</i>
Other Expenses	942.3	737.1	27.8%	840.2	12.1%	3099.3
<i>Other Expenses % of Sales</i>	<i>21.7%</i>	<i>19.7%</i>	<i>9.9%</i>	<i>21.4%</i>	<i>1.2%</i>	<i>20.4%</i>
TOTAL EXPENDITURE	3684.7	3196.2	15.3%	3297.3	11.7%	12921.8
EBIDTA	667.4	545.0	22.4%	629.6	6.0%	2284.1
<i>EBIDTA Margin %</i>	<i>15.3%</i>	<i>14.6%</i>	<i>0.77%</i>	<i>16.0%</i>		<i>15.0%</i>
Finance Costs	93.6	26.2	256.8%	42.8	118.5%	129.8
PBDT	613.0	576.6	6.3%	625.2	-2.0%	2399.9
Depreciation, Ammortization & Impairment	148.0	82.0	80.6%	115.8	27.9%	377.2
PBT before Exceptional Items	465.0	494.6	-6.0%	509.5	-8.7%	2022.8
Exceptional Items	-17.1	-5.2	231.4%	-215.8	-92.1%	-327.0
PBT after Exceptional Items	447.9	489.4	-8.5%	293.7	52.5%	1695.7
Tax	133.7	130.9	2.2%	26.0	415.2%	394.7
<i>Tax Rate %</i>	<i>29.9%</i>	<i>26.7%</i>	<i>11.6%</i>	<i>8.8%</i>	<i>237.8%</i>	<i>23.3%</i>
Reported Profit After Tax	314.2	358.6	-12.4%	267.7	17.3%	1301.0
Profit/Loss of Associate Company & JV	-24.9	-20.9	19.4%	-55.5	-55.1%	-85.6
Net Profit after Minority Interest & P/L Asso.Co.	289.3	337.7	-14.3%	212.3	36.3%	1215.4
<i>PAT Margin %</i>	<i>6.6%</i>	<i>9.0%</i>		<i>5.4%</i>		<i>8.0%</i>
Other Comprehensive Income (net of tax)	24.4	45.1	-45.9%	-10.1		-4.2
Total Comprehensive Income	313.6	382.8	-18.1%	202.2	55.1%	1211.2
EPS	3.11	3.64	-14.3%	2.30		13.08
Equity	92.9	92.9		92.9		92.9
Face Value	1.0	1.0		1.0		1.0

Source: Company, Way2wealth Research

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Segmental Performance

(₹ crs)

Particulars	Q1FY25	Q1FY24	VAR	Q4FY24	VAR	FY24
REVENUES						
India Business	2,815.1	2,477.9	13.6%	2,479.5	13.5%	9,736.5
<i>% Mix</i>	<i>64.5%</i>	<i>66.1%</i>		<i>63.0%</i>		<i>63.9%</i>
International Business	1,046.4	894.8	16.9%	1,052.5	-0.6%	3,925.4
<i>% Mix</i>	<i>24.0%</i>	<i>23.9%</i>		<i>26.8%</i>	<i>-10.3%</i>	<i>25.8%</i>
Total Branded Business	3,861.51	3,372.75	14.5%	3,532.03	9.3%	13,661.90
Non-Branded Business	500.58	377.05	32.8%	401.5	24.7%	1,577.4
Total Segment Revenue	4,362.1	3,749.8	16.3%	3,933.5	10.9%	15,239.3
Add : Other Un-allocable Income	12.5	11.0	13.4%	16.9	-26.3%	74.5
Less : Inter Segment Sales	22.5	19.6	14.8%	23.5	-4.3%	91.0
Net Revenue from Operations	4,352.1	3,741.2	16.3%	3,926.9	10.8%	15,222.9
Profit/Loss Before Interest and Tax						
India Business	325.8	328.5	-0.8%	320.3	1.7%	1,347.9
<i>Margin %</i>	<i>8.4%</i>	<i>9.7%</i>		<i>9.1%</i>		<i>9.9%</i>
International Business	175.5	115.8	51.6%	164.2	6.9%	484.5
<i>Margin %</i>	<i>4.5%</i>	<i>3.4%</i>		<i>4.6%</i>		<i>3.5%</i>
Total Branded Business	501.3	444.3	12.8%	484.5	3.5%	1,832.4
Non-Branded Business	96.07	49.95	92.3%	91.94	4.5%	248.2
Total Segment Results	597.4	494.2	20.9%	576.4	3.6%	2,080.6
Less : Interest	93.6	26.2	256.8%	42.8	118.5%	129.8
Less: Other Un-allocable Expenditure	74.8	28.8	160.2%	60.8	23.1%	134.3
Add : Other Income	36.0	55.4	-35.0%	36.6	-1.7%	206.3
Less: Extra-Ordinary Income/Expense	17.1	5.2	231.4%	(215.8)	-107.9%	(327.0)
Net Profit/Loss Before Tax	447.9	489.4	-8.5%	293.7	52.5%	1,695.7

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Tata Consumer Products Ltd. as on 02nd August 2024

Name of the Security	Tata Consumer Products Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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