

Tata Consumer Products Ltd



Tata Consumer Products Ltd.

Growth led by domestic food and beverage business

CMP INR 765	Target INR 964	Potential Upside 26.0%	Market Cap (INR Mn) INR 703,144	Recommendation BUY	Sector Consumers
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Q4FY22 Result highlights

- For Q4FY22 company reported revenue growth of 4.5% YoY (-1% QoQ) at INR 31,754 Mn mainly driven by growth in India branded business (which includes branded tea, coffee, water and food products). For FY22 revenue stood at INR 1,24,254 Mn, up 7.1% YoY.
- EBITDA for Q4FY22 stood at INR 4,443 Mn, an increase of 48% YoY/-3.8% QoQ with margins at 14% (411/-40 bps YoY/QoQ) respectively. For FY22, EBITDA stood at INR 17,188 Mn, up by 11.3% YoY, with margins at 13.8%, up by 53 bps YoY.
- For Q4FY22 PAT stood at INR 2,175 Mn, a growth of 303.6% YoY. PAT margin was 6.9% (+508 bps YOY). For FY22, PAT stood at INR 9,358 Mn up by 9.2% YoY. PAT margin was 7.5%.

MARKET DATA

Shares O/s in Mn	921
Mkt Cap (INR Mn)	703,144
52 Wk H/L (INR)	889/614
Volume Avg (3m K)	2,251
Face Value (INR)	1
Bloomberg Code	TATACONS IN

KEY FINANCIALS

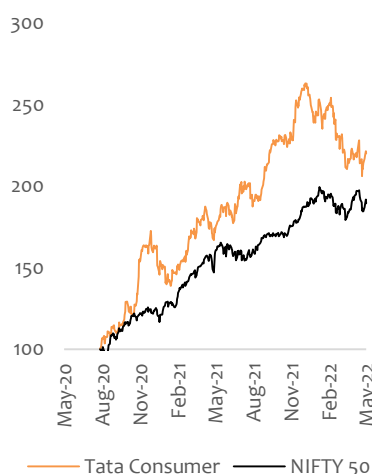
INR Mn	FY20	FY21	FY22	FY23E	FY24E
Revenue	96,374	1,16,020	1,24,254	1,38,161	1,52,923
EBITDA	12,922	15,438	17,188	17,990	21,479
PAT	4,598	8,568	9,358	10,607	13,007
Adj PAT	7,346	8,874	9,878	10,607	13,007
EPS (INR)	5.0	9.3	10.2	11.5	14.1
Adj. EPS (INR)	8.0	9.6	10.7	11.5	14.1
EBITDA Margin (%)	13.4%	13.3%	13.8%	13.0%	14.0%
NPM (%)	4.8%	7.4%	7.5%	7.7%	8.5%

Source: Company, KRChoksey Research

Revenue growth driven by price hike and volume growth in India and international beverage segment: In Q4FY22, Tata Consumer products Ltd. reported revenue growth of 4.5% YoY (-1% QoQ) to INR 31,754 Mn. The company saw volume growth of 3% YoY for India beverages, 3% YoY for US coffee and 5% YoY for international tea, respectively, for FY22. It saw a volume decline of 1% in the Tata foods segment and an 8% volume in decline in Tata coffee (excluding US coffee). There were shipping issues with Tata coffee, but the company saw 8% revenue growth due to high prices even with decline in volume. The company continued to gain market share in the tea and salt segment. Salt market share was up by 400 bps YoY, while tea business market share was up by 100 bps YoY. During the year company launched Tata salt immune, which contains Zinc and is first in its category. This will help drive premiumization in this segment. E-commerce channel sales increased from 2.5% in FY20 to 7.3% in FY22. The company maintained their leadership position in the tea category in the e-commerce channel. Tata Starbucks recorded a revenue growth of 32% for the quarter and 76% for the full year. It opened 23 new stores in 4 new cities in Q4.

India food segment to face margin pressures: EBITDA for Q4FY22 stood at INR 4,443 Mn (+48% YoY/-3.8% QoQ) with OPM at 14% (411 bps YoY /-40 bps QoQ). For FY22, EBITDA stood at INR 17,188 Mn, up by 11.3% YoY, with OPM at 13.8%, up by 53 bps YoY, with tea inflation tapering off. The company saw EBIT margins of India packaged beverage segment up by 400 bps in FY22 YoY. The revenues for Tata NourishCo grew 56% for Q4FY22 YoY, and for FY22, revenue grew by 83% YoY. The company unlocked new geographies with NourishCo, Himalayan registered strong growth in the E-commerce channel. EBIT margins for the India food segment declined 700 bps YoY in FY22, even with 30% volume growth for Tata Sampann. Due to inflationary pressure, the company expects pressure on EBITDA margins in the food segment (Tata salt and Sampann). Himalayan has reached breakeven at EBIT level in FY22.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	54,836
NIFTY	16,411

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sep-21
Promoters	34.7	34.7	34.7
FIIs	25.4	25.6	25.9
DIIIs	13.7	13.4	13.3
Others	26.2	26.2	26.1
Total	100	100	100

10.9%

Revenue CAGR between FY22 and FY24E

17.9%

PAT CAGR between FY22 and FY24E

Tata Consumer Products Ltd.

Key Concall Highlights :

(1) 1500 bps YoY improvement in India beverage segment as tea costs taper off for Q4FY22. (2) India food businesses are divided into Tata Salt and growth businesses. Tata salt-maintained margins, and growth businesses (including NourishCo, Tata Sampann, Tata Soulful and Tata Q) have shown revenue growth of 52%. (3) Despite investment in Tata SmartFoodz, recapitalization of ATPL, Starbucks investment etc., the company is sitting on a lot of cash, which is kept as dry powder for any opportunities. (4) No maida Chocos (the price of INR 10) just launched and showed significant signs. (5) Extended capacity for growth of Himalaya, this entire summer is expected to show good growth. (6) 24% of supply chain energy comes from renewables (7) Starbucks is in 26 cities. 96% of stores have been reopened—18% growth in same-store sales vs pre-covid level. (8) Share profit in JVs and associates impacted by plantation business having lower crops and tea prices. (9) Tata SmartFoodz is expected to see growth in Q2 as the export starts ramping up. (10) 3 significant commodities for the company are tea, coffee and salt, which are range-bound. The company is not exposed to new emerging inflation like palm oil. (11) In September 2020 company detached distribution of Himalayan water from Varun beverages and went independent, and the growth has through distribution and availability, not pricing or other promotion tactics. The growth in the Himalayas is sustainable. (12) Soulful has done triple-digit growth for a couple of months. The key differentiator is Millet. (13) Total numeric reach in metros and tier 1 and tier 2 cities are good. Gaps exist in the rest of the urban and rural. (14) The cost synergies from the merger of tata salt were INR 1,000-1,500 Mn expected and were almost delivered by the September quarter. It came in different places like distribution, management, procurement etc.

Valuation and view

The company reported a strong set of numbers on the back of benefits arising from the synergies of the merged group. TATACONS improved its market share in its core segments during the quarter. The company has seen a shift in demand from unorganized players to more branded products in pulses segments. TATACONS is well placed to capture the industry opportunity arising from the shift and further expansion of market share through its Tata Sampann brand. We believe TATACONS will see a healthy double-digit sales growth in India business by expanding its distribution network and its geographical reach. We expect overall revenue and EBITDA to grow by 9.6% and 11.6% CAGR, respectively, over FY21-24E, while PAT CAGR is expected to improve by 14.9% over the same period. **We have valued Tata Consumer on a SOTP basis. For India Business, we apply an EV/EBITDA multiple of 48x to FY24E EBITDA; for International Business, we apply an EV/EBITDA multiple of 23x to FY24E EBITDA; and for Starbucks business, we apply an EV/EBITDA multiple of 3x to FY24E EBITDA. Accordingly, we have arrived at a target price of INR 964 per share (earlier INR 1,030 per share), an upside of 26.0% over the CMP. Accordingly, we reiterate a “BUY” rating on the shares of Tata Consumer Products Ltd.**

KEY FINANCIALS

Particulars (Mn)	Q4FY22	Q3FY22	Q4FY21	QoQ	YoY	FY22	FY21	YoY
Particulars (INR Mn)								
Revenue from operations	31,754	32,084	30,372	-1.0%	4.5%	1,24,254	1,16,020	7.1%
Total Expenditure	27,311	27,467	27,370	-0.6%	-0.2%	1,07,066	1,00,583	6.4%
Cost of Raw Materials	12,011	11,616	13,229	3.4%	-9.2%	49,084	49,375	-0.6%
Purchase of Stock	6,359	5,516	5,337	15.3%	19.2%	22,154	21,144	4.8%
Changes in Inventories	-784	934	-107	-183.9%	635.7%	-398	-1,495	-73.4%
Employee Cost	2,680	2,589	2,702	3.5%	-0.8%	10,480	9,702	8.0%
Other Expenses	4,788	4,359	4,044	9.8%	18.4%	17,336	14,595	18.8%
Advertising expenses	2,256	2,453	2,164	-8.1%	4.2%	8,410	7,263	15.8%
EBITDA	4,443	4,617	3,002	-3.8%	48.0%	17,188	15,438	11.3%
EBITDA Margins (%)	14.0%	14.4%	9.9%	-40 bps	411 bps	13.8%	13.3%	53 bps
Depreciation	721	698	659	3.3%	9.5%	2,780	2,547	9.1%
EBIT	3,722	3,919	2,343	-5.0%	58.8%	14,408	12,890	11.8%
Interest Expense	164	162	155	1.5%	6.2%	728	687	6.0%
Other income	474	250	430	89.3%	10.3%	1,401	1,214	15.4%
PBT	4,032	4,007	2,618	0.6%	54.0%	15,081	13,417	12.4%
Exceptional Items	-187	-132	-639	41.5%	-70.8%	-521	-307	69.9%
Tax	953	999	646	-4.6%	47.6%	3,770	3,172	18.9%
Share of Associates/Minorities	-717	-226	-794	216.8%	-9.8%	-1,432	-1,371	4.4%
PAT	2,175	2,651	539	-17.9%	303.6%	9,358	8,567	9.2%
PAT Margin	6.9%	8.3%	1.8%	-141 bps	508 bps	7.5%	7.4%	15 bps
EPS	2.4	2.9	0.6	-17.9%	303.5%	10.2	9.3	9.2%
Adjusted PAT	2,362	2,782	1,178	-15.1%	100.4%	9,878	8,874	11.3%

Source: Company, KRChoksey Research

Tata Consumer Products Ltd.

Profit & Loss Statement

INR Mn	FY20	FY21	FY22	FY23E	FY24E
Revenues	96,374	1,16,020	1,24,254	1,38,161	1,52,923
COGS	54,107	69,023	70,840	79,166	84,108
Gross profit	42,267	46,997	53,414	58,995	68,815
Employee cost	8,848	9,702	10,480	11,053	13,879
Other expenses	13,731	14,595	17,336	19,062	21,099
EBITDA	12,922	15,438	17,188	17,990	21,479
EBITDA Margin	13.4%	13.3%	13.8%	13.0%	14.0%
Depreciation & amortization	2,417	2,547	2,780	3,124	3,456
EBIT	10,504	12,890	14,408	14,866	18,023
Interest expense	779	687	728	850	850
Other income	1,116	1,214	1,401	1,471	1,544
PBT	8,094	13,111	14,560	15,487	18,718
Tax	2,742	3,172	3,770	3,872	4,679
Minority interest	4	738	794	794	794
PAT	4,598	8,568	9,358	10,607	13,007
Adj. PAT	7,346	8,874	9,878	10,607	13,007
EPS (INR)	5.0	9.3	10.2	11.5	14.1
Adj. EPS	8.0	9.6	10.7	11.5	14.1

Source: Company, KRChoksey Research

Exhibit 3: Cash Flow Statement

INR Mn	FY20	FY21	FY22	FY23E	FY24E
Net Cash Generated From Operations	10,822	16,561	15,158	13,392	16,258
Net Cash Flow from/(used in) Investing Activities	(6,726)	(4,084)	(13,218)	(11,053)	(15,292)
Net Cash Flow from Financing Activities	(3,083)	(4,260)	(9,948)	(3,712)	(4,553)
Net Inc/Dec in cash equivalents	1,013	8,217	(8,008)	(1,373)	(3,587)
Opening Balance	9,670	11,217	20,420	14,980	13,607
Closing Balance Cash and Cash Equivalents	10,683	19,433	12,412	13,607	10,019

Source: Company, KRChoksey Research

Exhibit 5: Ratio Analysis

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	13.4%	13.3%	13.8%	13.0%	14.0%
Tax rate (%)	33.9%	24.2%	25.9%	25.0%	25.0%
Net Profit Margin (%)	4.8%	7.4%	7.5%	7.7%	8.5%
RoE (%)	3.1%	5.5%	5.7%	6.2%	7.2%
RoCE (%)	6.5%	7.9%	8.3%	8.2%	9.5%
EPS (INR)	5.0	9.3	10.2	11.5	14.1

Source: Company, KRChoksey Research

Source: Company, KRChoksey Research

Tata Consumer Products Ltd.

Exhibit 4: Balance Sheet

INR Mn	FY20	FY21	FY22	FY23E	FY24E
Non-current assets					
Property, plant and equipment	12,075	12,227	14,803	19,524	31,361
Capital work-in-progress	876	932	2,094	2,094	2,094
Goodwill (Net)	73,338	75,966	77,541	77,541	77,541
Other intangible assets	27,712	27,843	27,540	27,540	27,540
Investments accounted for using Equity method	2,282	2,073	2,343	2,343	2,343
Financial assets					
Investments	2,611	2,755	3,649	3,649	3,649
Loans	225	219	140	140	140
Other financial assets	322	749	357	357	357
Deferred tax assets (Net)	296	381	427	427	427
Non-current tax assets (Net)	1,461	1,423	1,417	1,417	1,417
Other non-current assets	3,496	3,114	3,023	3,023	3,023
Total non-current assets	1,28,205	1,32,072	1,39,815	1,44,242	1,56,078
Current assets					
Inventories	17,120	22,492	22,665	25,329	26,910
Financial assets					
Trade receivables	9,224	7,613	8,352	9,286	10,278
Cash and cash equivalents	11,217	20,420	14,980	13,599	10,012
Other Balances with Banks	4,998	10,329	11,019	11,019	11,019
Loans	1,165	1,851	6,599	6,599	6,599
Other financial assets	1,732	1,164	1,843	1,843	1,843
Current tax assets	12	14	13	13	13
Other current assets	3,017	3,373	3,905	3,905	3,905
Total current assets	56,821	70,486	71,357	73,575	72,561
TOTAL ASSETS	1,85,026	2,02,559	2,11,172	2,17,817	2,28,639
EQUITY AND LIABILITIES					
Equity					
Equity share capital	922	922	922	922	922
Other equity	1,37,227	1,44,424	1,50,498	1,57,392	1,65,847
Equity attributable to the equity shareholders	1,38,149	1,45,345	1,51,419	1,58,314	1,66,769
Non-controlling interests	10,925	10,925	11,516	12,524	13,555
Total equity	1,49,073	1,56,270	1,62,936	1,70,838	1,80,324
LIABILITIES					
Non-current liabilities					
Financial liabilities					
Borrowings	7,947	2,875	2,419	2,419	2,419
Provisions	1,832	1,925	1,756	1,756	1,756
Deferred tax liabilities	3,160	5,702	7,764	7,764	7,764
Non-Current Tax Liabilities	169	149	135	135	135
Total non-current liabilities	16,167	15,344	16,514	13,005	13,005
Current liabilities					
Financial liabilities					
Borrowings	3,878	4,331	7,687	7,687	7,687
Trade payables	9,440	16,255	19,159	21,410	22,747
Other financial liabilities	3,826	7,362	2,118	2,118	2,118
Other current liabilities	1,003	1,361	1,322	1,322	1,322
Provisions	924	1,017	732	732	732
Current tax liabilities (Net)	336	241	200	200	200
Total current liabilities	19,786	30,945	31,722	33,974	35,311
Total liabilities	35,953	46,288	48,236	46,979	48,316
TOTAL EQUITY AND LIABILITIES	1,85,026	2,02,559	2,11,172	2,17,817	2,28,639

Source: Company, KRChoksey Research

Tata Consumer Products Ltd.

Tata Consumer Products Ltd				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
7-May-22	765	964	BUY	Buy	More than 15%
9-Feb-22	697	1,030	BUY	Accumulate	5% – 15%
26-Oct-21	809	1,030	BUY	Hold	0 – 5%
14-May-20	565	597	ACCUMULATE	Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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