

# *Tata Consumer Products Limited*

*Annual Report  
Round Up*

*29<sup>th</sup> May 2023*



- Despite the volatile macro environment and geopolitical unrest, Tata Consumer Products (TATACONS) delivered a well-rounded performance across key metrics with double-digit revenue growth and an EPS growth of 28% in FY23.
- The organized Indian food and beverage market is expected to grow at 10-15% over the next 5 years.
- In FY23, TATACONS progressed in strengthening the core businesses and expanding the total addressable market.
- TATACONS has narrowed the universe down to five key platforms—Current core (tea, coffee, salt), Pantry (pulses, spices, staples, RTCs, dry fruits), Liquids (water, RTD), Mini meals (breakfast cereals, RTEs, snacks), and Protein platform (plant-based meat, plant protein powder).
- TATACONS has continued to invest in the future growth engines of its portfolio, and this has started delivering results, with the growth businesses recording 53% YoY growth in FY23 and increasing their salience significantly.
- TATACONS has invested in building a ‘fit for future’ R&D capability and accelerated the pace of innovation, launching 2X the number of new products versus FY22 and entering several new categories.
- In September 2020, TATACONS committed to doubling its numeric reach to 4 mn outlets in three years and it is on track to achieve that. It now has a total reach of 3.8 mn outlets, with a direct reach of 1.5 mn outlets.
- TATACONS started making progress in expanding the rural and semi-urban reach, with increased direct-distributor coverage in semi-urban areas and split routes in larger towns driving assortment and growth. It will appoint distributors in all towns with a population of 50K+ and a large number of high-income towns with 20k+ population.
- TATACONS is driving digital transformation across its business to streamline operations and increase efficiency.
- The process to merge Tata Coffee’s business into TATACONS is well on track for completion in 2023. The objective is to drive revenue synergies and operational efficiencies, in addition to simplifying legal structures and driving cash efficiencies. It entails demerging Tata Coffee’s plantations business into a wholly-owned subsidiary of TATACONS and integrating its coffee extractions business with our tea- extraction business.
- TATACONS’ legal structure is being simplified and they are targeting to almost halve the number of legal entities.

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- TATACONS is an integrated F&B Company with the rich heritage of Tata and a brand presence across 40 countries and a reach of 200+ mn households in India and distribution to 3.8 mn outlets.
- It's product range includes tea, coffee, salt, pulses, spices, dry fruits, water, Ready-to-drink (RTD), Ready-to-cook (RTC) and Ready-to-eat (RTE) options, breakfast cereals, snacks, and mini meals.
- TATACONS plans to continue to drive sustainable profitable growth with a focus on growing both the core (in India and internationally) and rapidly scaling the new Growth businesses in India supported by higher brand investments and increasing the breadth and depth of distribution, among other initiatives.
- Premiumization and innovation will play a key role in fuelling growth.
- TATACONS plans to continue to keep a clear focus on executing cost initiatives including unlocking synergies with legal and organizational restructuring to support the business.
- To achieve its business goals, TATACONS has 6 strategic priorities- i) Strengthen and accelerate core business, ii) Drive digital and innovation, iii) Unlock synergies, iv) Explore new opportunities, v) Create a future-ready organization, vi) Embed sustainability.

### Key Information

Sector	FMCG
M-Cap (INR Mn)	7,34,802
52-week H/L (INR)	861/ 687
Volume Avg (3m K)	1,199
CMP (INR)	790
Target Price (INR)	964
Upside (%)	22.1%
Recommendation	BUY

Source: NSE, KRChoksey Research

### Shareholding Pattern (%)

Particulars	Mar-22	Mar-23
Promoters	34.7	34.4
FIIIs	25.4	25.0
DIIIs	13.7	15.9
Others	26.2	24.7
Total	100.0	100.0

Source: BSE

## Volumes under pressure, but revenue sees double-digit growth; growth businesses see strong growth.

	FY22	FY23
Revenue (INR Mn)	1,24,254	1,37,832
YoY Growth (%)	7.1%	10.9%

- TATACONS' revenue from operations grew by 10.9% YoY in FY23.
- The India business revenue growth was 10.1% YoY. Within that, The India- beverages revenue growth was at 1.0% YoY to INR 50,510 mn. India-foods revenue grew by 25.8% YoY to INR 36,650 mn.
- The India Growth businesses (including Tata Sampann, NourishCo, Tata Soufull, and Tata Smartfoodz (RTE/RTC Business) grew by 53.0% YoY and their contribution to the overall India revenues increased to 15.0% in FY23 from 10.0% in FY22.
- NourishCo recorded significant topline growth. Since its conversion from a JV to a wholly owned subsidiary in FY20, revenues have increased by 3.5x to INR 6,210 mn in FY23.
- Tata Soufull has grown almost 3x since acquisition in 2021, driven by distribution synergies.
- International beverage revenues grew by 7.6% YoY to INR 35,890 mn.
- The number of new launches per year increased to 34 in FY23 from 19 in FY22 and 14 in FY21. The contribution of India's innovation portfolio to revenue grew to 3.4% in FY23 from 2.7% in FY22. E-commerce's innovation to sales was higher at 10.0%.
- TATACONS has been working to create efficiencies in all aspects of its business. Working-capital days were reduced to 35 at the end of FY23 from 59 at the end of FY20.
- Tata Starbucks added 71 new stores during FY23, bringing the total to 333 stores across 41 cities and the business was EBITDA positive.
- Modern trade and e-commerce contributed to driving growth. Modern trade grew by 21.0% YoY and contributed to 14.0% of India sales in FY23. E-commerce salience to India business increased to 9.0% in FY23 from ~2.5% in FY20.

## TATACONS sees volume pressure across businesses

### India Branded business ( India beverages + India foods)

- India Branded Business grew by 10.1% YoY, led by volume and value growth in India Salt and continuation of the growth story in the Ready-to-Drink, Sampann and Soufull portfolio fueled by increased distribution.
- The revenue from India Beverages was marginally lower due to stress in rural demand for most of the year and the delayed onset of winter.
- India Branded Business delivered operating margins higher than the previous year despite elevated commodity costs and inflationary pressures through price increases and good control over costs.

### a) India Beverages

- The total India beverages (including India packaged beverages + NourishCo) grew by 1.0% YoY in terms of revenue while volumes declined by 1% YoY. Revenue growth was 15% on a 3-year CAGR basis.
- Revenue for India packaged beverages declined by 5%, with 1% volume decline owing to weakness in some key markets and price corrections. This brings the three-year CAGR of the business to 10%.
- The tea business saw a marginal decline in volumes and a 5% decline in value (with softening of tea prices) compared to FY22. TATACONS saw value growth in Premium (led by Tata Tea Gold and Chakra Gold) and Popular (Kanan Devan and Spice Mix) segments, which was offset by the economy (Agni) due to a slowdown in its key markets.
- In the packaged tea market, TATACONS had a minor dip in market share primarily led by softness in performance of mass brands, especially Agni.
- TATACONS also launched a complete assortment of Coffee products – convenience (Quick Filter), premiumization (Cold Coffee, Café specials, Tata Coffee Gold) and geographic blends (Tata Coffee Grand Premium – Rest of India).
- NourishCo had a landmark year, recording INR 6,210 mn in net sales, up 80% YoY. The capacity of liquid beverages was expanded to 2x to support growth.

## TATACONS sees volume pressure across businesses

### b) India Foods

- The overall foods business (Salt, Sampann and Soufull) grew revenue by 25.8% YoY and volumes by 2% YoY.
- Salt revenue grew by 25%, delivering a 3-year CAGR of 19%. The Premium Salt portfolio grew by 24% during the year led by distribution and drives to improve awareness and accelerate trials.
- TATACONS continued to be the market leader in Salt and expanded its value share by 0.8% points to reach 37.7%. Tata Sampann delivered strong growth of 29% YoY, with broad-based performance across staples and dry fruits.
- Tata Soufull continued its strong growth trajectory, up 100%+ YoY. Tata Soufull's profitability profile improved through initiatives on reducing manufacturing and freight costs.
- Ready-to-eat (RTE) business (formerly Tata Q) was relaunched under the new brand name of Tata Sampann Yumside with a revamped and expanded portfolio.
- The year also saw a lot of activities in terms of Innovation with a curated assortment of pure and blended spices for the Karnataka market, Shahi Besan launch in select markets as a lower-priced variant and entry into the nascent but growing categories of plant-based meat (Tata Simply Better) and health supplements like plant-based protein powder (Tata Go Fit).

### India Non-Branded business

- Non-Branded business grew by 21%, in constant currency, on account of favourable price realizations for coffee extraction and plantations business.
- Non-Branded Business operating margins also improved over the previous year.

### Tata Coffee

- Tata Coffee Limited (including Vietnam) reported strong growth of 25% in revenue, driven by both the Plantations and Extractions business. Within Plantations, which is ~32% of the overall non-branded portfolio, growth was driven by an increase in commodity prices in the Coffee segment.
- Growth in the Coffee Extraction business was led by higher volumes in India operations and a mix of higher premium sales and volumes in Vietnam operations.
- TATACONS undertook a number of productivity initiatives in both Plantations and Extractions to improve quality and control costs in an inflationary environment.

## TATACONS sees volume pressure across businesses

### International

- The International Branded business grew by 7.6% YoY even as the volume growth was impacted by category softness given the macroeconomic headwinds.
- International Business operating margins declined mainly due to inflationary pressure on commodities and distribution costs, weakness in currency and lag in pricing interventions.
- Across different countries, TATACONS successfully negotiated several rounds of strategic price increases across customers to offset the inflationary pressures in costs.
- TATACONS is adding new vectors of growth - it has recently entered the fast-growing Indian Ready Foods segment with Tata Raasa, a range of RTEs and RTCs tailored for local preferences in those markets.
- In the UK, revenue for the year was flat (constant currency) vs FY22. TATACONS implemented a series of price increases to mitigate input cost inflation which has resulted in strong sequential margin improvement.
- In the USA, Coffee revenue for the year grew 7% (constant currency). In Canada, revenue for the year grew 9% (constant currency). Even in this business, TATACONS took price increases to mitigate input cost inflation leading to strong sequential margin improvement.
- In the USA, Tetley was established as the second-largest US packaged tea brand within the mainstream black hot tea segment, led by British Blend and Classic. Teapigs is the fastest-growing speciality tea brand in the US.
- In the UK, Tetley is the third-largest brand in the mainstream black hot tea category.
- In Canada, Tetley was voted 'Most Trusted Brand of Tea' for nine years in a row and the company launched Tetley D2C website.

### Tata Starbucks JV

- Launched 71 new stores (highest-ever annual addition to the store count) across 15 new cities and continued expansion into Tier-2 cities.
- Revenue grew by 71% YoY and crossed INR 10 bn, and the business was EBIT positive.
- TATACONS launched a pilot that entailed a newer food menu, wider beverage choices and a new small-size beverage 'Pikko' in select stores and cities to recruit new consumers. The pilot was a success, and we will be expanding it to other stores and markets.



## Focus on improving distribution continued in FY23, and will be a growth driver going ahead

### Distribution expansion

- During FY23, TATACONS increased the direct distribution by 15%, allowing the Company to take its portfolio to a larger outlet universe with more impact.
- TATACONS currently has a direct reach of 1.5 mn outlets across India, a 2x+ increase from two years ago.
- TATACONS is expanding its presence in South India across tea, coffee, salt and spices with the launch of South-specific products to cater to regional consumers.
- In both Tea and Coffee, TATACONS continued to gain ground in the South. We have identified the rural market as an area of opportunity and are focusing on building distribution in rural and semi-urban markets now.
- In India, TATACONS will continue distribution-led volume growth in India with favourable macro- and category-dynamics. TATACONS' focus will remain on building sales and distribution infrastructure and investing in building capabilities and behind brands.
- Internationally, continue to drive sustainable profitable growth by building distribution with focus on delivering differentiated innovation to improve share in growing categories of non-black and Coffee as well expanding our portfolio range.
- TATACONS has started making progress in expanding the rural and semi-urban reach, with increased direct-distributor coverage in semi-urban areas and split routes in larger towns driving assortment and growth.
- TATACONS is now looking to appoint distributors in all towns with a population of 50K+ and a large number of high-income towns with 20k+ population.

- TATACONS has invested in building a ‘fit for future’ R&D capability and accelerated the pace of innovation, launching 2X the number of new products versus FY22 and entering several new categories.
- The number of new launches per year increased to 34 in FY23 from 19 in FY22 and 14 in FY21.

Category	New Product Launch
<b>India Packaged beverages</b>	Tata Tea Gold Saffron
	TATA Tea Premium Street Chai Range with four unique variants
	Tetley Green Tea Immune Tulsi
	Tata Coffee Gold- Premium 100% freeze dried coffee launched
	Launched premium instant coffee ‘Tata Coffee Grand Premium’ a 100% coffee blend with flavour-locked decoction crystals for non-South mark
	Tata Coffee Cold Coffee Liquid Concentrate - to make rich and creamy café-style cold coffee at home
	Tata Coffee Cafe Specials - to upgrade the in-home coffee consumption experience to a café style hot coffee.
<b>International beverages</b>	In Canada, launched a range of teas under Tetley Live Teas featuring three variants.
	Teapigs Cold brew launched in the summer at key accounts in the US.
<b>Liquid Beverages / Ready-to-drink (NourishCo)</b>	Tata Gluco+ - National brand rollout completed
	Tata Fruski - One-of-a-kind juice and jelly drink in a range of locally inspired flavours.

Source: Company, KRChoksey Research

Category	New Product Launch
<b>Packaged foods</b>	Launched Tata Salt Immuno, a category-first innovation in iodised salt with added zinc.
	Pink Salt with natural minerals in the premium salt range
	Introduced Shuddh by Tata salt - a solar salt variant in South markets to address the mid-tier salt segment.
	Introduced value-added salts such as Salt+ Vitamin Shakti fortified with Vitamin D+ Calcium, Tata Salt Iron Health- salt fortified with iron
	Millets portfolio: Tata Soufull Masala Oats+ with 25% millets, Tata Soufull Ragi Bites Fills, Tata Soufull millets muesli with 25% millets
	Launched new and larger range of Ready-to-Eat and Ready-to-Cook offerings.
	Entered the alternate meat segment with the launch of Tata Simply Better Plant Based Meat (PBM) range.
	Launched Tata GoFit plant protein powder, a health supplement range for women.
	Himalayan Honey & Preserves launched with a range of premium products sourced from the Himalayas
	Tata Raasa – entry in the Indian Ready Foods segment in the International Markets spanning the Ethnic Ready-To-Eat and Ready-To-Cook categories

Source: Company, KRChoksey Research

TATACONS delivered double-digit revenue growth despite volume softness across businesses but saw EBITDA margin pressure

- Consolidated revenue from operations for FY23 at INR 1,37,832 mn grew by 10.9% YoY.
- In FY23, TATACONS faced challenges on two fronts – 1) volume softness in the beverages category owing to demand slowdown in some key markets; and 2) increase in commodity prices (coffee and salt) with elevated cost inflation and currency fluctuations precipitating pressure on margins across businesses.
- To mitigate the cost pressures, TATACONS increased prices and invested in their brands and capabilities (eg digital, R&D) to drive future growth, and focused on unlocking efficiencies across the value chain.
- As a result, the decline in EBITDA margin was limited to 36 bps YoY, while absolute EBITDA grew by 8.0% YoY.
- The Group's Net Profit at INR 12,038 mn grew by 28.6% YoY mainly on account of higher absolute operating profit, higher exceptional income and improvement in the performance of Joint Venture and Associate companies.
- Tata Starbucks performance improved significantly driven by the opening of 71 new stores and improved in-store performance and offerings.
- Higher exceptional income is mainly on account of accounting gain on the conversion of Joint Ventures in South Africa and Bangladesh into subsidiaries and profit on the sale of investment property in Tata Coffee Limited partly offset by costs relating to restructuring and re-organization.

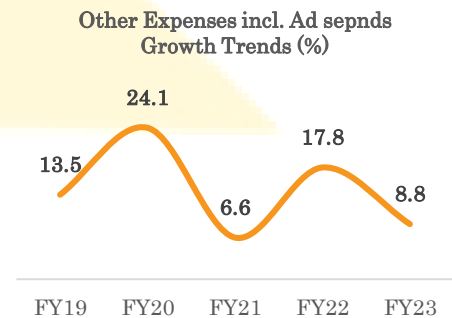
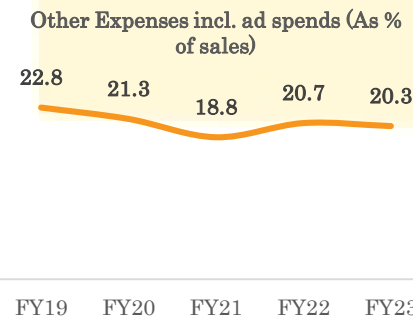
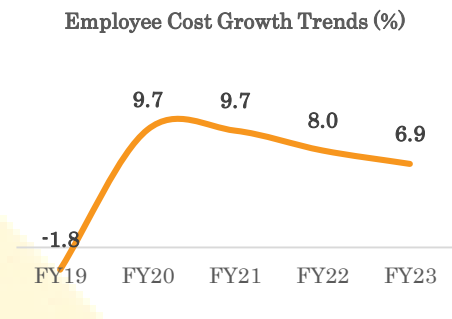
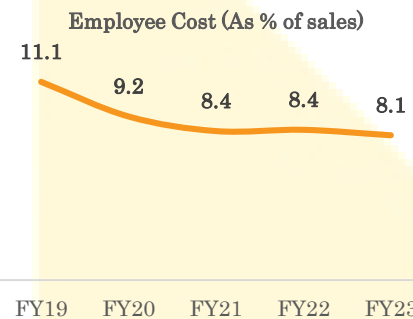
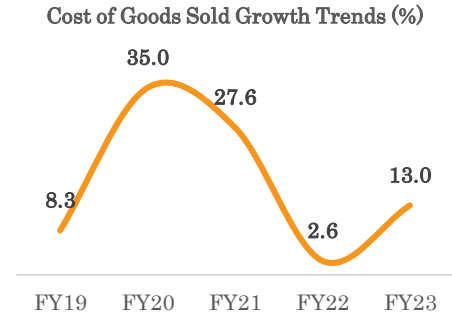
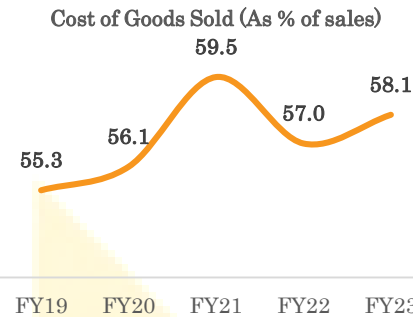
	FY22	FY23
<b>Revenue (INR Mn)</b>	<b>1,24,254</b>	<b>1,37,832</b>
YoY Growth (%)	7.1%	10.9%
<b>EBITDA (INR Mn)</b>	<b>17,188</b>	<b>18,565</b>
YoY Growth (%)	11.3%	8.0%
<b>EBITDA Margin</b>	<b>13.8%</b>	<b>13.5%</b>
<b>PAT (INR Mn)</b>	<b>9,358</b>	<b>12,038</b>
YoY Growth (%)	9.2%	28.6%
<b>PAT Margin</b>	<b>7.5%</b>	<b>8.7%</b>

Source: Company, KRChoksey Research

Particulars (INR Mn)	FY19	FY20	FY21	FY22	FY23
<b>Total Net sales (Without other operating revenue)</b>	<b>7,252</b>	<b>9,637</b>	<b>11,602</b>	<b>12,425</b>	<b>13,784</b>
<b>Branded business</b>	<b>6,406</b>	<b>8,667</b>	<b>10,512</b>	<b>11,249</b>	<b>12,305</b>
<i>India- Beverages</i>	<i>3,168</i>	<i>3,377</i>	<i>4,601</i>	<i>5,001</i>	<i>5,051</i>
<i>India- Foods</i>	<i>0</i>	<i>2,064</i>	<i>2,442</i>	<i>2,913</i>	<i>3,665</i>
<i>International- Beverages</i>	<i>3,238</i>	<i>3,226</i>	<i>3,469</i>	<i>3,335</i>	<i>3,589</i>
<b>Non-branded business</b>	<b>842</b>	<b>975</b>	<b>1,122</b>	<b>1,214</b>	<b>1,500</b>
<b>Others/ Eliminations</b>	<b>3</b>	<b>-4</b>	<b>-32</b>	<b>-38</b>	<b>-23</b>
<b>Growth YoY%</b>					
<b>Total Net sales (Without other operating revenue)</b>	<b>6.4%</b>	<b>32.9%</b>	<b>20.4%</b>	<b>7.1%</b>	<b>10.9%</b>
<b>Branded business</b>	<b>NA</b>	<b>35.3%</b>	<b>21.3%</b>	<b>7.0%</b>	<b>9.4%</b>
<i>India- Beverages</i>	<i>NA</i>	<i>6.6%</i>	<i>36.2%</i>	<i>8.7%</i>	<i>1.0%</i>
<i>India- Foods</i>	<i>NA</i>	<i>NA</i>	<i>18.3%</i>	<i>19.3%</i>	<i>25.8%</i>
<i>International- Beverages</i>	<i>NA</i>	<i>-0.4%</i>	<i>7.5%</i>	<i>-3.9%</i>	<i>7.6%</i>
<b>Non-branded business</b>	<b>NA</b>	<b>15.7%</b>	<b>15.1%</b>	<b>8.2%</b>	<b>23.5%</b>
<b>Segment Revenue Share (%) (ex. Others/ Elimination)</b>					
<b>Branded business</b>	<b>88.4%</b>	<b>89.9%</b>	<b>90.4%</b>	<b>90.3%</b>	<b>89.1%</b>
<i>India- Beverages</i>	<i>43.7%</i>	<i>35.0%</i>	<i>39.5%</i>	<i>40.1%</i>	<i>36.6%</i>
<i>India- Foods</i>	<i>0.0%</i>	<i>21.4%</i>	<i>21.0%</i>	<i>23.4%</i>	<i>26.5%</i>
<i>International- Beverages</i>	<i>44.7%</i>	<i>33.5%</i>	<i>29.8%</i>	<i>26.8%</i>	<i>26.0%</i>
<b>Non-branded business</b>	<b>11.6%</b>	<b>10.1%</b>	<b>9.6%</b>	<b>9.7%</b>	<b>10.9%</b>

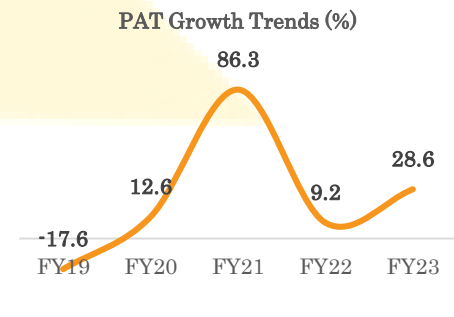
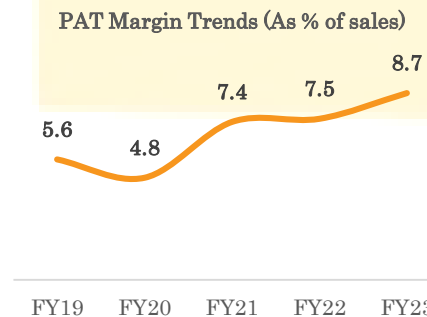
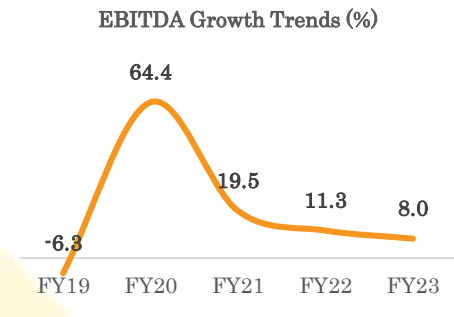
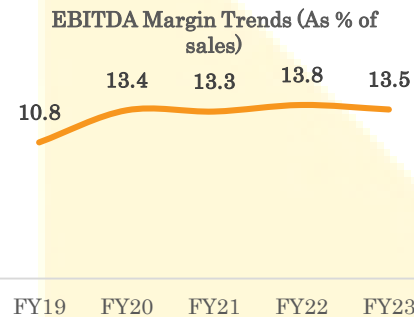
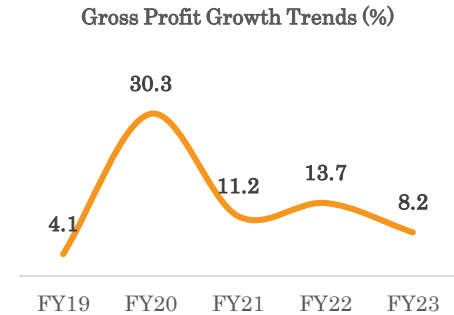
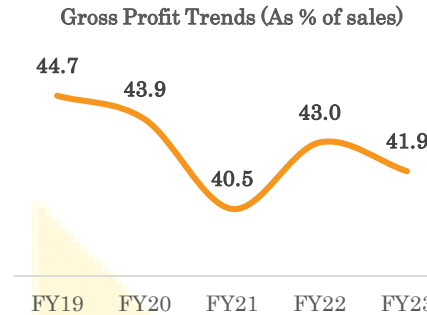
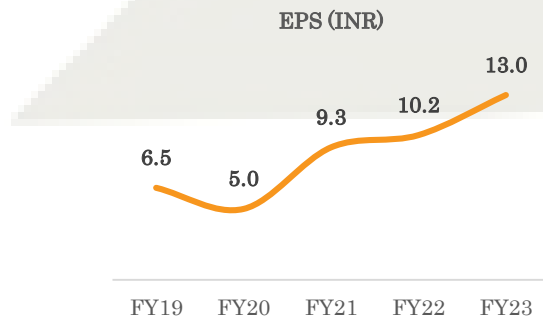
Source: Company, KRChoksey Research

- Due to the commodity inflationary pressures, mainly in salt and coffee, TATACONS' Cost of Goods sold as % of sales went up to 58.1% in FY23 vs. 57.0% in FY22.
- Employee costs as % of sales reduced to 8.1% in FY23 from 8.4% in CY21, indicating improved efficiency.
- Other expenses as % of sales declines a bit to 20.3% from 20.7% in FY22.
- Within other expenses, the decline in costs as a % of sales was led by Advertisement and Sales Charges which as a % of sales declined by 48 bps YoY to 6.3% in FY23 from 6.8% in FY22. The other significant savings were in freight costs which declined by 21 bps YoY to 4.6% of sales in FY23 vs. 4.8% in FY22.
- **Outlook:** TATACONS has undertaken price actions in the International business in the later part of FY23 to mitigate the higher input cost. However, there was a lag in the pass-through of the price which led to a negative impact on the operating margins in the earlier part of the year. Margins saw improvement in the latter part of the year both due to price increases becoming effective and also due to the implementation of cost restructuring initiatives. Besides, TATACONS also has a premiumization agenda which will aid profitability.



Source: Company, KRChoksey Research

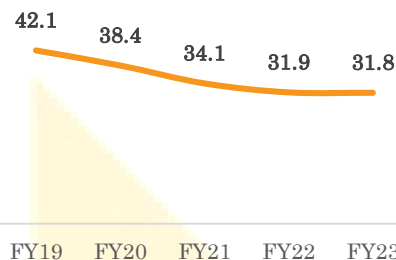
- Gross profit improved by 8.2% YoY to INR 57,775 mn. Gross margin declined by 107 bps YoY to 41.9% in FY23 from 43.0% in FY22. Gross margin pressure was on account of the unprecedented input cost inflation in key inputs of salt and coffee.
- EBITDA for FY23 grew by 8.0% YoY to INR 18,565 mn. EBITDA margin declined by 36 bps YoY to 13.5%. The pressure on gross margins was partly mitigated by cost rationalization and pricing actions.
- PAT grew by 28.6% YoY to INR 12,038 mn while PAT margin improved by 120 bps YoY to 8.7%. Excluding exceptional items, Adj. PAT grew by 5.7% YoY to INR 10,443 mn.
- EPS for FY23 was INR 13.0, which is a growth of 27.6% YoY.



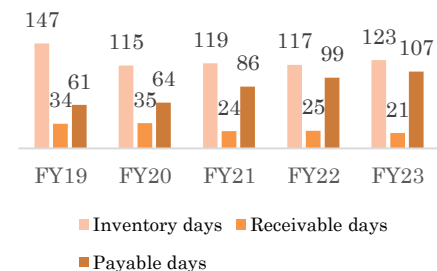
Source: Company, KRChoksey Research

- Working capital:** Working Capital as % of sales for TATACONS has seen continuous YoY declines during FY19-FY23. TATACONS has been working toward managing costs and unlocking efficiencies and working capital reduction is part of the same endeavor.
- Dividend:** In FY23, TATACONS has recommended a final dividend of INR 8.45 per equity share, which is also the total dividend for the year. This is a 40.8% YoY increase from FY22 where the dividend per share was INR 6.05.

Working Capital Trends (As % of Sales)



Working Capital Days



Particulars	CY21	CY22
Special Dividend	0.0	0.0
Interim Dividend	0.0	0.0
Final Dividend	6.1	8.5
<b>Dividend per share</b>	<b>6.1</b>	<b>8.5</b>
YoY Growth	49.4%	39.7%
<b>Total (INR Mn)</b>	<b>5,575.4</b>	<b>7,850.1</b>
YoY Growth	49.4%	40.8%

Source: Company, KRChoksey Research



- TATACONS' ESG strategy furthers Tata Group's unified sustainability vision via 'Project Aalingana' – which lays out the Group's strategy for a greener, cleaner, more sustainable, and equitable future for the planet.
- With the goal of delivering long-term sustainable growth, TATACONS is committed to embedding integrated thinking across the entire business.
- TATACONS' sustainability goals will be achieved through the four pillars of better sourcing, better planet, better communities, and better nutrition.
- Under better sourcing, TATACONS' strategy includes initiatives focused on raw-material sustainability, supply-chain traceability, and sustainable agriculture programmes. The targets include 100% Critical supplier assessments across all geographies by 2030 and 100% Sustainably sourced critical raw materials by 2040. So far, 55% of Tata Tea is trustea-certified in FY23. TATACONS has already made significant progress in some product categories (e.g. tea), and is working to replicate this success across other categories too.
- Tea, coffee, and salt are the key raw materials for TATACONS and given their salience these are on high priority for sourcing sustainably. Sustainable agriculture lends to higher yields and productivity and encourages the socio-economic development of surrounding communities. TATACONS' participation in the trustea programme and Rainforest Alliance enables environmental protection and improved livelihoods for tea-growing communities.
- Under better planet, TATACONS targets to be Net Zero by 2040 across all geographies, zero waste to landfill by 2030 across all geographies, water-neutral cross all operations by 2030, and 100% of packaging material to be recyclable, compostable, or reusable across all geographies by 2030.
- TATACONS has been increasing the use of renewable energy across its operations, and throughout the supply chain. The use of renewable energy constituted about 19% of the energy mix in FY23.
- Under better communities, TATACONS targets to reach 2 mn community beneficiaries by 2030 and have 50% of diverse workforce across all geographies by 2030. The number of beneficiaries reached so far is 1.3 mn.
- Under better nutrition, TATACONS targets to reach 250 mn households through its product portfolio by 2030 and reach 100% sustainable products by volume by 2040. 8 products with fortification/added nutritional benefits were launched in FY23.

- TATACONS' volume growth improved in Q4FY23 vs. the previous quarters in 3 of its businesses, namely India beverages, India foods, and International tea. Volume has lagged in International coffee due to price hikes and grammage cuts. The India foods business has benefitted from improved margins in the Salt portfolio and strong growth in the growth segments like Soufull and Sampann. Margins of international business have started improving due to pricing actions and cost rationalization. We continue to remain positive on TATACONS due to the improving volume metrics, improving profitability in international as well as domestic businesses, and strong scale-up in Growth businesses, which will also lead to margin improvement in the medium term.
- We expect Revenue/ EBITDA/ Adj. PAT to grow by 7.0%/ 12.9%/ 16.7% CAGR, respectively, over FY23-25E.
- The shares are trading at 51.3x/44.2x its FY24E/FY25E EPS estimates, respectively.
- We continue to value TATACONS on a SOTP basis. For India Business, we apply an EV/EBITDA multiple of 34x to FY25E EBITDA; for International Business, we apply an EV/EBITDA multiple of 15x to FY25E EBITDA; and for Starbucks business, we apply an EV/Revenue multiple of 2.9x to FY25E Revenue. Accordingly, we maintain our target price of INR 964 per share (unchanged), an upside of 22.1% over the CMP. Accordingly, we reiterate a “BUY” rating on the shares of Tata Consumer Products Ltd.

# Exhibits: Quarterly Income Statement

Particulars (INR Mn)	Q4FY23	Q3FY23	Q4FY22	QoQ	YoY	FY23	FY22	YoY
<b>Revenue from Operations</b>	<b>36,187</b>	<b>34,746</b>	<b>31,754</b>	<b>4.1%</b>	<b>14.0%</b>	<b>1,37,832</b>	<b>1,24,254</b>	<b>10.9%</b>
<b>Total Expenditure</b>	<b>31,071</b>	<b>30,209</b>	<b>27,311</b>	<b>2.9%</b>	<b>13.8%</b>	<b>1,19,267</b>	<b>1,07,066</b>	<b>11.4%</b>
Cost of Raw Materials	13,383	13,505	12,011	-0.9%	11.4%	53,766	49,084	9.5%
Purchase of Stock	8,266	7,055	6,359	17.2%	30.0%	29,030	22,154	31.0%
Changes in Inventories	-595	-240	-784	148.0%	-24.1%	-2,739	-398	588.5%
Employee Cost	2,861	2,830	2,680	1.1%	6.7%	11,204	10,480	6.9%
Other Expenses	7,156	7,059	7,044	1.4%	1.6%	28,006	25,746	8.8%
<b>EBITDA</b>	<b>5,117</b>	<b>4,537</b>	<b>4,443</b>	<b>12.8%</b>	<b>15.2%</b>	<b>18,565</b>	<b>17,188</b>	<b>8.0%</b>
<i>EBITDA Margins (%)</i>	<i>14.1%</i>	<i>13.1%</i>	<i>14.0%</i>	<i>108 bps</i>	<i>15 bps</i>	<i>13.5%</i>	<i>13.8%</i>	<i>-36 bps</i>
Depreciation	829	752	721	10.2%	14.9%	3,041	2,780	9.4%
<b>EBIT</b>	<b>4,288</b>	<b>3,785</b>	<b>3,722</b>	<b>13.3%</b>	<b>15.2%</b>	<b>15,524</b>	<b>14,408</b>	<b>7.7%</b>
<i>EBIT Margins (%)</i>	<i>11.8%</i>	<i>10.9%</i>	<i>11.7%</i>	<i>96 bps</i>	<i>13 bps</i>	<i>11.3%</i>	<i>11.6%</i>	<i>-33 bps</i>
Interest Expense	277	237	164	16.8%	68.6%	872	728	19.8%
Other Income	553	489	474	13.0%	16.7%	1,689	1,401	20.6%
<b>PBT</b>	<b>4,565</b>	<b>4,038</b>	<b>4,032</b>	<b>13.1%</b>	<b>13.2%</b>	<b>16,341</b>	<b>15,081</b>	<b>8.4%</b>
Exceptional item	-64	786	-187	-108.1%	65.8%	1,595	-521	406.3%
Tax	1,045	1,129	953	-7.4%	9.6%	4,470	3,770	18.6%
Share of associates/ Minorities	-770	-177	-717	335.2%	7.4%	-1,428	-1,432	-0.3%
<b>PAT</b>	<b>2,686</b>	<b>3,518</b>	<b>2,175</b>	<b>-23.6%</b>	<b>23.5%</b>	<b>12,038</b>	<b>9,358</b>	<b>28.6%</b>
<i>PAT Margin (%)</i>	<i>7.4%</i>	<i>10.1%</i>	<i>6.9%</i>	<i>-270 bps</i>	<i>57 bps</i>	<i>8.7%</i>	<i>7.5%</i>	<i>120 bps</i>
<b>EPS</b>	<b>2.9</b>	<b>3.8</b>	<b>2.4</b>	<b>-23.6%</b>	<b>22.5%</b>	<b>13.0</b>	<b>10.2</b>	<b>27.6%</b>
<b>Adj. PAT</b>	<b>2,750</b>	<b>2,732</b>	<b>2,362</b>	<b>0.6%</b>	<b>16.4%</b>	<b>10,443</b>	<b>9,878</b>	<b>5.7%</b>
<i>Adj. PAT margin</i>	<i>7.6%</i>	<i>7.9%</i>	<i>7.4%</i>	<i>-26 bps</i>	<i>16 bps</i>	<i>7.6%</i>	<i>8.0%</i>	<i>-37 bps</i>
<b>Adj. EPS</b>	<b>3.0</b>	<b>2.9</b>	<b>2.6</b>	<b>0.6%</b>	<b>15.5%</b>	<b>11.2</b>	<b>10.7</b>	<b>4.9%</b>

Source: Company, KRChoksey Research

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INR Mn	FY21	FY22	FY23	FY24E	FY25E
<b>Revenues</b>	<b>1,16,020</b>	<b>1,24,254</b>	<b>1,37,832</b>	<b>1,54,446</b>	<b>1,68,681</b>
COGS	69,023	70,840	80,057	88,104	95,432
<b>Gross profit</b>	<b>46,997</b>	<b>53,414</b>	<b>57,775</b>	<b>66,342</b>	<b>73,250</b>
Employee cost	9,702	10,480	11,204	12,777	13,663
Other expenses	21,857	25,746	28,006	30,346	32,893
<b>EBITDA</b>	<b>15,438</b>	<b>17,188</b>	<b>18,565</b>	<b>23,219</b>	<b>26,694</b>
<b>EBITDA Margin</b>	<b>13.3%</b>	<b>13.8%</b>	<b>13.5%</b>	<b>15.0%</b>	<b>15.8%</b>
Depreciation & amortization	2,547	2,780	3,041	3,153	3,267
<b>EBIT</b>	<b>12,890</b>	<b>14,408</b>	<b>15,524</b>	<b>20,066</b>	<b>23,427</b>
Other income	1,214	1,401	1,689	1,824	1,824
Interest expense	687	728	872	940	940
<b>PBT</b>	<b>13,111</b>	<b>14,560</b>	<b>17,936</b>	<b>20,950</b>	<b>24,311</b>
Tax	3,172	3,770	4,470	5,279	6,126
Minority interest	738	794	1,164	1,210	1,405
<b>PAT</b>	<b>8,568</b>	<b>9,358</b>	<b>12,038</b>	<b>14,304</b>	<b>16,609</b>
<b>Adj. PAT</b>	<b>8,874</b>	<b>9,878</b>	<b>10,443</b>	<b>14,304</b>	<b>16,609</b>
<b>EPS (INR)</b>	<b>9.3</b>	<b>10.2</b>	<b>13.0</b>	<b>15.4</b>	<b>17.9</b>
<b>Adj. EPS</b>	<b>9.6</b>	<b>10.7</b>	<b>11.2</b>	<b>15.4</b>	<b>17.9</b>

Source: Company, KRChoksey Research

Other Expenses (INR Mn)	FY19	FY20	FY21	FY22	FY23
Manufacturing and Contract Packing Expenses	982	1,111	1,215	1,888	2,129
Consumption of Stores and Spare Parts	482	558	505	537	726
Power and Fuel	893	1,038	974	1,239	1,494
Repairs and Maintenance	632	716	857	965	1,202
Rent	767	481	585	686	706
Freight	1,919	3,966	4,573	5,977	6,336
Advertisement and Sales Charges	5,475	6,767	7,263	8,410	8,662
Legal and Professional Expenses	1,521	1,568	1,794	1,845	2,148
Miscellaneous Expenses	3,846	4,293	4,092	4,198	4,603
<b>Total Other Expenses</b>	<b>16,517</b>	<b>20,498</b>	<b>21,857</b>	<b>25,746</b>	<b>28,006</b>

Source: Company, KRChoksey Research

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INR Mn	FY21	FY22	FY23	FY24E	FY25E
Property, plant and equipment	12,227	14,803	16,047	17,440	19,067
Capital work-in-progress	932	2,094	2,861	2,861	2,861
Goodwill (Net)	75,966	77,541	80,254	80,254	80,254
Other intangible assets	27,843	27,540	28,412	28,316	28,191
Investments accounted for using Equity method	2,073	2,343	2,927	2,927	2,927
<b>Financial assets</b>					
Investments	2,755	3,649	3,856	3,856	3,856
Loans	219	140	125	125	125
Other financial assets	749	357	428	428	428
Deferred tax assets (Net)	381	427	486	486	486
Non-current tax assets (Net)	1,423	1,417	1,603	1,603	1,603
Other non-current assets	3,114	3,023	1,951	1,951	1,951
<b>Total non-current assets</b>	<b>1,32,072</b>	<b>1,39,815</b>	<b>1,45,026</b>	<b>1,46,323</b>	<b>1,47,825</b>
<b>Current assets</b>					
Inventories	22,492	22,665	27,017	29,732	32,205
<b>Financial assets</b>					
Trade receivables	7,613	8,352	7,983	8,946	9,770
Cash and cash equivalents	20,420	14,980	15,396	20,601	29,306
Other Balances with Banks	10,329	11,019	12,574	12,574	12,574
Loans	1,851	6,599	5,297	5,297	5,297
Other financial assets	1,164	1,843	1,929	1,929	1,929
Current tax assets	14	13	208	208	208
Other current assets	3,373	3,905	5,135	5,135	5,135
<b>Total current assets</b>	<b>70,486</b>	<b>71,357</b>	<b>83,086</b>	<b>91,969</b>	<b>1,03,972</b>
<b>TOTAL ASSETS</b>	<b>2,02,559</b>	<b>2,11,172</b>	<b>2,28,111</b>	<b>2,38,292</b>	<b>2,51,797</b>

Source: Company, KRChoksey Research

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INR Mn	FY21	FY22	FY23	FY24E	FY25E
<b>Non-current liabilities</b>					
Financial liabilities					
Borrowings	2,875	2,419	2,061	2,061	2,061
Provisions	1,925	1,756	1,675	1,675	1,675
Deferred tax liabilities	5,702	7,764	8,630	8,630	8,630
Non Current Tax Liabilities	149	135	0	0	0
<b>Total non-current liabilities</b>	<b>15,344</b>	<b>16,514</b>	<b>17,596</b>	<b>17,596</b>	<b>17,596</b>
<b>Current liabilities</b>					
Financial liabilities					
Borrowings	4,331	7,687	9,767	9,767	9,767
Trade payables	16,255	19,159	23,482	25,842	27,991
Other financial liabilities	7,362	2,118	2,280	2,280	2,280
Other current liabilities	1,361	1,322	1,735	1,735	1,735
Provisions	1,017	732	774	774	774
Current tax liabilities (Net)	241	200	659	659	659
<b>Total current liabilities</b>	<b>30,945</b>	<b>31,722</b>	<b>39,247</b>	<b>41,607</b>	<b>43,756</b>
<b>Total liabilities</b>	<b>46,288</b>	<b>48,236</b>	<b>56,843</b>	<b>59,203</b>	<b>61,352</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,02,559</b>	<b>2,11,172</b>	<b>2,28,111</b>	<b>2,38,292</b>	<b>2,51,797</b>

Source: Company, KRChoksey Research

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Cash Flow Statement INR Mn	FY21	FY22	FY23	FY24E	FY25E
Net Cash Generated From Operations	16,561	15,163	14,613	18,446	21,244
Net Cash Flow from/(used in) Investing Activities	(4,084)	(13,218)	(8,278)	(4,451)	(4,769)
Net Cash Flow from Financing Activities	(4,260)	(9,948)	(7,144)	(8,790)	(7,769)
Net Inc/Dec in cash equivalents	8,217	(8,003)	(809)	5,205	8,705
Opening Balance	11,217	20,420	14,980	15,396	20,601
<b>Closing Balance Cash and Cash Equivalents</b>	<b>19,433</b>	<b>12,417</b>	<b>14,170</b>	<b>20,601</b>	<b>29,306</b>

Key Ratio	FY21	FY22	FY23	FY24E	FY25E
EBITDA Margin (%)	13.3%	13.8%	13.5%	15.0%	15.8%
Tax rate (%)	24.2%	25.9%	24.9%	25.2%	25.2%
Net Profit Margin (%)	7.4%	7.5%	8.7%	9.3%	9.8%
RoE (%)	5.5%	5.7%	7.0%	8.0%	4.1%
RoCE (%)	7.9%	8.3%	8.5%	10.5%	7.5%
EPS (INR)	9.3	10.2	13.0	15.4	17.9

Source: Company, KRChoksey Research



**ANALYST CERTIFICATION:**

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