

**Tata Consumer Products Limited**  
**(erstwhile Tata Global Beverages Limited)**

July 06, 2021

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
<b>Short term- Commercial Paper (CP) @</b>	<b>715</b> <b>(Rs. Seven Hundred Fifteen crore only)</b>	CARE A1+ (A One Plus)	Reaffirmed

*Details of instruments/facilities in Annexure-1*

@ Total borrowing under CP and fund based facilities from banks to remain within an overall limit of Rs. 715 crore out of which Tata Consumer Products Limited has a sanctioned fund based working capital limit of Rs.400 crore

**Detailed Rationale & Key Rating Drivers**

The rating assigned to the Commercial Paper Issue of Tata Consumer Products Limited (TCPL) continues to factor in its strong business profile which has further strengthened with acquisition of consumer business of Tata Chemicals Limited. Company has completed its business integration for all critical work streams by Q4FY21 and is likely to enhance synergies in distribution, marketing and supply chain and increased reach to customer base. Cost synergies are expected to be realized from logistics alignment and optimisation of infrastructure with better terms of trade with channel partners. The acquisition has also diversified its product offering with addition of food business along with beverages. All the brands continue to enjoy strong market position in the geographies it operates in. Tata Sampann, though comparatively smaller, have the potential of expanding its portfolio into the health and wellness space to cater to evolving consumer needs.

TCP has witnessed robust growth in revenues during FY21 translating into strong cash accruals driven by its Indian beverages business. Nevertheless, Indian beverages segment margins were impacted by increasing tea prices and A&P investments leading to sequential decline every quarter in PBDIT margins of the company during FY21. However, cushioned by improvement in margins in other divisions viz. India Foods, International beverages, and non-branded business; overall PBDIT margins of the company for FY21 remained in line with FY20.

Overall financial risk profile continues to remain strong driven by low debt levels, healthy capital structure and debt coverage indicators. TCPL's liquidity profile continues to remain superior with negative net debt position and largely unutilized sanctioned WC limits. The rating continues to positively factor in TCPL being part of Tata group driven by established and experienced management, company's long and established track record in branded tea industry with dominant market position in both the domestic and international market place, its established presence in other beverages segment across geographies with strong brand portfolio. Over the years, company has also been entering into new product categories to keep pace with changing consumer preferences. These rating strengths far outweigh the risk arising out of commodity and currency fluctuation risks which the company's operations are exposed to. CARE also takes note of continuing business restructuring efforts being undertaken by the company on its International business front leading to exiting its coffee business in Australia and foodservice business in US.

**Rating Sensitivities**

*Positive Factors- Factors that could lead to positive rating action/upgrade*

- Not Applicable

*Negative Factors- Factors that could lead to negative rating action/downgrade*

- Large debt funded acquisition impacting earnings accretion and the liquidity of the company

**Detailed description of the key rating drivers**
**Key Rating Strengths**

**Continuing strong growth in income and earnings:** Led by growth in all segments, company's revenue grew by 20% in FY21 over FY20 with India beverages recording growth of 36% during the year. Acquired India food business during FY20, reported revenue and volume growth of 18% and 11% respectively during FY21 over FY20. International beverages and non-branded segments recorded growth of 8% and 15% respectively during the same period. Consolidated group profit almost doubled from Rs. 460 crore in FY20 to Rs. 930 crore in FY21 driven by strong operational performance and absence of high exceptional expenses during FY20, comprising of impairment of goodwill and merger & integration costs relating to the India Foods business. Nevertheless, increasing tea prices during FY21 has impacted India beverages segment's PBDIT margins which declined from 15.6% in FY20 to 12.3% in FY21. This along with increased spending on advertisement & promotion has also led to decline in PBDIT margins of the company sequentially on q-o-q basis in FY21. However, all other segments reported improvement in margins which negated the impact of India beverages resulting in similar FY21 PBDIT margins vis-à-vis FY20. Stabilization of tea prices in recent months is likely to protect the division's margins, going forward.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

Continuing strong cash accrual generation has maintained the liquidity at superior levels leading to negative net debt position. Meanwhile, RoCE continue to remain low impacted by recent acquisition of food business, benefits of which is yet to accrue and performance of its international business, though it had seen improvement post restructuring efforts.

**Part of Tata group with strong leadership:** Tata Group is one of the largest conglomerates having global presence and combined turnover of USD 106 bn during FY20. TCPL is one of the leading domestic players and second largest global player in branded tea industry and a key Tata Group company. Tata Sons Limited, the principle investment holding company and promoter of Tata group together with its promoter group companies holds 34.68% shares in TCPL.

TCPL is ably supported by strong and established leadership team. Mr. N. Chandrasekaran, Chairman of TCPL is also Chairman of Board of Tata Sons (since January 2017). He also chairs the boards of several group companies, including Tata Steel, Tata Motors, Tata Power, Indian Hotels and Tata Consultancy Services (TCS) — of which he was Chief Executive from 2009-17. Overall, company's Board of Directors comprises of 8 directors including 4 independent directors.

**Well established brand portfolio and geographic presence:** Company's product portfolio comprises of globally known brands including Tetley, Tata Tea, Tata Salt, Eight O Clock having strong brand recall value. Tata Tea continues to enjoy market leadership position in the category by volume in India. Tetley, international tea brand of group, holds #1 and #3 position in Canada and UK respectively. Tata Salt (acquired from Tata Chemicals) also commands higher market share among peers in India. By geography India Beverages accounted for 40% of income in FY21, India Foods 21% and International Beverages accounting for 30%. Plantation and extraction business constituted the balance. Company's branded portfolio is supported by well-developed distribution network with a reach of 2.4 million outlets.

In tea segment, TCPL was pre-dominantly into black tea segment. As such regular black tea continues to be the largest category share in the overall global tea market, but it has been witnessing slow/ declining growth across markets. Non-black tea (Fruit and Herbal, Specialty, Decaf, Cold infusions etc.) is witnessing strong growth in international markets, led by shift in consumer preference for health and wellness products. TCPL has been able to leverage its strong brand with premiumisation and innovation into new product categories to keep pace with changing consumer preferences.

#### **Key Rating Weaknesses**

**Exposure to commodity and currency risk:** TCPL's profitability is susceptible to volatile commodity prices, notwithstanding TCPL's ability to limit the impact as demonstrated over the years with strategies in place for procurement and hedging. TCPL manages sourcing of tea through auctions and from private producers. Risk associated with coffee is hedged through various available structures. Further, TCPL having operations in various geographies is exposed to foreign currency risk which is managed through forwards and option contracts under Board approved hedging policies.

#### Liquidity: Strong

Company's liquidity indicators are strong supported by stable cash accruals and high cash balances and liquid investments. Company continues to maintain robust liquidity with cash and cash equivalent of more than Rs. 3300 crore on consolidated basis as on March 31, 2021 (on standalone basis, close to Rs. 1900 crore) and maintains negative net debt position.

**Analytical approach:** Consolidated approach taken due to strong operational, managerial and financial linkages between TCPL and its subsidiaries. List of subsidiaries/JVs/associates are provided in Annexure 4.

#### **Applicable Criteria**

[Rating Methodology- Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology: Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Policy on Default Recognition](#)

[Financial ratios- Non Financial Sector](#)

[Liquidity Analysis for Non-Financial Sector Entities](#)

#### **About the Company**

Tata Consumer Products Limited (TCPL; erstwhile Tata Global Beverages Limited), a Tata Group company is the second largest branded tea player in the world with growing interest in coffee and water and brand presence in over 40 countries across Europe, Russia, Middle East, South Asia and Africa.

TCPL's business is classified into Branded and non-branded segment. Branded segment consists of Tea, Coffee and water in various value added forms. Non branded segment consists of Plantation and extraction business of tea, coffee and other produce.

During Feb'20, erstwhile Tata Global Beverages Limited completed the acquisition of consumer food business of Tata Chemicals Limited (with appointed date of April 1, 2019), consequent to which company's name is changed to Tata Consumer Products Limited.

**Covenants of rated instrument / facility:** Not Applicable. Company has not raised CP in past 3 years

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)
Total operating income	9637	11602
PBDIT	1310	1569
PAT	460	930
Overall gearing (times) @	0.26	0.23
Interest coverage (times)	14.92	20.53

A: Audited | @ excluding lease liabilities created under Ind As 116.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable.

**Rating History for last three years:** Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Short Term Instruments-Commercial Paper	-	-	-	7-365 days	715.00	CARE A1+

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Short Term Instruments-Commercial Paper	ST	715.00	CARE A1+	-	1)CARE A1+ (07-Jul-20)	1)CARE A1+ (05-Jul-19) 2)CARE A1+ (24-May-19)	1)CARE A1+ (28-Dec-18)

#### Annexure 3: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Short Term Instruments-Commercial Paper	Simple

#### Annexure 4: List of Subsidiaries and Associates/JVs considered for consolidation

##### Subsidiaries

Sl no	Name of Entry	Effective ownership %
1	Tata Consumer Products UK Group Ltd.(formerly Tata Global Beverages Holdings Ltd.)	89.10
2	Tata Global Beverages Holdings Ltd.	89.10
3	Tata Global Beverages Services Ltd.	89.10
4	Tata Consumer Products GB Ltd. (Formerly Tata Global Beverages GB Ltd.)	89.10
5	Tata Consumer Products Overseas Holdings Ltd. (Formerly Tata Global Beverages Overseas Holdings Ltd.)	89.10
6	Tata Global Beverages Overseas Ltd.	89.10
7	Lyons Tetley Ltd.	89.10
8	Drassington Ltd.	89.10
9	Teapigs Ltd.	89.10
10	Teapigs US LLC	89.10
11	Stansand Ltd.	89.10
12	Stansand (Brokers) Ltd.	89.10
13	Stansand (Africa) Ltd.	89.10

14	Stansand (Central Africa) Ltd.	89.10
15	Tata Consumer Products Polska sp.zo.o (Formerly Tata Global Beverages Polska sp.zo.o)	89.10
16	Tata Consumer Products US Holdings Inc. (Formerly Tata Global Beverages US Holdings Inc.)	89.10
17	Tetley USA Inc.	89.10
18	Empirical Group LLC (upto March 31, 2021)	-
19	Tata Waters LLC	89.10
20	Good Earth Corporation	89.10
21	Good Earth Teas Inc.	89.10
22	Tata Consumer Products Canada Inc.(Formerly Tata Global Beverages Canada Inc.)	89.10
23	Tata Consumer Products Australia Pty Ltd. Formerly Tata Global Beverages Australia Pty Ltd.)	89.10
24	Earth Rules Pty Ltd	89.10
25	Tata Global Beverages Investments Ltd.	89.10
26	Campestres Holdings Ltd.	89.10
27	Kahutara Holdings Ltd.	89.10
28	Suntycyco Holding Ltd.	89.10
29	Onomento Co Ltd.	89.10
30	Coffee Trade LLC (Liquidated on 9 <sup>th</sup> April, 2020)	-
31	Tata Consumer Products Capital Ltd. (Formerly Tata Global Beverages Capital Ltd.)	100.00
32	Tata Coffee Ltd.	57.48
33	Tata Coffee Vietnam Company Ltd.	57.48
34	Consolidated Coffee Inc.	78.70
35	Eight O'Clock Holdings Inc.	78.70
36	Eight O'Clock Coffee Company.	78.70
37	Tata Tea Extractions Inc.	100.00
38	Tata Tea Holdings Private Ltd.	100.00
39	NourishCo Beverages Ltd. (w.e.f 18 <sup>th</sup> May'2020)	100.00
40	Tata Consumer Soufull Private Ltd. (Formerly Kottaram Agro Foods Private Ltd.) (w.e.f 17 <sup>th</sup> February'2021)	100.00

**Associates/JV**

SI no	Name of Entry	Effective ownership %
1	Amalgamated Plantation Private Limited	41.03%
2	Kanan Devan Hill Plantation Company Pvt. Ltd.	28.52%
3	TRIL Constructions Limited	32.50%
4	NourishCo Beverages Ltd. (upto 17 <sup>th</sup> May, 2020)	-
5	Tata Starbucks Private Ltd.	50%
6	Southern Tea, LLC (Upto 31 <sup>st</sup> March 2021)	-
7	Tetley ACI (Bangladesh) Ltd.	50%
8	Tetley Clover (Pvt.) Ltd. (under liquidation)	50%
9	Joekels Tea Packers (Proprietary) Ltd.	51.70%

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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