

Tata Consumer Products

BSE SENSEX 82,626
S&P CNX 25,327

CMP: INR1,127 **TP: INR1,300 (+15%)** **Buy**

TATA CONSUMER PRODUCTS

Bloomberg	TATACONS IN
Equity Shares (m)	990
M.Cap.(INRb)/(USDb)	1115 / 12.7
52-Week Range (INR)	1234 / 883
1, 6, 12 Rel. Per (%)	2/8/-7
12M Avg Val (INR M)	1656
Free float (%)	66.2

Financials Snapshot (INR b)

Y/E MARCH	2025	2026E	2027E
Sales	176	193	208
EBITDA	25	28	32
Adj. PAT	14	17	20
EBITDA Margin (%)	14	14	15
Cons. Adj. EPS (INR)	14	17	20
EPS Gr. (%)	-2	20	17
BV/Sh. (INR)	202	227	241

Ratios

Net D:E	0	0	0
RoE (%)	8	8	9
RoCE (%)	9	10	11
Payout (%)	47	39	33

Valuations

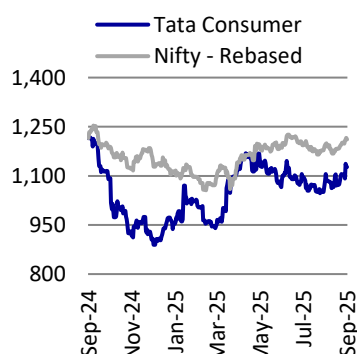
P/E (x)	81	67	57
EV/EBITDA (x)	41	37	32
Div. Yield (%)	1	1	1
FCF Yield (%)	1	1	2

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	33.8	33.8	33.6
DII	22.0	22.0	18.7
FII	22.0	21.5	24.1
Others	22.2	22.7	23.6

FII Includes depository receipts

Stock's performance (one-year)



Stronger harvest & lower prices of tea to aid profitability in 2H

In FY25, India's tea production declined 5% YoY but rebounded in the current season (Jan-Jul'25) with 14% growth, led by Assam and West Bengal. This stabilized prices after a peak in Jun'25. The Indian tea business remained resilient, with pricing actions partly offsetting cost pressures; margins contracted in 1QFY26 but are expected to improve from 2Q as production improves and prices stabilize. Alongside, the company is expanding its health & wellness portfolio, premiumizing its tea product portfolio in the domestic market, and maintaining e-commerce leadership. In this note, we have analyzed tea prices and production trends and their impact on Tata Consumer Products (TATACONS). Here are the key insights:

Robust YTD growth in tea output led by Assam and West Bengal

- In the FY25 tea season, domestic production dipped 5% YoY to 1,315m kg. This was led by ~8 and ~4% dip in production in South and North India, respectively.
- Tea production for the current season YTD (Jan-Jul'25) has been up 14% YoY to 641.4m kg, fueled by better production across regions. Production in South and North India has risen 11% and 14%, respectively. Production in North India grew due to a 22%/11% growth in West Bengal/Assam (which contributed 30%/44% of India's total tea production). As Assam and West Bengal constituted ~77% of total tea production in India in the CY24 season, an improved production in these regions led to stabilization of tea prices across India.
- All India tea production during the first flush (Feb-Jun, contributed 31% to the whole tea cycle volume in CY24 and generally has the best quality) rose 14% YoY, fueled by a strong 50%/25%/40% YoY production growth in Feb'25/Apr'25/May'25. However, tea production dipped 9% YoY in Jun'25 due to adverse weather conditions and pest attacks.
- Heavy rainfall in Jun'25 flooded tea gardens in Assam, making plucking of tea leaves difficult for workers. This resulted in lower production in Assam, down 11% YoY to 64.2m kg in Jun'25. Heavy rains in West Bengal also hurt tea production (down 2% YoY) in Jun'25.
- July is usually the start of the second flush (Jul-Sep, contributed 39% to the total volume in CY24 and has the second-best quality). In Jul'25, all India tea production increased 14% YoY to 171.72m kg, as the decline in South India (down 11% YoY) was offset by strong production growth in Assam and West Bengal, up 25% and 9% YoY, respectively.
- All India tea production in CY25 is anticipated to be higher YoY, with the impact of the floods wearing off and no other extreme event expected.

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Tea prices ease after peaking; margin expansion on the horizon

- TATACONS' tea business displayed resilience amid inflationary pressures. The challenging demand environment, with tea prices increasing ~30% YoY in the last procuring season, led to consolidated EBITDA margins contracting by ~260bp in 1QFY26, of which ~160bp was attributable to the increase in tea prices with the company only being able to pass on ~70% of the cost increase to its customers.
- Average tea prices peaked in Jun'25 (albeit lower when compared to CY24), led by 1) strong demand from Russia, Iran, Iraq, and the UAE, 2) increased domestic purchases from major players such as TATACONS and HUL, and 3) lower supply.
- However, tea prices declined 2.1%/5.4% MoM and ~8%/14% YoY in Jul'25/ Aug'25, respectively, to reach average prices of INR203 per kg / INR192 per kg.
- Going forward, with a likely improvement in tea production, prices are expected to either remain stable or trend down from the current levels, supporting margin expansion in the tea segment.
- We expect margin to normalize post-2QFY26, supported by strong production and the stabilization of tea prices. Management targets a 33-35% gross margins in the tea segment (compared to mid-20% in 1QFY26 in the tea segment, while standalone gross margins contracted 380bp/610bp on a YoY basis to 32.7%/33.2% 1QFY26/FY25).

Strategic portfolio expansion: Health, wellness, and premiumization

- To cater to the rising health & wellness trend, TATACONS has further reinforced its beverage portfolio with the launch of Tata Tea Gold Vita Care (vitamin-enriched enriched black tea), Immuno Chai (to help support the immune system) and instant mix Tetley Green Tea in low unit price packs to democratize green tea
- With the acquisition of organic India, the company's portfolio now encompasses organic and herbal teas, food staples, and herbal supplements, complemented by Tetley's Kombucha range, which caters to health-conscious and trend-savvy consumers.
- TATACONS is strengthening its international portfolio through the introduction of premium offerings such as Tetley black teas inspired by Britain's classic baked treats, a Ceylon and Kenyan tea blend under its super-premium brand teapigs, and Tetley Chai Latte, a convenient instant spiced tea.
- This broadened, health-forward portfolio is expected to boost 's growth by expanding addressable markets, premiumizing the mix, and strengthening pricing power and margins across India and key international geographies.
- Tata Tea Gold has emerged as the largest brand in the e-commerce channel, further underscoring the ongoing shift towards premiumization and the growing relevance of e-commerce as a future growth driver.

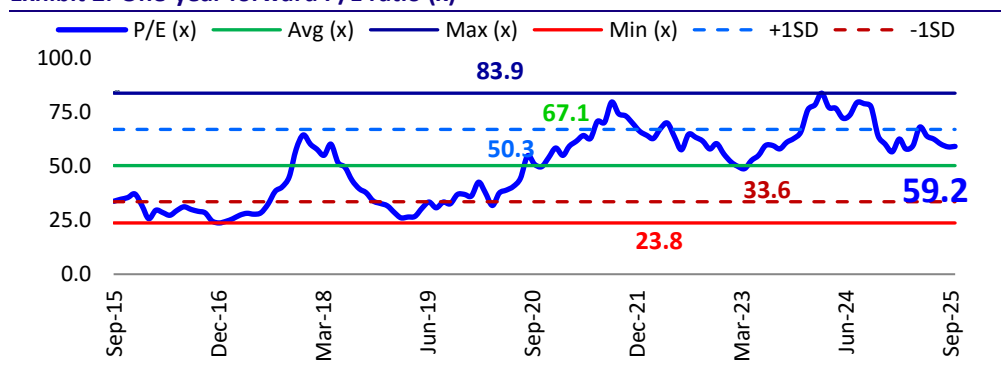
Valuation and view

- With the moderation of tea prices and strong tea crop growth this season, we expect TATACONS's margins to recover in the Indian beverage business from 2HFY26. We also anticipate strong traction in its growth businesses.
- We expect the company to sustain its growth momentum, aided by the mid-to-long-term triggers such as 1) strengthening and accelerating its core business, 2) exploring new opportunities, 3) expanding its product portfolio and innovation, and 4) enhancing its focus on premiumization and health and wellness products.
- We expect TATACONS to clock a revenue/EBITDA/PAT CAGR of 10%/12%/13% during FY25-27. We reiterate our **BUY rating** with an SoTP-based TP of INR1,300.

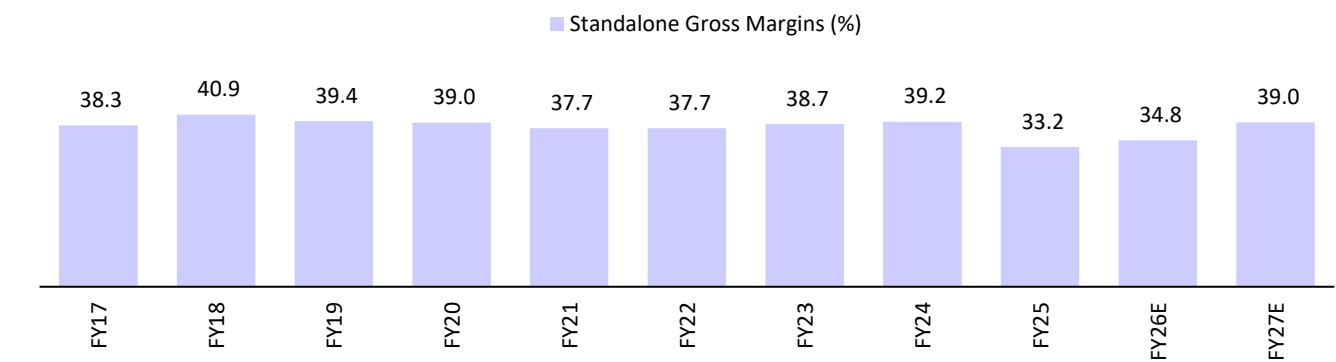
Exhibit 1: SoTP valuation

EV/EBITDA	FY27 EBITDA	Multiple (x)	EV
India Branded Business	24,094	43	1,041,093
International Branded Business	7,188	15	110,693
Non-branded Business	1,411	15	21,733
Elimination	-987	15	-15,207
DCF			
Starbucks JV			90,724
Enterprise value			1,249,036
Less: Net debt			(37,314)
Market value (INR m)			1,286,350
No. of shares (m)			990
Target price (INR)			1,300

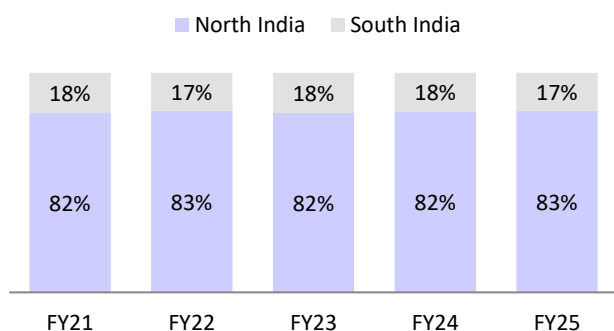
Source: MOFSL

Exhibit 2: One-year forward P/E ratio (x)


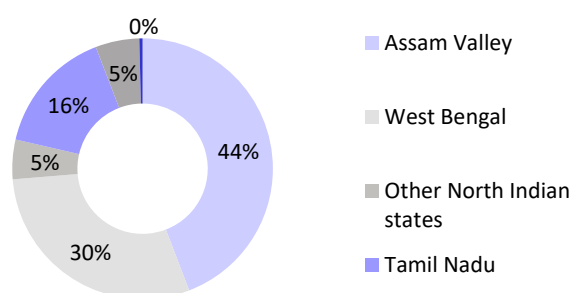
Source: MOFSL

Exhibit 3: Standalone gross margin trend


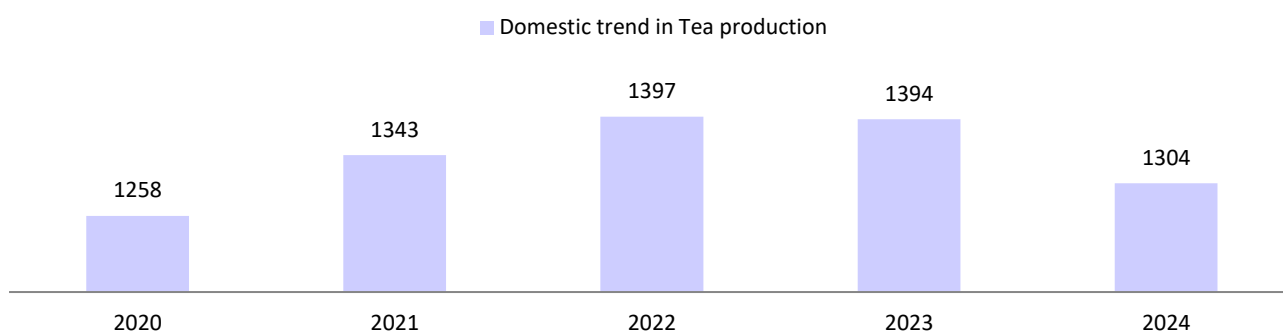
Source: MOSL

Exhibit 4: Region-wise tea production in India


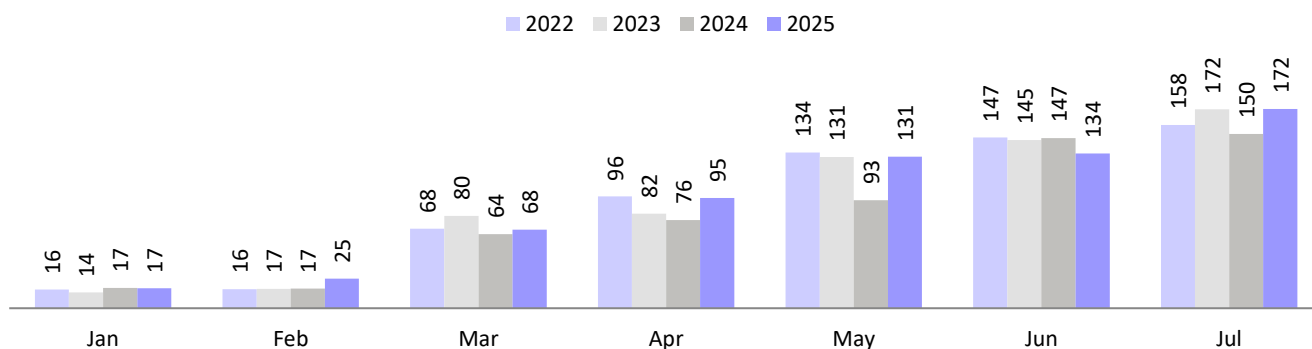
Source: Tea Board of India, MOFSL

Exhibit 5: State-wise production mix (Jan-Jul'25)


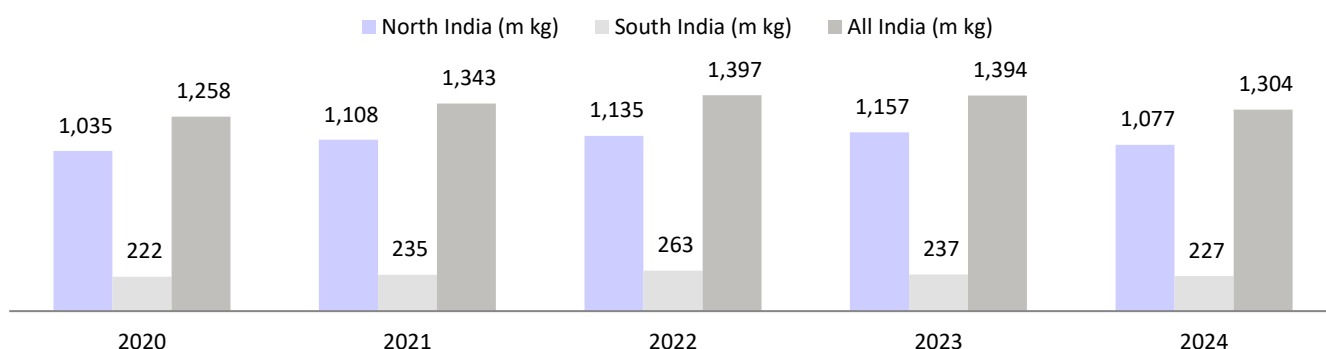
Source: Tea Board of India, MOFSL

Exhibit 6: Domestic trend in tea production


Source: Tea Board of India, MOFSL

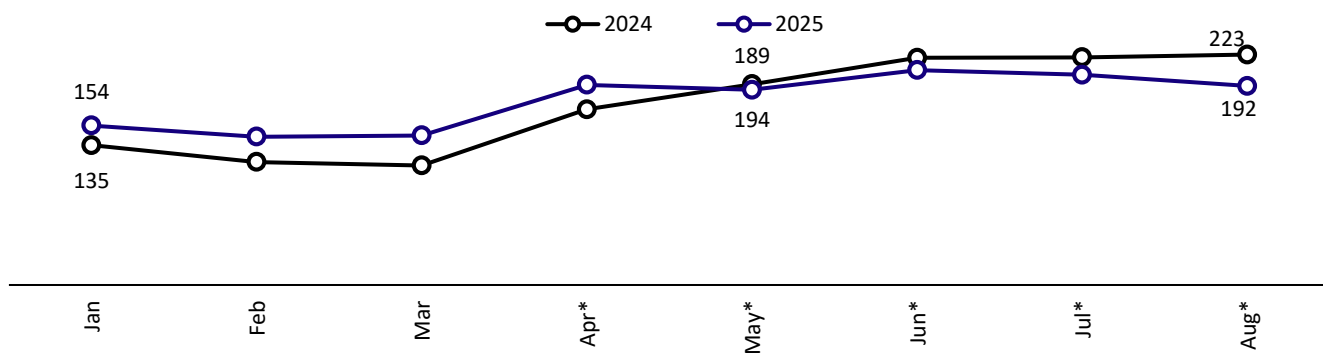
Exhibit 7: Tea production in CY25 (YTD) has been higher than the previous levels


Source: Tea Board of India, MOFSL

Exhibit 8: Annual tea production trend in India


Source: Tea Board of India, MOSFL

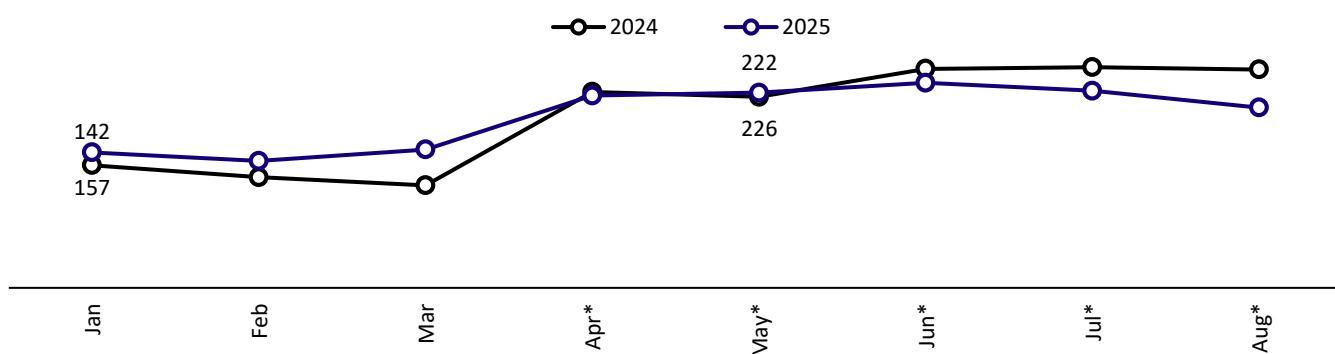
Exhibit 9: Tea prices in India (INR/kg)



*Provisional, subject to revision

Source: Tea Board of India, MOFSL

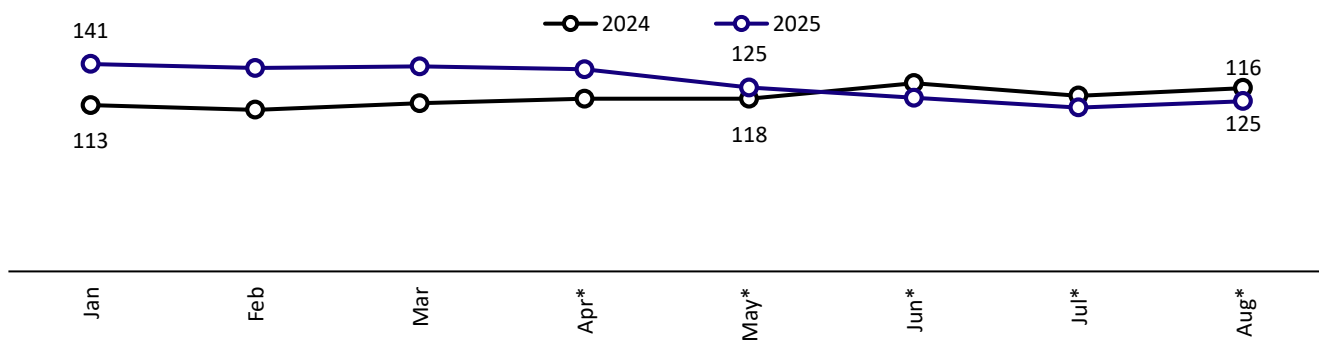
Exhibit 10: Tea prices in North India (INR/kg)



*Provisional, subject to revision

Source: Tea Board of India, MOFSL

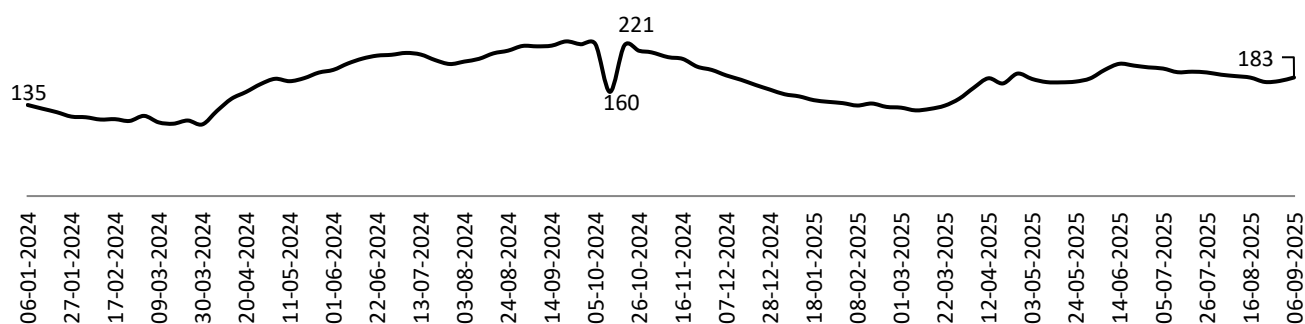
Exhibit 11: Tea prices in South India (INR/kg)



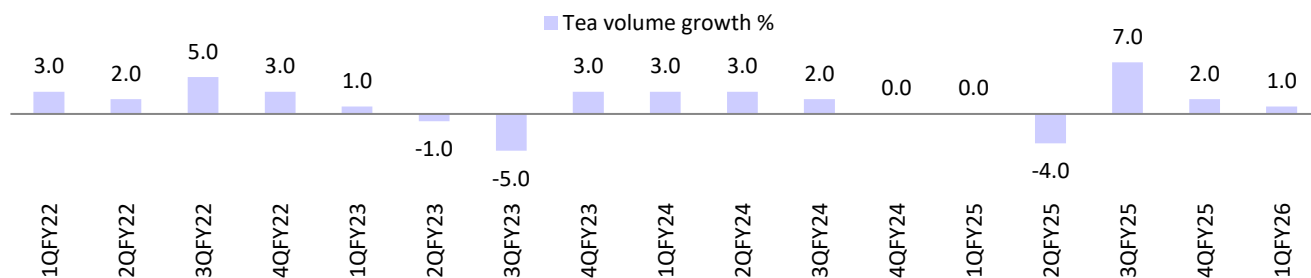
*Provisional, subject to revision

Source: Tea Board of India, MOFSL

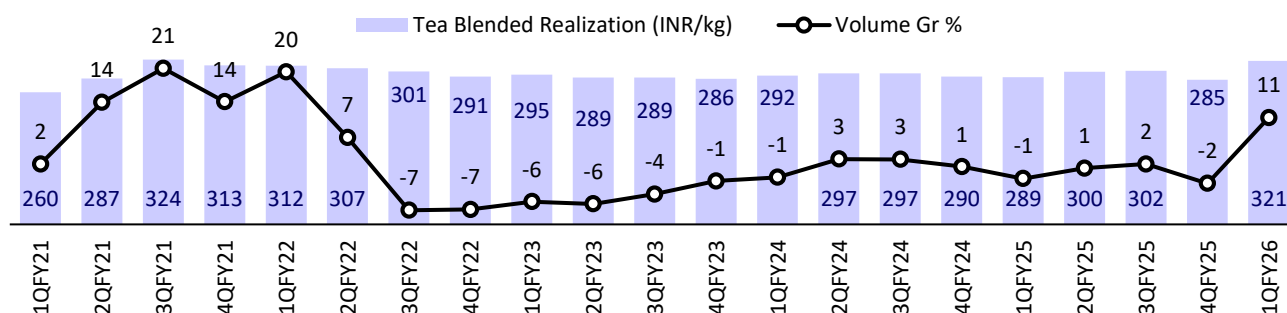
Exhibit 12: All India weekly CTC prices



Source: Tea board of India, MOSFL

Exhibit 13: Growth in tea volumes for TATACONS


Source: Company, MOSFL

Exhibit 14: Tea realization and growth trends for TATACONS


Source: Company, MOSFL

Financials and valuations

Consolidated Income Statement

(InRm)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Net Sales	96,374	116,020	124,254	137,832	154,260	176,183	192,894	208,010
Change (%)	32.9	20.4	7.1	10.9	11.9	14.2	9.5	7.8
Gross Profit	42,267	46,997	53,414	57,775	65,745	75,490	81,467	90,364
Margin (%)	43.9	40.5	43.0	41.9	42.6	42.8	42.2	43.4
Other operating exp.	29,346	31,560	36,226	39,210	43,274	50,697	53,961	58,659
EBITDA	12,921	15,438	17,188	18,565	22,470	24,794	27,506	31,705
Margin (%)	13.4	13.3	13.8	13.5	14.6	14.1	14.3	15.2
Depreciation	2,417	2,547	2,780	3,041	3,691	6,007	6,099	6,914
Net Interest	779	687	728	872	1,298	2,902	1,373	1,011
Other income	1,116	1,214	1,401	1,689	2,456	1,933	2,222	2,355
PBT before EO	10,842	13,417	15,081	16,341	19,938	17,817	22,256	26,135
EO income/(exp.)	-2,748	-307	-521	1,595	-3,270	-51	0	0
PBT after EO	8,094	13,111	14,560	17,936	16,667	17,766	22,256	26,135
Tax	2,742	3,173	3,770	4,470	3,947	3,962	5,602	6,578
Rate (%)	33.9	24.2	25.9	24.9	23.7	22.3	25.2	25.2
Minority and Associates	754	1,371	1,432	1,428	1,507	1,018	968	881
Reported PAT	4,598	8,567	9,358	12,038	11,213	13,803	16,654	19,557
Adjusted PAT	7,216	8,716	9,748	10,842	13,666	13,854	16,654	19,557
Change (%)	63.5	20.8	11.8	11.2	26.1	1.4	20.2	17.4

Balance Sheet

(InRm)

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Share Capital	922	922	922	929	953	990	990	990
Reserves	137,227	144,424	150,498	161,838	159,615	199,021	208,486	220,942
Net Worth	138,149	145,345	151,419	162,767	160,568	200,011	209,476	221,931
Minority Interest	10,925	10,925	11,516	8,502	13,793	13,892	13,975	14,189
Loans	12,564	12,066	10,106	11,828	29,539	18,487	13,487	13,487
Capital Employed	161,637	168,337	173,042	183,097	203,900	232,390	236,937	249,607
Gross Block	59,111	61,773	66,671	71,650	113,913	131,132	135,132	139,132
Less: Accum. Deprn.	18,824	21,371	24,151	27,192	30,883	36,890	42,989	49,903
Net Fixed Assets	40,288	40,402	42,520	44,458	83,030	94,242	92,143	89,229
Capital WIP	954	1,129	4,618	5,097	4,044	4,317	4,317	4,317
Goodwill & Intangibles	73,338	75,966	77,541	80,254	103,343	113,304	113,304	113,304
Investments	4,893	4,827	5,993	6,782	6,319	6,765	5,879	5,213
Curr. Assets	65,258	79,855	80,077	91,034	82,052	99,679	110,304	130,696
Inventories	17,120	22,492	22,665	27,017	27,694	35,999	38,050	41,032
Account Receivables	9,224	7,613	8,352	7,983	8,968	8,698	11,627	12,538
Cash and Bank Balance	24,550	33,980	27,979	35,517	26,931	31,101	35,554	50,800
Others	14,364	15,770	21,082	20,517	18,460	23,881	25,074	26,326
Curr. Liability & Prov.	20,060	28,372	30,235	36,384	58,358	65,514	68,607	72,749
Account Payables	9,440	16,255	19,159	23,482	27,072	35,084	36,993	39,892
Other liabilities	7,864	9,175	8,589	10,453	27,399	26,878	27,960	29,096
Provisions	2,756	2,942	2,488	2,449	3,887	3,551	3,653	3,761
Net Curr. Assets	45,198	51,484	49,842	54,650	23,695	34,165	41,698	57,947
Def. tax liability	3,033	5,470	7,472	8,144	16,531	20,403	20,403	20,403
Appl. of Funds	161,637	168,337	173,042	183,097	203,900	232,390	236,937	249,607

Financials and valuations

Cash flow statement							(INRm)	
Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
EBITDA	12,921	15,438	17,188	18,565	22,470	24,794	27,506	31,705
Prov. & FX	-72	41	7	4	123	0	0	0
WC	-649	3,054	1,992	340	1,929	-23	-2,869	-792
Others	1,364	1,203	-258	175	-1,208	-241	0	0
Direct taxes (net)	-2,742	-3,173	-3,770	-4,470	-3,947	-3,962	-5,602	-6,578
CF from Op. Activity	10,822	16,564	15,158	14,613	19,367	20,567	19,035	24,335
Capex	-1,596	-2,107	-2,733	-3,118	-3,347	-4,595	-4,000	-4,000
FCFF	9,227	14,457	12,425	11,495	16,020	15,971	15,035	20,335
Interest/dividend	564	731	881	1,214	1,906	1,180	2,222	2,355
Investments in subs/assoc.	-226	-2,241	-7,362	-1,957	-38,844	-19,340	0	0
Others	-5,470	-467	-4,004	-4,417	20,976	-781	0	0
CF from Inv. Activity	-6,728	-4,084	-13,218	-8,278	-19,309	-23,536	-1,778	-1,645
Share capital	0	0	0	0	0	0	0	0
Borrowings	321	-573	-4,947	-38	12,540	-11,602	-5,000	0
Finance cost	-703	-654	-625	-817	-1,183	-2,606	-1,373	-1,011
Dividend	-2,216	-2,673	-3,982	-5,734	-8,089	-7,415	-6,432	-6,432
Others	6,886	851	1,613	7,791	-11,912	28,762	0	0
CF from Fin. Activity	4,288	-3,049	-7,941	1,203	-8,643	7,139	-12,804	-7,443
(Inc)/Dec in Cash	8,382	9,430	-6,001	7,538	-8,586	4,170	4,453	15,247
Opening balance	16,168	24,550	33,980	27,979	35,517	26,931	31,101	35,554
Closing balance (as per B/S)	24,550	33,980	27,979	35,517	26,931	31,101	35,554	50,800

Ratios

Y/E March	2020	2021	2022	2023	2024	2025	2026E	2027E
Basic (INR)								
EPS	7.6	9.1	10.2	11.4	14.3	14.0	16.8	19.8
Cash EPS	9.7	11.4	12.7	14.0	17.5	20.1	24.7	28.7
BV/Share	139.6	146.9	153.0	164.5	162.3	202.1	227.3	240.8
DPS	2.7	4.1	6.1	6.1	6.5	6.5	6.5	6.5
Payout (%)	54.1	43.6	59.6	46.7	55.2	46.6	38.6	32.9
Dividend yield (%)	0.2	0.4	0.5	0.5	0.6	0.6	0.6	0.6
Valuation (x)								
P/E	149.2	123.5	110.5	99.3	78.8	80.7	67.1	57.2
Cash P/E	116.1	99.3	89.2	80.5	64.4	56.3	45.8	39.3
P/BV	8.1	7.7	7.4	6.9	7.0	5.6	5.0	4.7
EV/Sales	10.7	8.8	8.2	7.4	6.8	5.8	5.3	4.8
EV/EBITDA	79.7	66.0	59.6	54.8	46.5	41.5	37.1	31.7
Dividend Yield (%)	0.2	0.4	0.5	0.5	0.6	0.6	0.6	0.6
FCF per share	10.0	15.7	13.5	12.4	16.8	16.1	15.2	20.6
Return Ratios (%)								
RoE	6.8	6.1	6.6	6.9	8.5	7.7	8.1	9.1
RoCE	8.5	8.2	8.9	9.5	10.5	9.1	9.7	10.9
RoIC	11.5	10.9	10.5	11.2	12.1	10.5	11.0	12.7
Working Capital Ratios								
Fixed Asset Turnover (x)	2.4	2.9	2.9	3.1	1.9	1.9	2.1	2.3
Asset Turnover (x)	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Debtor (Days)	35	24	25	21	21	18	22	22
Creditor (Days)	36	51	56	62	64	73	70	70
Inventory (Days)	65	71	67	72	66	75	72	72
Leverage Ratio (x)								
Net Debt/Equity	-0.1	-0.2	-0.1	-0.1	0.0	-0.1	-0.1	-0.2

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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