

Q1FY25 Tata Consumer Products Ltd.



Tata Consumer Products Ltd.

Strong revenue but earnings were hit by restructuring expenses

CMP INR 1,186*	Target INR 1,310	Potential Upside 10.5%	Market Cap (INR Mn) 11,73,525	Recommendation ACCUMULATE	Sector Consumer
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Result highlights

- Q1FY25 consolidated revenue stood at INR 43,521 Mn, which grew by 16.3% YoY/ +10.8% QoQ, (in line with estimates).
- EBITDA grew to INR 6,674 Mn, up 22.4% YoY/ (+6.0% QoQ), missing our estimates by 2.1%. EBITDA margin stood at 15.3% (+77 bps YoY/ -70 bps QoQ) was lower than our estimates, due to higher-than-expected operating expenses such as other expenses.
- Adj. PAT was at INR 3,074 Mn, down 4.5% YoY(-28.9% QoQ), which was below our expectations. This was primarily due to higher-than-anticipated interest expenses and tax rates.
- **We continue to value the stock on a SOTP basis, maintaining EV/EBITDA multiples for most businesses while increasing for Indian Business due to new product launches and an improved product mix. We maintain our target price to INR 1,310 per share, an upside of 10.5% over the CMP. Based on the price appreciation of 7.2% since our last quarterly update, we downgrade our rating to an “ACCUMULATE” from “BUY” on the shares of Tata Consumer Products Ltd.**

MARKET DATA

Shares O/S (Mn)	953
Net Worth (INR Mn)	1,74,361
Mkt Cap (INR Mn)	11,73,525
52 Wk H/L (INR)	1,256/ 820
Volume Avg (3m K)	1,860
Face Value (INR)	1
Bloomberg Code	TATACONS IN

KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	124,254	137,832	152,059	181,112	202,292
EBITDA	17,188	18,565	22,841	28,771	32,423
PAT	9,358	12,038	11,503	16,463	19,919
Adj. PAT	9,878	10,443	14,774	16,634	19,919
EPS	10.2	13.0	12.1	17.3	20.9
Adj. EPS	10.7	11.2	15.5	17.5	20.9
EBITDA Margin (%)	13.8%	13.5%	15.0%	15.9%	16.0%
Adj. NPM (%)	8.0%	7.6%	9.7%	9.2%	9.8%

Source: Company, KRChoksey Research

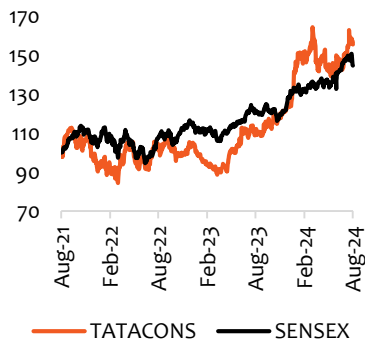
The International Business primarily drove revenue growth

- In Q1FY25, revenue stood at INR 43,521 MN (+16.3% YoY, +10.8% QoQ). The YoY growth consists of 10.0% organic and 6.0% from CF and OI acquisitions.
- Indian Foods saw a strong 30.3% YoY growth (14.0% excluding capital goods) and a 16.7% QoQ increase, with a 10.0% YoY volume rise.
- Salt revenue grew 9.0% YoY, driven by strong 8.0% YoY volume growth.
- India Beverages grew 6.0% YoY (1.0% organic), with flat tea volume YoY.
- International Business recorded 10.0% revenue growth (8.0% constant currency).
- Nourishco (Ready-to-Drink business) recorded revenue growth of 7.0% YoY during the quarter. Growth was muted on account of a high base and intense summer.
- impacting out-of-home consumption.
- Revenue for the Non-Branded Business grew 32.0% YoY, led by strong coffee realizations across the solubles and plantations segments.

Margins improved, but profitability fell due to higher D&A and finance costs

- Gross margin expanded by 274 bps YoY, aided by Capital Foods and Organic India. However, rising tea and coffee input costs may threaten future margin stability.
- EBITDA was at INR 6,674 Mn, grew by 22.4% YoY/ 6.0% QoQ.
- EBITDA margin improved to 13.3% (+77 bps YoY; -70 bps QoQ). The expansion of the gross margin was counteracted by higher advertising and promotion (A&P) expenses at the operating margin levels.
- Reported PAT was at INR 2,903 Mn, which contracted by 8.3% YoY, primarily due to higher D&A charges (80.6% YoY) and higher finance costs (256.8% YoY).

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	79,706
NIFTY	24,368

SHARE HOLDING PATTERN (%)

Particulars	Jun-24	Mar-24	Dec-23
Promoters	33.6	33.6	33.6
FIIIs	24.1	25.5	25.5
DIIIs	18.7	17.4	16.9
Others	23.6	23.5	24.0
Total	100	100	100

* Based on previous closing

15.3%

Revenue CAGR between FY24 and FY26E

16.1%

Adj. PAT CAGR between FY24 and FY26E

Tata Consumer Products Ltd.

Key Con-call Highlights:

- Tata Starbucks expanded to **438 stores with 17 new openings across 65 cities and entered 4 new cities in Q1FY25. Despite this, revenue growth was modest at 4.0% YoY.**
- The Company reaches over 4.0 Mn outlets and has direct distribution to more than 1.6 Mn. After successful online launches, TCPL plans to expand physical distribution, focusing on Sampann, Nourishco, and Soulfull for growth.
- Extreme heatwaves during the quarter affected demand for hot beverages (tea) and ready-to-drink (NourishCo) products.
- The Ready-to-Drink (RTD) business, primarily designed for single-service out-of-home use, was impacted since it's not suitable for take-home consumption. However, management began implementing corrective actions in June 2024 to address these issues.
- Due to disruptions in tea production this quarter, prices **increased by 15.0-20.0% in North India and around 10.0% in South India. Coffee prices, including both Robusta and Arabica, have been rising steadily, with Robusta up approximately 50.0% over the past two quarters. In contrast, tea prices in the Kenyan market remained stable.**
- Modern trade achieved strong revenue **growth of 28.0% YoY, while E-Commerce surged by 61.0% YoY.**
- The Company invested heavily in its brands, with an advertising and promotion-to-sales ratio of 7.8%.
- The Company launched new products such as Tata Salt Panch Tatva, Easy Cook Ragi Atta, Masala Oats + Dal Shakti, and Cold Pressed Olive Oil.
- Salt sales grew by 9.0% YoY, with an 8.0% increase in volume, while value-added salts saw a 35.0% YoY increase.
- Tata Sampann maintains its success with a 37.0% sales growth in Q1FY25, driven by 25.0% growth from core products and 12.0% from new products.
- The soluble and plantations business experienced 34.0% YoY revenue growth, **contributing to a 600 bps EBIT margin expansion in the non-branded segment.**
- Revenue growth was strong in the UK and Canada, **at 14.0% YoY and 12.0% YoY**, respectively, driven by improved EBIT margins and new product listings.
- In the US, coffee revenue **declined by 4.0% due to market challenges**, though tea business **grew by 8.0% YoY.**
- **The Company recently announced a rights issue to raise approximately INR 30.0 Bn at INR 818/share. The proceeds will be used to repay commercial paper borrowings.**
- The Company continuously tracks inventory levels (days of inventory) to prevent excess inventory at the distributor level.

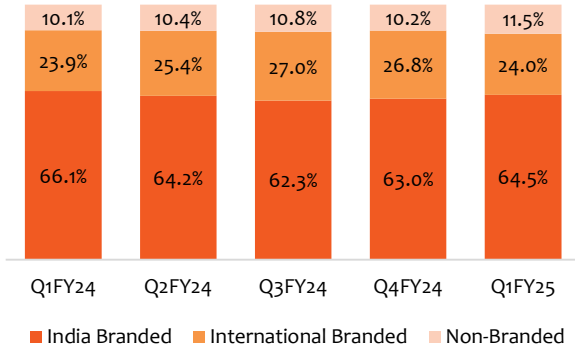
Valuation and view

TCPL's quarterly performance was mixed, with revenue showing healthy growth while earnings declined primarily due to acquisition-related expenses. The Company's successful online launches and investments in physical distribution for key brands such as Sampann, Nourishco, and Soulfull signal strong future potential. Despite facing challenges from extreme weather and rising costs, TCPL has taken proactive steps to enhance its operating leverage and strategically grow its market presence, positioning itself to maintain resilient growth.

We revised our EPS estimates upwards for FY25E/FY26E increased by 4.9%/4.4%, assuming higher revenues from international business and better operating margins than our previous estimates. We expect Revenue/ EBITDA/ Adj. PAT to grow by 15.3%/ 19.1%/ 16.1% CAGR, respectively, over FY24-26E. **We have valued TATACONS on a SOTP basis based on FY26E segmental EBITDA for all businesses except Starbucks which is valued on FY26E Revenue basis. For India Business (excluding CF and OI), we apply an EV/EBITDA multiple of 44.4x (previously:40x); for OI, we apply an EV/EBITDA multiple of 40.0x (unchanged); for CF, we apply an EV/EBITDA multiple of 44.0x (unchanged); International Business, we apply an EV/EBITDA multiple of 17.0x (unchanged); and for Starbucks business, we apply an EV/Revenue multiple of 2.9x (unchanged).** We maintain our target price to INR 1,310 per share, an upside of 10.5% over the CMP. Based on the price appreciation of 7.2% since our last quarterly update, we downgrade our rating to an "ACCUMULATE" from "BUY" on the shares of Tata Consumer Products Ltd.

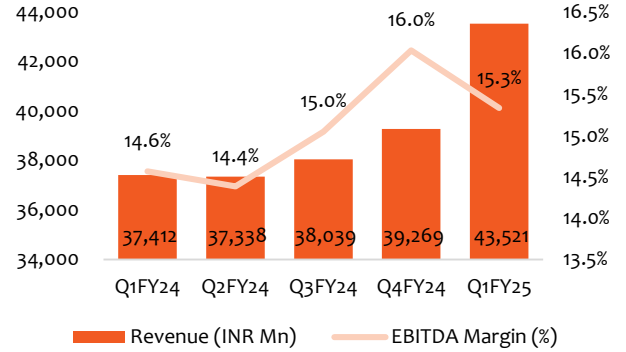
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Revenue Contribution (%) remains range-bound



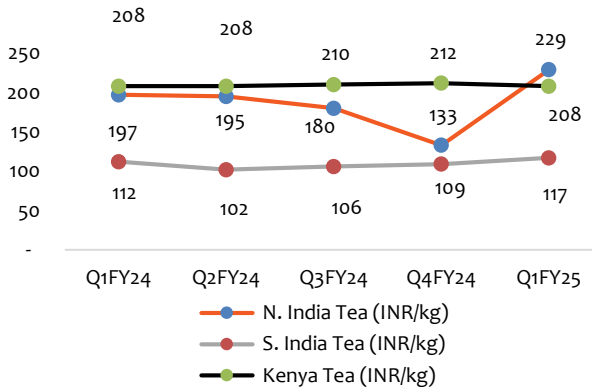
Source: Company, KRChoksey Research

EBITDA Margin sees contraction (QoQ) due to higher ads spends



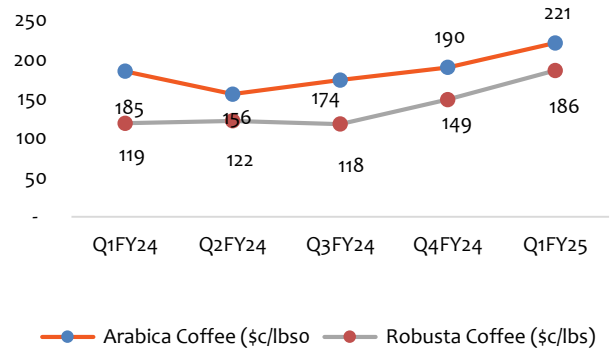
Source: Company, KRChoksey Research

Tea prices saw a mixed trend QoQ



Source: Company, KRChoksey Research

Coffee prices showed increasing trend



Source: Company, KRChoksey Research

Tata Consumer Products Ltd.

KEY FINANCIALS

Particulars (INR Mn)	Q1FY25	Q4FY24	Q1FY24	Q-o-Q	Y-o-Y
Revenue from operations	43,521	39,269	37,412	10.8%	16.3%
Total Expenditure	36,847	32,973	31,962	11.7%	15.3%
Cost of Raw Materials	16,838	15,662	14,699	7.5%	14.6%
Purchase of Stock	8,474	7,577	6,547	11.8%	29.4%
Changes in Inventories	-1,338	-2,080	387	-35.7%	445.5%
Employee Cost	3,450	3,413	2,958	1.1%	16.6%
Other Expenses	9,423	8,402	7,371	12.1%	27.8%
EBITDA	6,674	6,296	5,450	6.0%	22.4%
EBITDA Margins (%)	15.3%	16.0%	14.6%	-70 bps	77 bps
Depreciation	1,480	1,158	820	27.9%	80.6%
EBIT	5,194	5,138	4,631	1.1%	12.2%
Interest Expense	936	428	262	118.5%	256.8%
Other income	392	385	578	1.9%	-32.2%
PBT	4,650	5,095	4,946	-8.7%	-6.0%
Exceptional Items	-171	-2,158	-52	92.1%	231.4%
Tax	1,337	260	1,309	415.2%	2.2%
Share of Associates/Minorities	-238	-511	-420	53.3%	43.2%
PAT	2,903	2,166	3,166	34.0%	-8.3%
PAT Margin	6.7%	5.5%	8.5%	115 bps	-179 bps
EPS	3.1	2.3	3.4	33.8%	-10.6%
Adjusted PAT	3,074	4,324	3,218	-38.9%	-4.5%
Adj. PAT Margin	7.1%	11.0%	8.6%	-395 bps	-154 bps
Adj. EPS	3.2	4.6	3.5	-29.1%	-6.8%

Source: Company, KRChoksey Research

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenues	124,254	137,832	152,059	181,112	202,292
COGS	70,840	80,057	85,639	99,198	110,597
Gross profit	53,414	57,775	66,419	81,913	91,694
Employee cost	10,480	11,204	12,586	14,826	16,790
Other expenses	25,746	28,006	30,993	38,317	42,481
EBITDA	17,188	18,565	22,841	28,771	32,423
EBITDA Margin	13.8%	13.5%	15.0%	15.9%	16.0%
Depreciation & amortization	2,780	3,041	3,772	5,563	5,580
EBIT	14,408	15,524	19,070	23,208	26,843
Interest expense	728	872	1,298	2,332	1,472
Other income	1,401	1,689	2,456	1,369	1,303
PBT	14,560	17,936	16,957	22,074	26,673
Tax	3,770	4,470	3,947	4,680	5,736
Minority interest	794	1,164	651	-11	0
PAT	9,358	12,038	11,503	16,463	19,919
Adj. PAT	9,878	10,443	14,774	16,634	19,919
EPS (INR)	10.2	13.0	12.1	17.3	20.9
Adj. EPS	10.7	11.2	15.5	17.5	20.9

Source: Company, KRChoksey Research

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Net Cash Generated From Operations	15,158	14,613	19,367	23,358	26,658
Net Cash Flow from/(used in) Investing Activities	(13,218)	(8,278)	(19,309)	(22,339)	(3,340)
Net Cash Flow from Financing Activities	(9,948)	(7,144)	2,556	(9,101)	(19,663)
Net Inc/Dec in cash equivalents	(8,008)	(809)	2,613	(8,083)	3,655
Opening Balance	17,732	9,771	8,904	11,719	3,636
Adjustments	47	(58)	202	0	0
Closing Balance	9,771	8,904	11,719	3,636	7,291
Bank overdraft	5,209	6,492	11,480	11,480	11,480
Closing Balance Cash and Cash Equivalents	14,980	15,396	23,198	15,116	18,770

Source: Company, KRChoksey Research

Tata Consumer Products Ltd.

Balance Sheet (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Property, plant and equipment	14,803	16,047	19,772	20,914	21,921
Capital work-in-progress	2,094	2,861	1,714	1,714	1,714
Investment Property	2,321	2,148	2,148	2,148	2,148
Right of use of assets	3,784	3,840	5,059	5,059	5,059
Goodwill (Net)	77,541	80,254	103,343	103,343	103,343
Other intangible assets	27,544	28,412	63,258	60,011	56,765
Intangible assets under development	375	88	182	182	182
Investments accounted for using Equity method	2,343	2,927	2,784	2,784	2,784
Investments	3,649	3,856	3,535	3,535	3,535
Loans	140	125	70	70	70
Other financial assets	357	428	468	468	468
Deferred tax assets (Net)	427	486	1,422	1,422	1,422
Non-current tax assets (Net)	1,417	1,603	1,027	1,027	1,027
Other non-current assets	3,023	1,951	1,162	1,162	1,162
Assets acquired through business combination	0	0	0	19,000	19,000
Total non-current assets	139,819	145,026	205,943	222,839	220,599
Inventories	22,665	27,017	27,694	32,078	35,764
Investments	1,980	7,547	2,386	2,386	2,386
Trade receivables	8,352	7,983	8,968	10,681	11,930
Cash and cash equivalents	14,980	15,396	23,198	15,116	18,770
Other Balances with Banks	11,019	12,574	1,347	1,347	1,347
Loans	6,599	5,297	3,345	3,345	3,345
Other financial assets	1,843	1,929	1,498	1,498	1,498
Current tax assets	13	208	54	54	54
Other current assets	3,905	5,135	5,777	5,777	5,777
Total current assets	71,357	83,086	74,266	72,282	80,872
TOTAL ASSETS	211,176	228,111	280,209	295,120	301,471
Equity share capital	922	929	953	953	953
Other equity	150,498	161,838	159,615	169,309	181,038
Equity attributable to the equity shareholders	151,419	162,767	160,568	170,262	181,991
Non-controlling interests	11,516	8,502	13,793	14,725	15,743
Total equity	162,936	171,269	174,361	184,986	197,733
Borrowings	2,419	2,061	1,684	1,684	1,684
Lease liabilities	3,509	3,622	4,596	4,596	4,596
Other financial liabilities	931	1,607	17,257	17,257	17,257
Provisions	1,756	1,675	2,257	2,257	2,257
Deferred tax liabilities	7,764	8,630	17,952	17,952	17,952
Non Current Tax Liabilities	135	0	192	192	192
Total non-current liabilities	16,514	17,596	43,937	43,937	43,937
Financial liabilities					
Borrowings	7,687	9,767	27,855	27,855	17,855
Lease liabilities	505	550	638	638	638
Trade payables	19,159	23,482	27,072	31,358	34,961
Other financial liabilities	2,118	2,280	2,682	2,682	2,682
Other current liabilities	1,322	1,735	1,763	1,763	1,763
Provisions	732	774	1,630	1,630	1,630
Current tax liabilities (Net)	204	659	271	271	271
Total current liabilities	31,726	39,247	61,911	66,197	59,800
Total liabilities	48,240	56,843	105,848	110,134	103,738
TOTAL EQUITY AND LIABILITIES	211,176	228,111	280,209	295,120	301,471

Source: Company, KRChoksey Research

Key Ratio	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	13.8%	13.5%	15.0%	15.9%	16.0%
Tax rate (%)	25.9%	24.9%	23.3%	21.2%	21.5%
Net Profit Margin (%)	7.5%	8.7%	7.6%	9.1%	9.8%
RoE (%)	5.7%	7.0%	6.6%	8.9%	10.1%
RoCE (%)	8.3%	8.5%	9.4%	10.8%	12.4%
EPS (INR)	10.2	13.0	12.1	17.3	20.9
PE	108.9x	85.4x	91.6x	69.4x	57.4x

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
12-Aug-24	1,186	1,310	ACCUMULATE	Buy	More than 15%
25-Apr-24	1,106	1,310	BUY	Accumulate	5% – 15%
21-Feb-24	1,154	1,352	BUY	Hold	0 – 5%
18-Jan-24	1,139	1,322	BUY	Reduce	-5% – 0
08-Nov-23	922	1,066	BUY	Sell	Less than – 5%
03-Aug-23	835	985	BUY		

ANALYST CERTIFICATION:

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KRChoksey Shares and Securities Pvt. Ltd.

CIN-U67120MH1997PTC108958

Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060

Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058

Phone: 91-22-66355000

Compliance Officer: Varsha Shinde

Email: varsha.shinde@krchoksey.com