21 October 2022

2QFY23 Results Update | Sector: Consumer

Tata Consumer Products

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	TATACONS IN
Equity Shares (m)	922
M.Cap.(INRb)/(USDb)	701.7 / 8.5
52-Week Range (INR)	861 / 651
1, 6, 12 Rel. Per (%)	-5/-10/-4
12M Avg Val (INR M)	1595
Free float (%)	65.3

Financials & valuations (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	124.3	137.7	152.0
EBITDA	17.2	18.9	24.0
Adj. PAT	9.7	11.3	16.6
EBITDA Margin (%)	13.8	13.8	15.8
Cons. Adj. EPS (INR)	10.6	12.2	17.4
EPS Gr. (%)	11.8	15.4	42.4
BV/Sh. (INR)	164.3	176.0	189.6
Ratios			
Net D:E	-0.1	-0.1	-0.2
RoE (%)	6.6	7.2	9.6
RoCE (%)	9.0	10.1	12.5
Payout (%)	59.6	46.8	37.4
Valuations			
P/E (x)	72.0	62.4	43.8
EV/EBITDA (x)	39.8	36.2	28.1
Div. Yield (%)	0.8	0.8	0.9
FCF Yield (%)	1.8	0.5	2.3

Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	34.7	34.7	34.7
DII	14.0	13.7	14.0
FII	25.4	25.4	25.1
Others	25.9	26.2	26.3

Note: FII includes depository receipts

CMP: INR761 TP: INR880 (+16%) Buy

Strong Standalone offsets weak International business

Operating performance in line

- Tata Consumer Products (TATACONS)'s Standalone operating performance was strong led by EBIT margin expansion of ~190bp YoY (mainly due to gross margin expansion of ~210bp YoY) in 2QFY23. The strong Standalone performance offset the contraction in International business margins (EBIT margin contracted ~690bp) led by input cost inflation, currency weakness and lag in pricing. This resulted in muted Consolidated business performance, with EBIT margin contracting ~60bp YoY to 10.7% in 2QFY23.
- The company is on a portfolio expansion spree in its F&B segment, with product launches in new and innovative categories such as recent launch of Tata Sampann Hing and its foray into Protein-based product categories with the launch of a plant-based protein supplement Tata GoFit.
- Factoring in an in-line performance in 2QFY23, we maintain our FY23 and FY24 earnings estimates. **We maintain our BUY rating on the stock with an SoTP-based TP of INR880**.

Realization growth drives overall sales

- TATACONS posted a revenue of INR33.6b in 2QFY23 (est. INR33.2b), up 11% YoY. EBITDA margin stood at 12.9% (est. 13.2%), led by a lower gross margin of 41.7% in 2QFY23 v/s 42.8% in 2QFY22. EBITDA rose 5% YoY to INR4.34b (est. INR4.38b). Adj. PAT was at INR2.5b (v/s est. INR2.9b), down 13% YoY.
- Revenue in the Indian Branded/International business grew 9%/7% YoY to INR21.6b/INR8.4b, with EBIT at +26%/-46% YoY to INR3.1b/INR597m in 2QFY23, respectively.
- Volumes in India Beverages declined marginally by 1% YoY, while the same in Foods remained flat in 2QFY23. Its strong growth trajectory in Salt continued, with a revenue growth of 27%. The Tata Sampann portfolio grew 37%, led by the strong performance across pulses, poha and spices.
- Revenue from Nouishco grew 64% to INR1.4b, with broad-based growth across products and geographies. Tata Starbucks rose 57% YoY fueled by normalization in store operations and revival in out-of-home consumption trend. It added 25 new stores and entered six new cities in 2QFY23.
- For 1HFY23, Revenue/EBITDA/Adjusted PAT grew 11%/10%/11%, respectively. CFO/Net Cash stood at INR3b/INR20b in 1HFY23, respectively.

Highlights from the management commentary

- Tea – The management expects tea prices to continue its downtrend. The company is witnessing stress in semi-urban and rural regions while urban region is performing better.
- International business – TATACONS will be taking structural cost-saving actions to mitigate input cost inflation, adverse currency movement and lag in pricing.
- Tata Sampann portfolio posted strong double-digit growth (37%) in 2QFY23, led by broad-based performance across pulses, poha and spices. The management is expecting this segment to sustain a CAGR of 30% going forward.

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Valuation and view

- TATACONS is on a portfolio expansion spree in its F&B segment, with product launches in new and innovative categories such as ready-to-cook/eat, mini meals, breakfasts, cereals, snacks, ready-to-drink (RTD), and protein-based products. The Food business is likely to be the growth engine for the company, with Tata Sampann leading from the front.
- We expect a sales/EBITDA/PAT CAGR of 11%/18%/30% over FY22-24, respectively. Factoring in an in-line performance in 2QFY23, we maintain our FY23 and FY24 earnings estimates. **We maintain our BUY rating on the stock with an SoTP-based TP of INR880**.

Consolidated - Quarterly Earnings Model (INR b)

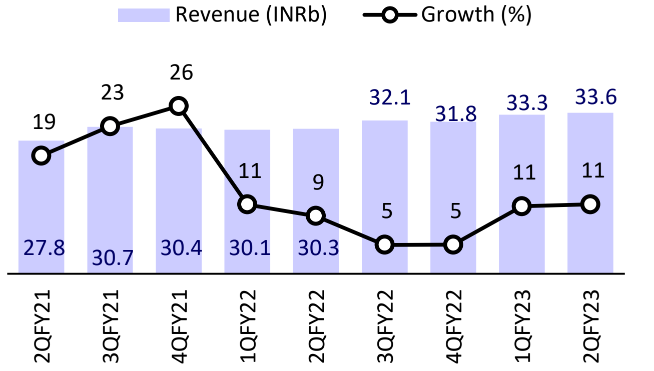
Y/E March	FY22				FY23				FY22	FY23E	FY23E	Var
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2Q	(%)
Gross Sales	**30.1**	**30.3**	**32.1**	**31.8**	**33.3**	**33.6**	**35.6**	**35.1**	**124.3**	**137.7**	**33.2**	**1**
YoY Change (%)	10.9	9.1	4.5	4.5	10.6	10.9	11.1	10.7	7.1	10.8	9.6	
Total Expenditure	26.1	26.2	27.5	27.3	28.7	29.3	30.6	30.2	107.1	118.7	28.9	
EBITDA	**4.0**	**4.1**	**4.6**	**4.4**	**4.6**	**4.3**	**5.0**	**5.0**	**17.2**	**18.9**	**4.4**	**-1**
Margins (%)	13.3	13.6	14.4	14.0	13.7	12.9	14.2	14.2	13.8	13.8	13.2	
Depreciation	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	2.8	2.9	0.7	
Interest	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7	0.7	0.2	
Other Income	0.3	0.4	0.3	0.5	0.4	0.3	0.4	0.5	1.4	1.5	0.5	
PBT before EO expense	**3.4**	**3.6**	**4.0**	**4.0**	**4.0**	**3.7**	**4.5**	**4.6**	**15.1**	**16.9**	**3.9**	
Extra-Ord expense	0.0	-0.2	-0.1	-0.2	-0.2	1.1	0.0	0.0	-0.5	0.9	0.0	
PBT	**3.4**	**3.5**	**3.9**	**3.8**	**3.8**	**4.8**	**4.5**	**4.6**	**14.6**	**17.7**	**3.9**	
Tax	1.0	0.9	1.0	1.0	1.0	1.3	1.2	1.2	3.8	4.7	1.1	
Rate (%)	28.1	23.7	24.9	23.6	25.5	34.2	26.5	26.5	25.0	28.0	27.0	
Minority Interest	0.2	0.2	0.3	0.2	0.2	0.6	0.2	0.2	0.8	1.2	0.2	
Profit/Loss of Asso. Cos.	-0.4	0.2	0.0	-0.5	0.0	0.3	0.0	-0.2	-0.6	0.2	280.7	
Reported PAT	**1.9**	**2.7**	**2.7**	**2.2**	**2.6**	**3.3**	**3.1**	**3.0**	**9.4**	**12.0**	**2.9**	
Adj PAT	**1.9**	**2.8**	**2.7**	**2.3**	**2.7**	**2.4**	**3.1**	**3.0**	**9.7**	**11.3**	**2.9**	**-17**
YoY Change (%)	-28.8	3.3	23.4	104.3	45.4	-12.7	14.3	30.5	11.8	16.4	5.1	
Margins (%)	6.3	9.2	8.6	7.3	8.2	7.3	8.8	8.6	7.8	8.2	8.9	

Key Performance Indicators

Y/E March	FY22				FY23				FY22	FY23
Consolidated	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Revenue Growth (%)										
Standalone	22.5	14.5	3.5	5.3	5.6	7.2	11.9	13.3	10.9	9.5
Overseas Tea Biz	-2.1	-0.9	-3.9	-4.2	15.3	3.4	5.0	5.0	-2.9	7.1
Tata Coffee Ltd (TCL) Consol	-9.3	0.9	17.5	11.0	24.3	30.9	13.9	7.7	4.8	18.5
TCL Standalone	2.2	2.3	39.7	4.4	29.4	37.7	12.0	9.1	10.9	21.0
Coffee Overseas	-14.3	0.2	8.2	14.9	21.8	27.4	15.0	7.0	1.9	17.2
EBITDA Margin (%)										
Standalone	13.9	13.5	13.8	14.8	14.8	15.8	15.6	15.5	14.0	15.4
Overseas Tea Biz	6.9	8.5	11.9	8.0	5.8	3.1	7.9	8.4	8.9	6.4
TCL Consol	16.9	18.6	18.5	16.9	17.6	11.4	14.5	15.0	17.7	14.6
TCL Standalone	9.0	10.1	9.8	10.8	13.7	12.2	11.9	9.4	9.9	11.8
Coffee Overseas	21.0	23.2	23.2	20.2	19.7	11.0	15.9	18.0	21.8	16.1
Cost Break-up										
RM Cost (% of sales)	59.2	57.2	56.3	55.4	57.4	58.3	57.4	56.9	57.3	57.5
Staff Cost (% of sales)	8.8	8.4	8.1	8.4	8.3	8.1	7.7	8.5	8.4	8.2
Adv. and Sales (% of sales)	5.3	7.0	7.6	7.1	6.4	6.4	7.2	6.8	6.8	6.7
Other Cost (% of sales)	13.4	13.7	13.6	15.1	14.2	14.3	13.5	13.6	14.0	13.9
Gross Margins (%)	40.8	42.8	43.7	44.6	42.6	41.7	42.6	43.1	43.0	42.5
EBITDA Margins (%)	13.3	13.6	14.4	14.0	13.7	12.9	14.2	14.2	13.8	13.8
EBIT Margins (%)	11.1	11.3	12.2	11.7	11.6	10.7	12.1	12.1	11.6	11.6

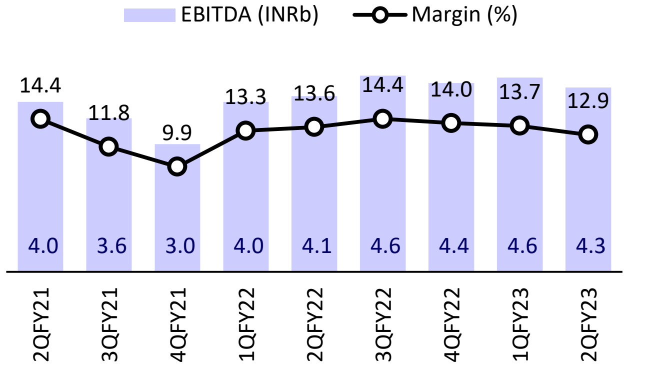
Key exhibits

Exhibit 1: Consolidated revenue trend



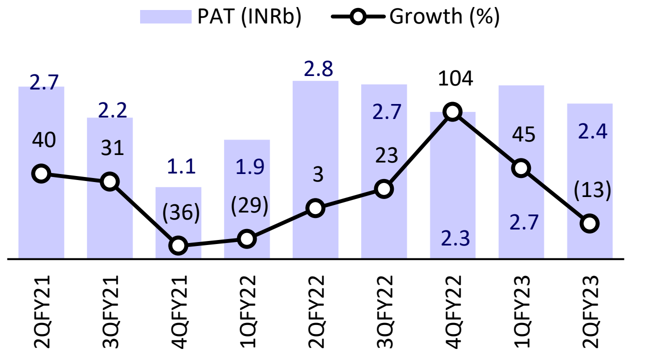
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



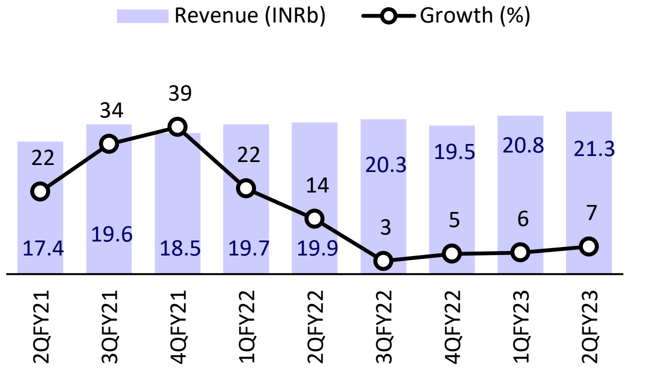
Source: Company, MOFSL

Exhibit 3: Consolidated adjusted PAT trend



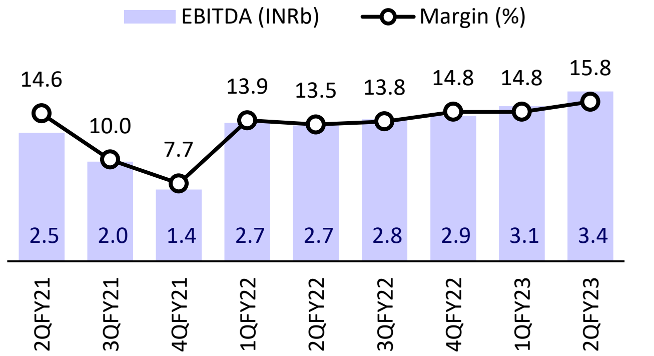
Source: Company, MOFSL

Exhibit 4: Standalone revenue trend



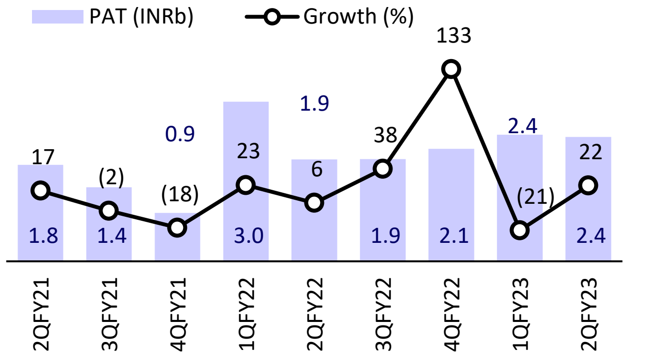
Source: Company, MOFSL

Exhibit 5: Standalone EBITDA trend



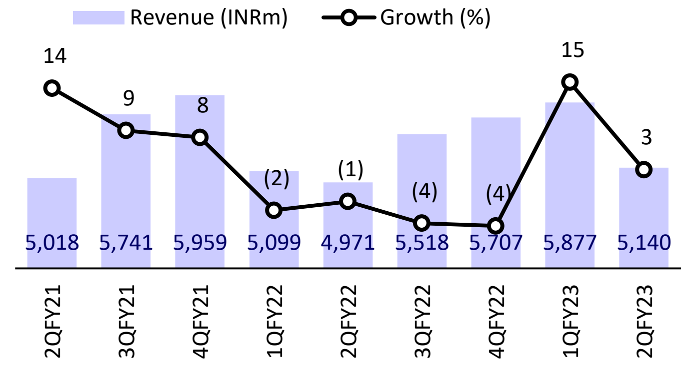
Source: Company, MOFSL

Exhibit 6: Standalone adjusted PAT trend



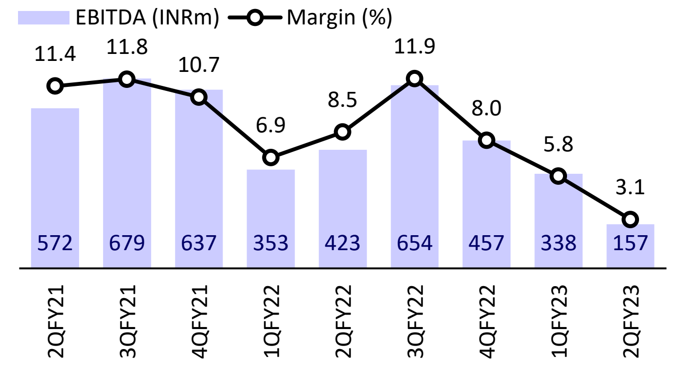
Source: Company, MOFSL

Exhibit 7: Revenue trend in TATACONS's overseas Tea business



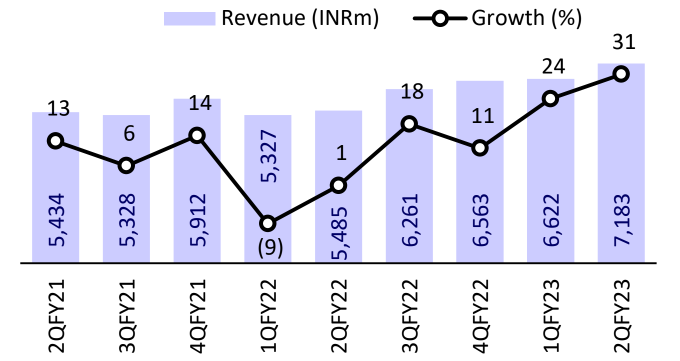
Source: Company, MOFSL

Exhibit 8: EBITDA trend in TATACONS's overseas Tea business



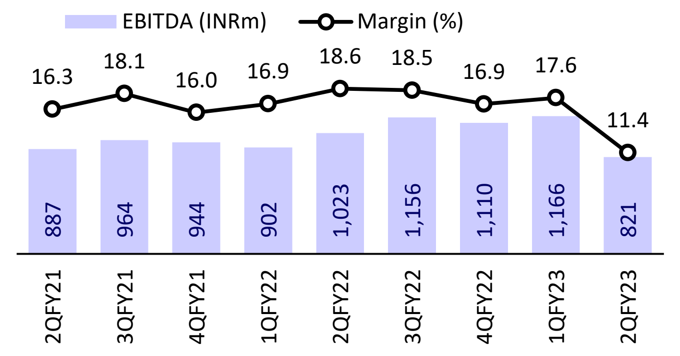
Source: Company, MOFSL

Exhibit 9: Consolidated revenue trend for TCL



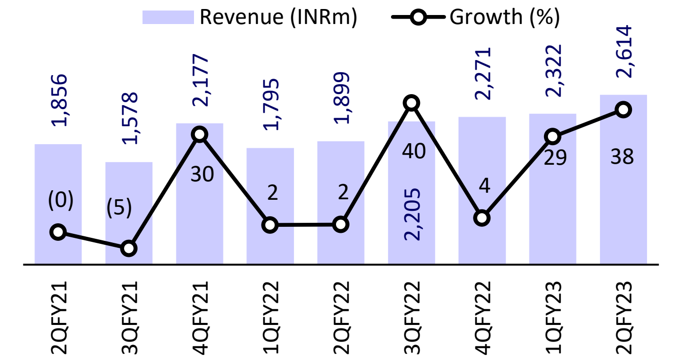
Source: Company, MOFSL

Exhibit 10: Consolidated EBITDA trend for TCL



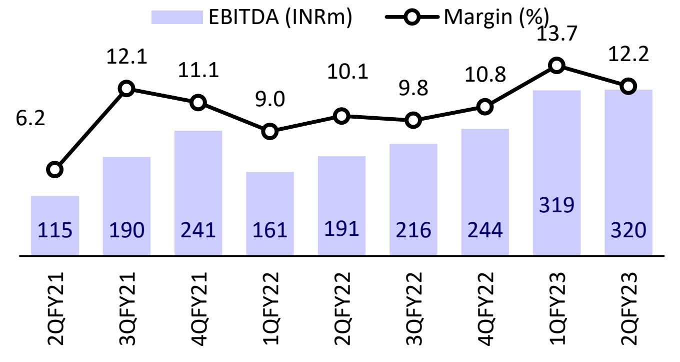
Source: Company, MOFSL

Exhibit 11: Standalone revenue trend for TCL



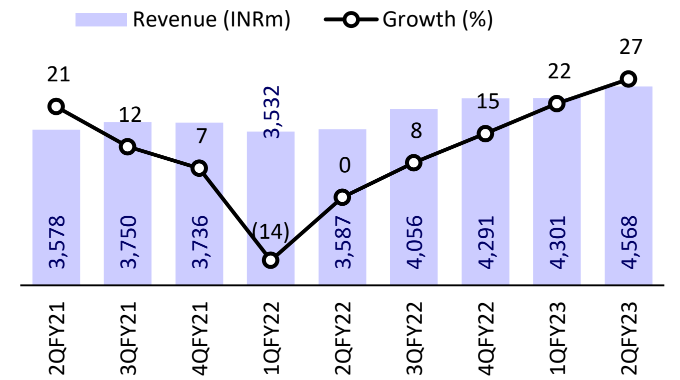
Source: Company, MOFSL

Exhibit 12: Standalone EBITDA trend for TCL



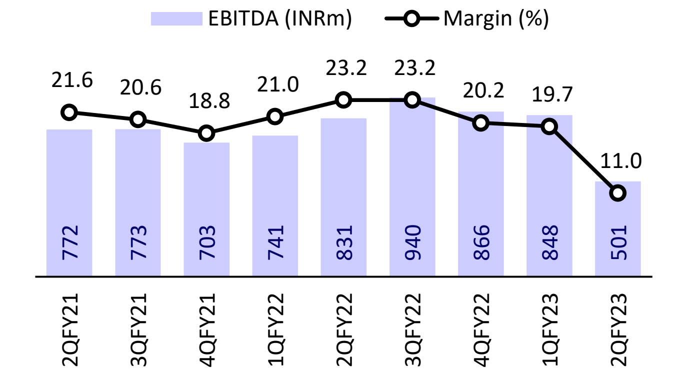
Source: Company, MOFSL

Exhibit 13: Tata Coffee's overseas revenue trend



Source: Company, MOFSL

Exhibit 14: Tata Coffee's overseas EBITDA trend



Source: Company, MOFSL

Exhibit 15: Revenue at a glance (2QFY23)

In ₹ Cr (unless specified)	India Beverages	India Foods	US Coffee	International Tea	Tata Coffee (incl. Vietnam)	Consolidated
	India Business		International Business			
Revenue	1,238	922	376	463	342	3,363
Revenue Growth *Constant currency growth*	-2%	29%	25% 16%	-4% -0%	41% 39%	11% 10%
Volume Growth	-1%	0%	-2%	-5%	-1%	
Key Brands	Tata Tea, Tata Gluco+, Grand, Himalayan	Tata Salt, Tata Sampann, Tata Soulfull	Eight O'Clock	Tetley, teapigs, Good Earth		

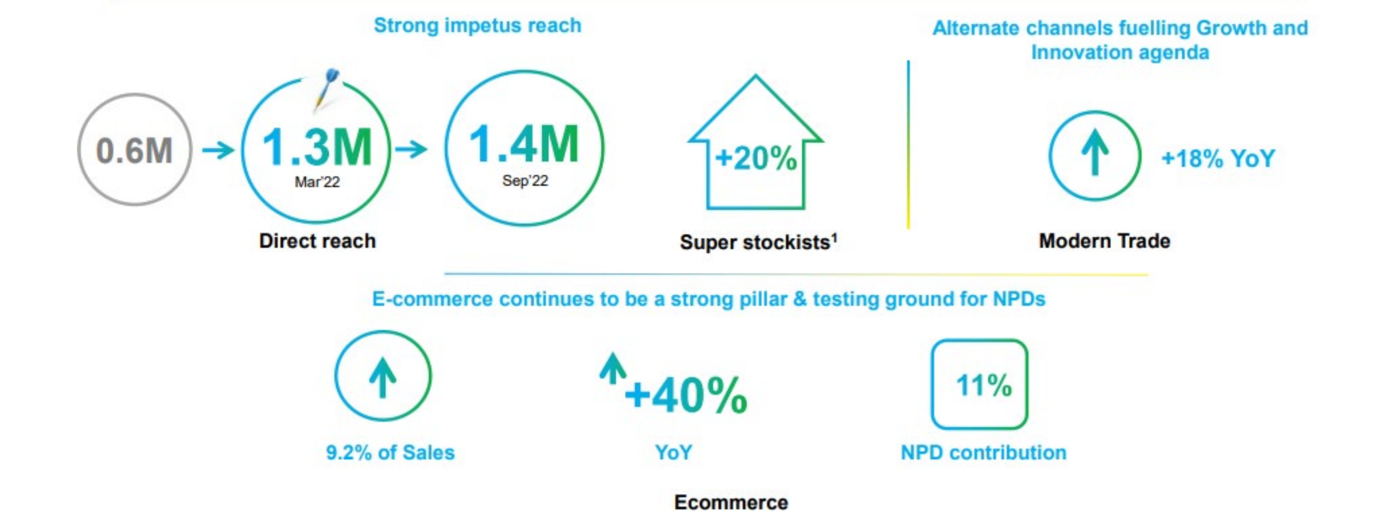
Source: Company, MOFSL

Exhibit 16: Revenue at a glance (1HFY23)

In ₹ Cr (unless specified)	India Beverages	India Foods	US Coffee	International Tea	Tata Coffee (incl. Vietnam)	Consolidated
	India Business		International Business			
Revenue	2,547	1,758	732	944	644	6,690
Revenue Growth *Constant currency growth*	1%	24%	23% 16%	-1% 2%	33% 31%	11% 10%
Volume Growth	0%	-1%	-2%	-4%	3%	
Key Brands	Tata Tea, Tata Gluco+, Grand, Himalayan	Tata Salt, Tata Sampann, Tata Soulfull	Eight O'Clock	Tetley, teapigs, Good Earth		

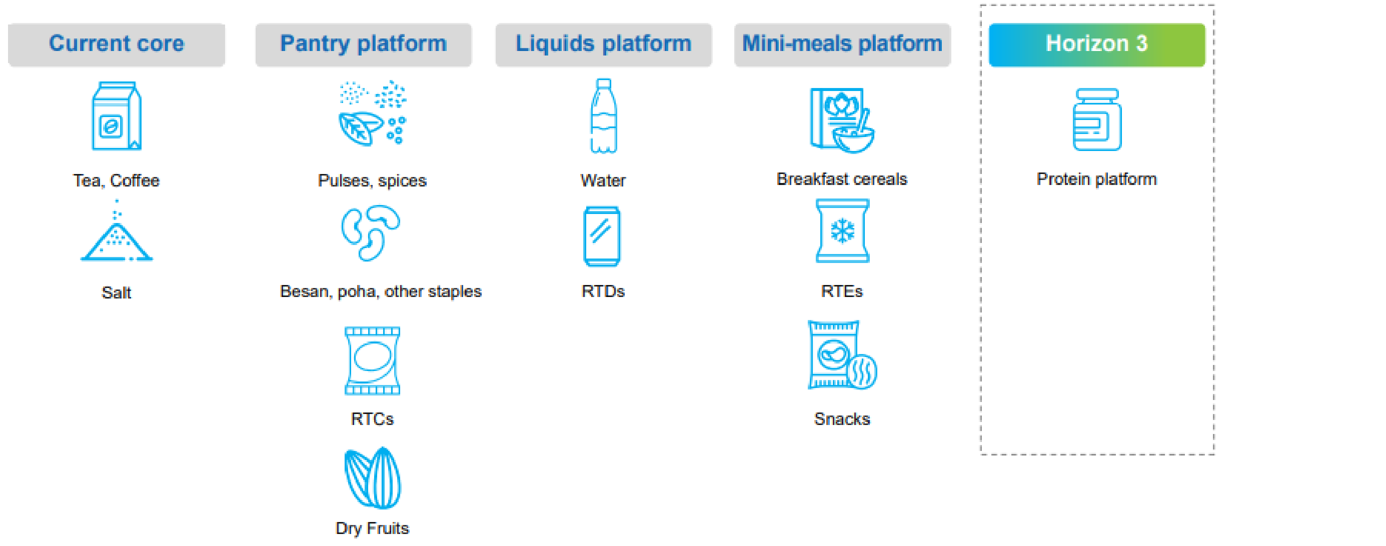
Source: Company, MOFSL

Exhibit 17: Expanding reach across channels



Source: Company, MOFSL

Exhibit 18: TATACONS' F&B platforms



Source: Company, MOFSL

Exhibit 19: Addition of new growth platform with introduction of Protein-focused products

Source: Company, MOFSL

Exhibit 20: Consolidated segmental results

INR m	2QFY22	1QFY23	2QFY23	%/bp ch YoY	%/bp ch QoQ
Segmental revenue					
Branded Business					
India - Beverages	12,659	13,090	12,380	-2.2%	-5.4%
India - Foods	7,122	8,362	9,220	29.4%	10.3%
International - Beverages	7,813	8,366	8,389	7.4%	0.3%
Total Branded Business	**27,594**	**29,818**	**29,988**	**8.7%**	**0.6%**
Non-Branded Business	2,799	3,517	3,718	32.8%	5.7%
Total Segment Revenue	**30,393**	**33,335**	**33,706**	**10.9%**	**1.1%**
Others	63	74	137		
Inter segment sales	-124	-141	-213		
Revenue from Operations	**30,331**	**33,268**	**33,631**	**10.9%**	**1.1%**
Segment Results					
Branded Business					
India - Business	2,445	2,732	3,077	25.8%	12.6%
International - Beverages	1,097	1,045	597	-45.6%	-42.8%
Total Branded Business	**3,542**	**3,776**	**3,674**	**3.7%**	**-2.7%**
Non-Branded Business	**215**	**394**	**300**	**39.2%**	**-23.9%**
Total Segment Results	**3,758**	**4,170**	**3,974**	**5.8%**	**-4.7%**
EBIT margins					
India - Business	12.4%	12.7%	14.2%	188	151
International - Beverages	14.0%	12.5%	7.1%	(692)	(537)
Total Branded Business	12.8%	12.7%	12.3%	(59)	(41)
Non-Branded Business	7.7%	11.2%	8.1%	37	(314)

Note: India – Business includes India – Beverages and India – Foods

Source: Company, MOFSL

Highlights from the management commentary

India Packaged Beverages

- India Packaged Beverages business witnessed revenue decline of 7% YoY in 2QFY23 due to pricing corrections and overall softness in the category. Further, the segment saw volume decline of 1% during 2QFY23. TATACONS continued to record market share gains in terms of volume in its branded tea segment.
- **Tea**: The segment continued to record volume market share gains (+46bp YoY), while value market share (-20bp YoY) declined marginally on price cuts.
- Softness in Tea demand is coming from rural and semi-urban regions of India with stress originating from select geographies such as the Hindi belt.
- TATACONS continued with its premiumization drive, as premium tea portfolio witnessed faster growth than the base portfolio
- The company has taken price cuts in tea portfolio in line with tea prices. The management expects the tea prices to continue its downtrend.
- Tata Tea Kanan Devan recorded its highest-ever volumes in Kerala aided by on-ground activations during Onam.
- **Coffee** continued its strong performance with 39% revenue growth in 2QFY23. During the quarter, TATACONS launched a new season range for its premium coffee range ‘Sonnets – by Tata Coffee’

India Foods business

- The India Foods business registered 29% YoY revenue growth in 2QFY23 despite an elevated base of 23% growth in 2QFY22 with market share gains of 128bp YoY in salt. The segment recorded flattish volume growth v/s 2QFY22. On three-year CAGR basis, the segment recorded revenue growth of 14% p.a.

- **Tata Sampann** portfolio clocked strong double-digit growth during the quarter, led by broad-based performance across pulses, poha and spices.
- It launched a new campaign with Bollywood actor 'Manoj Bajpayee' to build awareness about the goodness of unpolished pulses and the promise of Tata Sampann.
- Tata Sampann spices launched a customized mix for Andhra Pradesh and Telangana to better serve the South Indian market. The spices range expanded its portfolio in India into high-value spices with the launch of Asafoetida (Hing).
- Tata Sampann Dry Fruits is scaling up well with strong growth and share gains across e-commerce platforms
- **Tata Sampann is expected to post 30% CAGR going forward aided by expansion into new products and new geographies.**
- Accordingly, TATACONS re-launched its **Ready-To-Eat (RTE)** business (formerly Tata Q) with a revamped and expanded portfolio under the new brand name of Tata Sampann Yumside in India and Tata Rassa in international market. The products are launched under different brand names due to copyright issues in India. This includes reformulation of existing products to enhance overall consumer experience and expansion into the ethnic RTE category. The brand will also be launching ethnic innovations in the Ready to Cook (RTC) category.
- **Tata Soulfull** delivered strong growth during the quarter. Tata Soulfull Masala Oats+, a 'better for you' offering with oats and millets, saw good consumer response across key channels. New enhanced Tata Soulfull millets muesli with 25% millets was launched to further strengthen the health proposition and provide a better crunchier taste experience to consumers.

TATACONS's Protein Platform – Launch of Tata GoFit

- TATACONS made another addition to its protein platform with the launch of Tata GoFit – a plant protein powder and a health supplement range for women
- The product has been specially developed for women and has an innovative and differentiated formulation with digestion-friendly enzymes and gut-friendly probiotics.

India Salt

- The salt portfolio continued its momentum and recorded double-digit growth during 2QFY23 despite a high base in 2QFY22. The salt portfolio continued to record market share gains (+128bp YoY).
- Tata Salt Immuno was successfully launched in newer markets in the western part of the country. The brand was launched with new & improved packaging to better showcase the Zinc proposition
- The company has launched 'Shuddh - from Tata salt' in previous quarter. While management believes the product to be better than other competitor product in south, it feels that product sizing and packaging needs to be altered.

Tata Coffee (including Vietnam ex EOC)

- Revenue for the quarter grew 41% YoY (with constant currency growth of 39% YoY) led by strong growth across both the extractions and coffee plantations. Volumes declined by 1% YoY in 2QFY23.

- Inflationary challenges continued during the quarter, but they were mitigated through cost management efforts.
- **Extractions:** Overall extraction business grew 26% YoY in 2QFY23 driven by both the domestic and the Vietnam business
- Vietnam plant continued to operate at peak capacity utilization with sales witnessing 43% YoY growth driven by higher sales of premium products and superior realization.
- **Plantations:** In 2QFY23 plantations revenue grew 73% YoY driven by higher realization and sales of Robusta coffee and pepper.

NourishCo

- Nourish Co sustained strong growth momentum with revenue growth of 64% in 2QFY23 on back of growth across products and geographies.
- Himalayan recorded excellent growth and continued to remain EBIT positive during the quarter. Himalayan honey and preserves saw good consumer response.
- Himalayan clocked revenue growth of 72% YoY and continued to remain EBIT positive during the quarter. The growth was led by all products and geographies.
- The business is seeing inflation in input cost and freight, but it was mitigated through cost-saving initiatives and operating leverage during the quarter.
- Tata Copper Water witnessed revenue growth of 91% YoY

JV: Starbucks

- Tata Starbucks saw strong revenue growth of 57% YoY during the quarter aided by normalized store operations and a revival in out-of-home consumption.
- It has opened 25 new stores during Q2FY23, the highest ever in a quarter in its history and entered five new cities. This brought the total number of stores to 300 across 36 cities.

US business

- **Coffee:** Revenue for the quarter grew 16% YoY (constant currency growth) driven by Eight O' Clock (EOC) gaining share (~4.4% of coffee bags market share).
- EOC coffee in the USA recorded share gains, with EOC K Cups growing 2X the category during the quarter, led by 48 SKU counts.
- The newly launched Tetley Sweet Tea Cold Brew strengthened the presence in the specialty tea segment in the USA. Tetley Irish Breakfast tea continued to do well on back of distribution gains and ongoing promotion activity.
- The business profitability has been impacted by an increase in coffee and freight costs and delayed implementation of pack/price initiatives.
- **Tea**: Revenue for the quarter grew 9% YoY (constant currency) in 2QFY23 led by Tetley and Teapigs outperforming their respective categories.
- Teapigs is now the fastest-growing tea brand in the US. Further, Tetley witnessed share gains in the latest period led by performance in mainstream Black with distribution gains and increased activity.

Canada business

- Revenue grew 16% YoY (constant currency) with market share of 27.3% in 2QFY23. Revenue growth in Specialty tea category was 11% YoY. The tea category growth is being led by pricing as inflation impacts volumes.
- New distribution for Tata tea is helping the brand grow rapidly, albeit off a small base.

UK business

- Revenue for the quarter declined 7% YoY (constant currency) on back of category softness driven by significant inflation.
- Teapigs declined 16% YoY due to an elevated base (2QFY22 growth of 17%) and led by hot weather and moderation in OOH consumption.
- TCPL became the third largest branded tea company by market share in UK, displacing 'Twinnings'.
- TATACONS has already taken a 7% price hike which was inadequate and therefore has announced a double digit price hike again. The impact of price hike will be seen by 4QFY23.
- Inflation and GBP depreciation impacted profitability adversely in 2QFY23. These will be addressed through pricing actions and structural cost-saving measures.

Outlook

- TATACONS "growth businesses" have sustained their strong growth trajectory. Also, out of home businesses i.e. both NourishCo & Starbucks have delivered strong quarter and management expects continued momentum going forward.
- In the international business, the company will be taking structural cost-saving actions to improve margins.
- Given the inflationary environment and investments required for some of the new businesses, we will continue to manage margins at the company level while remaining focused on maintaining growth momentum.

Other highlights

- TATACONS increased its direct reach to 1.4m outlets and witnessed 20% growth in the number of its super stockists.
- Despite high growth in distribution channel, as per management there is significant room to grow at high pace going forward driving overall volume growth for the company.
- TATACONS continued to see strong growth in alternate channels, with Modern Trade channel witnessing growth of 18% YoY. The Ecommerce channel grew 40% contributing to 9.2% of India business sales.
- Alternate channels continued to support the innovation agenda with 11% of Ecommerce revenue is coming from New Product Development (NDP) sales, during the quarter.
- TATACONS is accelerating the pace on innovation with number of product launch doubling in 2QFY23 as compared to 1QFY23. Management expects such newly launched products to contribute to 3.5% of total sales in FY23 and targets to reach 5% going forward.

Valuation and view

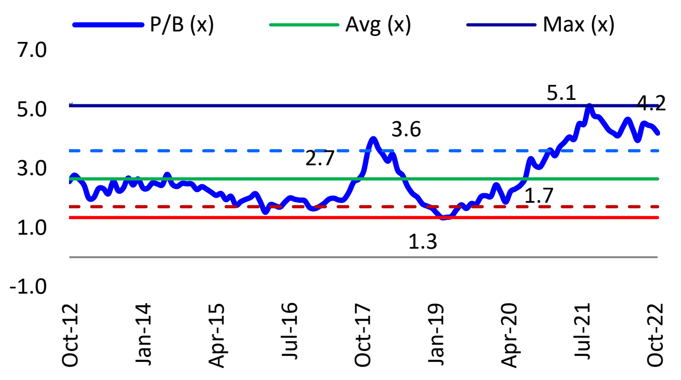
- The management's holistic strategy aims at: i) strengthening and accelerating its core business, ii) exploring new opportunities, iii) unlocking synergies, iv) digitization of the supply chain, v) expansion of its product portfolio and innovation, vi) enhancing its focus on premiumization and health & wellness products, vii) embedding sustainability, and viii) expanding its sales and distribution infrastructure, supply chain, and capability building towards being a multi-category FMCG player.
- TATACONS is on a portfolio expansion spree in its F&B segment, with product launches in new and innovative categories such as ready-to-cook/eat, mini meals, breakfasts, cereals, snacks, ready-to-drink (RTD), and protein-based products. The Food business is likely to be the growth engine for the company, with Tata Sampann leading from the front.
- We expect a sales/EBITDA/PAT CAGR of 11%/18%/30% over FY22-24, respectively. Factoring in an in-line performance in 2QFY23, we maintain our FY23 and FY24 earnings estimates. **We maintain our BUY rating on the stock with an SoTP-based TP of INR880**.

Exhibit 21: Valuation methodology

EV/EBITDA	FY24 EBITDA	Multiple (x)	EV
India Tea (TATACONS standalone)	9,296	41	3,82,063
Coffee India (excluding Starbucks)	1,162	11	12,784
Coffee overseas	4,062	14	57,274
Consumer (Salt and others)	7,067	41	2,91,172
Overseas Tea (Tetley UK)	2,390	13	31,073
DCF			
Starbucks JV			35,349
Enterprise value			**8,09,714**
Less: Net debt			(28,809)
Market value (INR m)			**8,38,523**
No. of shares (m)			953
Target price (INR)			**880**

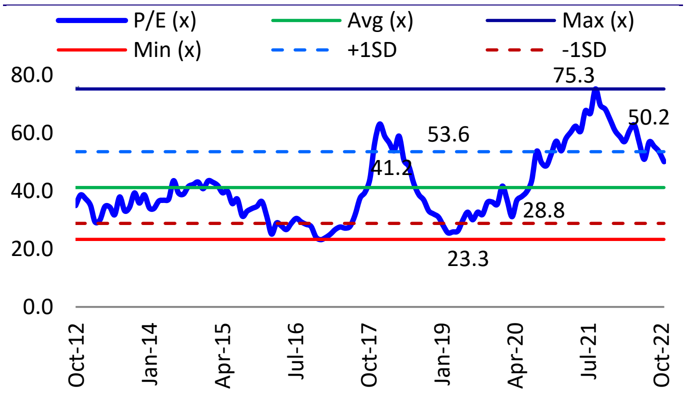
Source: MOFSL

Exhibit 22: One-year forward P/B (x)



Source: MOFSL

Exhibit 23: One-year forward P/E (x)



Source: MOFSL

Exhibit 24: Revisions in our estimates

Earnings Change	Old		New		Change (%)	
(INR m)	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	1,37,210	1,51,205	1,37,683	1,52,009	0	1
EBITDA	19,263	23,733	18,936	23,978	-2	1
Adj. PAT	11,854	16,395	11,345	16,565	-4	1

Source: MOFSL

Financials and valuations

Consolidated Income Statement									(INR b)
Y/E March	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**
Net Sales	**66.4**	**67.8**	**68.2**	**72.5**	**96.4**	**116.0**	**124.3**	**137.7**	**152.0**
Change (%)	-17.0	2.2	0.5	6.4	32.9	20.4	7.1	10.8	10.4
Gross Profit	**30.1**	**32.2**	**31.2**	**32.4**	**42.3**	**47.0**	**53.4**	**58.5**	**66.0**
Margin (%)	45.4	47.5	45.7	44.7	43.9	40.5	43.0	42.5	43.4
Other operating exp.	23.6	24.3	22.8	24.6	29.3	31.6	36.2	39.6	42.1
EBITDA	**6.5**	**7.9**	**8.4**	**7.9**	**12.9**	**15.4**	**17.2**	**18.9**	**24.0**
Margin (%)	9.9	11.7	12.3	10.8	13.4	13.3	13.8	13.8	15.8
Depreciation	1.2	1.3	1.2	1.2	2.4	2.5	2.8	2.9	3.0
Net Interest	1.2	0.9	0.4	0.5	0.8	0.7	0.7	0.7	0.6
Other income	0.8	0.8	0.9	1.6	1.1	1.2	1.4	1.5	1.7
PBT before EO	**5.0**	**6.6**	**7.7**	**7.7**	**10.8**	**13.4**	**15.1**	**16.9**	**22.1**
EO income/(exp.)	-3.3	0.1	-0.2	-0.3	-2.7	-0.3	-0.5	0.9	0.0
PBT after EO	1.7	6.6	7.5	7.3	8.1	13.1	14.6	17.7	22.1
Tax	2.0	2.0	1.9	2.6	2.7	3.2	3.8	4.7	6.0
Rate (%)	117.8	30.0	24.7	35.5	33.9	24.2	25.9	26.6	27.0
Minority and Associates	-0.2	0.7	0.7	0.7	0.8	1.4	1.4	1.0	-0.5
Reported PAT	**-0.1**	**3.9**	**5.0**	**4.1**	**4.6**	**8.6**	**9.4**	**12.0**	**16.6**
Adjusted PAT	**3.3**	**3.8**	**5.2**	**4.4**	**7.2**	**8.7**	**9.7**	**11.3**	**16.6**
Change (%)	-13.3	17.3	34.5	-14.6	63.5	20.8	11.8	16.4	46.0

Balance Sheet									(INR b)
Y/E March	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**
Share Capital	0.6	0.6	0.6	0.6	0.9	0.9	0.9	0.9	1.0
Reserves	61.8	62.0	69.7	72.7	137.2	144.4	150.5	162.6	179.7
Net Worth	**62.5**	**62.7**	**70.3**	**73.3**	**138.1**	**145.3**	**151.4**	**163.5**	**180.7**
Minority Interest	8.6	9.2	10.1	10.3	10.9	10.9	11.5	7.1	0.0
Loans	13.5	7.9	10.7	11.3	11.8	7.2	10.1	10.1	8.1
Capital Employed	**84.6**	**79.7**	**91.1**	**94.9**	**160.9**	**163.5**	**173.0**	**180.7**	**188.8**
Gross Block	24.0	23.7	25.4	27.7	59.1	61.8	66.7	69.2	72.2
Less: Accum. Deprn.	14.5	13.7	15.2	16.4	18.8	21.4	24.2	27.1	30.1
Net Fixed Assets	**9.5**	**10.1**	**10.2**	**11.3**	**40.3**	**40.4**	**42.5**	**42.1**	**42.1**
Capital WIP	0.4	0.6	1.4	4.2	1.0	1.1	4.6	4.6	4.6
Goodwill & Intangibles	37.1	35.0	37.2	37.9	73.3	76.0	77.5	77.5	77.5
Investments	11.9	13.5	6.4	6.0	4.9	4.8	6.0	6.2	6.7
Curr. Assets	**40.0**	**36.3**	**49.3**	**49.4**	**65.3**	**79.9**	**80.1**	**89.5**	**99.3**
Inventories	16.3	14.5	14.5	16.1	17.1	22.5	22.7	30.2	30.0
Account Receivables	5.9	5.9	6.5	6.8	9.2	7.6	8.4	11.3	11.7
Cash and Bank Balance	6.7	7.4	18.1	16.2	24.6	34.0	28.0	26.9	36.6
Others	11.1	8.4	10.3	10.3	14.4	15.8	21.1	21.1	21.1
Curr. Liability & Prov.	**13.5**	**14.3**	**13.5**	**12.9**	**20.8**	**33.2**	**30.2**	**31.8**	**34.0**
Account Payables	6.8	7.4	7.1	6.6	9.4	16.3	19.2	20.7	22.9
Other liabilities	2.8	3.4	3.6	4.2	8.6	14.0	8.6	8.6	8.6
Provisions	4.0	3.6	2.9	2.0	2.8	2.9	2.5	2.5	2.5
Net Curr. Assets	**26.5**	**22.0**	**35.8**	**36.5**	**44.5**	**46.6**	**49.8**	**57.7**	**65.4**
Def. tax liability	0.8	1.5	0.0	1.0	3.0	5.5	7.5	7.5	7.5
Appl. of Funds	**84.6**	**79.7**	**91.1**	**94.9**	**160.9**	**163.5**	**173.0**	**180.7**	**188.8**

Financials and valuations

Cash flow statement									(INR b)
Y/E March	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**
EBITDA	**6.5**	**7.9**	**8.4**	**7.9**	**12.9**	**15.4**	**17.2**	**18.9**	**24.0**
Prov. & FX	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
WC	-2.7	1.5	-1.4	-2.3	-0.6	3.1	2.0	-8.9	1.8
Others	-0.2	0.1	-0.4	-0.8	1.4	1.2	-0.3	0.9	0.0
Direct taxes (net)	-2.3	-2.1	-3.0	-2.6	-2.7	-3.2	-3.8	-4.7	-6.0
CF from Op. Activity	**1.2**	**7.4**	**3.6**	**2.1**	**10.8**	**16.6**	**15.2**	**6.2**	**19.8**
Capex	-1.5	-1.4	-3.6	-2.8	-1.6	-2.1	-2.7	-2.5	-3.0
FCFF	**-0.4**	**6.0**	**0.0**	**-0.7**	**9.2**	**14.5**	**12.4**	**3.7**	**16.8**
Interest/dividend	0.7	0.6	0.5	0.5	0.6	0.7	0.9	1.5	1.7
Investments in subs/assoc.	-0.5	-0.3	-0.1	-0.4	-0.2	-2.2	-7.4	0.0	0.0
Others	4.3	2.5	10.2	3.4	-5.5	-0.5	-4.0	0.0	0.0
CF from Inv. Activity	**2.9**	**1.4**	**7.0**	**0.7**	**-6.7**	**-4.1**	**-13.2**	**-1.0**	**-1.3**
Share capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowings	-0.8	-4.8	2.2	0.4	0.3	-0.6	-4.9	0.0	-2.0
Finance cost	-0.7	-0.6	-0.3	-0.4	-0.7	-0.7	-0.6	-0.7	-0.6
Dividend	-1.9	-1.9	-2.1	-2.2	-2.2	-2.7	-4.0	-5.6	-6.2
Others	0.5	-0.8	0.4	-2.5	6.9	0.9	1.6	0.0	0.0
CF from Fin. Activity	**-2.8**	**-8.2**	**0.1**	**-4.7**	**4.3**	**-3.0**	**-7.9**	**-6.3**	**-8.8**
(Inc)/Dec in Cash	**1.3**	**0.7**	**10.7**	**-1.9**	**8.4**	**9.4**	**-6.0**	**-1.1**	**9.7**
Opening balance	5.5	6.7	7.4	18.1	16.2	24.6	34.0	28.0	26.9
Closing balance (as per B/S)	**6.7**	**7.4**	**18.1**	**16.2**	**24.6**	**34.0**	**28.0**	**26.9**	**36.6**

Ratios									
Y/E March	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**
Basic (INR)									
EPS	**3.6**	**4.2**	**5.6**	**4.8**	**7.8**	**9.5**	**10.6**	**12.2**	**17.4**
Cash EPS	4.8	5.5	6.9	6.1	10.5	12.2	13.6	15.4	20.5
BV/Share	67.8	68.0	76.3	79.6	149.9	157.7	164.3	176.0	189.6
DPS	2.3	2.3	2.4	2.5	2.7	4.1	6.1	6.1	6.5
Payout (%)	NA	36.5	29.9	38.7	54.1	43.6	59.6	46.8	37.4
Dividend yield (%)	0.3	0.3	0.3	0.3	0.4	0.5	0.8	0.8	0.9
Valuation (x)									
P/E	214.4	182.7	135.8	159.0	97.2	80.5	72.0	62.4	43.8
Cash P/E	158.0	137.6	110.9	124.4	72.8	62.3	56.0	49.5	37.1
P/BV	11.2	11.2	10.0	9.6	5.1	4.8	4.6	4.3	4.0
EV/Sales	10.7	10.4	10.2	9.6	7.1	5.8	5.5	5.0	4.4
EV/EBITDA	108.3	88.8	82.8	88.7	53.3	43.7	39.8	36.2	28.1
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.4	0.5	0.8	0.8	0.9
FCF per share	-0.6	9.6	-0.1	-1.1	10.0	15.7	13.5	4.0	17.6
Return Ratios (%)									
RoE	5.6	6.1	7.8	6.1	6.8	6.1	6.6	7.2	9.6
RoCE	7.6	9.0	9.4	8.6	8.5	8.3	9.0	10.1	12.5
RoIC	8.2	10.6	11.7	9.8	11.5	11.1	10.7	11.7	15.0
Working Capital Ratios									
Fixed Asset Turnover (x)	7.0	6.7	6.7	6.4	2.4	2.9	2.9	3.3	3.6
Asset Turnover (x)	0.8	0.9	0.7	0.8	0.6	0.7	0.7	0.8	0.8
Debtor (Days)	33	32	35	34	35	24	25	30	28
Creditor (Days)	37	40	38	33	36	51	56	55	55
Inventory (Days)	90	78	78	81	65	71	67	80	72
Leverage Ratio (x)									
Net Debt/Equity	0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-0.2

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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