

# Retail Equity Research

## Tata Consumer Products Limited

FMCG

BSE CODE: 500800

NSE CODE: TATACONSUM

Bloomberg CODE: TATACONS:IN

SENSEX: 49,581

**BUY**

12M Investment period

Rating as per Large Cap

CMP Rs. 654

TARGET Rs. 730

RETURN 12% ↑

(Closing: 17-05-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

### Mixed results; Outlook intact

Tata Consumer Products (previously known as Tata Global Beverages Limited -TGBL) is an Indian multinational non-alcoholic beverages company and a subsidiary of Tata group TGBL markets under the major brands like Tata Tea, Tetley, and Good Earth Teas etc.

- Q4FY21 revenue grew 26.3% YoY to Rs. 3,037cr on strong volume growth and ~100bps/~180bps market share gains in India Beverages and India Foods.
- EBITDA margin contracted 290bps YoY to 9.9% due to higher costs, partially offset by higher other income. Adjusted PAT de-grew 37.3% YoY further impacted by higher taxes.
- Despite regional restrictions/supply chain disruptions, accelerated gains from SoulFull (acquisition), growing overseas markets and improving market share should support company's performance. We reiterate our BUY rating on the stock with a revised TP of Rs. 730 based on 50x FY23E EPS.

### Volume growth momentum continues

Consolidated revenue rose 26.3% YoY to Rs. 3,037cr (-1.1% QoQ) in Q4FY21, upon robust domestic performance (+44.3% YoY) led by rapid volume growth of 23% and 21% in India Beverages (revenue +59.6% YoY to Rs. 1,205cr;) and Foods businesses (+22.4% YoY to Rs. 642cr), respectively. Former outperformed with keen focus on digitalization and premiumization of Tata Tea and Sonnets by Tata Coffee, while the latter excelled with 26%/2% YoY growth in Tata Salt/Tata Sampann portfolios independently. International Beverages stood flat (+0.1% YoY) due to pantry loading. US coffee business (+5% YoY to Rs. 313cr; 2% YoY volume dip) witnessed Bags contracting and K-cups expanding. Key players like Tata Gluco Plus and Tata Water Plus (1.5x value added) helped NourishCo sustain its strong growth momentum with 86% YoY revenue uptick. Separately, Tata Coffee (incl. Vietnam) performed well on high realizations in plantation despite shrinking domestic extractions.

### Rising costs stress margins

Consolidated EBITDA declined 2.6% YoY to Rs. 300cr (-16.9% QoQ) impacted by higher material costs (+51.5% YoY, -5.0% QoQ), A&P spends (+19.3% YoY, +3.2% QoQ) and staff cost (+16.7% YoY, +12.0% QoQ). This resulted in EBITDA margin contraction of 290bps YoY to 9.9%. Higher taxes (+93.5% YoY) further impacted Adj. PAT (-37.3% YoY to Rs. 118cr).

### Key concall highlights

- Tata Starbucks revenue grew 14% YoY with 94% of stores reopened, 39 new stores including 7 "All Women" stores opened in 7 new cities in Q4FY21.
- Canada bagged 29.3% market share and 6% revenue growth in Q4FY21 with Tetley Super 3.0 gaining volume leadership in specialty tea.
- Tata Sampann - Launched 5 new products in the Ready to cook category in Q4, intensifying the momentum on innovation.

### Valuation

TCPL is optimistic about growing international markets with acceleration in vaccination drive, although COVID second wave is expected to pose a threat domestically upon the supply chain/sales network. Management expects tea prices to moderate and margins to normalize in the near term with persisting volume growth. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs. 730 based on 50x FY23E EPS.

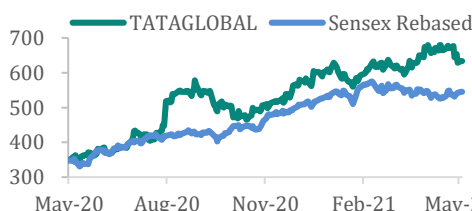
### Company Data

Market Cap (cr)	Rs. 58,817
Enterprise Value (cr)	Rs. 56,532
Outstanding Shares (cr)	92.2
Free Float	64.0%
Dividend Yield	0.6%
52 week high	Rs. 698
52 week low	Rs. 344
6m average volume (lacs)	2.4
Beta	0.8
Face value	Rs. 1

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	34.7	34.7	34.7
FII's	21.7	25.7	25.2
MFs/Insti	17.7	13.6	12.6
Public	21.2	21.3	21.8
Others	4.8	4.7	5.7
Total	100.0	100.0	100.0
Promoters' pledge	2.7	2.7	1.2

Price Performance	3 Month	6 Month	1 Year
Absolute Return	5.4%	27.0%	81.5%
Absolute Sensex	-3.5%	14.4%	56.4%
Relative Return*	8.9%	12.6%	25.1%

\*over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	11,602	12,704	13,943
Growth (%)	20.4	9.5	9.7
EBITDA	1,544	1,852	2,131
EBITDA Margin (%)	13.3	14.6	15.3
Adj. PAT	887	1,118	1,343
Growth (%)	20.8	26.0	20.2
Adj. EPS	9.6	12.1	14.6
Growth (%)	20.8	26.0	20.2
P/E	66.3	52.2	43.4
P/B	4.0	3.8	3.6
EV/EBITDA	37.3	30.5	26.3
ROE (%)	5.9	7.4	8.4
D/E	0.0	0.0	0.0

## Quarterly Financials (Consolidated)

### Profit & Loss Account

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
Revenue	3,037	2,405	26.3	3,070	(1.1)	11,602	9,637	20.4
<b>EBITDA</b>	<b>300</b>	<b>308</b>	(2.6)	<b>361</b>	(16.9)	<b>1,544</b>	<b>1,292</b>	19.5
EBITDA margins	9.9	12.8	(290bps)	11.8	(190bps)	13.3	13.4	(10bps)
Depreciation	66	64	2.9	64	2.3	255	242	5.4
<b>EBIT</b>	<b>234</b>	<b>244</b>	(4.1)	<b>297</b>	(21.1)	<b>1,289</b>	<b>1,050</b>	22.7
Interest	15	19	(17.4)	18	(14.6)	69	78	(11.8)
Other Income	43	22	95.9	19	120.4	121	112	8.8
Exceptional Items	(64)	(264)	75.8	(6)	n.m.	(31)	(275)	88.8
<b>PBT</b>	<b>198</b>	<b>(17)</b>	n.m.	<b>292</b>	(32.3)	<b>1,311</b>	<b>809</b>	62.0
Tax	65	33	93.5	55	17.0	317	274	15.7
Sh. of profit from Associate	(59)	(72)	(18.4)	0	n.m.	(63)	(75)	(15.6)
Minority Interest	20	(46)	n.m.	19	6.5	74	0	n.m.
<b>Reported PAT</b>	<b>54</b>	<b>(76)</b>	170.5	<b>218</b>	(75.3)	<b>857</b>	<b>460</b>	86.3
Adjustments	64	264	(75.8)	6	942.9	31	275	(88.8)
<b>Adj. PAT</b>	<b>118</b>	<b>188</b>	(37.3)	<b>224</b>	(47.5)	<b>887</b>	<b>735</b>	20.8
No. of shares	92.2	92.2	-	92.2	-	92.2	92.2	-
<b>Adj. EPS (Rs.)</b>	<b>1.3</b>	<b>2.0</b>	(37.3)	<b>2.4</b>	(47.5)	<b>9.6</b>	<b>8.0</b>	20.8

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	12,074	13,149	12,704	13,943	5.2	6.0
EBITDA	1,834	2,053	1,852	2,131	1.0	3.8
Margins (%)	15.2	15.6	14.6	15.3	(60bps)	(30bps)
Adj. PAT	1,135	1,309	1,118	1,343	(1.5)	2.6
Adj. EPS	12.3	14.2	12.1	14.6	(1.5)	2.6

## PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Revenue</b>	<b>7,252</b>	<b>9,637</b>	<b>11,602</b>	<b>12,704</b>	<b>13,943</b>
% change	6.4	32.9	20.4	9.5	9.7
<b>EBITDA</b>	<b>786</b>	<b>1,292</b>	<b>1,544</b>	<b>1,852</b>	<b>2,131</b>
% change	(6.3)	64.4	19.5	20.0	15.1
Depreciation	123	242	255	258	263
<b>EBIT</b>	<b>663</b>	<b>1,050</b>	<b>1,289</b>	<b>1,594</b>	<b>1,868</b>
Interest	52	78	69	75	82
Other Income	124	(163)	91	112	112
<b>PBT</b>	<b>735</b>	<b>809</b>	<b>1,311</b>	<b>1,631</b>	<b>1,898</b>
% change	(2.4)	10.2	62.0	24.4	16.4
Tax	261	274	317	416	446
Tax Rate (%)	35.5	33.9	24.2	25.5	23.5
<b>Reported PAT</b>	<b>408</b>	<b>460</b>	<b>857</b>	<b>1,118</b>	<b>1,343</b>
Adj*	33	275	31	-	-
<b>Adj PAT</b>	<b>441</b>	<b>735</b>	<b>887</b>	<b>1,118</b>	<b>1,343</b>
% change	(14.6)	66.4	20.8	26.0	20.2
No. of shares (cr)	63.1	92.1	92.1	92.1	92.1
<b>Adj EPS (Rs.)</b>	<b>7.0</b>	<b>8.0</b>	<b>9.6</b>	<b>12.1</b>	<b>14.6</b>
% change	(14.6)	14.0	20.8	26.0	20.2
DPS (Rs.)	2.5	2.7	4.1	5.3	5.3
CEPS (Rs.)	8.9	10.6	12.4	14.9	17.4

## CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Net inc. + Depn.</b>	<b>531</b>	<b>701</b>	<b>1,111</b>	<b>1,376</b>	<b>1,606</b>
Non-cash adj.	67	463	362	328	225
Changes in W.C	(388)	(82)	183	(402)	(232)
<b>C.F. Operation</b>	<b>210</b>	<b>1,082</b>	<b>1,656</b>	<b>1,301</b>	<b>1,600</b>
Capital exp.	(257)	(151)	(179)	(345)	(365)
Change in inv.	(10)	(281)	299	(30)	(10)
Other invest.CF	340	(241)	(529)	-	-
<b>C.F - Investment</b>	<b>73</b>	<b>(673)</b>	<b>(408)</b>	<b>(375)</b>	<b>(375)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	36	32	(57)	50	50
Dividends paid	(216)	(222)	(258)	(487)	(487)
Other finance.CF	(44)	(119)	(110)	(75)	(82)
<b>C.F - Finance</b>	<b>(224)</b>	<b>(308)</b>	<b>(426)</b>	<b>(512)</b>	<b>(518)</b>
Chg. in cash	59	101	822	414	706
Closing cash	1,034	1,621	3,075	3,489	4,195

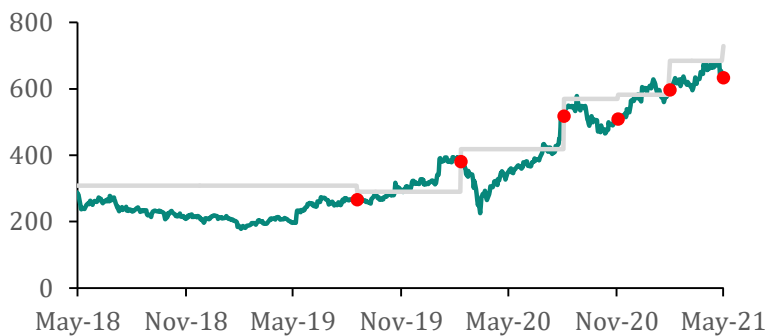
## BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	1,034	1,621	3,075	3,489	4,195
Accounts Receivable	681	922	761	770	915
Inventories	1,610	1,712	2,249	2,401	2,647
Other Cur. Assets	1,187	1,426	963	1,008	1,050
Investments	656	539	516	530	530
Gross Fixed Assets	2,069	2,220	2,399	2,744	3,109
Net Fixed Assets	809	1,208	1,223	1,310	1,412
CWIP	413	88	93	93	93
Intangible Assets	4,064	10,113	10,401	10,401	10,401
Def. Tax (Net)	58	30	38	50	53
Other Assets	428	844	937	550	550
<b>Total Assets</b>	<b>10,939</b>	<b>18,503</b>	<b>20,256</b>	<b>20,602</b>	<b>21,847</b>
Current Liabilities	1,129	1,591	2,661	2,422	2,588
Provisions	152	183	192	196	196
Debt Funds	1,117	1,182	721	771	821
Other Liabilities	182	639	1,054	1,115	1,087
Equity Capital	63	92	92	92	92
Reserves & Surplus	7,269	13,723	14,442	15,076	15,934
Shareholder's Fund	7,332	13,815	14,535	15,168	16,026
Minority Interest	1,028	1,092	1,093	931	1,129
<b>Total Liabilities</b>	<b>10,939</b>	<b>18,503</b>	<b>20,256</b>	<b>20,602</b>	<b>21,847</b>
<b>BVPS (Rs.)</b>	<b>116</b>	<b>150</b>	<b>158</b>	<b>165</b>	<b>174</b>

## RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	10.8	13.4	13.3	14.6	15.3
EBIT margin (%)	9.1	10.9	11.1	12.5	13.4
Net profit mgn.(%)	5.6	4.8	7.4	8.8	9.6
ROE (%)	5.6	3.3	5.9	7.4	8.4
ROCE (%)	7.0	6.5	7.9	9.5	10.4
<b>W.C &amp; Liquidity</b>					
Receivables (days)	34.3	34.9	24.0	22.1	24.0
Inventory (days)	146.6	115.5	118.9	117.1	119.3
Payables (days)	60.6	63.7	86.0	67.5	69.5
Current ratio (x)	3.1	2.9	2.3	2.7	2.9
Quick ratio (x)	1.6	1.7	1.3	1.6	1.8
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.6	4.5	5.0	4.9	4.8
Total asset T.O (x)	0.7	0.7	0.6	0.6	0.7
Int. coverage ratio (x)	12.6	13.5	18.8	21.2	22.9
Adj. debt/equity (x)	0.1	0.1	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	1.9	2.9	5.0	4.4	4.0
EV/EBITDA (x)	17.6	21.4	37.3	30.5	26.3
P/E (x)	28.8	36.7	66.3	52.2	43.4
P/BV (x)	1.7	2.0	4.0	3.8	3.6

## Recommendation Summary



Dates	Rating	Target
7-Feb-18	BUY	308
27-Aug-19	HOLD	290
19-Feb-20	HOLD	418
12-Aug-20	ACCUMULATE	570
12-Nov-20	ACCUMULATE	582
8-Feb-21	BUY	684
18-May-21	BUY	730

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**Accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside. The stock may still be a quality stock.

**Sell:** Exit from the stock.

**Not rated:** The analyst has no investment opinion on the stock.

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