

2<sup>nd</sup> August 2022

## Tata Consumer Product

**CMP** : 812  
**Target Price** : 963  
**Upside** : 19%  
**Stop Loss** : 710 (Closing basis)

### Investment Thesis

Tata Consumer Products Ltd. is one of the leading companies of the Tata Group, with presence in the food and beverages business in India and internationally. It is the second largest tea company globally and has significant market presence and leadership in many markets. In addition to South Asia (mainly India), it has presence in various other geographies including Canada, UK, North America, Australia, Europe, Middle East and Africa.

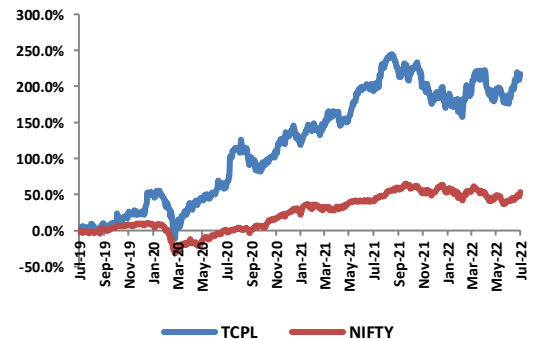
India is the largest producer and consumer of pulses in the world and the market size is estimated at INR 150,000 crore – of which only 1-2% is branded where Tata Sampann can play big role. RTE category is expected to grow at a fast pace at 15-17% in India and presents a sizeable opportunity in the overseas markets (USA, Canada, UK, and Australia). Size of the retail hot coffee market is double that of tea. The United States continues to be the world's largest coffee market, estimated at US\$ 11 billion. Strong Sales and distribution network expansion with initiatives such as direct Reach : S&D network achieved year-end target of 1.3 million outlets in direct reach. Company expanded its distribution footprint to increase direct distribution reach to 2x through a structured programme led by efficient planning, 3P network optimisation project : Measure includes Moving packing locations closer to demand centres , reducing the distance and exploring new sourcing locations and changing sourcing operating models, Sales force productivity : Added 8,000+ rural/semi-urban distributors in the year to expand presence in these markets, Started a premium distributor sales representative programme to enable focus on the premium portfolio and newer brands like Tata Sampann, Tetley, Tata Coffee, Tata Soufull and Tata Q. The rapid expansion in distribution was enabled with digitally connected sales infrastructure and the use of data and analytics for decision- making, E-commerce as a % of sales in India was 7.3% in FY 21-22, up from 2.5% in FY 2019-20. Modern Trade business crosses INR 1,000 crore, up by 30% YoY. Launched multiple D2C platforms like Tata Tea 1868, Sonnets and Tata Soufull. Started "Nutrikorner" , a one-stop, D2C channel for Tata Consumer Products in Delhi and Mumbai, with phased expansion plans and digitisation:Launched augmented analytics platform 'Clearview'.

After acquiring complete ownership of NourishCo in May 2020, Over the past year, company expanded distribution by 80% and capacity by over 50% through an asset-light model. Tata consumer is working on improving its distribution at a rapid pace. Increase in distributor network has by more than 25 % over the last year and also achieved milestone of to 2.6 mn retail outlets. It thereby reached 201 MN+ Household in India. Notably it witnessed 2X increase in direct distribution reach as 8,000+ rural/semi-urban distributors added to network in FY 21-22. The Company has acquired 100% stake in Tata Smartfoodz Limited from Tata Industries Limited for a consideration of Rs 395 crores in November 2021, the Group forayed into the Ready to Eat ("RTE") category. It owns the brand "TataQ" and a manufacturing facility. The acquisition provides a potential opportunity to unlock synergies across the value chain by integrating operations within the Group as well as the option to leverage technology to create a strong pipeline of value-added products in other parts of the food business. Post the acquisition, the Company has additionally invested Rs 35.58 Crores in Tata SmartFoodz Limited as equity capital. Tata Soufull distribution expansion expanded by 10x over 3,00,000 outlets.

Stock Data	
Market Cap (Rs.Mn)	754797
Market Cap (\$ Mn)	9434
Shares O/S (in Mn)	921
Avg. Volume 1m (000)	1505
52-Week Range (Rs.)	889 / 650

Shareholding Pattern	
Promoters	34.7%
FII's	25.3%
DII's	13.9%
Public, Other (Incl. Govt.)	26.1%

Performance (%)	1M	6M	1Yr
Absolute	12.7%	11.6%	8.1%
Relative to Sensex	8.6%	0.6%	9.6%



## Financials

- The revenue CAGR of 12.7% over FY22-FY25E while PAT CAGR of 20.1% over FY22-FY25E

Particulars (Rs in Cr)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	11602.0	12425.4	13916.4	15725.5	17769.9
EBITDA	1634.5	1806.8	2197.9	2759.3	3084.9
EBITDA margin	6.8%	7.0%	8.1%	9.4%	9.5%
Profit/(loss) for the year	993.8	1079.0	1343.5	1706.6	1906.3
PAT margin	8.6%	8.7%	9.7%	10.9%	10.7%
EPS	10.8	11.7	14.6	18.5	20.7
ROE	7.0%	7.3%	8.5%	9.8%	10.0%
ROCE	6.8%	7.0%	8.1%	9.4%	9.5%

## Key Business Highlights

With a legacy of 35 years, Tata tea is the #2 branded Tea player globally. The tea business grew 6% by value and 3% by volume terms. The premium tea brands grew at a faster pace (1.2x) than the overall tea portfolio. Its value market share increased by 100 basis points to 22.2% and volume share by 154 basis points to 22% driven by the increase in distribution and supported by brand investments. Tata Tetley #4 tea brand in the UK and the #1 tea brand in Canada. Chakra gold tea increased market share for the second year. The E-commerce market share for Tea is 41.9%. The salt business grew by 17% in value terms and 8% in volume terms. It gained 400 basis points to 37% in terms of value. Premium Salt – Tata Salt Immuno & Super Lite, grew faster in double digits. RTD beverages delivered 83% growth. Tata Gluco Plus grew by 43% led by the core and new markets and supported by TV campaigns. Tata Water Plus, now rebranded to Tata Copper Water, was able to grow to 3x with new markets now contributing to almost 36% of the overall revenue. This was a record year for Himalayan as it reported break-even performance for, the first time since inception. NourishCo, grew revenues by 83%.

Tata Sampann recorded a 28% volume growth with broad-based growth across pulses, spices, and other staples. Poha sales were 2x times the previous year. Integration of Tata Soulfull into TCPL own distribution was executed successfully. Tata Starbucks' 50:50 JV with Starbucks had a sharp recovery since re-opening It accelerated its store openings during the year with 50 new stores, the highest number of store openings in a single year so far. Making a presence in 268 stores across 26 cities in the country. Tata Coffee Limited (including Vietnam) witnessed 11% revenue growth. The international business witnessed margin improvement due to restructuring by exiting non-branded and unprofitable markets, distributor model change in Europe and Australia and strategic price increases to offset the inflationary pressures. Tata Starbucks' revenue grew by 76% y-o-y to Rs. 636 crore and have made EBITDA level break-even

## Valuation

It had identified six strategic business priorities in FY21 annual report and it has performed well on all these priorities in FY22 such as strengthening and accelerating its core business, exploring new opportunities, unlocking synergies, digitization of the supply chain, expansion of its product portfolio and innovation, enhancing its focus on premiumization and health and wellness products, embed sustainability, and expanding its sales and distribution infrastructure, supply chain, and capability building towards being a multi-category FMCG player. TCPL's focus would be on the growth and expansion of business. Return ratios, when compared to FMCG peers remain low, but we expect improvement to mid-teens levels in the next four years. Earnings growth trajectory beyond FY24 also remains fairly robust, with good visibility on revenue growth. We thus value TCPL at 52x on March'2024E EPS, giving us a target price (TP) of Rs812, implying an upside of 18% from the current market price (CMP).

## Risk & Concern

- Delays in realizing incorporation gains, ramp up of distribution, etc.

## Graphs & Charts

Figure 1: Net Sales Trend

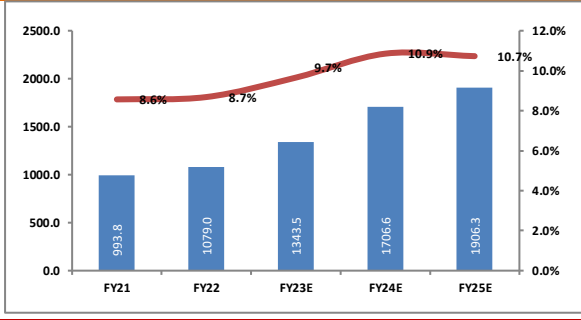


Figure 2: EBITDA & EBITDA Margin

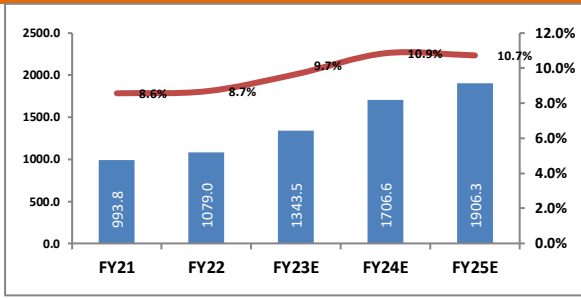


Figure 3: PAT Trend and PAT Margin

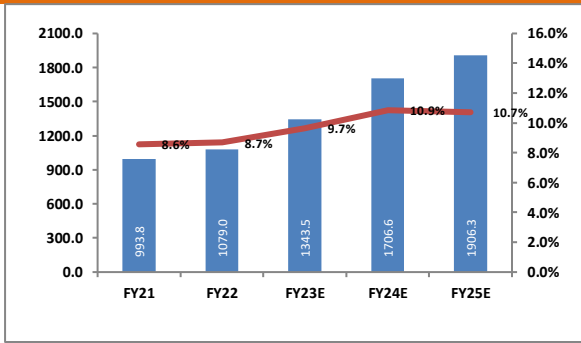
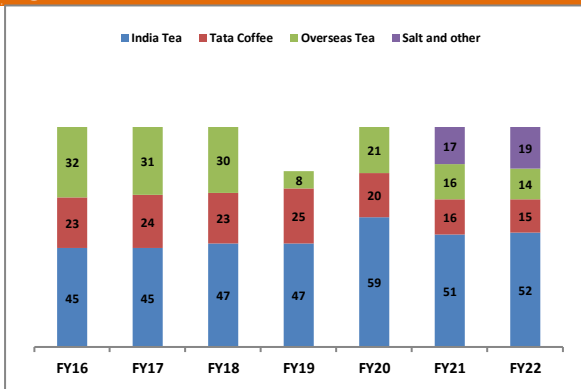


Figure 4: Revenue mix (%) trend



Analyst Name                      Designation  
Jitendra Upadhyay              Sr. Research Analyst

**Disclosure:**

M/s. Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect view point with subject to companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The Analysts engaged in preparation of this Report or his/her relative: - (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report. The Analysts engaged in preparation of this Report:- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the regulation of SEBI, the year 2014. The Regn No. INH100001666 and research analyst engaged in preparing reports is qualified as per the regulation's provision.

**Disclaimer:**

This research report has been published by M/s. Bonanza portfolio Ltd and is meant solely for use by the recipient and is not for circulation. This document is for information purposes only and information / opinions / views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that information given at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. If this report is inadvertently send or has reached to any individual, same may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide for future performance. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Bonanza portfolio Ltd to be reliable. This report should not be taken as the only base for any market transaction; however this data is representation of one of the support document among other market risk criterion. The market participant can have an idea of risk involved to use this information as the only source for any market related activity. The distribution of this report in definite jurisdictions may be restricted by law, and persons in whose custody this report comes, should observe, any such restrictions. The revelation of interest statements integrated in this analysis are provided exclusively to improve & enhance the transparency and should not be treated as endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza portfolio Ltd or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of M/s. Bonanza portfolio Ltd shall be liable. Research report may differ between M/s. Bonanza portfolio Ltd RAs and other companies on account of differences in, personal judgment and difference in time horizons for which recommendations are made. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. Research analyst have not received any compensation/benefits from the Subject Company or third party in connection with the research report.

M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063

Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

BSE /NSE/MCX : | CASH | DERIVATIVE | CURRENCY DERIVATIVE | COMMODITY SEGMENT |  
| CDSL : | 120 33500 | NSDL: | IN 301477 | | PMS: INP 000000985 | AMFI: ARN -0186