

Equity Research Report

Tata Consumer Products

Sales Volume Stagnation: A Growing Concern?



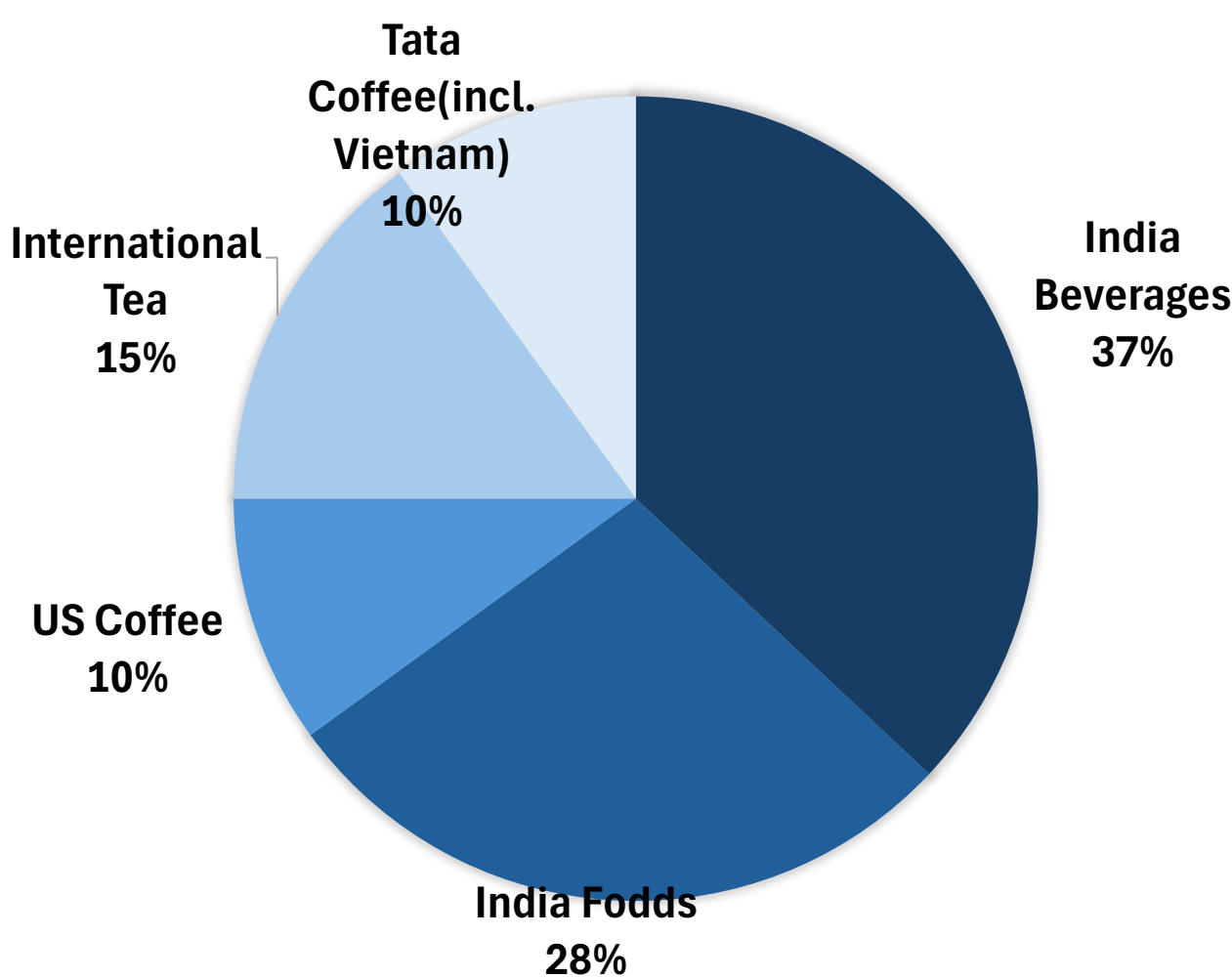
About The Company

Tata Consumer Products Ltd. (formerly Tata Global Beverages Ltd.) is the world's second-largest branded tea company. The company specializes in branded natural beverages, including tea, coffee, and water, through its subsidiaries and joint ventures. It owns a strong portfolio of brands such as Tata Tea, Tetley, Jemca, Vitax, Eight O'Clock Coffee, Himalayan, Grand Coffee, and Joekels. Notably, over 60% of its consolidated revenue comes from international markets, with branded products contributing more than 90% of its total turnover.

Tata Global Beverages' subsidiary, Tata Coffee, is among the world's largest integrated plantation companies and ranks as one of India's leading exporters of instant coffee. The Company has 42 subsidiaries, 3 joint ventures, and 2 associate companies as at March 31, 2022. Tata Salt holds the position of India's largest salt brand. Tata Tea ranks as the second-largest tea brand in India. Tetley is the third-largest tea brand in the UK and the leading tea brand in Canada. Himalayan is recognized as India's No.1 natural mineral water brand. Eight O'clock stands as the fourth-largest R&G coffee brand in the USA. Tata Sampann is a well-established national brand in pulses, spices, dry fruits, and staples. The company is among the top 10 FMCG players in India. In Q2FY24, the market share for tea and salt experienced a slight decline.

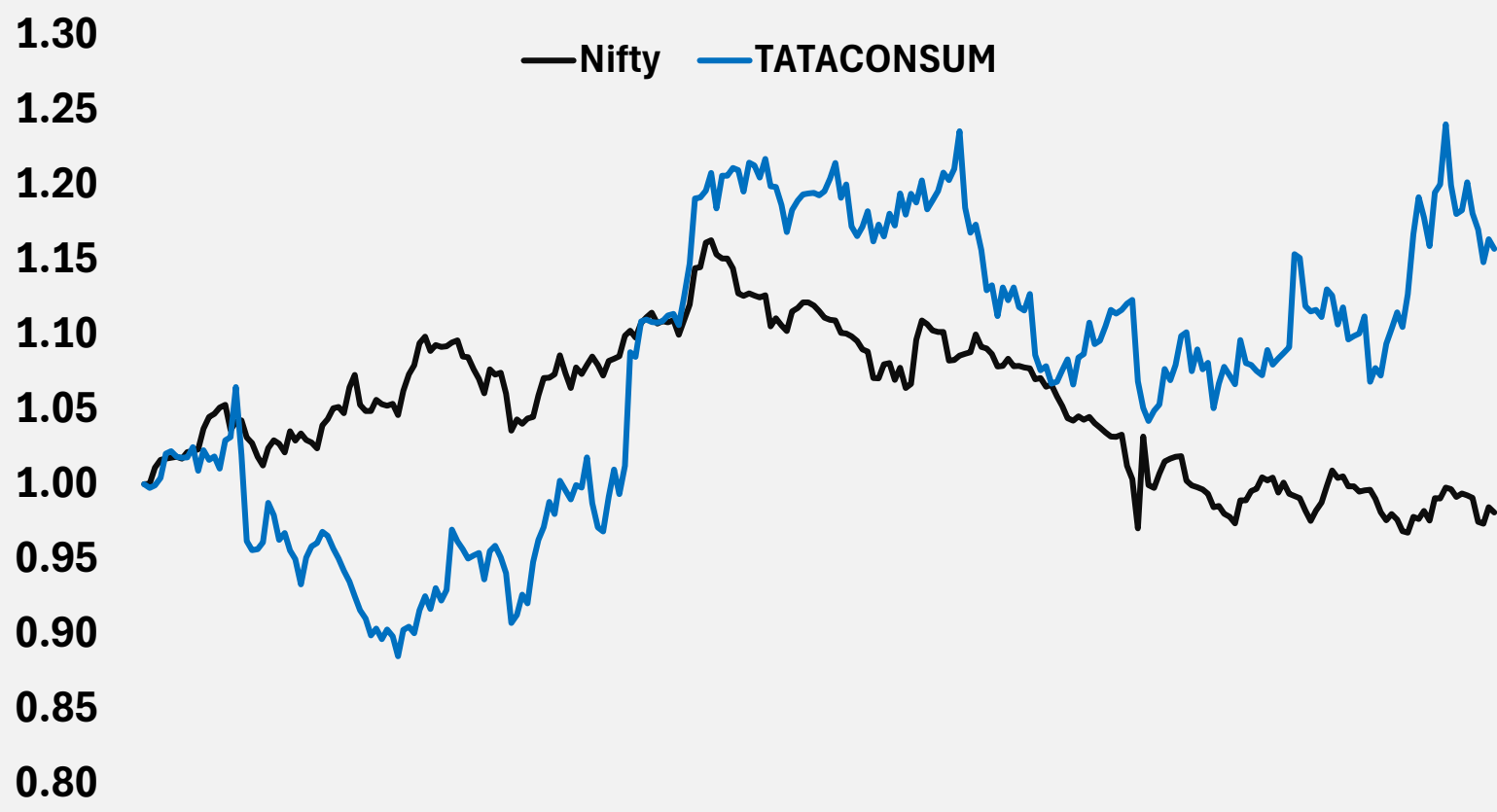
90% of the company's total revenue is generated from its branded food & beverages segment, while the remaining 10% comes from its non-branded business. In H1FY24, the company's revenue mix was as follows: India Beverages contributed 37%, India Foods accounted for 28%, US Coffee made up 10%, International Tea contributed 15%, and Tata Coffee (including Vietnam) represented 10% of the total revenue. In H1FY24, the company's geographical revenue bifurcation stood at 76% from India and 24% from international markets. As of H1FY24, the company operates 370 stores across 49 cities, with 22 new stores opened in Q2FY24. The company has built a strong distribution network in India, ensuring its products remain widely accessible to consumers. With over 10,000 channel partners, including distributors and sub-distributors, the company's reach extends to 4 million retail outlets, of which 1.6 million are directly served. Innovation has been a key driver of growth, with the company accelerating product launches across categories by leveraging key consumer trends such as Health & Wellness, Premiumization, and Convenience. In FY 2023-24, innovation contributed 5.1% to total sales in the India business, marking a 5X growth in innovation revenue since FY 2020-21. Over the past three years, the company has introduced 100+ new products, with the average number of monthly product launches increasing from 2.8 in FY22-23 to 4 in FY23-24.

Revenue Mix H1FY24



Stock Data (as on Feb 25, 2025)

Nifty	: 22'547.55
52 Weeks H/L (INR)	: 1,254 / 883
Market Cap (INR Crs.)	: 99,404
Outstanding Shares (Crs.)	: 99
Dividend Yield (%)	: 0.77
NSE Code	: TATACONSUM



Absolute Returns

1 Year	: -14.63%
3 Years	: 41.63%
5 Years	: 174.81%

Financial Summary (in Crs.)	FY24	FY25E
Net Revenue	15,206	17,410
YoY Growth%	10.32	14%
EBITDA	2284	2458
EBITDA Growth%	23	8.00
PAT	1,215	1233.54
YoY Growth%	-8	2%
ROE%	7.57	6.44
EPS (In INR %)	13.1	12.46
EV/EBITDA (X)	47.35	40.45

Shareholding Pattern (as on Dec 31, 2025)

Promoters	: 33.84%
FIIs	: 23.23%
DIIIs	: 19.47%
Government	: 0.01%
Public	: 23.43%

Stock Price CAGR

10 Years	: 21%
5 Years	: 24%
3 Years	: 13%
1 Years	: -14%

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Result Highlights (Q3FY25)

- Consolidated revenue grew by 17%, with net growth of 9% after adjusting for acquisitions.
- India Beverages revenue increased by 16%, with 9% organic growth and 7% tea volume growth.
- India Foods segment surged by 31%, with 11% organic growth.
- International business reported 8% revenue growth (4% in constant currency) and a 35% YoY profitability increase.
- Consolidated EBITDA remained flat, impacted by tea margin pressures. Without this, margins could have expanded by 75-100 bps.
- Group net profit stood at ₹287 crores, with cash reserves at ₹880 crores post the rights issue.
- Management remains optimistic about volume growth and market share expansion, especially in foods and beverages.
- Strengthening distribution networks and expanding in food services & pharma channels will drive future growth.
- Strong outlook in the U.K. and Canada, with a focus on brand building and market share expansion to improve margins.
- Salt: +110 bps MAT market share gain
- E-commerce revenue surpasses modern trade, contributing 15% of total sales.
- ₹880 crores in cash reserves post rights issue, ensuring strong liquidity for future investments.

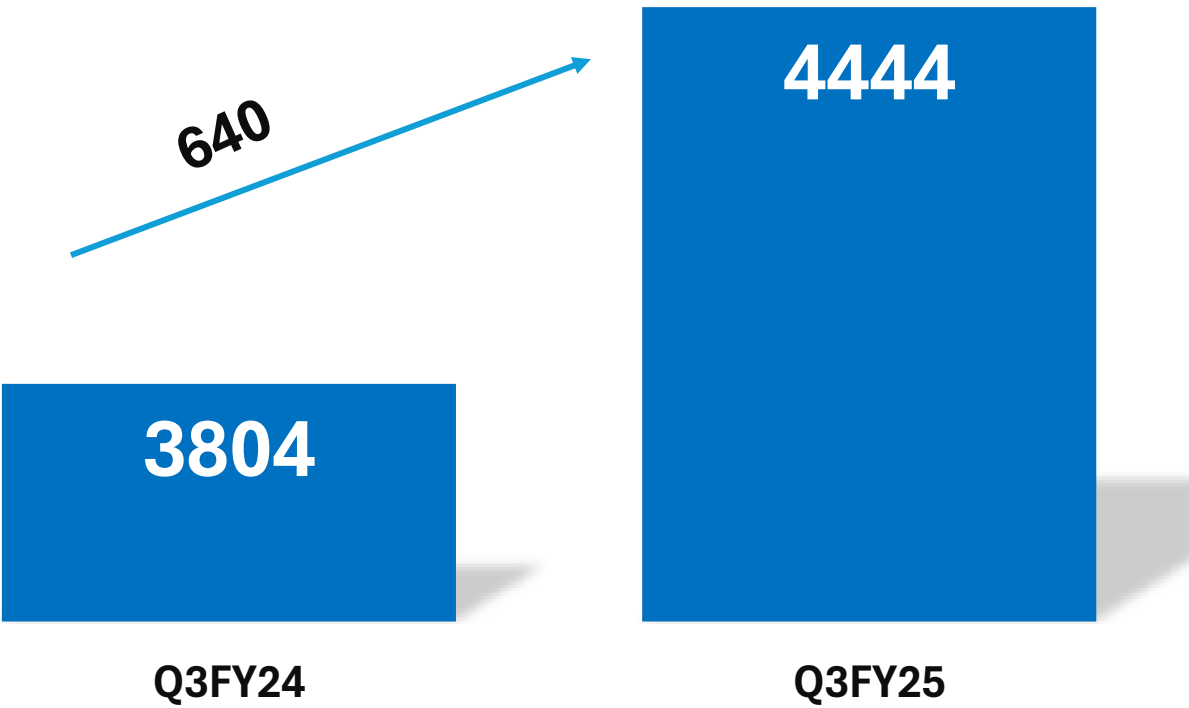
Conference Call Highlights

- Tata Consumer had a great quarter! They reported 17% consolidated revenue growth. Excluding acquisitions, organic growth stood at 9%.
- India Beverages grew 16%, with 9% organic growth, and tea volumes increased by 7%.
- India Foods revenue grew 31%, of which 11% was organic growth.
- International business also grew by 8%, while profitability jumped by 35%!
- Strong Performance in Key Segments
- Salt showed strong growth—earlier, price hikes used to impact volumes, but this time, market share increased by 110 bps along with volume growth!
- Sampann reported 23% growth, and YTD growth is 28% (target is close to 30%).
- The ready-to-drink segment had a weak last quarter, but December saw 39% volume growth.
- Capital Foods & Organic India
- Both businesses are building momentum, and further acceleration is expected in Q4.

EBITDA & Margins

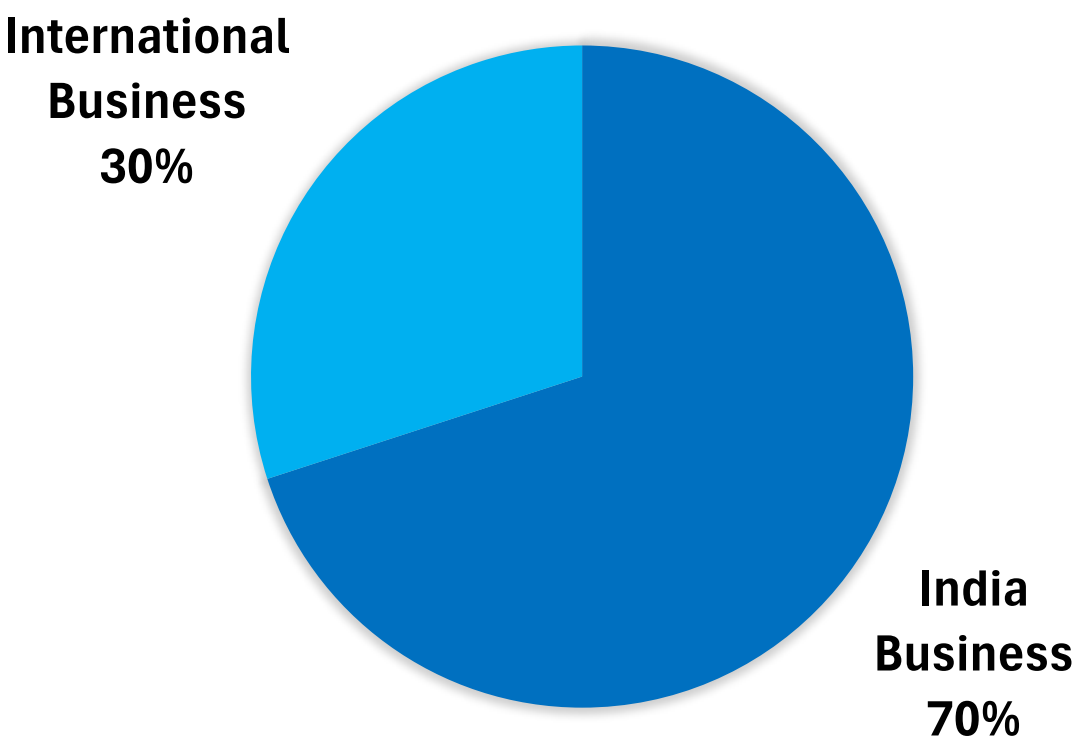
- Due to pressure on tea margins, EBITDA remained flat.
- If tea margins were normal, margin expansion of 75-100 bps would have been achieved.
- Price hikes have been taken, so margin pressure may ease in the coming quarters.
- Distribution & Execution
- 10% more distributors, 30% increase in DSRs, and direct reach expanded to 1.8 million.
- Modern trade grew by 14%, while e-commerce surged 59% and now contributes 15% of revenue (more than modern trade!).
- Food services and the pharma channel are expanding.
- International Business
- UK has a strong #2 position, and the fruit & herbal tea category is growing.
- USA and Canada are in recovery mode, and market share trends are turning positive.

Revenue From Operation

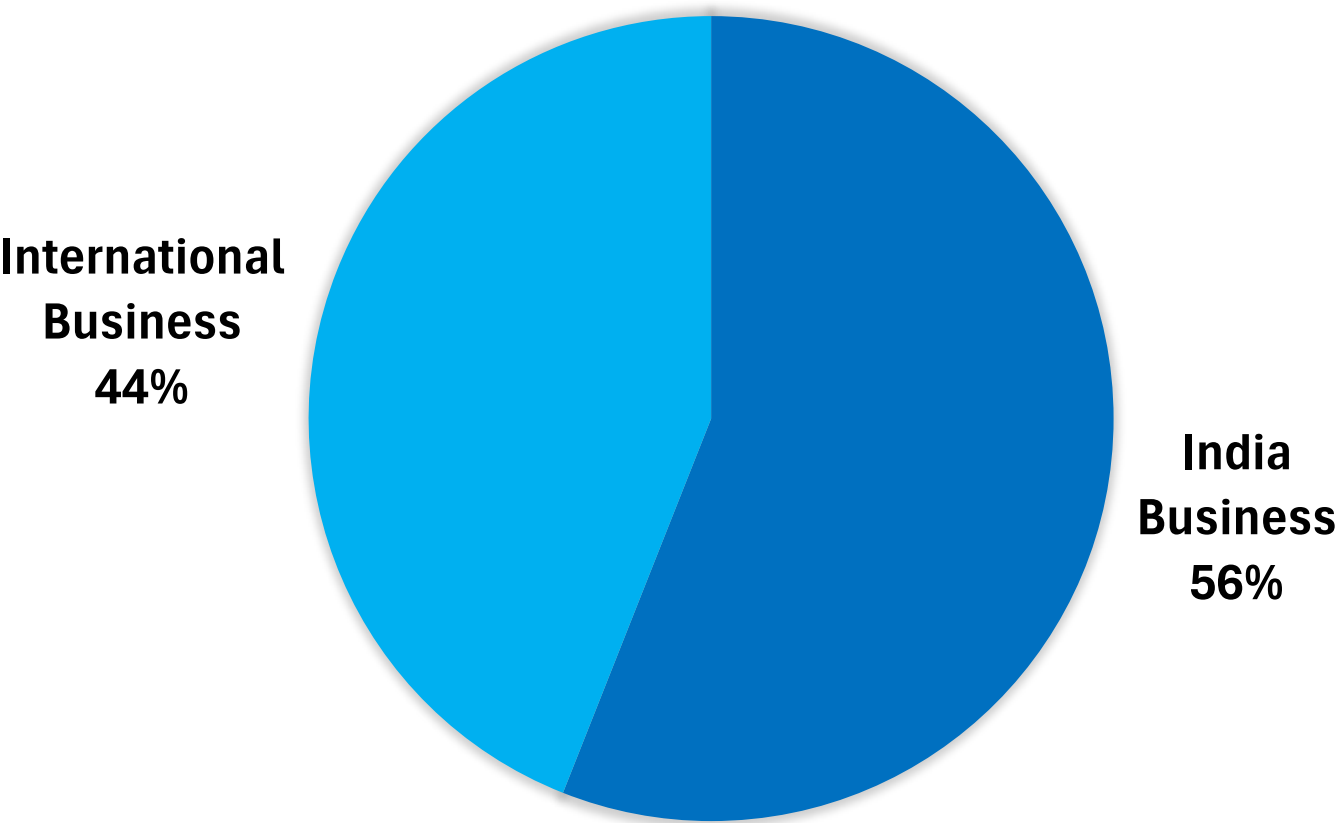


Segment-wise Performance Q3FY25

Revenue – Branded business



Segment Results – Branded business



Source: PPT

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Result Highlights (Q3FY25)

- Q3 could be the peak of margin pressure, but price hikes and better execution should improve performance.
 - Growth businesses (Sampann, Soufull, Capital Foods, Organic India) will be further accelerated.
 - ESG performance is improving—DJSI score increased to 65 from 56.
 - Overall: A strong quarter! Despite tea price pressure, robust execution and innovation make the future look very promising! "
-
- "At the consolidated level, the top line grew by 17%. On an underlying basis, growth stood at 9%. The growth was broad-based, meaning strong performance across different businesses and geographies."
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- India reported a 23% growth, with organic growth at 10%, mainly driven by the strong performance of tea and salt.
 - International business also contributed positively, showing 4% top-line growth.
 - Non-branded business performed well, primarily benefiting from the inflation in coffee prices.
 - Overall, a solid 17% growth was recorded for the quarter.

EBITDA Margins & Profitability

- EBITDA margins remained flat compared to last year.
- India business was impacted by high tea costs, leading to margin contraction.
- International and non-branded businesses showed impressive margin expansion.
- International margin growth is more structural (long-term improvement).
- Non-branded business benefited from short-term high commodity prices.

9-Month Performance

- Consolidated revenue growth stood at 15%, reflecting growth across all businesses and geographies.
- EBITDA growth was 11%, although Q2 and Q3 were significantly impacted by high tea prices in India.
- Other portfolio segments (non-tea businesses) expanded their margins.

EBIT & PBT Impact

- EBIT was also impacted, as EBITDA was affected, along with a quarterly amortization cost of INR 60 crore for Capital Foods and Organic India.
- PBT was affected by higher interest costs, which were higher compared to last year.
- However, cash buildup has reached around INR 900 crores, so EBIT to PBT flow is expected to improve in the upcoming quarters.

PAT Impact

- PAT stood at INR 282 crores, down 6%.

Key reasons for the decline:

- High tea costs
- Interest costs
- Amortization costs
- Tata Consumer's subsidiary, Capital Foods (Ching's), has partnered with PepsiCo's Kurkure. The main goal of this collaboration is to expand Ching's Schezwan Chutney segment.
- Currently, Ching's Schezwan Chutney holds an 89% market share, and the best way to drive growth is by increasing product sampling.
- Kurkure's new flavors now include Ching's Schezwan Chutney taste.
- Ching's branding will be featured on Kurkure packets, serving as free marketing.
- Mass-level sampling is being conducted, helping boost product popularity.
- A joint advertisement campaign is also set to launch, benefiting both brands.
- This collaboration between Kurkure and Ching's is a smart marketing strategy that benefits both companies. Kurkure gets an exciting new flavor, while Ching's gains a powerful medium to reach a mass audience.
- If this partnership proves successful, we may see more such collaborations in the future, where snacking and sauces are combined to create innovative offerings.

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Business Overview

India Business Performance

PACKAGED BEVERAGES INDIA

- Tea segment achieved a 4-year CAGR of 9%.
- Maintained market leadership in E-commerce tea for 36 consecutive months.
- Premium and sub-premium brands grew faster than popular and economy brands, aligning with the premiumization strategy.
- Tata Tea Premium and Tata Tea Agni recorded strong value growth.
- Coffee revenue saw an impressive 45% YoY growth.

New product launches included:

- Tetley Premium Black Leaf Tea with added long leaves.
- Tata Coffee Quick Filter Range of Decoction.
- Tea Gold Vita Care, a vitamin-enriched black tea.
- Immuno Chai, catering to health and wellness trends.



PACKAGED FOODS INDIA

- Salt revenue grew by 9% YoY, with a 4-year CAGR of 17%.
- Value-added salts witnessed 34% growth, contributing 9% to the overall salt business.
- Contribution from brands outside Tata Salt (Orange bag) improved, accounting for over 12% of the salt business.
- Tata Sampann achieved 45% YoY growth, with strong volume expansion, and a 4-year CAGR of 31%, aligning with company targets.
- Expanded into high-value, trust-deficit categories like Saffron and broadened the Dry Fruits range under Tata Sampann.
- Tata Soulfull expanded into new categories, increasing its total addressable market.

Key Tata Soulfull product launches included:

- No Maida Choco Stix
- NutriDrink+
- Millet Granola
- Tata Soulfull Oats+

RTD (Ready to Drink)

- Tata Gluco+ recorded a 22% growth, while Tata Copper+ grew by 44%.
- The Premium Himalayan brand expanded by 15% over the year.
- Key launches during the year:
- Tata Gluco Plus Sports Drink, an isotonic sports drink in collaboration with the Argentina Football Association.
- Say Never! Energy Drink, targeting the functional beverages segment.
- Tata Coffee Gold Cold Brew portfolio expanded with canned offerings for premium channels.
- Profitability improved significantly YoY, driven by increased scale and strong cost management.



TATA STARBUCKS (50:50 JV)

- 95 new stores added and expanded into 20 new cities during the year.
- Store expansion focused on Tier 2 cities, drive-thrus, airport locations, and 24-hour stores.
- Partnered with Netflix India for a collaboration on the movie 'Archies', launching Christmas Promotional Drinks.
- Recognized in the Top 100 as 'India's Best Workplaces for Women 2023' by Great Place to Work.

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International Business Performance

United Kingdom

- Tetley became the No. 3 tea brand in the UK during the year.
- Launched new Tetley tea with a superior blend, plant-based tea bags, and recyclable packaging, reinforcing sustainability efforts.
- Market share in the UK’s fruit and herbal tea category grew to 9.3%.
- Expanded beyond beverages by launching Joyful Millet Muesli in the UK, available in 430+ Tesco stores.

CANADA

- Tetley Regular Black Tea achieved its highest-ever market share of 61.5% in December 2023.
- The ethnic portfolio continued to grow across both ethnic and mainstream channels.
- Tetley outperformed both the regular tea and specialty tea categories during the year.
- Secured listings for Tetley Live Teas in Metro, Walmart, Loblaw, and Sobeys.
- Became the first tea company to join the Canadian Plastics Pact, reinforcing its commitment to sustainable packaging.
- Signed with SEDEX to enhance supply chain transparency and risk monitoring.

UNITED STATES OF AMERICA

- Tetley outperformed the mainstream hot black tea category.
- Eight O’Clock Coffee launched a brand campaign after nearly a decade, offering a light-hearted take on coffee culture to boost consumer engagement.
- Good Earth and Teapigs remained among the fastest-growing specialty tea brands in the USA.

Market Leadership Across Categories

The market leadership of Ching’s Secret across various product categories in the Desi Chinese segment. The company holds strong market positions in multiple categories based on market share data from 2022.

Key Takeaways:

Chutney (Schezwan)

- Market Position: #1
- Market Share: 87%
- Dominates the Schezwan chutney category with an overwhelming market share.

Blended Masala (Desi Chinese)

- Market Position: #1
- Market Share: 55%
- Leads the blended masala (Desi Chinese) segment with more than half the market.

Sauces (Green Chili, Red Chili, Soy)

- Market Position: #1
- Market Share: 27%
- Holds the top position in the sauces segment but with a lower market share compared to chutneys and masalas.

Ginger Garlic Paste

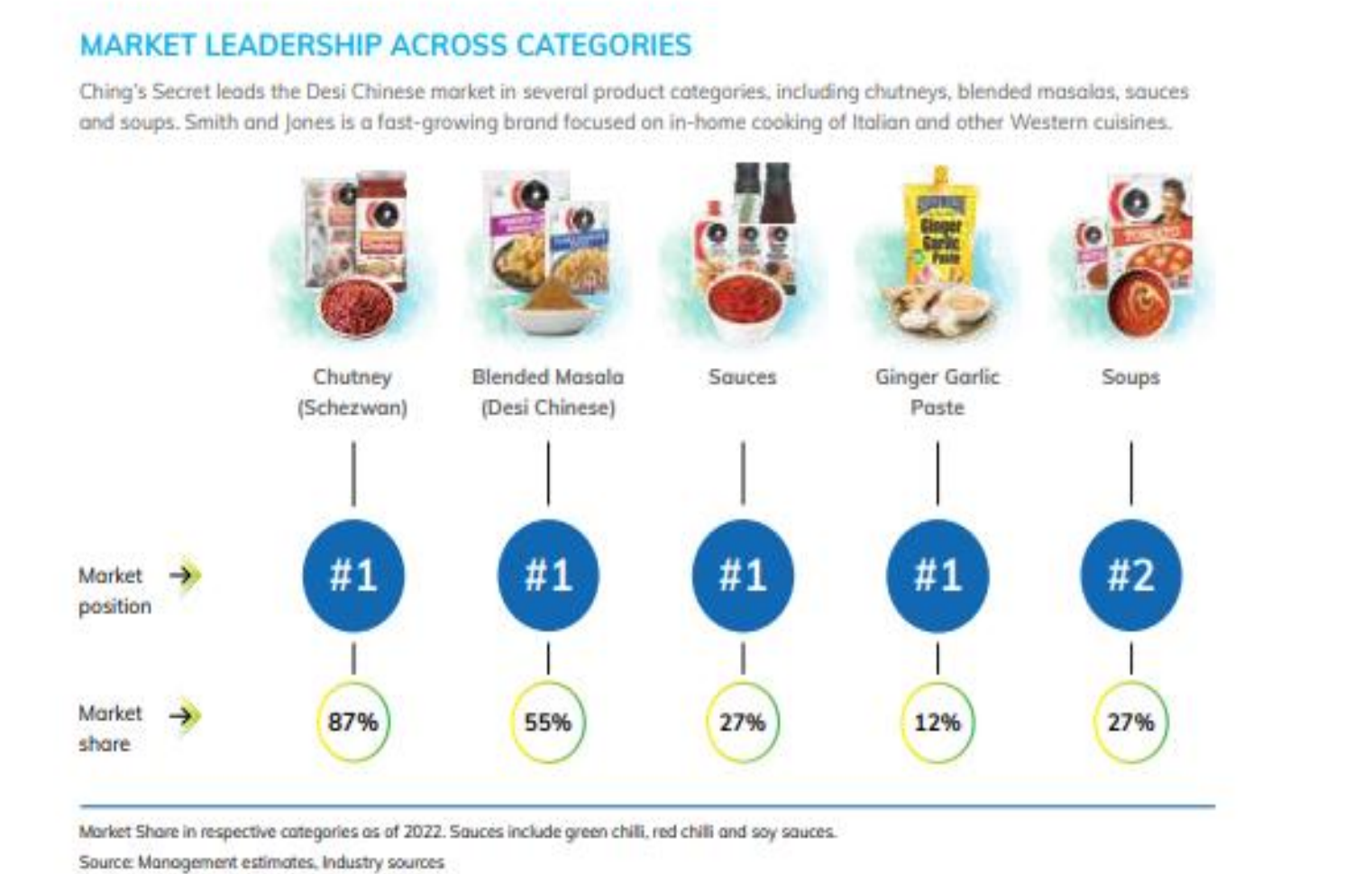
- Market Position: #1
- Market Share: 12%
- Leads the ginger-garlic paste category, though with a relatively small share.

Soups

- Market Position: #2
- Market Share: 27%
- Holds the second position in the soup category, indicating strong competition.

Overall Analysis:

- Ching’s Secret is a market leader in four out of five categories and holds a strong #2 position in soups.
- Schezwan Chutney and Blended Masala are the company's strongest categories.
- Sauces and soups have a competitive market, with Ching’s facing strong challengers.
- The company is dominant in the Desi Chinese segment, but there are growth opportunities in sauces, soups, and pastes.
- This data highlights Ching’s Secret’s market dominance and growth potential in the Indian packaged food industry.



Sources: Annual Report

Organic India has built a strong sourcing and supply chain with an end-to-end organic network and scalable back-end infrastructure, supported by long-standing farmer relationships for flexible sourcing. The company has a 130-member operations team, including an agri-development and procurement division. It directly works with ~2,500 farmers across ~11,000+ acres of Organic Certified Land in ~120 villages, with low-teens utilization. Additionally, it is indirectly associated with 12,000+ farmers and is recognized as the preferred buyer. Organic India has also pioneered the commercial cultivation of Tulsi and introduced high-value medicinal and non-medicinal crop cultivation.

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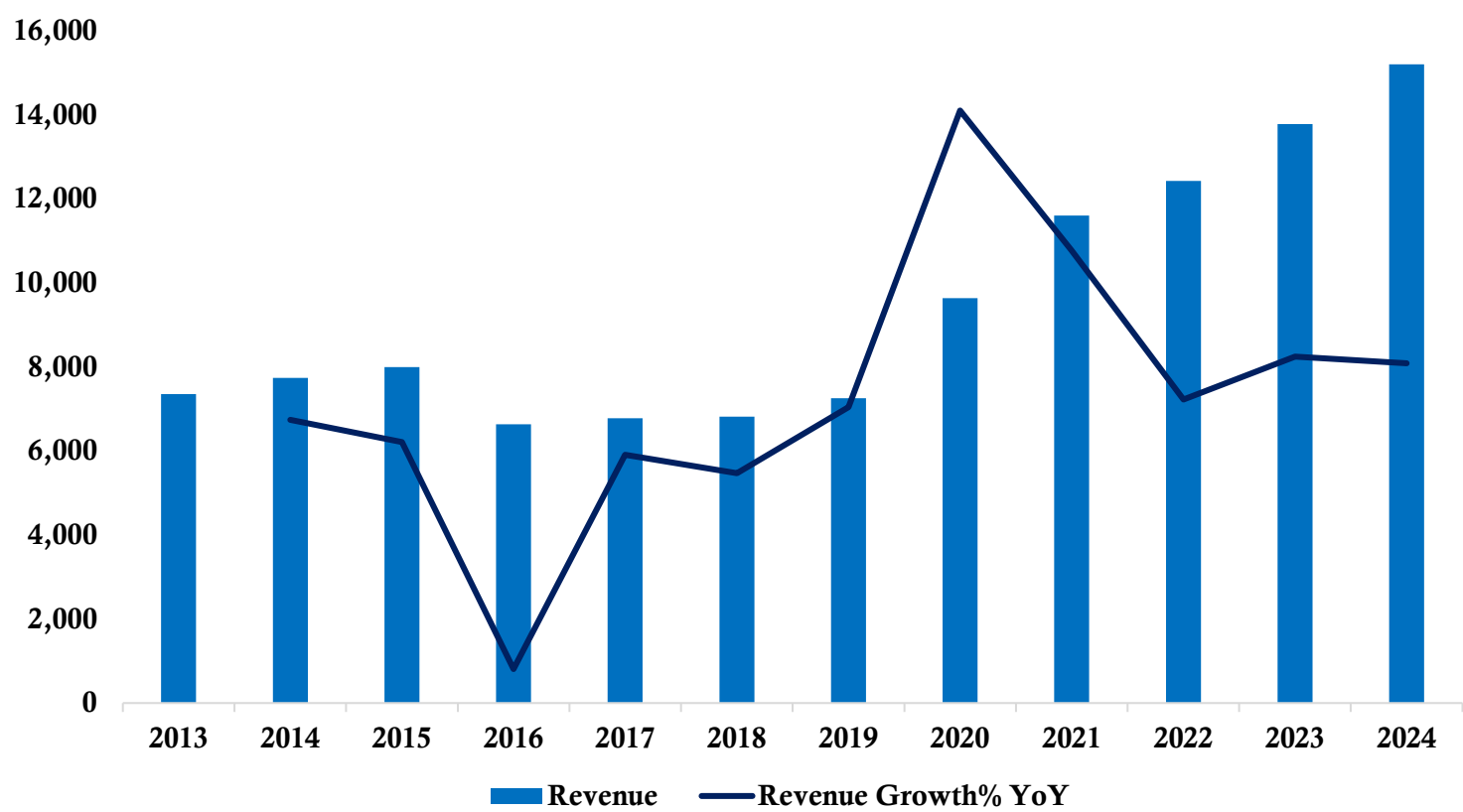
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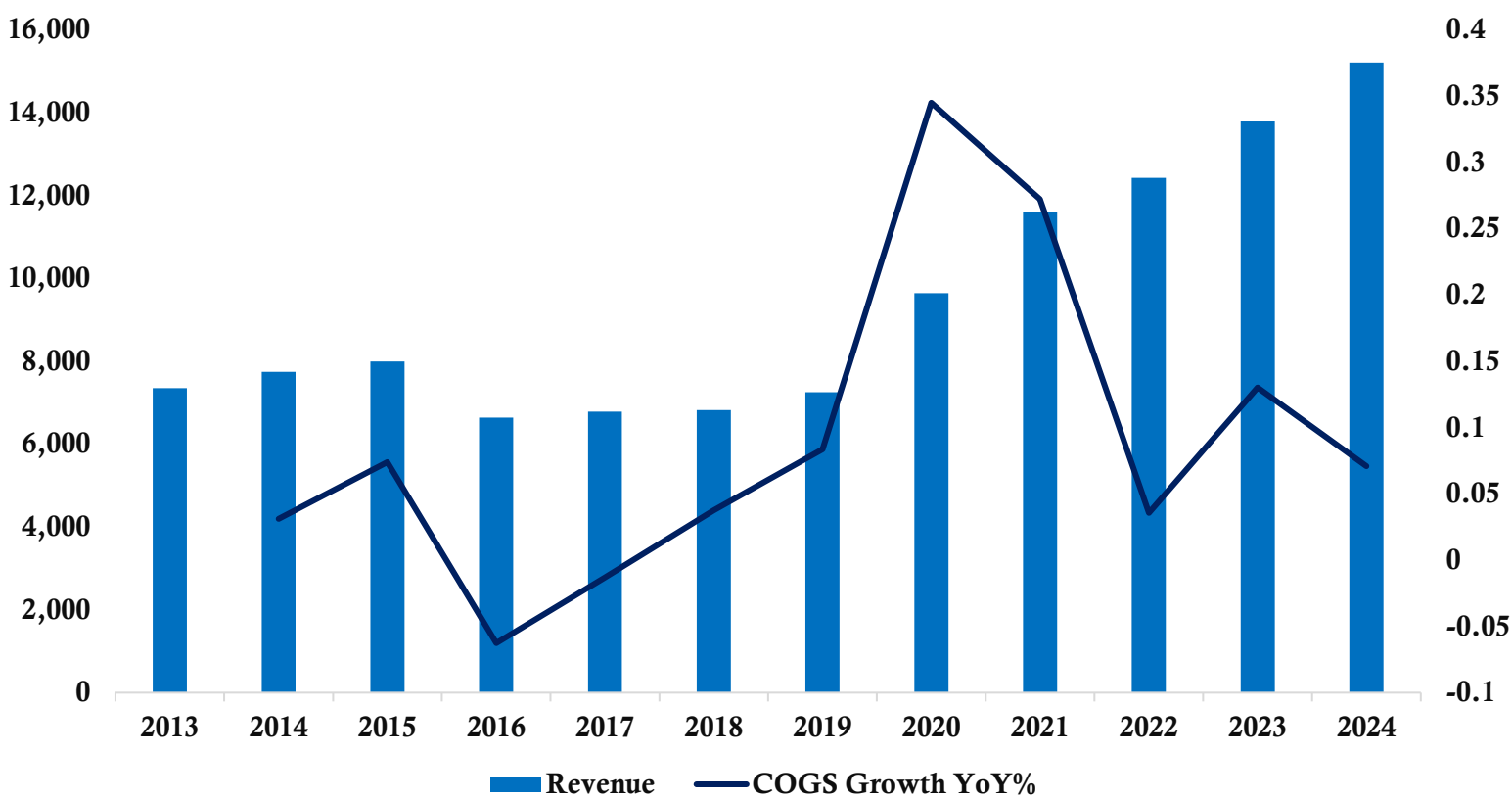


Revenue Analysis

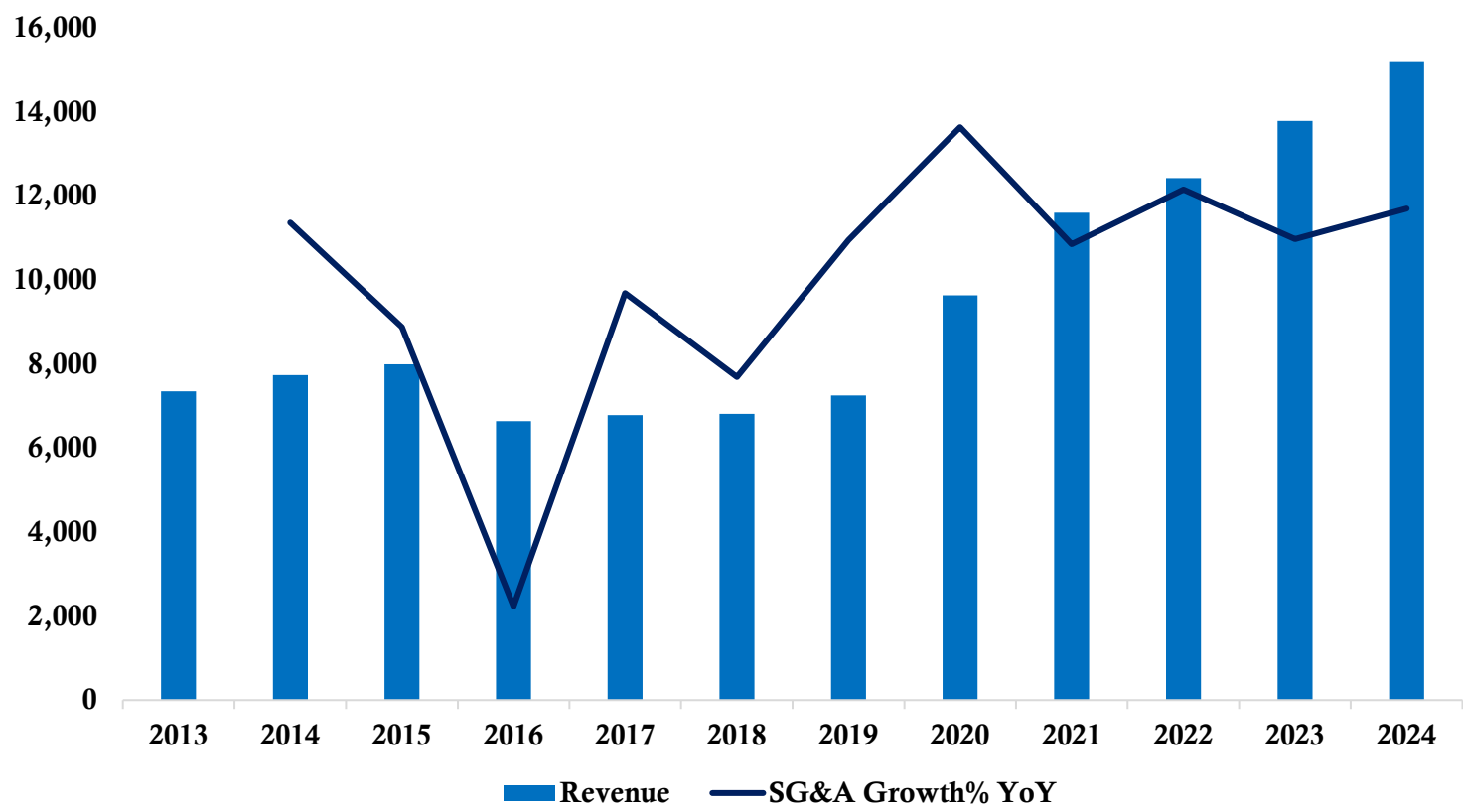
Revenue Vs Revenue Growth % YoY



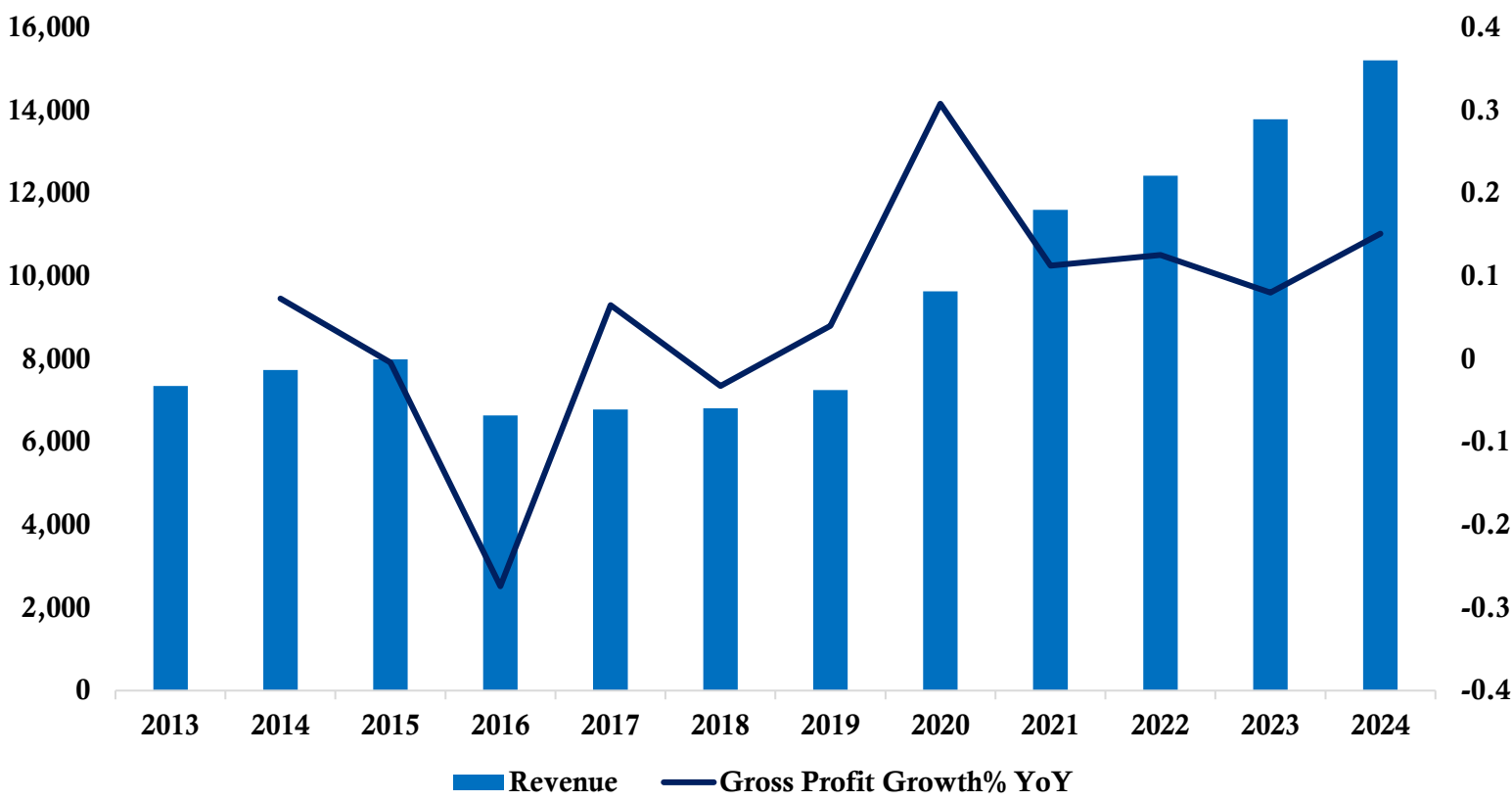
Revenue Vs COGS Growth % YoY



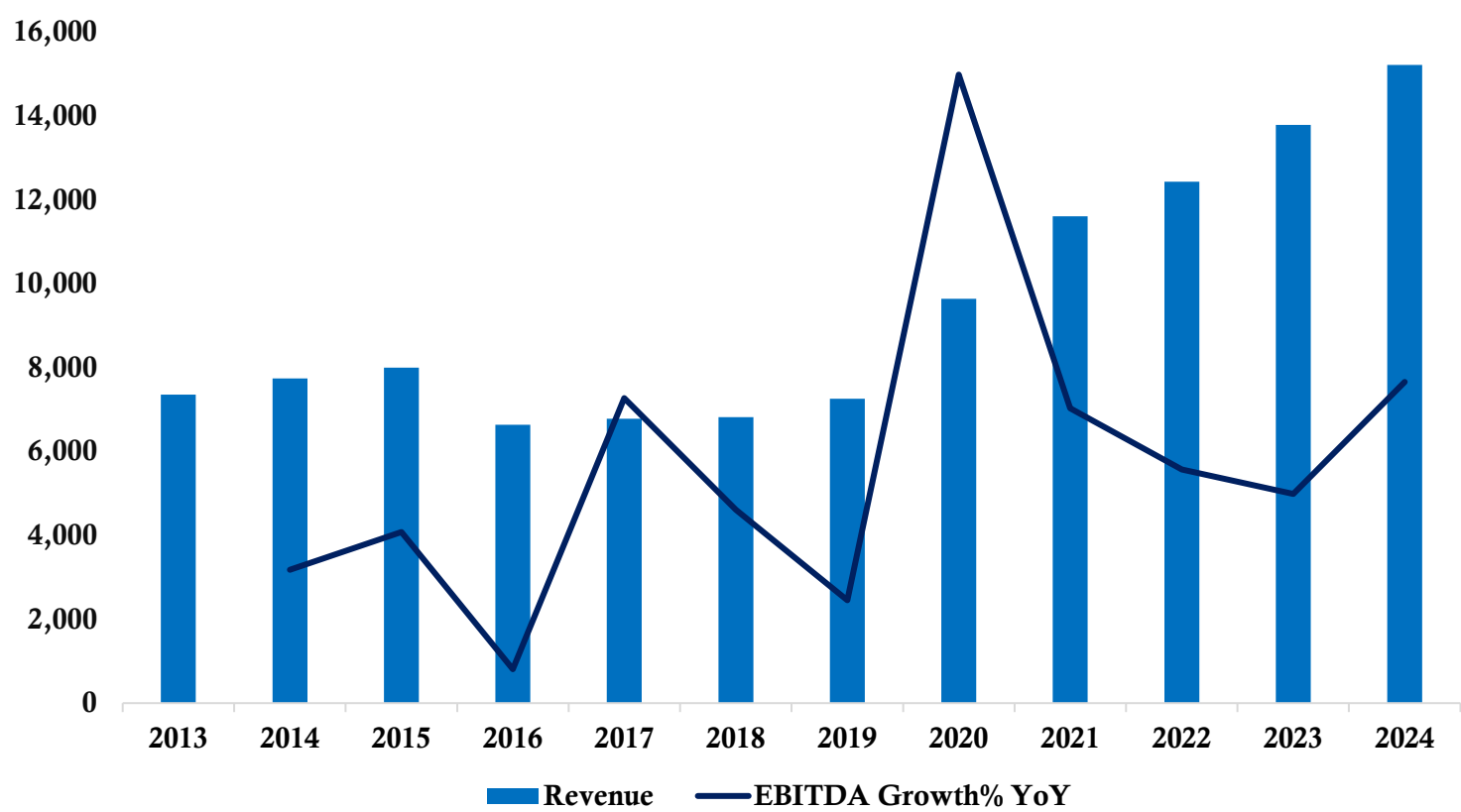
Revenue Vs SG&A Growth % YoY



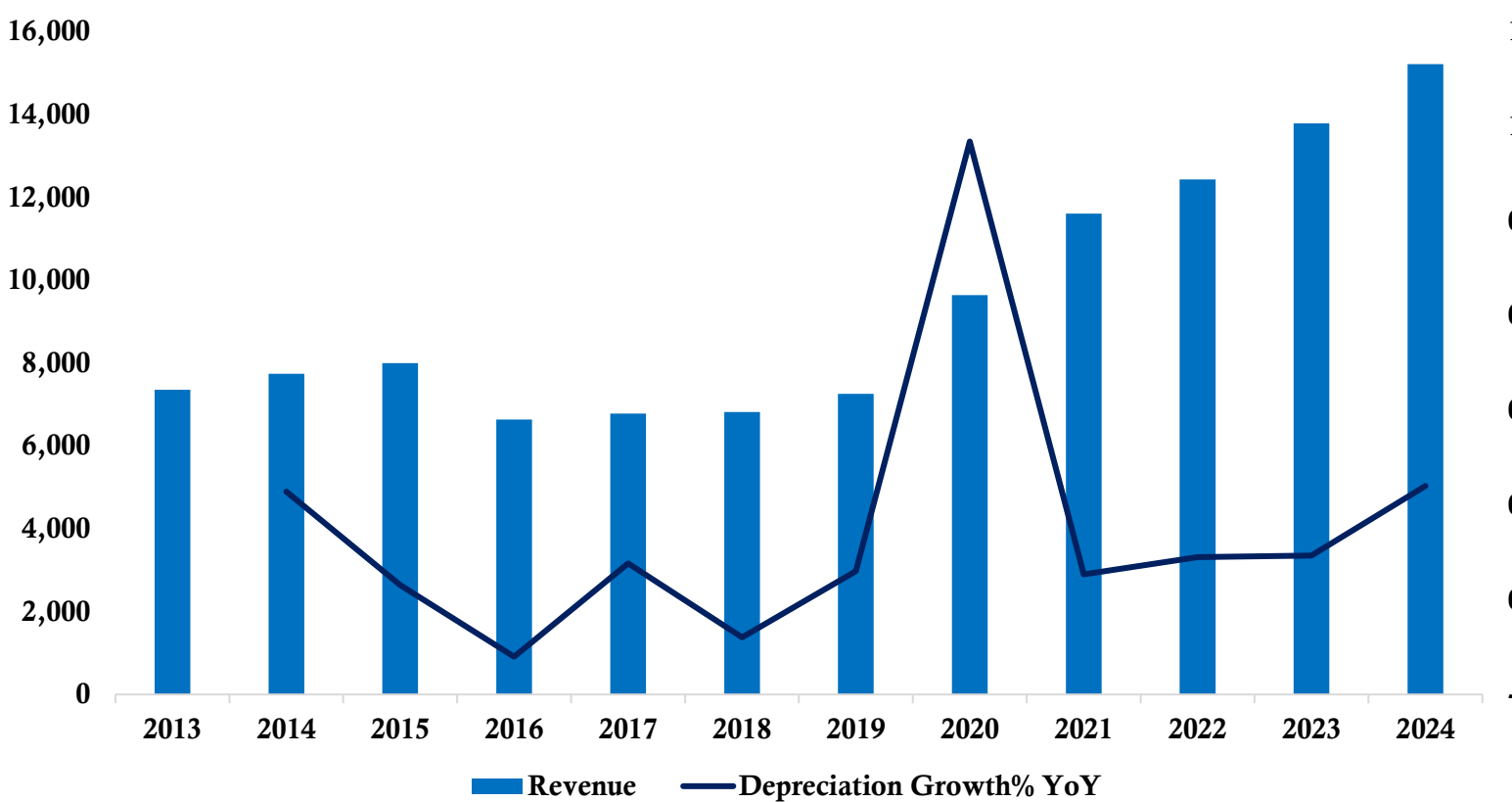
Revenue Vs Gross Profit Growth % YoY



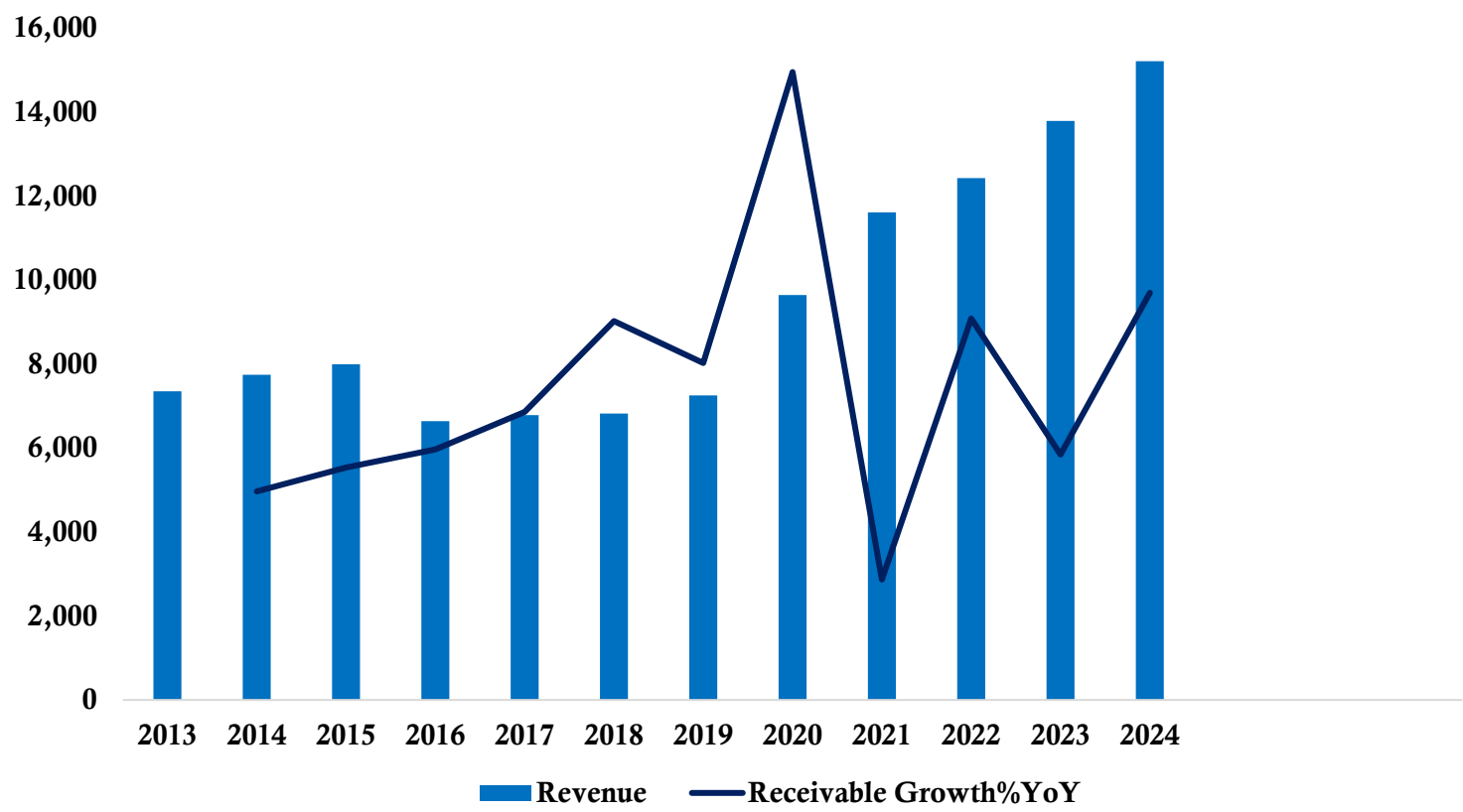
Revenue Vs EBITDA Growth % YoY



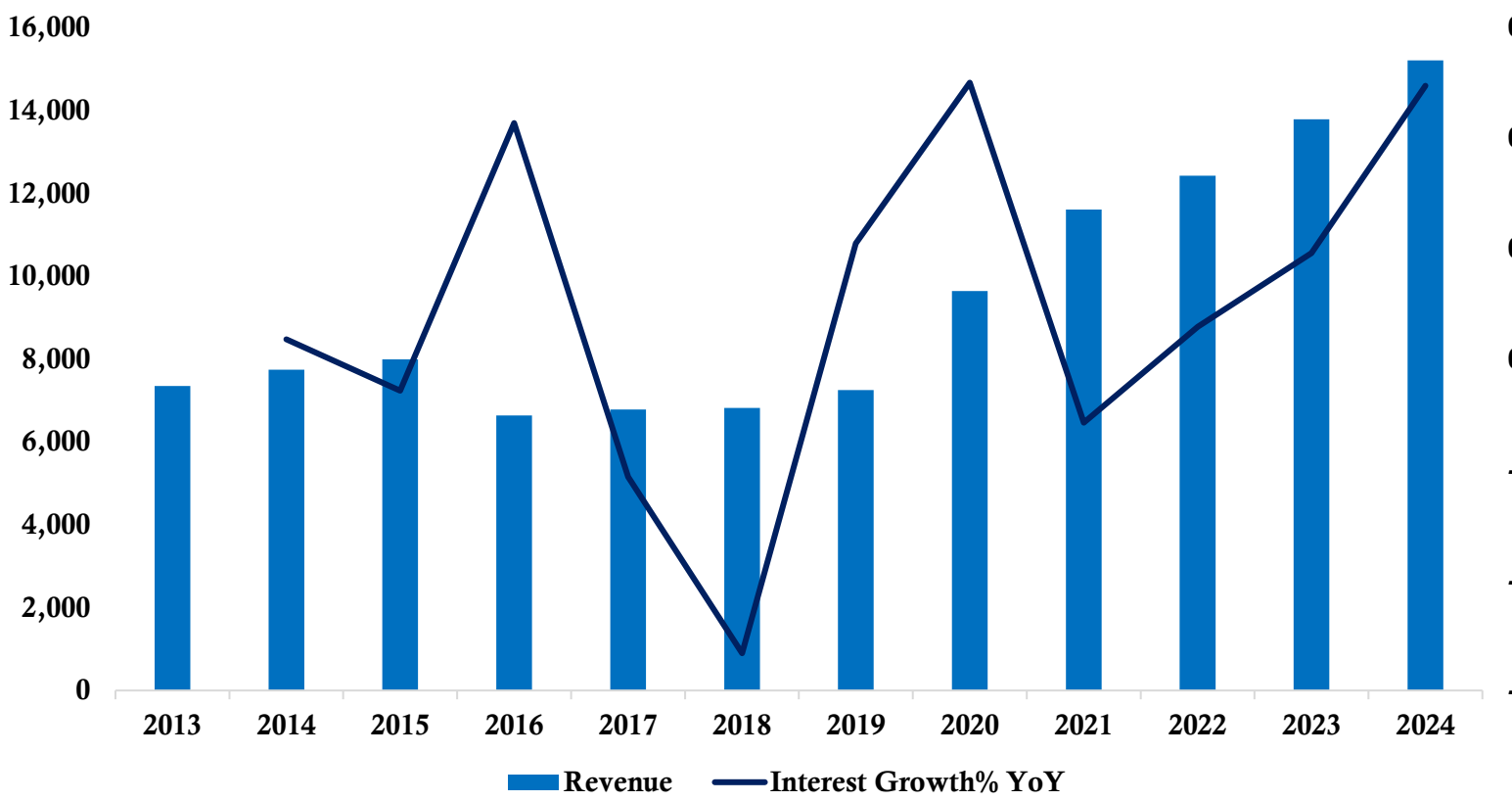
Revenue Vs Depreciation Growth % YoY



Revenue Vs Receivable Growth % YoY



Revenue Vs Interest Growth % YoY



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COMMENTARY

Tata Consumer Products' revenue growth has been stagnant for the past three years. As a result, there has been no significant growth in gross profit or EBITDA during this period, keeping them constant. However, interest expenses have increased as the company is aggressively investing in capital expenditures (capex).

In March 2023, the company had INR 13,070 crore in fixed assets, which grew to INR 19,358 crore by March 2024 and further increased to INR 21,712 crore by September 2024. A significant portion of these fixed assets consists of intangible assets, primarily due to acquisitions.

Additionally, the company's borrowings have increased, while reserves have also grown. However, the stock price CAGR (Compounded Annual Growth Rate) has been rising at a much faster pace than the company's compounded sales growth and compounded profit growth. This disconnect between stock price movement and business fundamentals has resulted in a recent decline in the stock price. Until the company is able to boost its sales growth, the stock price is unlikely to sustain at higher levels.

Return on Equity & ROCE Concern

The company's Return on Equity (ROE) is quite low, standing at just 6% over the last 10 years, which is significantly lower than its peers. This indicates that the company's financial performance is not strong. To improve, the company must generate higher returns on its invested capital. However, Return on Capital Employed (ROCE) is also weak, further suggesting inefficient capital utilization.

Improvement in Debtor Days & Payment Cycle

Tata Consumer has worked on improving its debtor days, meaning it collects payments from customers faster than before.

- In March 2013, it took 35 days to collect payments, which improved to 22 days by March 2024.
- On the other hand, its payment cycle to suppliers has increased.
 - In March 2013, the company took 93 days to pay its suppliers, which increased to 136 days by March 2024.
 - This means the company is delaying its payments, helping improve short-term cash flow.

Promoter & Institutional Holding Trend

- Promoters have been gradually reducing their stake over the years.
 - In March 2017, promoters held 35.72%, which has declined to 33.84% in December 2024.
 - A decrease in promoter holding is generally seen as a negative sign, impacting investor confidence.
- Foreign Institutional Investors (FIIs) have also been reducing their stake.
 - In December 2023, FIIs held 25.62%, which dropped to 23.23% in December 2024.
- Domestic Institutional Investors (DIIs), on the other hand, have been consistently increasing their holdings.
 - Their stake increased from 13.71% in March 2022 to 19.47% in December 2024.

Public Shareholding & High Float Concern

- Public investors have a significant holding in the stock.
 - As of March 2024, the public held 23.43% of the shares.
 - The total number of shareholders is 9,63,475, making it a high float stock.
 - A high float can create selling pressure, making the stock more volatile and potentially negative for price stability.

While Tata Consumer Products has been making large capital investments, its financial performance has not improved proportionally. Low ROE and ROCE, stagnant revenue and profit growth, and declining promoter & FII holdings are concerns. The company must improve sales growth and efficiency for the stock price to sustain at higher levels.

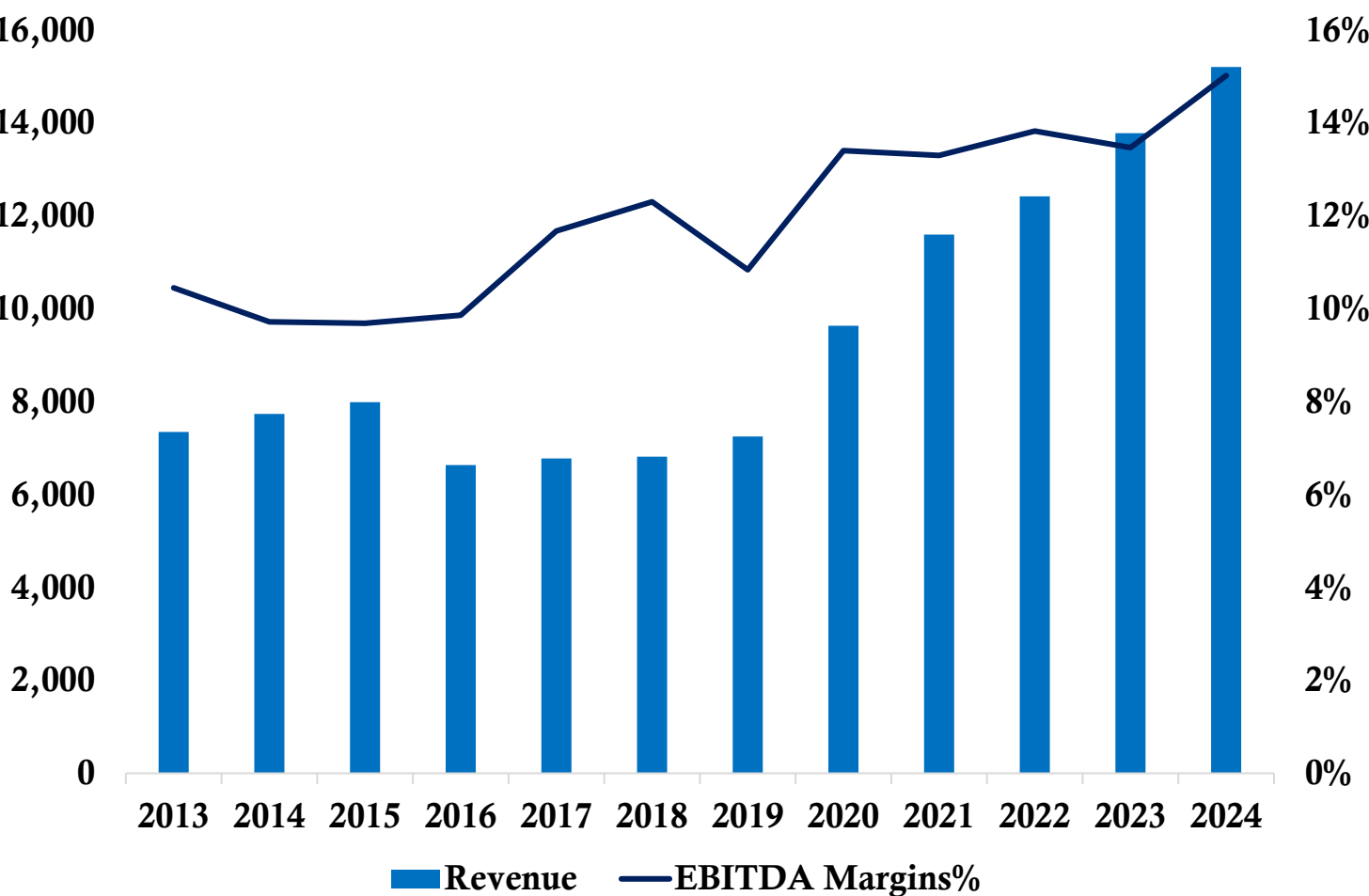
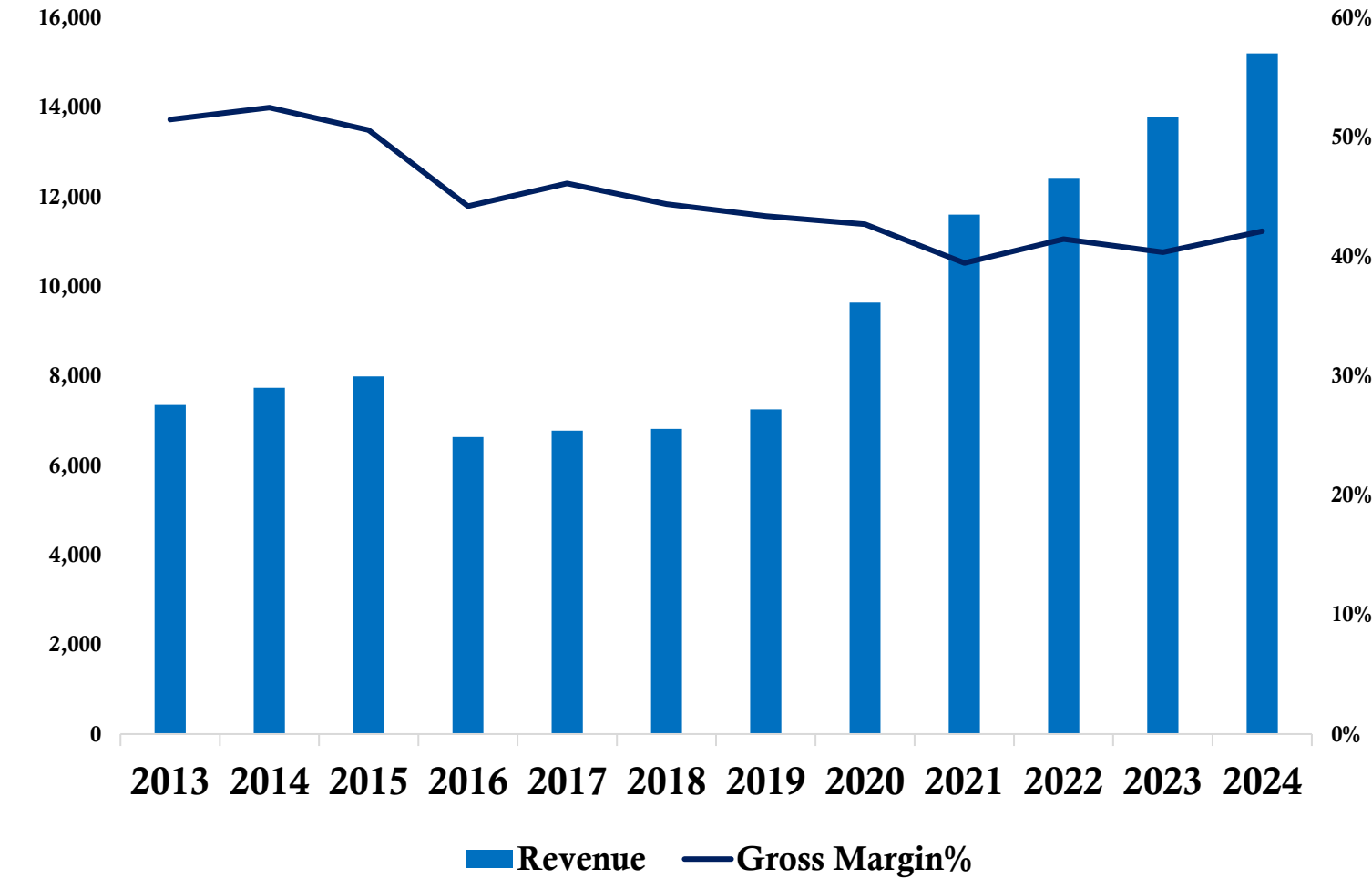
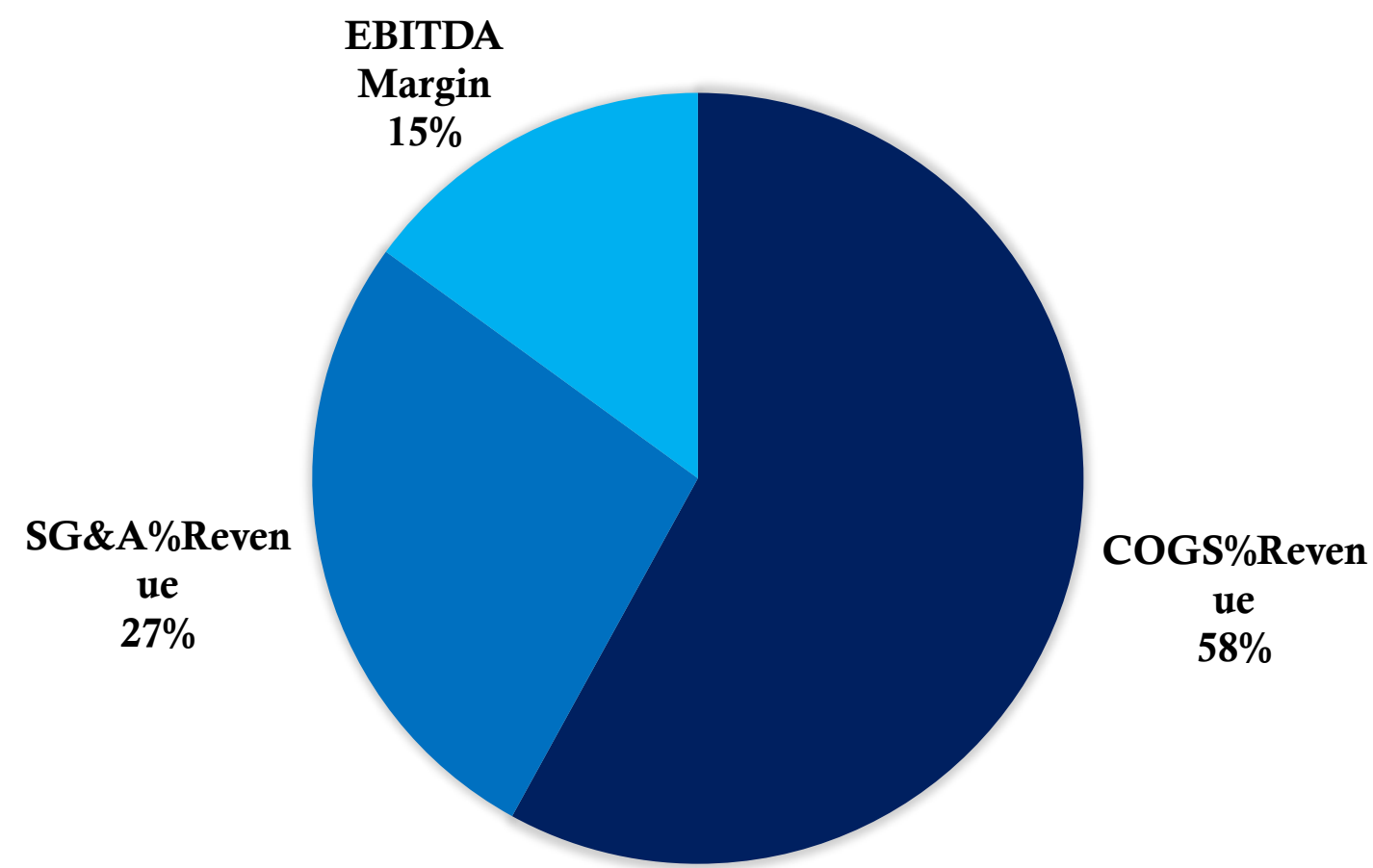
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MARGINS



COMMENTARY

The company's total revenue distribution is as follows:

- 58% goes towards Cost of Goods Sold (COGS)
- 27% is spent on Selling, General & Administrative (SG&A) expenses
- 15% is the EBITDA margin

The company's gross margin has remained constant for a long time, with no visible growth. Additionally, all key financial ratios have declined. However, this is not just specific to Tata Consumer; a closer look at peer FMCG companies reveals that most FMCG players are experiencing a decline in their financial ratios.

Growth in Sales Depends on Consumer Spending Power

For FMCG companies to achieve sales growth, consumer spending power—both in urban and rural areas—must increase. For this to happen:

- Disposable income of consumers needs to rise, which depends on job availability and employment growth.
- Employment generation is linked to capital expenditure (capex) by businesses.
- For capex to increase, borrowing costs need to be lower, which means interest rates should come down.
- A decline in interest rates can drive GDP growth, which in turn boosts consumer spending.

Shift Towards Premiumization

Currently, FMCG companies are focusing on premium products, as demand for premium goods is primarily driven by urban consumers—which accounts for only 10% of the population. However, this strategy is not leading to a volume increase; rather, companies are either raising prices on existing products or launching new premium products.

Market Consolidation Expected in the Short Term

Until GDP growth accelerates and liquidity is injected into the economy, consumer spending will not see a significant increase. As a result, the market may remain in a consolidation phase for some time before any meaningful uptrend begins.

Food Processing Industry to Reach \$700 Billion by 2030: PHDCCI

A report by the PHD Chamber of Commerce and Industry (PHDCCI) states that India's food processing industry could reach \$700 billion by 2030. This sector is already growing rapidly and is expected to accelerate even further in the coming years. If this industry is set to become so massive, it will create significant opportunities for investors:

- ◆ FMCG companies involved in processed food, such as Nestlé, Britannia, ITC, Dabur, and HUL.
- ◆ Food supply chain & logistics companies, like Snowman Logistics and CONCOR.
- ◆ Cold storage & food tech startups that provide modern food processing solutions.
- ◆ Agri-processing companies supplying raw materials for processed foods.

The boom in the food processing industry can act as a major growth driver for India's GDP, employment, and exports. Agribusiness and FMCG stocks could be long-term beneficiaries of this trend. Both investors and entrepreneurs have a big opportunity ahead, but they must strategize wisely to capitalize on this growth!

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