

24 April 2024

India | Equity Research | Q4FY24 results review

Tata Consumer Products

Consumer Staples & Discretionary

Performance of growth businesses crucial for re-rating

TCPL's Q4FY24 was in line with our estimates. We reckon, stock trigger in FY25-26 is likely outperformance of growth businesses (which are gross margin accretive too). Post-acquisition of Capital Foods and Organic India, salience of growth businesses is ~30% of India branded sales. It needs to execute the basics - derive synergies, distribution expansion, increase in through-put per store etc. Starbucks plans to reach 1,000 outlets FY28 (421 currently). We believe TCPL has all ingredients (resources, bandwidth, innovation pipeline, etc.) to achieve these targets. Maintain BUY.

Q4FY24 result review

TCPL reported revenue, EBITDA and PAT growth of 8.5%, 23% and 91.7%, respectively YoY. Segment-wise revenue growth rates YoY: India Beverages 3%, India Foods 20% (11% LFL), US Coffee 3%, International Tea 9% and non-branded business 4%. Gross and EBITDA margins expanded 430bps and 189bps, respectively YoY due to improvement in margins of International business. India Beverages and India Foods reported volume growth of 0% and 5% (4% LFL), respectively YoY. Standalone revenue, EBITDA and PAT growth stood at 12.9%, 8% and 13.7%, respectively, YoY.

Market share expansion in India Salt

India Salt segment's market share expanded by 50bps on MAT-basis, touching its highest ever market share of 39.9% between Feb-Mar'24. While India Tea has lost 50bps market share on MAT-basis, we note it remained flat QoQ. We believe both the segments have potential to gain share in FY25-26 led by portfolio premiumisation, differentiated launches and distribution expansion.

Strong investments in innovation

TCPL has invested significantly in new products (100 launches in past five years). It has introduced one new product every week in FY24. The revenue contribution of new products (products launched in past three years) has expanded from 0.8% in FY20 to 5.1% in FY24. We reckon steady investments in innovation augurs well for longevity of revenue growth in mid-teens.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	1,37,832	1,52,059	1,81,628	2,04,665
EBITDA	18,565	22,841	27,623	31,392
EBITDA Margin (%)	13.5	15.0	15.2	15.3
Net Profit	10,494	13,512	16,004	18,969
EPS (INR)	11.3	14.2	16.8	19.9
EPS % Chg YoY	6.3	25.5	18.4	18.5
P/E (x)	103.9	82.7	69.9	58.9
EV/EBITDA (x)	57.3	48.8	39.9	34.7
RoCE (%)	6.3	7.9	8.9	10.4
RoE (%)	6.3	7.8	9.0	10.0

Manoj Menon

manoj.menon@icicisecurities.com
+91 22 6807 7209

Aniruddha Joshi

aniruddha.joshi@icicisecurities.com

Karan Bhuwania

karan.bhuwania@icicisecurities.com

Nilesh Patil

nilesh.patil@icicisecurities.com

Market Data

Market Cap (INR)	1,118bn
Market Cap (USD)	13,416mn
Bloomberg Code	TATACONS IN
Reuters Code	TAGL.BO
52-week Range (INR)	1,270 /700
Free Float (%)	65.0
ADTV-3M (mn) (USD)	25.9

Price Performance (%)	3m	6m	12m
Absolute	2.4	32.9	67.5
Relative to Sensex	(2.4)	18.7	43.9

Earnings Revisions (%)	FY25E	FY26E
Revenue	(2.5)	(2.5)
EBITDA	(1.7)	(3.3)
EPS	(2.6)	3.2

Previous Reports

08-02-2024: [Q3FY24 results review](#)

30-12-2023: [Company Update](#)

Strong performance of growth businesses

Growth businesses (Sampann, Soufull, and Nourishco) reported 40% revenue growth in FY24, YoY. The revenue contribution is now 18% of India branded sales compared to 6% in FY20 (FY23:15%). Acquisition of Capital Foods and Organic India will likely result in revenue share of growth businesses increasing to 30% of India sales. We model growth businesses to start contributing to earnings in FY26 with reduction in debt, higher scale and synergy benefits.

Update on distribution expansion

The company has achieved direct reach of 1.6mn outlets at end-FY24 and indirect reach is now 4mn outlets. It has added 1,300 distributors in FY24 primarily in rural markets. We believe TCPL is likely to focus on driving productivity (i.e. revenue/store) in FY25-26 as it has achieved a strong numerical reach. Acquisition of Capital Foods and rollout of growth business through the company's distribution network will help to achieve more throughput per store.

Starbucks revenues grew 12% in FY24

Tata Starbucks added 29 net new stores taking the total to 421 stores (presence in 61 cities) at the end of Mar'24. It reported revenue growth of 7% in Q4FY24 YoY. However, the company reported 12% revenue growth in FY24 YoY. It plans to reach 1,000 stores by end-FY28. The company needs to rollout one Starbucks outlet every three days.

Strong revival in profitability of international business

All three geographies in its International business reported healthy revenue growth. UK revenues were up 11% in constant currency terms. US and UK reported 2% and 9% constant currency revenue growth, respectively YoY. With deflation in commodity prices and revival in demand, international business' EBIT margin was up 267bps YoY.

Valuation and risks

We model TCPL to report revenue and PAT CAGRs of 16% and 18.5%, respectively over FY24-26E led by improvement in profitability of India Foods and revival in profitability of international business. We maintain **BUY** and value the stock on DCF (unchanged TP of INR 1,360).

Risks: Higher-than-expected competitive pressures, steep increase in commodity prices and failure of new products.

Exhibit 1: Q4FY24 result review (consolidated)

Year end March (INR mn)	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)
Revenue from operations	39,269	36,187	8.5	38,039	3.2
Cost of Materials	(21,159)	(21,054)	0.5	(21,378)	(1.0)
Gross profit	18,111	15,133	19.7	16,661	8.7
Employee costs	(3,413)	(2,861)	19.3	(3,174)	7.5
Other expenses	(8,402)	(7,156)	17.4	(7,763)	8.2
EBITDA	6,296	5,117	23.0	5,724	10.0
D&A	(1,158)	(829)	39.7	(855)	35.4
EBIT	5,138	4,288	19.8	4,869	5.5
Interest expense	(428)	(277)	54.8	(332)	29.0
Other income	385	553	(30.5)	596	(35.5)
PBT	5,095	4,565	11.6	5,133	(0.7)
Income tax provision	(260)	(1,045)	(75.2)	(1,062)	(75.6)
PAT before EO and MI	4,835	3,520	37.4	4,071	18.8
MI	56	(698)	-	(261)	-
Share of associate earnings	(555)	(560)	(1.0)	(140)	295.5
Recurring PAT	4,336	2,262	91.7	3,669	18.2
EO items	(2,259)	396	-	871	-
Reported PAT	2,078	2,658	(21.8)	4,540	(54.2)
Margin (%)					
Gross margins	46.1	41.8		43.8	
EBITDA	16.0	14.1		15.0	
EBIT	13.1	11.8		12.8	
Recurring PAT	11.0	6.3		9.6	
ETR (%)	5.1	22.9		20.7	

Source: Company data, I-Sec research

Exhibit 2: Q4FY24 result review (standalone)

Year end March (INR mn)	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)
Revenue from operations	26,100	23,116	12.9	24,925	4.7
Cost of materials	(15,834)	(14,117)	12.2	(14,927)	6.1
Gross profit	10,267	8,999	14.1	9,998	2.7
Employee costs	(1,285)	(1,062)	21.0	(1,233)	4.2
Other expenses	(5,012)	(4,260)	17.7	(4,483)	11.8
EBITDA	3,970	3,677	8.0	4,282	(7.3)
D&A	(456)	(421)	8.2	(451)	1.0
EBIT	3,514	3,256	7.9	3,831	(8.3)
Interest expense	(308)	(53)	482.6	(133)	131.1
Other income	892	502	77.7	361	146.8
PBT	4,099	3,705	10.6	4,059	1.0
Income tax provision	(849)	(846)	0.3	(938)	(9.5)
PAT before EO	3,250	2,860	13.7	3,121	4.1
Recurring PAT	3,250	2,860	13.7	3,121	4.1
EO items	(1,555)	(36)	-	(86)	-
Reported PAT	1,695	2,823	(39.9)	3,035	(44.1)
Margin (%)					
Gross	39.3	38.9		40.1	
EBITDA	15.2	15.9		17.2	
EBIT	13.5	14.1		15.4	
Recurring PAT	12.5	12.4		12.5	
ETR (%)	20.7	22.8		23.1	

Source: Company data, I-Sec research

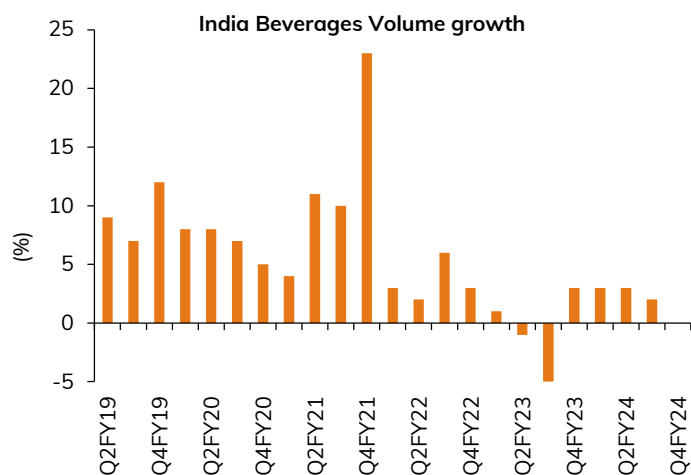
Exhibit 3: Q4FY24 segment review (consolidated)

Segment Revenues	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)
India Business	24,795	22,465	10.4	23,749	4.4
International Beverages	10,525	9,841	7.0	10,284	2.3
Non branded business	4,015	3,853	4.2	4,106	(2.2)
Others	169	168	0.8	148	14.6
Intersegment	(235)	(139)	69.6	(247)	(4.9)
Total	39,269	36,187	8.5	38,039	3.2

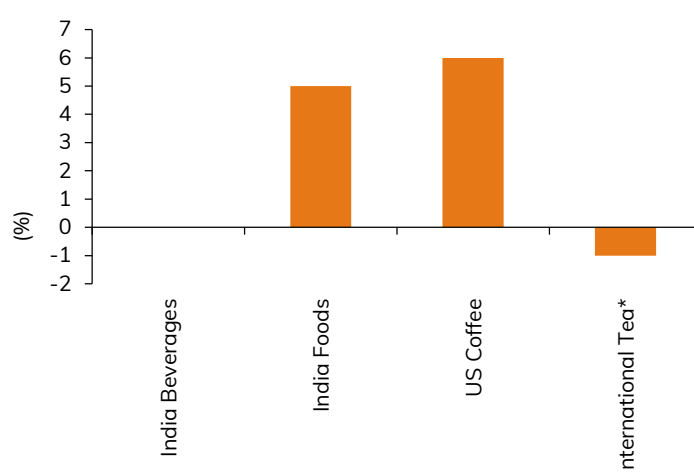
Segment EBIT	Mar-24	Mar-23	YoY (%)	Dec-23	QoQ (%)
India Business	3,203	3,116	2.8	3,685	(13.1)
International Beverages	1,642	1,272	29.0	1,088	50.9
Non branded business	919	259	255.7	492	86.8
Total	5,764	4,647	24.0	5,265	9.5

Segment EBIT margin	Mar-24	Mar-23	Dec-23
India Business	12.9%	13.9%	15.5%
International Beverages	15.6%	12.9%	10.6%
Non branded business	22.9%	6.7%	12.0%
Total	14.7%	12.8%	13.8%

Source: Company data, I-Sec research

Exhibit 4: India Beverages volume growth (YoY)

Source: Company data, I-Sec research

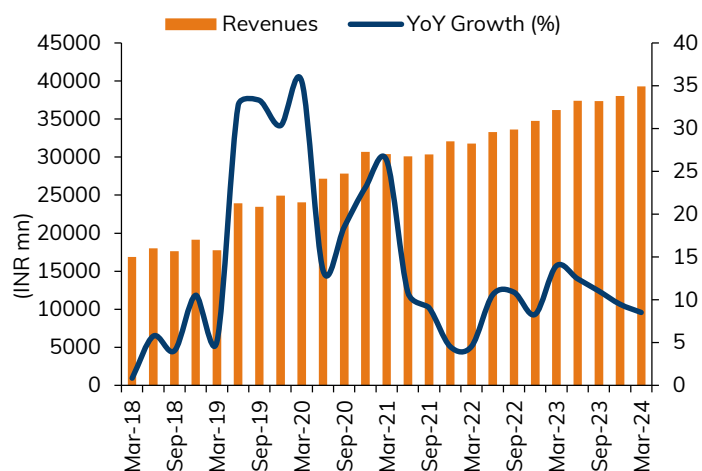
Exhibit 5: Segment-wise volume growth (Q4FY24)

Source: Company data, I-Sec research

* Revenue growth on a like-to-like basis, excluding the impact of Joekels and Bangladesh stake consolidation in Q4FY23; India beverages: 0% growth

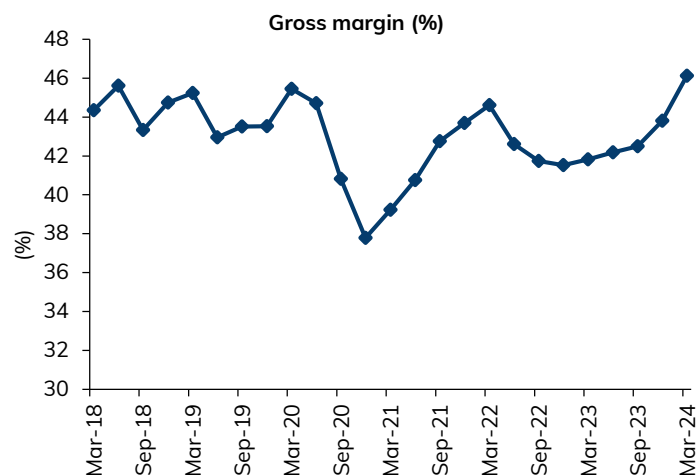
Key charts – Quarterly (consolidated)

Exhibit 6: Revenue and growth rates



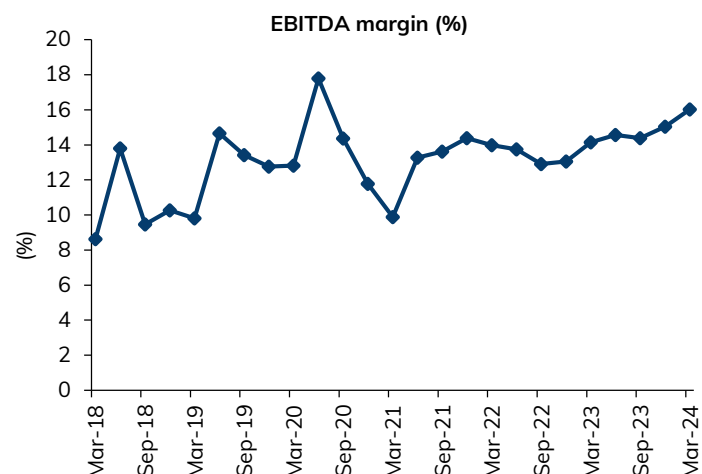
Source: Company data, I-Sec research

Exhibit 7: Gross margin (%)



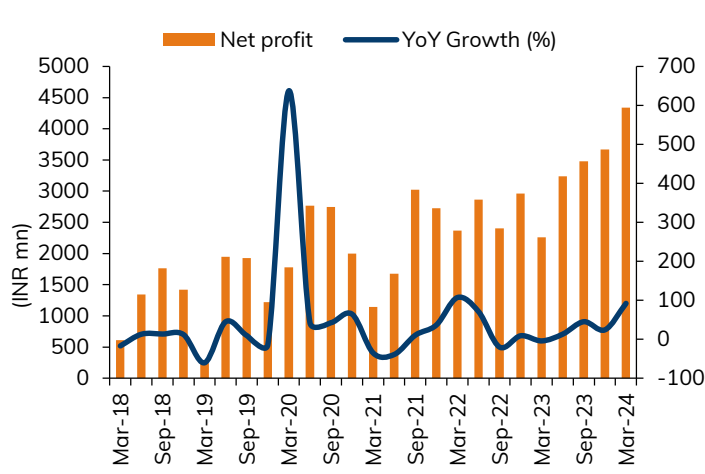
Source: Company data, I-Sec research

Exhibit 8: EBITDA margin (%)



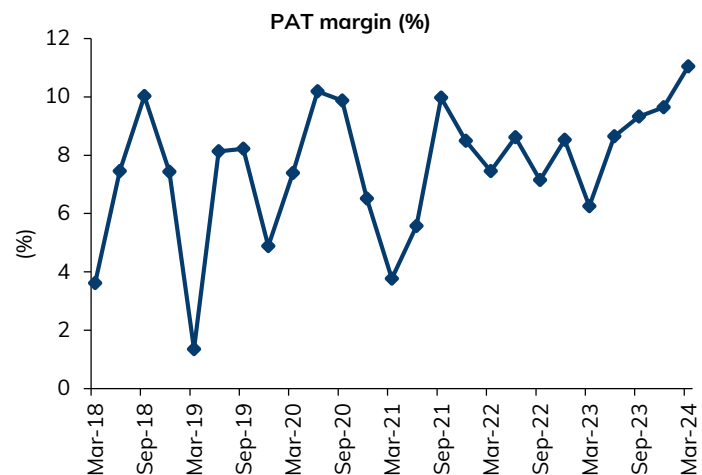
Source: Company data, I-Sec research

Exhibit 9: Net profit and growth rates



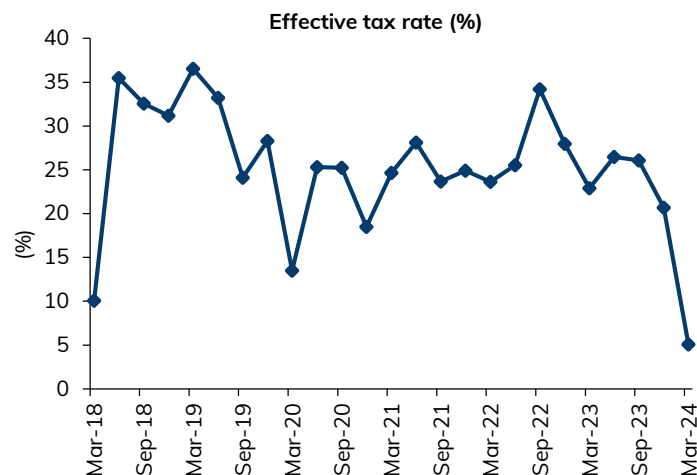
Source: Company data, I-Sec research

Exhibit 10: PAT margin (%)



Source: Company data, I-Sec research

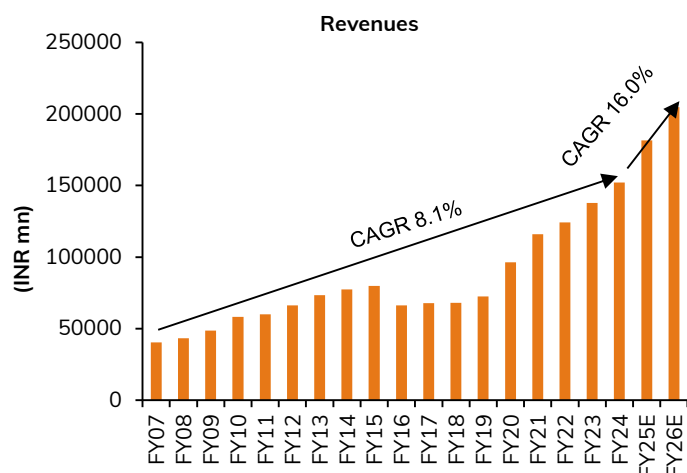
Exhibit 11: Effective tax rate (%)



Source: Company data, I-Sec research

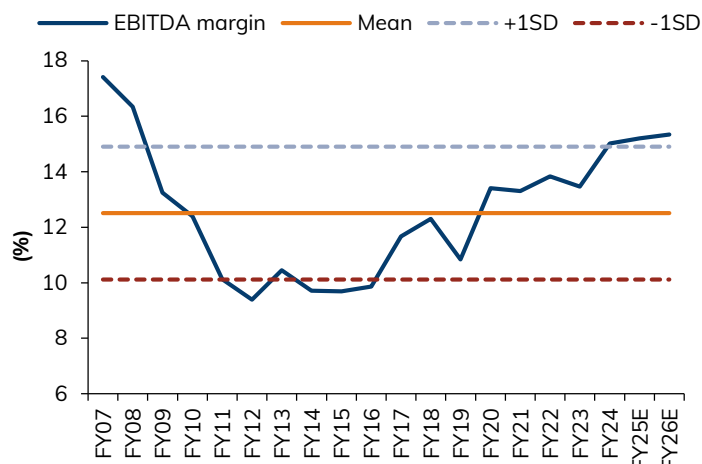
Key charts – Annual

Exhibit 12: Revenue and growth rates



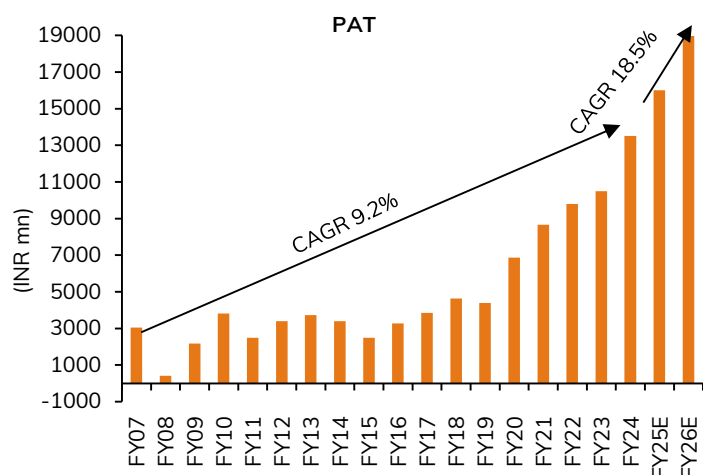
Source: Company data, I-Sec research

Exhibit 13: EBITDA margin



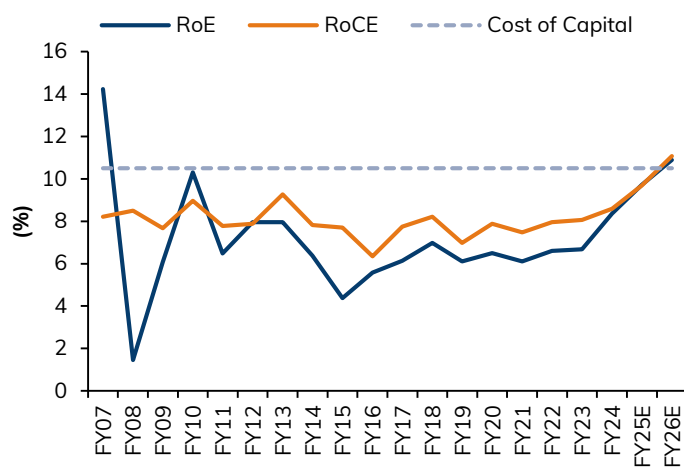
Source: Company data, I-Sec research

Exhibit 14: Net profit and growth rates



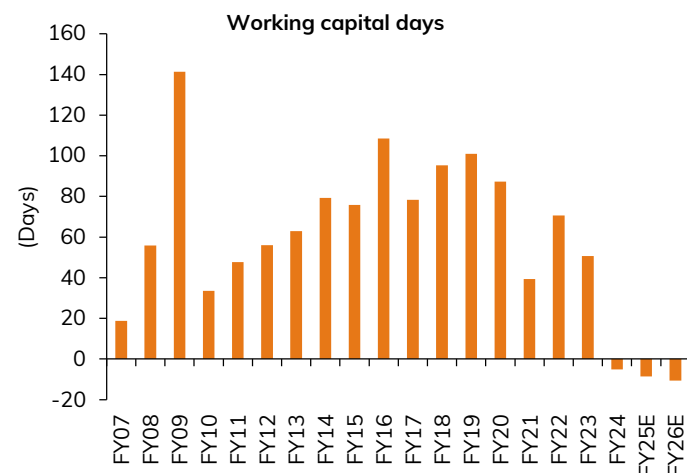
Source: I-Sec research, Company data

Exhibit 15: RoE and RoCE



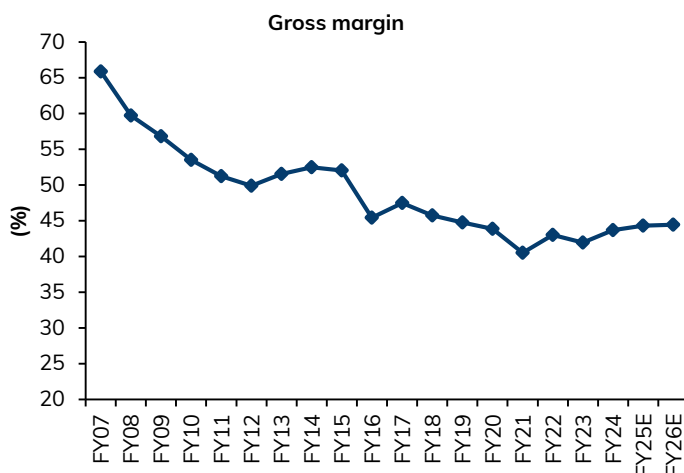
Source: I-Sec research, Company data

Exhibit 16: Net working capital days

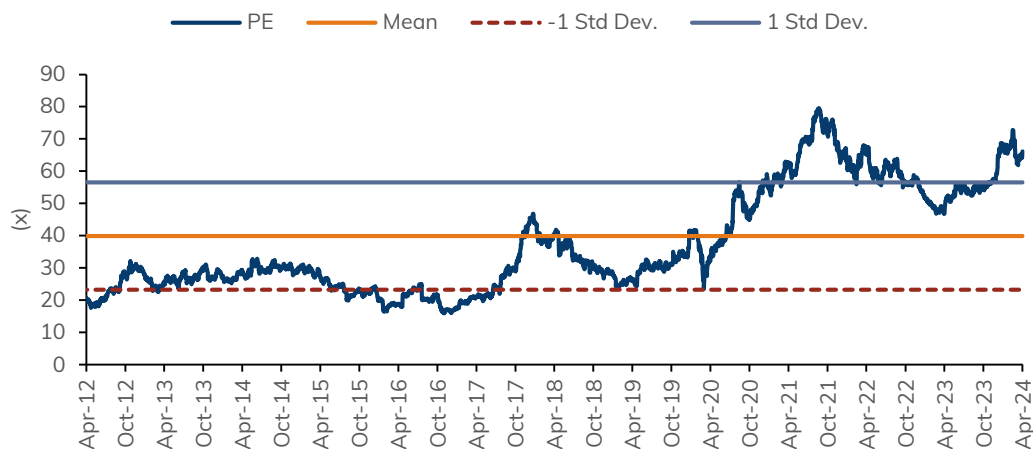


Source: Company data, I-Sec research

Exhibit 17: Gross margin



Source: Company data, I-Sec research

Exhibit 18: Mean P/E(x) and standard deviations

Source: Bloomberg, I-Sec research

Risks

Sharp increase in input prices and higher-than-expected competitive pressures:
Material increase in input prices and/or higher-than-expected competitive pressures could result in downside to our estimates.

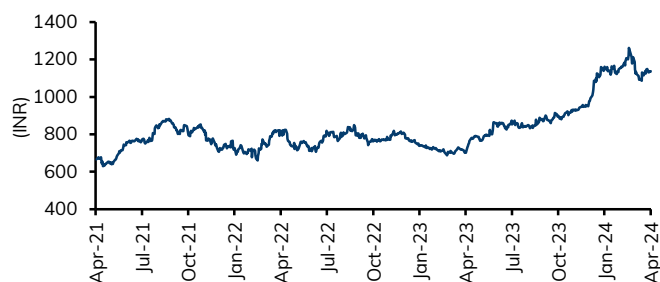
Failure of some of the new launches

Failure of some of the new products may impact our earnings estimates.

Exhibit 19: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	34.4	34.4	33.6
Institutional investors	42.2	42.7	42.9
MFs and others	6.1	6.4	6.6
FIs/Banks	0.2	0.0	0.0
Insurance	9.8	9.9	9.9
FIIIs	26.1	26.4	26.4
Others	23.4	22.9	23.5

Source: Bloomberg

Exhibit 20: Price chart

Source: Bloomberg

Financial Summary

Exhibit 21: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	1,37,832	1,52,059	1,81,628	2,04,665
Operating Expenses	1,19,267	1,29,218	1,54,006	1,73,273
EBITDA	18,565	22,841	27,623	31,392
EBITDA Margin (%)	13.5	15.0	15.2	15.3
Depreciation & Amortization	3,041	3,772	4,470	4,858
EBIT	15,524	19,070	23,153	26,534
Interest expenditure	872	1,298	976	105
Other Non-operating Income	1,689	2,456	1,581	1,581
Recurring PBT	16,341	20,228	23,758	28,010
Profit / (Loss) from Associates	(264)	(856)	(959)	(1,074)
Less: Taxes	4,470	3,947	6,058	7,143
PAT	11,871	16,280	17,700	20,868
Less: Minority Interest	(1,113)	(702)	(737)	(825)
Extraordinaries (Net)	2,431	(1,526)	-	-
Net Income (Reported)	12,925	13,197	16,004	18,969
Net Income (Adjusted)	10,494	13,512	16,004	18,969

Source Company data, I-Sec research

Exhibit 22: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	75,538	71,880	66,050	88,186
of which cash & cash eqv.	27,969	24,545	9,510	24,475
Total Current Liabilities & Provisions	29,480	34,056	40,679	45,838
Net Current Assets	46,059	37,824	25,371	42,348
Investments	10,474	7,622	6,663	5,590
Net Fixed Assets	46,606	85,178	84,340	83,576
ROU Assets	-	-	-	-
Capital Work-in-Progress	6,789	1,896	1,896	1,896
Total Intangible Assets	80,254	1,03,343	1,03,343	1,03,343
Long Term Loans & Advances	-	-	-	-
Deferred Tax assets	-	1,422	1,422	1,422
Total Assets	1,98,145	2,46,154	2,31,905	2,47,043
Liabilities				
Borrowings	11,828	29,539	1,684	1,684
Deferred Tax Liability	8,144	17,952	17,952	17,952
Provisions	5,297	2,257	2,696	3,038
Other Liabilities	1,607	22,045	26,332	29,671
Equity Share Capital	929	953	953	953
Reserves & Surplus	1,61,838	1,59,615	1,67,759	1,78,390
Total Net Worth	1,62,767	1,60,568	1,68,712	1,79,343
Minority Interest	8,502	13,793	14,530	15,356
Total Liabilities	1,98,145	2,46,154	2,31,905	2,47,043

Source Company data, I-Sec research

Exhibit 23: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	37,412	37,882	38,039	39,269
% growth (YOY)	12.5	11.0	9.5	8.5
EBITDA	5,450	5,371	5,724	6,296
Margin %	14.6	14.4	15.0	16.0
Other Income	578	898	596	385
Extraordinaries	399	(537)	871	(2,259)
Adjusted Net Profit	3,236	3,481	3,669	4,436

Source Company data, I-Sec research

Exhibit 24: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	14,613	39,576	23,708	25,919
Working Capital Changes	-	22,208	2,143	1,670
Capital Commitments	(3,356)	(37,450)	(3,633)	(4,093)
Free Cashflow	11,257	2,126	20,075	30,013
Other investing cashflow	(4,922)	7,617	1,581	1,581
Cashflow from Investing Activities	(8,278)	(29,833)	(2,052)	(2,512)
Issue of Share Capital	-	-	-	-
Interest Cost	(817)	(1,298)	(976)	(105)
Inc (Dec) in Borrowings	(593)	17,710	(27,855)	-
Dividend paid	(5,734)	(7,384)	(7,861)	(8,337)
Others	-	-	-	-
Cash flow from Financing Activities	(7,144)	9,028	(36,691)	(8,442)
Chg. in Cash & Bank balance	(809)	18,771	(15,035)	14,965
Closing cash & balance	8,904	46,741	9,510	24,475

Source Company data, I-Sec research

Exhibit 25: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	11.3	14.2	16.8	19.9
Adjusted EPS (Diluted)	11.3	14.2	16.8	19.9
Cash EPS	14.6	18.1	21.5	25.0
Dividend per share (DPS)	8.4	7.8	8.3	8.8
Book Value per share (BV)	175.2	168.5	177.1	188.2
Dividend Payout (%)	74.8	54.6	49.1	44.0
Growth (%)				
Net Sales	10.9	10.3	19.4	12.7
EBITDA	8.0	23.0	20.9	13.6
EPS (INR)	6.3	25.5	18.4	18.5
Valuation Ratios (x)				
P/E	103.9	82.7	69.9	58.9
P/CEPS	80.5	64.7	54.6	46.9
P/BV	6.7	7.0	6.6	6.2
EV / EBITDA	57.3	48.8	39.9	34.7
P / Sales	7.9	7.4	6.2	5.5
Dividend Yield (%)	0.7	0.7	0.7	0.7
Operating Ratios				
Gross Profit Margins (%)	41.9	43.7	44.3	44.4
EBITDA Margins (%)	13.5	15.0	15.2	15.3
Effective Tax Rate (%)	27.4	19.5	25.5	25.5
Net Profit Margins (%)	8.6	10.7	9.7	10.2
Net Debt / Equity (x)	(0.2)	0.0	(0.1)	(0.1)
Net Debt / EBITDA (x)	(1.4)	(0.1)	(0.5)	(0.9)
Fixed Asset Turnover (x)	2.0	1.7	1.6	1.7
Working Capital Days	51	(5)	(9)	(11)
Inventory Turnover Days	75	70	72	70
Receivables Days	22	23	23	23
Payables Days	15	13	14	14
Profitability Ratios				
RoCE (%)	6.3	7.9	8.9	10.4
RoE (%)	6.3	7.8	9.0	10.0
RoIC (%)	6.3	7.9	8.9	10.4

Source Company data, I-Sec research

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BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
