

26<sup>th</sup> April 2024

CMP – ₹1106/-

View – Buy on Dips

**Q4FY24 Performance**

- Revenue from Operations for the quarter at ₹3927crs up 9% YoY mainly driven by underlying growth of 10% in India Business partly aided by acquisition, 5% in International Business and 4% in Non-Branded Business. For FY24, Revenue at ₹15206crs, up 10%. India business grew by 10% YoY.
- Profit before exceptional items and tax at ₹509crs is higher by 12% YoY reflecting growth in both India and International Branded Business despite higher investments behind brands, and price realization led to improved performance in Non-Branded Business.
- Net Profit before exceptional items at ₹427crs is up 46% driven by strong operating performance and one-time tax credits during the quarter.
- Exceptional items in Q4FY24 mostly related to acquisitions. Excluding that, the group's net profit was up 46%.
- Consolidated EBITDA grew 23% YoY to ₹630crs. EBITDA margin expanded by 189bps, mainly driven by an improvement in profitability across businesses.
- Following all the necessary regulatory approvals, the merger of Tata Coffee with Tata Consumer Products has become effective from 1<sup>st</sup> Jan 2024.

**Important Statistics**

<b>Nifty</b>	22,570
<b>Sensex</b>	74,339
<b>M.CAP (₹ cr)</b>	₹1,05,379
<b>52 Week H/L (₹)</b>	₹1269/₹724
<b>NSE Code</b>	TATACONSUM
<b>BSE Code</b>	500800
<b>Bloomberg Code</b>	TATACONS:IN

Shareholding pattern (%)	Mar'24
Promoter	33.55
FII's	25.46
DII's	17.39
Public & Others	23.58

**Key takeaways from Q4FY24 result**

- **India Tea + Foods Business:**
  - India beverages revenues grew 3% yoy, with flat tea volume YoY. The India business EBITDA grew 22% YoY. EBITDA margin expanded 170bps to 17.4%. The company continued to retain market leadership in tea in the E-commerce channel for the 33<sup>rd</sup> consecutive month. **Coffee continued its strong performance with a revenue growth of 32% YoY.** Premium and sub-premium segments outperformed popular and economy brands.
  - **The India Foods** business delivered 20% revenue growth including Capital Foods and 5% volume growth. In Salt, growth was led by volumes as well as a favourable mix with value-added salts growing 34% in FY24 and accounted for 9% of the India salt business. Salt reached its highest-ever market share of 39.9% in Feb/Mar'24, up ~1,000bps since FY20. Growth businesses continued their strong run, growing 40% in FY24 and accounted for 18% of the India business.
  - **Tata Sampann's** portfolio recorded a growth of 42% YoY, with robust volume growth. Full-year revenue growth for Tata Sampann was 45%.
  - **NourishCo (ready to drink)** business, recorded revenue growth of 13% primarily impacted by the delayed onset of summer and continued the growth momentum in FY24 with net revenues of ₹825crs up 33% YoY. Both, Tata Copper+ revenue grew 29% YoY.
  - Total outlet reach of 950k outlets, up from 650k outlets as of Mar'23.
- **Non-branded business** which includes tea solubles, coffee solubles, India, Coffee plantation, India and coffee solubles Vietnam grew 4% YoY led by both, the tea and coffee solubles business. The Solubles business saw significantly improved profitability (EBITDA margin expanded 1600bps) led by strong price realization in coffee. The plantations business recorded a revenue decline of 30%, owing to muted volumes and lower tea prices.
- The merger of Tata Coffee with Tata Consumer Products (TCPL), was completed on 1st Jan 2024. This is in line with the strategic priority to unlock synergies while simplifying and streamlining businesses.

**Financial Snapshot**

Particulars	₹ Cr		
	FY22	FY23	FY24
Revenues	12,425	13,783	15,206
YoY Growth	7%	11%	10%
EBITDA	1,719	1,856	2,284
EBITDA Margin	14%	13%	15%
PAT	1,015	1,320	1,215
PAT Margin	8%	10%	8%
EPS	10.15	13.03	12.3
PE	109.0	84.9	89.9

Source: Company, Way2Wealth Research

**Relative Performance**

Return (%)	1 Yr	3Yr	5 Yr
<b>Tata Cons</b>	<b>48</b>	<b>58</b>	<b>442</b>
<b>Nifty 50</b>	27	54	93
<b>Sensex</b>	23	52	91

Source: Company, Way2Wealth Research

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View – Buy on Dips

- The merger of Tata Coffee with Tata Consumer Products (TCPL), is completed with an effective date being 1 Jan 2024. This is in line with the company's strategic priority to unlock synergies while simplifying and streamlining businesses.
- **International Business:**
  - International business recorded 5% revenue growth in constant currency terms. International business EBITDA grew 23% (CC) YoY. EBITDA margin expanded 270bps to 17.8%, mainly driven by softening of input costs and pricing.
  - UK business saw strong revenue growth of 11% CC terms (reported revenue growth of 17%). For the year, the UK grew 10% in CC with significantly improved profitability. Brands like Good Earth, and teapigs continue to deliver strong growth.
  - USA coffee (EOC) revenue grew 2% YoY in CC terms (reported revenue growth of 3%). For FY24 revenue declined 5% CC.
  - Canada- revenue grew 9% CC (reported revenue growth 10%) and for FY24 revenue grew 3% CC.
- **Commodity Movement:**
  - Arabica prices continued to inflate during the quarter as global supplies remained tight.
  - Robusta prices have touched record highs during the quarter. Averages prices for Q4 were 60% higher YoY.
  - Robusta prices followed a similar trajectory. There was a steep uptick in prices towards the end of the quarter continuing into Jan'24. Averages prices for the quarter are over 30% higher YoY.
  - North India tea prices were 8% lower YoY South India tea prices were 15% lower YoY.
- **Tata Starbucks (JV):**
  - Revenue for the quarter grew 7% YoY and 12% in FY24 to ₹1218crs and added 29 net new stores during the quarter (total stores 421).
  - Management has target ~1000 Starbucks stores by 2028.
- During the quarter, the Parent Company acquired 75% equity shares of Capital Foods Private Limited (CFPL), under a share purchase agreement, on February 01, 2024. The company is engaged in in-home food categories under the brand 'Ching's Secret' and 'Smith & Jones', the balance 25% shareholding will be acquired within the next three years. This acquisition will enable Tata Consumer Products to expand its product portfolio and further strengthen its pantry platform. Capital Foods' products are now available at 95% of TCPL distributors.
- In absolute terms, TCPL expects to add ₹150crs in EBITDA per year from Capital Foods alone. Moreover, with the addition of these two businesses, **the share of new businesses will gradually increase to 30% of India business, growing by 30% YoY.** The company has also acquired a 99.9% stake in Organic India Pvt Ltd. For ₹1708crs
- **Others:**
  - The company expanded its total reach to 4 mn vs 3.9m outlets in Dec'23.
  - Modern trade & e-commerce recorded 9% and 35% for FY224 and continue to be instrumental to the growth agenda.
  - Net working capital (NWC) reduced by a further 8 days to 27 days in FY24. Notably, the India business had a NWC of 4 days in FY24.
  - Innovation-to-sales for India was 5.1% in FY24, up from 3.4% last year.

**Story in charts**

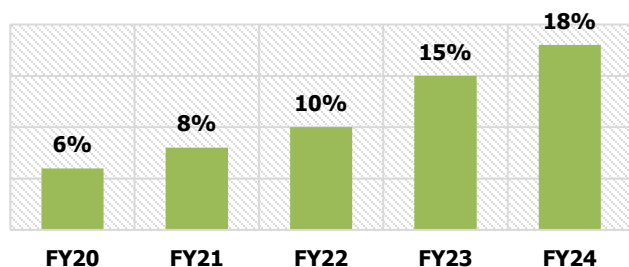
**Key Business Snapshot (Q4FY24)**

Q4FY24	India Beverages	India Foods	US Coffee	International Tea*	Non-branded	Consolidated
Revenue (cr)	1,324	1,153	388	665	402	3,804
Revenue growth	3%	20%	3%	9%	4%	9%
Constant currency growth			2%	6%	4%	8%
Volume Growth	0%	5%	6%	-1%		

Source: Company, Way2Wealth Research

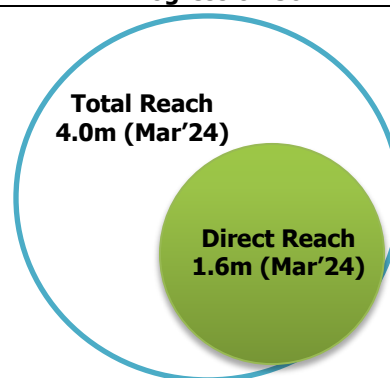
**As % of revenue**

**Growth businesses grew 40% YoY in FY24**



Source: Company, Way2Wealth

**Progress on S&D**



**Risks**

- Inflation in raw material prices
- Slowdown in the economy

**View**

In FY24, despite continued softness in consumer sentiments, the company delivered good topline growth (10%); along with significant improvement in EBITDA growth (23%).

TCPL's tea and salt brands occupy leadership positions in their respective categories. Tea segment volume is expected to grow by 2-4% in the medium term, led by premium products. In terms of international business, the benefit of restructuring was visible in Q4FY24, the International business revenue grew 7% (+5% constant currency).

New growth engines such as Tata Sampann, NourishCo, Tata Soulfull and the ready-to-eat/ready-to-consume business (Tata Smartfoodz) continued its strong growth trajectory with a revenue growth of 40% in FY24 and also it rapidly scaling up distribution network along with digitization prowess across the supply chain.

**Given quality play, at the current price of ₹1106 it is trading at a premium valuation (P/E 89.9x to FY24 EPS of ₹12.3). Higher disposable income along with revival of consumer spending should propel TCPL's growth going ahead. We continue to maintain our positive view on stock and advice investors to Buy on dips for the long term.**

26<sup>th</sup> April 2024

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 View – **Buy on Dips**
**Quarterly Performance**

(₹ Cr)								
Particulars	Q4FY24	Q4FY23	VAR	Q3FY24	VAR	FY24	FY23	VAR
<b>Revenue</b>	<b>3926.9</b>	<b>3618.7</b>	<b>8.5%</b>	<b>3803.9</b>	<b>3.2%</b>	<b>15205.9</b>	<b>13783.2</b>	<b>10.3%</b>
Other Income	38.5	55.3	-30.5%	59.6	-35.5%	245.6	168.9	45.4%
<b>TOTAL INCOME</b>	<b>3965.4</b>	<b>3674.0</b>	<b>7.9%</b>	<b>3863.5</b>	<b>2.6%</b>	<b>15451.5</b>	<b>13952.0</b>	<b>10.7%</b>
Total Raw Material Cost	2115.9	2105.4	0.5%	2137.8	-1.0%	8563.9	8005.7	7.0%
Cost of Raw Material & Components Consumed	1566.2	1338.3	17.0%	1345.2	16.4%	5730.2	5376.6	6.6%
(Increase)/ Decrease in Inventories	-208.0	-59.5	249.7%	56.2	-469.9%	-121.6	-273.9	-55.6%
Purchase of Traded Goods	757.7	826.6	-8.3%	736.4	2.9%	2955.3	2903.0	1.8%
<i>Total Raw Material Cost % to Sales</i>	<i>53.9%</i>	<i>58.2%</i>	<i>-7.4%</i>	<i>56.2%</i>	<i>-4.1%</i>	<i>56.3%</i>	<i>58.1%</i>	<i>-3.0%</i>
Employee Cost	341.3	286.1	19.3%	317.4	7.5%	1258.6	1120.4	12.3%
<i>Employee Cost % to Sales</i>	<i>8.7%</i>	<i>7.9%</i>	<i>9.9%</i>	<i>8.3%</i>	<i>4.1%</i>	<i>8.3%</i>	<i>8.1%</i>	<i>1.8%</i>
Other Expenses	840.2	715.6	17.4%	776.3	8.2%	3099.3	2800.6	10.7%
<i>Other Expenses % of Sales</i>	<i>21.4%</i>	<i>19.8%</i>	<i>8.2%</i>	<i>20.4%</i>	<i>4.8%</i>	<i>20.4%</i>	<i>20.3%</i>	<i>0.3%</i>
<b>TOTAL EXPENDITURE</b>	<b>3297.3</b>	<b>3107.1</b>	<b>6.1%</b>	<b>3231.5</b>	<b>2.0%</b>	<b>12921.8</b>	<b>11926.7</b>	<b>8.3%</b>
<b>EBIDTA</b>	<b>629.6</b>	<b>511.7</b>	<b>23.0%</b>	<b>572.4</b>	<b>10.0%</b>	<b>2284.1</b>	<b>1856.5</b>	<b>23.0%</b>
<i>EBIDTA Margin %</i>	<i>16.0%</i>	<i>14.1%</i>	<i>1.89%</i>	<i>15.0%</i>		<i>15.0%</i>	<i>13.5%</i>	<i>1.55%</i>
Finance Costs	42.8	27.7	54.8%	33.2	29.0%	129.8	87.2	48.9%
<b>PBDT</b>	<b>625.2</b>	<b>539.3</b>	<b>15.9%</b>	<b>598.8</b>	<b>4.4%</b>	<b>2399.9</b>	<b>1938.2</b>	<b>23.8%</b>
Depreciation, Ammortization & Impairment	115.8	82.9	39.7%	85.5	35.4%	377.2	304.1	24.0%
<b>PBT before Exceptional Items</b>	<b>509.5</b>	<b>456.5</b>	<b>11.6%</b>	<b>513.3</b>	<b>-0.7%</b>	<b>2022.8</b>	<b>1634.1</b>	<b>23.8%</b>
Exceptional Items	-215.8	-6.4	3287.8%	-91.5	135.8%	-327.0	159.5	-305.1%
<b>PBT after Exceptional Items</b>	<b>293.7</b>	<b>450.1</b>	<b>-34.8%</b>	<b>421.7</b>	<b>-30.4%</b>	<b>1695.7</b>	<b>1793.6</b>	<b>-5.5%</b>
Tax	26.0	104.5	-75.2%	106.2	-75.6%	394.7	447.0	-11.7%
<i>Tax Rate %</i>	<i>8.8%</i>	<i>23.2%</i>	<i>-61.9%</i>	<i>25.2%</i>	<i>-64.9%</i>	<i>23.3%</i>	<i>24.9%</i>	<i>-6.6%</i>
<b>Reported Profit After Tax</b>	<b>267.7</b>	<b>345.6</b>	<b>-22.5%</b>	<b>315.5</b>	<b>-15.2%</b>	<b>1301.0</b>	<b>1346.5</b>	<b>-3.4%</b>
Minority Interest After NP			#DIV/0!	-14.0		0.0	0.0	#DIV/0!
Profit/Loss of Associate Company & JV	-55.5	-56.0	-1.0%		#DIV/0!	-85.6	-26.4	224.5%
<b>Net Profit after Minority Interest &amp; P/L Asso.Co.</b>	<b>212.3</b>	<b>289.6</b>	<b>-26.7%</b>	<b>301.5</b>	<b>-29.6%</b>	<b>1215.4</b>	<b>1320.2</b>	<b>-7.9%</b>
<i>PAT Margin %</i>	<i>5.4%</i>	<i>8.0%</i>		<i>7.9%</i>		<i>8.0%</i>	<i>9.6%</i>	
Other Comprehensive Income (net of tax)	-10.1	46.0	-121.9%	0.0		-4.2	-262.0	-98.4%
<b>Total Comprehensive Income</b>	<b>202.2</b>	<b>335.6</b>	<b>-39.7%</b>	<b>301.5</b>	<b>-32.9%</b>	<b>1211.2</b>	<b>1058.2</b>	<b>14.5%</b>
Basic:								
<b>EPS</b>	<b>2.30</b>	<b>2.90</b>	<b>-20.7%</b>	<b>3.00</b>		<b>12.3</b>	<b>13.03</b>	<b>-7.9%</b>
Equity	92.9	92.9		92.9		92.9	92.9	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2wealth Research

26<sup>th</sup> April 2024

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 View – **Buy on Dips**
**Segmental Performance**

(₹ Cr)

Particulars	Q4FY24	Q4FY23	VAR	Q3FY24	VAR	FY24	FY23	VAR
<b>REVENUES</b>								
India Business	2,479.5	2,246.5	10.4%	2,374.9	4.4%	9,736.5	8,717.0	11.7%
<i>% Mix</i>	<i>63.0%</i>	<i>62.1%</i>		<i>62.3%</i>		<i>63.9%</i>	<i>63.1%</i>	
International Business	1,052.5	984.1	7.0%	1,028.4	2.3%	3,925.4	3,589.5	9.4%
<i>% Mix</i>	<i>26.8%</i>	<i>27.2%</i>		<i>27.0%</i>	-0.8%	<i>25.8%</i>	<i>26.0%</i>	
<b>Total Branded Business</b>	<b>3,532.03</b>	<b>3,230.54</b>	9.3%	<b>3,403.31</b>	3.8%	<b>13,661.90</b>	<b>12,306.45</b>	11.0%
<b>Non-Branded Business</b>	<b>401.5</b>	<b>385.27</b>	4.2%	<b>410.56</b>	-2.2%	<b>1,577.4</b>	<b>1,500.1</b>	5.2%
<b>Total Segment Revenue</b>	<b>3,933.5</b>	<b>3,615.8</b>	<b>8.8%</b>	<b>3,813.9</b>	<b>3.1%</b>	<b>15,239.3</b>	<b>13,806.5</b>	<b>10.4%</b>
Add : Other Unallocable Income	16.9	16.8	0.7%	14.8	14.6%	74.5	48.7	53.1%
Less : Inter Segment Sales	23.5	13.9	69.6%	24.7	-4.9%	91.0	29.5	208.6%
<b>Net Revenue from Operations</b>	<b>3,926.9</b>	<b>3,618.7</b>	<b>8.5%</b>	<b>3,803.9</b>	<b>3.2%</b>	<b>15,222.9</b>	<b>13,825.7</b>	<b>10.1%</b>
<b>Profit/Loss Before Interest and Tax</b>								
India Business	320.3	311.6	2.8%	368.5	-13.1%	1,347.9	1,192.9	13.0%
<i>Margin %</i>	<i>9.1%</i>	<i>9.6%</i>		<i>10.8%</i>		<i>9.9%</i>	<i>9.7%</i>	
International Business	164.2	127.2	29.0%	108.8	50.9%	484.5	379.8	27.6%
<i>Margin %</i>	<i>4.6%</i>	<i>3.9%</i>		<i>3.2%</i>		<i>3.5%</i>	<i>3.1%</i>	
<b>Total Branded Business</b>	<b>484.5</b>	<b>438.8</b>	<b>10.4%</b>	<b>477.2</b>	<b>1.5%</b>	<b>1,832.4</b>	<b>1,572.7</b>	<b>16.5%</b>
<b>Non-Branded Business</b>	<b>91.94</b>	<b>25.85</b>	<b>255.7%</b>	<b>49.22</b>	<b>86.8%</b>	<b>248.2</b>	<b>122.4</b>	<b>102.8%</b>
<b>Total Segment Results</b>	<b>576.4</b>	<b>464.7</b>	24.0%	<b>526.5</b>	9.5%	<b>2,080.6</b>	<b>1,695.1</b>	22.7%
Less : Interest	42.8	27.7	54.8%	33.2	29.0%	129.8	87.2	48.9%
Less: Other Un-allocable Expenditure	60.8	29.2	108.2%	36.0	68.7%	134.3	125.3	7.2%
Add : Other Income	36.6	48.6	-24.7%	56.0	-34.6%	206.3	151.4	36.2%
Less: Extra-Ordinary Income/Expense	(215.8)	(6.4)	3287.8%	(91.5)	135.8%	(327.0)	159.5	-305.1%
<b>Net Profit/Loss Before Tax</b>	<b>293.7</b>	<b>450.1</b>	<b>-34.8%</b>	<b>421.7</b>	<b>-30.4%</b>	<b>1,695.7</b>	<b>1,793.5</b>	<b>-5.5%</b>

Source: Company, Way2wealth Research

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**Disclosure of Interest Statement Tata Consumer Products Ltd. as on 26<sup>th</sup> April 2024**

Name of the Security	Tata Consumer Products Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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