

BUY

TP: Rs 1,304 | ▲ 23%

**TATA CONSUMER
PRODUCTS**

Consumer Staples

24 July 2025

Need to get growth businesses on track

- 1QFY26 sales came in 1% below consensus and our estimates while EBITDA was 3% below consensus and 1% below our estimates
- Coffee plantations margins have contracted in line with correction in coffee prices and high-cost inventory
- Growth prospects from distribution gains driven sales and scale driven margin expansion in “Growth businesses” remain intact. Retain Buy

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1QFY26 result summary: Consolidated sales were +10% YoY, 1% below consensus and our estimates. EBITDA was -9% YoY; 3% below consensus and 1% below our estimates. In Tea, high-cost inventory is still flowing though while correction in coffee prices led to weaker margins in the non-branded business.

Tea dynamics in FY26: Tea agri output so far is favourable and prices are down in double digits vs last year. New inventory starts to flow in the Sep quarter with a full quarter impact in the Dec quarter. TCPL’s profit improvement trajectory will follow this pattern as company expects tea margins to revert from the current mid-20s to the normalised mid-30s by the December 2025 quarter. We forecast margins to deteriorate in the September 2025 quarter before recovering in the 2HFY26.

Growth businesses up +7% vs +30% target: The drag was from NourishCo, Organic India and Capital Foods. NourishCo was adversely impacted on competition in soft beverages and unfavourable weather. OI had logistical issues in its overseas business, which is ~40% of its total sales. Unlike NourishCo and OI, Capital Foods sales growth was impacted by internal issues.

Issues (Temporary) in Capital Foods India business: CF’s June 2025 quarter sales were pressured due to shortage of inventory and non-competitive pricing in bulk products in the noodles category. While these issues are now fixed, the reliability of 30% sales growth target is under scrutiny after multiple lapses in the past 1.5Yrs. On our estimates, TCPL has fallen short of the sales target in 3 of the past 5 quarters. We expect 30+% sales growth in 2Q and 3Q on easy year ago comps, but are cautious on 4Q due to strong growth in the last year. We reduce our Capital Foods sales growth assumptions to +20% for FY26 and +22% for FY27.

Our view: Normalisation of tea costs should help margins from 2HFY26. Medium to long term, overall margin profile should improve with the scale up in growth businesses and mix accretion from CF and OI. We value TCPL at 55x, in line with its 5Y historical average P/E on 12m to June 2027 EPS. Our TP changes to Rs1,304 from Rs 1,325. Share price return of 23% – Retain BUY.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	TATACONS IN/Rs 1,063
Market cap	US\$ 11.7bn
Free float	64%
3M ADV	US\$ 15.4mn
52wk high/low	Rs 1,258/Rs 883
Promoter/FPI/DII	34%/25%/41%

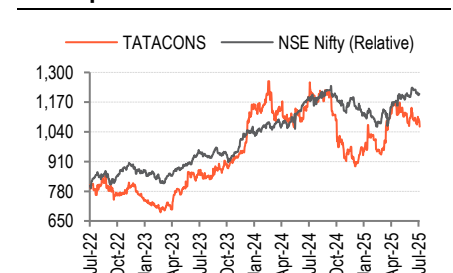
Source: NSE | Price as of 23 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	176,183	195,295	213,779
EBITDA (Rs mn)	24,794	28,044	33,920
Adj. net profit (Rs mn)	12,836	17,022	22,437
Adj. EPS (Rs)	13.0	17.2	22.7
Consensus EPS (Rs)	13.0	17.5	21.6
Adj. ROAE (%)	6.6	7.8	9.8
Adj. P/E (x)	81.9	61.8	46.9
EV/EBITDA (x)	40.9	36.1	29.6
Adj. EPS growth (%)	(13.1)	32.6	31.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



1QFY26 result review

Fig 1 – Tata Consumer 1QFY26 result summary

(Rs mn)	Actual			Reported vs (%)	
	1Q25	1Q26	YoY	BoB	Cons.
Sales	43,521	47,789	9.8	(1.0)	(0.7)
EBITDA	6,674	6,069	(9.1)	(0.7)	(2.6)
EBITDA margin (%)	15.3	12.7	(263bps)	4bps	(25bps)

Source: Company, Bloomberg, BOBCAPS Research

Earnings revisions

Our sales forecasts are slightly lower in FY26 but unchanged in FY27 and FY28. However, EBITDA margins are lower by 30bps-100bps for FY26-FY28. The combination of high-cost inventory in coffee plantations and likelihood of a shorter than usual lag in pass through of lower tea cost are the main drivers.

Fig 2 – Tata Consumer earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY25	FY26	FY26	Change	FY27	FY27	Change	FY28	FY28	Change
Sales	176,183	195,295	196,000	(0.4)	213,779	213,409	0.2	233,128	232,637	0.2
EBITDA	24,794	28,044	30,158	(7.0)	33,920	35,244	(3.8)	38,412	39,153	(1.9)
EBITDA Margin (%)	14.1	14.4	15.4	(103bps)	15.9	16.5	(65bps)	16.5	16.8	(35bps)
Adj. PAT	12,836	17,022	19,528	(12.8)	22,437	24,075	(6.8)	26,490	27,583	(4.0)
Adj. EPS	12.97	17.20	19.74	(12.8)	22.68	24.33	(6.8)	26.77	27.88	(4.0)

Source: Company, Bloomberg, BOBCAPS Research

Valuation

TCPL is currently trading at 62x FY26E EPS. The stock has traded at 5Yr average P/E of 55x on 1-year forward EPS. We value TCPL at 55x, in line with its 5Y historical average P/E on 12m to June 2027 EPS. Our TP changes to Rs1,304 from Rs 1,325. Share price return of 23% – retain BUY.

Risks

Key downside risks to our estimates are:

- Increase in competitive intensity in tea
- Sustained inflation in underlying commodities especially tea
- Continued intense promotions in soft drinks
- Further issues in Capital Foods and Organic India

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	152,059	176,183	195,295	213,779	233,128
EBITDA	22,841	24,794	28,044	33,920	38,412
Depreciation	3,772	6,007	5,693	5,519	5,559
EBIT	19,070	18,786	22,350	28,401	32,854
Net interest inc./(exp.)	(1,298)	(2,902)	(2,132)	(2,273)	(2,273)
Other inc./(exp.)	2,456	1,933	2,477	3,329	4,208
Exceptional items	3,270	51	0	0	0
EBT	20,228	17,817	22,695	29,457	34,789
Income taxes	3,947	3,962	5,520	7,070	8,349
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(208)	(846)	(141)	(50)	(50)
Reported net profit	11,500	12,785	17,022	22,437	26,490
Adjustments	3,270	51	0	0	0
Adjusted net profit	14,771	12,836	17,022	22,437	26,490

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	27,072	35,084	34,156	36,955	40,050
Other current liabilities	6,984	6,747	6,747	6,747	6,747
Provisions	20,209	23,923	23,923	23,923	23,923
Debt funds	29,539	18,487	18,487	18,487	18,487
Other liabilities	22,045	21,633	21,633	21,633	21,633
Equity capital	953	990	990	990	990
Reserves & surplus	173,409	212,914	221,772	234,078	248,269
Shareholders' fund	174,361	213,903	222,762	235,067	249,258
Total liab. and equities	280,209	319,777	327,707	342,811	360,098
Cash and cash eq.	23,198	27,259	28,794	39,324	51,068
Accounts receivables	8,968	8,698	12,105	13,186	14,397
Inventories	27,694	35,999	39,604	43,057	46,886
Other current assets	14,407	17,740	17,740	17,740	17,740
Investments	4,932	5,487	5,487	5,487	5,487
Net fixed assets	21,486	22,724	22,109	22,148	22,650
CWIP	0	0	0	0	0
Intangible assets	166,783	187,003	187,003	187,003	187,003
Deferred tax assets, net	0	0	0	0	0
Other assets	12,742	14,866	14,866	14,866	14,866
Total assets	280,209	319,777	327,707	342,811	360,098

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	19,367	20,567	15,174	26,164	29,430
Capital expenditures	(3,347)	(4,595)	(5,078)	(5,558)	(6,061)
Change in investments	20,431	(2,485)	0	0	0
Other investing cash flows	(36,394)	(16,456)	1,734	2,330	2,946
Cash flow from investing	(19,309)	(23,536)	(3,344)	(3,228)	(3,115)
Equities issued/Others	0	29,806	0	0	0
Debt raised/repaid	12,540	(14,513)	0	0	0
Interest expenses	0	0	0	0	0
Dividends paid	(8,089)	(7,415)	(8,163)	(10,132)	(12,298)
Other financing cash flows	(1,896)	(3,352)	(2,132)	(2,273)	(2,273)
Cash flow from financing	2,556	4,527	(10,295)	(12,405)	(14,571)
Chg in cash & cash eq.	(2,174)	56	1,534	10,531	11,743
Closing cash & cash eq.	23,198	27,259	28,794	39,324	51,068

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	12.3	12.9	17.2	22.7	26.8
Adjusted EPS	15.5	13.0	17.2	22.7	26.8
Dividend per share	7.8	8.3	10.2	12.4	14.7
Book value per share	183.0	216.2	225.1	237.6	251.9

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	6.6	5.8	5.2	4.7	4.3
EV/EBITDA	44.2	40.9	36.1	29.6	26.0
Adjusted P/E	68.5	81.9	61.8	46.9	39.7
P/BV	5.8	4.9	4.7	4.5	4.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.0	72.0	75.0	76.2	76.1
Interest burden (PBT/EBIT)	106.1	94.8	101.5	103.7	105.9
EBIT margin (EBIT/Revenue)	12.5	10.7	11.4	13.3	14.1
Asset turnover (Rev./Avg TA)	59.8	58.7	60.3	63.8	66.3
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.5	1.5
Adjusted ROAE	8.5	6.6	7.8	9.8	10.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	10.3	15.9	10.8	9.5	9.1
EBITDA	23.0	8.5	13.1	21.0	13.2
Adjusted EPS	41.4	(13.1)	32.6	31.8	18.1
Profitability & Return ratios (%)					
EBITDA margin	15.0	14.1	14.4	15.9	16.5
EBIT margin	12.5	10.7	11.4	13.3	14.1
Adjusted profit margin	9.7	7.3	8.7	10.5	11.4
Adjusted ROAE	8.5	6.6	7.8	9.8	10.9
ROCE	8.7	7.2	8.3	10.1	11.1

Working capital days (days)

Receivables	20	18	19	22	22
Inventory	117	115	123	125	125
Payables	108	113	113	108	107

Ratios (x)

Gross asset turnover	3.9	3.8	3.8	3.7	3.7
Current ratio	1.2	1.5	1.7	1.9	2.1
Net interest coverage ratio	14.7	6.5	10.5	12.5	14.5
Adjusted debt/equity	0.2	0.1	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

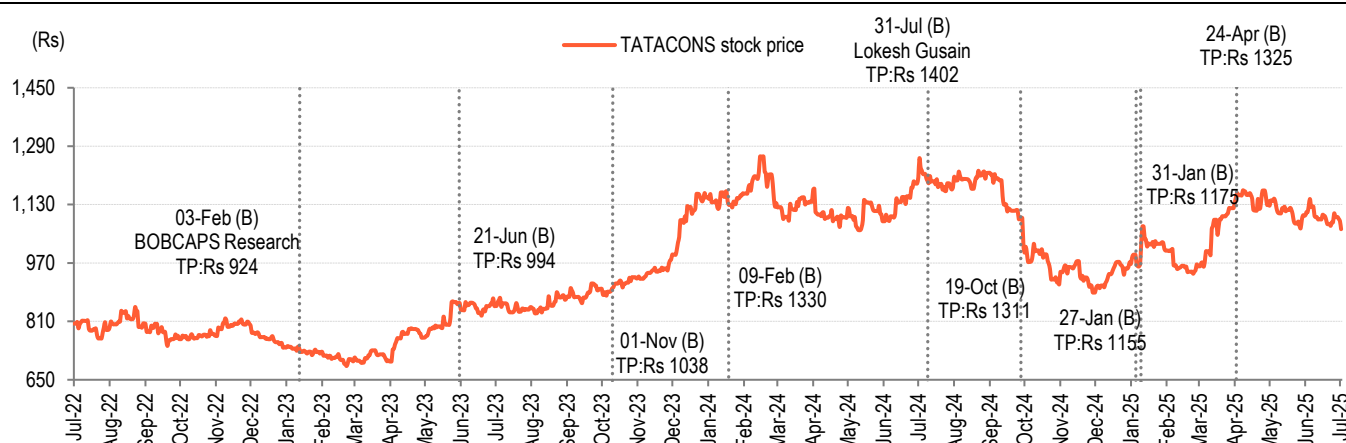
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): TATA CONSUMER PRODUCTS (TATACONS IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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