

Tata Consumer Products Limited

January 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Short-term instruments – CP/Short-term loan	1,500.00 (Enhanced from 715.00)	CARE A1+	Reaffirmed
Commercial paper	-	-	Withdrawn
Short-term instruments – CP/Short-term loan	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of rating assigned to the commercial paper (CP) instrument of Tata Consumer Products Limited (TCPL) continues to factor in its strong business profile with well-established brands and the dominant market position across geographies. Over the years, TCPL has been foraying into new product categories to keep pace with the changing consumer preferences through new product launches and strategic acquisitions. The company acquired Capital Foods Private Limited (75% shareholding) in FY24 and Organic India Private Limited (100% shareholding) in FY25 leading to addition of three new brands, Ching's Secret, Smith & Jones, and Organic India to the portfolio. The total operating income (TOI) (on consolidated basis) grew by 10% to ₹15,206 crore in FY24 largely driven by growth in branded business. The rating continues to positively factor in TCPL being part of the Tata group, driven by an established and experienced management; TCPL's long and established track record in the branded tea industry with a dominant market position in both the domestic and international marketplace; and its established presence in the other beverages segment across geographies, with a strong brand portfolio, and the market leadership position in branded salt in India. The company's overall financial risk profile is expected to remain strong in the long term, driven by low debt levels, healthy capital structure, and strong debt coverage indicators. These rating strengths far outweigh the risks arising out of commodity and currency fluctuations, which the company's operations are exposed to.

CARE Ratings Limited (CARE Ratings) has also withdrawn the rating assigned to the CP instrument of ₹3,000 crore, which was for the purpose of bridge financing taken for its recent acquisitions and was fully redeemed on September 6, 2024 to the extent of ₹2,940 crore that was issued. The above action has been taken at the request of TCPL and on the receipt of the letter issued by Issuing & Paying Agent (IPA).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors – Not applicable

Negative factors

- Large debt-funded acquisition impacting earnings accretion and the liquidity of the company and resulting in net debt to profit before interest, lease rentals, depreciation, and taxation (PBILDT) increasing more than 1x on a sustained basis.

Analytical approach: Consolidated

The consolidated approach is considered due to the strong operational, managerial, and financial linkages between TCPL and its subsidiaries. The list of subsidiaries, joint ventures (JVs), and associates which have been consolidated are provided in Annexure-6.

Outlook: Not applicable

Detailed description of key rating drivers:

Key strengths

Ability to consistently achieve sales growth while maintaining profitability levels

The company has been able to generate consistent growth in its topline with a compounded annual growth rate (CAGR) of 12% (FY20-FY24), while maintaining the PBILDT margins in the 13.3%-15% range for the past three years. In FY24, TCPL's TOI grew by 10% to ₹15,206 crore largely driven by growth in branded business. India Branded business grew by 12% driven by growth in core business of tea and salt and continuing momentum in growth businesses, such as Ready to Drink, Tata Sampann, and Tata Soulfull. Growth in core business was driven by volume growth aided by increased distribution and continued focus on driving premiumisation across both tea and salt category. Tea business growth was muted mainly due to heightened competition considering re-emergence of the regional/local players. Growth business which includes Tata Sampann, Tata Soulfull, Ready to

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Drink, Ready to Eat, and Capital Foods continued to grow ahead of the core business, and overall contribution to India business has increased from 15% to 19%. International business revenue, despite softness in tea category, high competition intensity and supply disruptions, grew by 9% aided by price increases across markets and full year benefits of Joekels and Bangladesh, which were converted into subsidiaries in the later part of the previous year. Non-branded business grew by 5% primarily led by higher price realisation in the Solubles business (Tea and Coffee extractions).

On account of the aforementioned, TCPL witnessed improvement in overall profitability with consolidated PBILDT growth of 23% and margin expansion of 155 bps to 15% in FY24. The international business PBILDT margin expanded mainly driven by pricing interventions, and savings from restructuring. PBILDT margin for the non-branded business expanded due to better realisations in coffee. Profit before tax (PBT) (before exceptional items) grew owing to revenue growth and expansion in PBILDT margins. India business margin improvement was driven by higher gross margin partly offset by higher investment behind brands. International business witnessed significant margin improvement and higher investment behind brands/new launches. Improvement was led by full year impact of price increases, restructuring/integration benefits, and easing of inflationary pressures. Non-branded business margins improved significantly in FY24 considering higher realisation and improved mix of value-added products in the soluble business and favourable fair valuation impact in coffee plantations, led by the steep incline in the Robusta coffee prices. The PAT margin improved and stood at ~8.0% in FY24 against ~9.6% in FY23, in absolute terms, the PAT level was lower by 8% due to higher exceptional costs and subdued performance in joint venture (JV) and associates partly offset by lower tax expense driven by one-time credit in overseas subsidiaries. The exceptional items mainly represent costs relating to scheme of arrangement and acquisition, asset write-down, fair value loss on financial instruments, and past service costs relating to overseas pension. Going forward, per CARE Ratings' estimates, the company is expected to grow by 13%-15% while maintaining stable PBILDT%.

Comfortable credit risk profile

TCPL's financial risk profile is marked by increasing income and cash accrual levels aided by organic and inorganic growth, strong net worth base, and healthy cash and liquid investment balance. TCPL had healthy cash accruals of ₹1,518 crore in FY24 and liquid investments amounting to ₹2,877 crore (mainly invested in deposits and mutual funds) as on March 31, 2024. Overall gearing as on March 31, 2024, stood at 0.20x against 0.09x as on March 31, 2023. The increase in short-term debt due to the bridge finance availed for the recent acquisition resulted in overall increase in debt levels as on March 31, 2024. Nevertheless, overall gearing is expected to improve going forward as the short-term debt has been paid off with the funds raised through rights issue. Interest coverage ratio stood strong at 18x in FY24 aided by strong profitability. In the absence of any major debt-funded capex, overall gearing and coverage ratios are expected to remain at comfortable levels.

Well-established brand portfolio and geographic presence

TCPL has well-established products across different categories and geographies. Its product portfolio consists of globally known brands, including Tetley, Tata Tea, Teapigs, Tata Salt, and Eight O Clock, having strong brand equity. Tata Tea continues to be one of the market leaders in the tea category in India. Tetley, the international tea brand of the group, is the third-largest tea brand in the UK and the largest tea brand in Canada. In the India food segment, Tata Salt commands the highest market share among its peers, while Tata Sampann and Tata Soufull are leading brands in the pulses and millets-based breakfast cereal and snack brands, respectively. In liquid beverages, TCPL owns the Himalayan, Tata Copper, Fruski, and Tata Gluco+ brands. It also operates Tata Starbucks cafes, which is a JV, with 457 stores across 70 cities in India as on September 30, 2024. Also, with recent acquisitions of Capital Foods and Organic India, it has entered the organic packaged food, desi Chinese sauce, and ginger garlic paste segments.

Overall, in FY24, the India beverages segment accounted for 36% of the revenue, India foods accounted for 28%, and international beverages accounted for 26%. The balance 10% was constituted by the non-branded segment, including the plantation and extraction of tea and coffee business. The company's branded portfolio in India is supported by well-developed network of 10,000+ Channel partners (including distributors and sub-distributors). The company has rapidly expanded its distribution network, growing 3x from ~ 0.5 million outlets in direct reach in 2020 to 1.6 million outlets currently. E-commerce grew by 35% and contributed 11% of India business sales in FY24. The company has been launching new products to keep pace with the changing consumer preferences through new product launches and strategic acquisitions. TCPL has scaled innovation and the innovation to sales ratio for India improved from 3.4% in FY23 to 5.1% of sales in FY24. Also, TCPL has completed the integration of Capital Foods and Organic India and has successfully increased the distribution footprint of both these brands.

Part of the Tata group with a strong leadership team

The Tata group, established by Jamshedji Tata in 1868, is a global enterprise, headquartered in India, comprising 30 companies across 10 verticals. The group operates in more than 100 countries across six continents. Tata Sons Private Limited, the principal investment-holding company and promoter of the Tata group, together with Tata Investment Corporation Limited, holds a 33.34% share in TCPL as on September 30, 2024. The board of directors of TCPL consists of four independent directors, one non-independent director, and three directors. N Chandrasekaran, Chairman of TCPL, is also the Chairman of the 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 the Chief Executive from 2009-17. The board of directors is backed by an experienced top management team consisting of Sunil Dsouza, Managing Director, and Asish Goenka, Group Chief Financial Officer. With over 27 years of rich experience, Sunil Dsouza has a strong domain knowledge of the consumer products business, with distinct focus on strategy, growth, and execution.

Key weakness

Exposure to commodity and currency risk

TCPL is exposed to fluctuations in the prices of tea and coffee. TCPL manages the sourcing of tea through auctions and from private producers. TCPL manages commodity risk by actively managing the sourcing of tea and with the ability to implement price increases, when deemed necessary. The risks associated with coffee is hedged through various available structures. TCPL's profitability is susceptible to the volatile commodity prices (tea and coffee), notwithstanding TCPL's ability to limit the impact, as demonstrated over the years, with strategies in place for procurement and hedging. TCPL, having operations in various geographies, is exposed to the foreign currency risk, which is managed through forwards and option contracts under the board-approved hedging policies.

Liquidity: Strong

Liquidity is marked by stable gross cash accruals (GCA) to the tune of ₹1,518 crore as on March 31, 2024. TCPL has cash and liquid investments to the tune of ₹2,877 crore (consolidated level) as on March 31, 2024 and ₹2,521 crore as on September 30, 2024. With a gearing of 0.20x as on March 31, 2024, the company has sufficient gearing headroom, to raise additional debt for its capex if any. It has repaid the short-term debt availed for the acquisitions in FY24 with the funds raised through rights issue amounting to ₹2,997.77 crore. In FY25, per CARE Ratings' estimates, the company is expected to generate GCA of ~₹1,800-1,900 crore. Further, the company has ₹562 crore of sanctioned working capital limits which remains unutilised to the extent of 70-75%, hence providing the company additional liquidity. Also, TCPL intends to inject more funds into Vietnam via opening a new freeze-dried coffee facility there. The total project cost is expected to be ~₹450 crore, which shall be funded via a mix of term loans and internal accruals.

Assumptions/Covenants- Not applicable

Environment, social, and governance (ESG) risks

Environment:

Since TCPL has a healthy dependence on agricultural commodities, like tea and coffee, agro climatic conditions have a significant impact on the financials of the company. On one hand, it will impact the input prices and on the other it will impact the rural demand for its other products. The other environmental factors having an impact on fast-moving consumer goods (FMCG) companies are the eco-friendly packaging and carbon emissions. The company's environmental targets include the following: Net zero by 2040, water neutral, zero waste to landfill and 100% packing material to be recyclable, compostable or reusable across geographies by 2030.

Social:

Social risks include product safety, new avenues of growth in health & nutrition and prioritising employee safety. In terms of product safety, the company has established company-wide quality assurance programme and in terms of nutrition content, the company has been introducing innovative products focusing on the health and wellness of its consumers. TCPL prioritises employee health and wellbeing and takes numerous measures to provide a safe working environment.

Governance:

Governance remains a universal concept affecting all the companies. TCPL has obtained certificate regarding compliances of mandatory conditions of the Corporate Governance per the relevant regulations. The company's past track record and ongoing commitment towards high governance mitigates the associated risks to a great extent.

TCPL has identified product stewardship, access to nutrition, circular economy, and consumer connect as its top ESG priorities.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Diversified FMCG	Diversified FMCG

TCPL, a Tata group company, is among the top 10 FMCG companies in India, with a portfolio of offerings in foods and beverages. The company's portfolio of products includes tea, coffee, water, Ready-To-Drink, salt, pulses, spices, Ready-To-Cook and Ready-To-Eat offerings, breakfast cereals, and snacks. The company owns brands, including Tata Tea, Tata Salt, Tetley, Eight O'Clock Coffee, and Himalayan Water and new-age brands, including Tata Sampann, Teapigs, Good Earth, Tata Copper Plus, Ching's Secret, Tata Gluco Plus, Smith & Jones, Organic India, Tata Soufull, and Ready-To-Eat (Tata Sampann Yumside and internationally Tata RAASA). It is the second-largest branded tea player globally and houses the largest salt brand in India and is expanding its portfolio into other product categories like pantry staples, snacks, Ready-To-Eat, Ready-To-Drink and Ready-To-Cook products, breakfast cereals, protein, and supplements. Recently, TCPL acquired 75% stake in Capital Foods Private Limited and 100% stake in Organic India Private Limited, leading to addition of three new brands, Ching's Secret, Smith & Jones, and Organic India to the portfolio. It has a brand presence in over 49 countries across USA, Canada, Europe, Russia, the Middle East, South Asia, and Africa.

Brief Consolidated Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	13,783	15,206	8,567
PBILDT	1,856	2,284	1,294
PAT	1,320	1,215	656
Overall gearing (times)	0.09	0.20	NA
Interest coverage (times)	21.30	17.60	6.73

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper- Commercial Paper (Standalone)	-	-	-	6-Sep-24	0.00	Withdrawn
Short Term Instruments- CP/ Short Term loan	-	-	-	-	0.00	Withdrawn
Short Term Instruments- CP/ Short Term loan	INE192A14721	13-Dec-24	7.17%	11-Feb-25	200.00	CARE A1+
Short Term Instruments- CP/ Short Term loan	INE192A14739	17-Dec-24	7.19%	14-Feb-25	100.00	CARE A1+
Short Term Instruments- CP/ Short Term loan	Proposed	-	-	7-365 days	1200.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Short Term Instruments-CP/ Short Term loan	ST	1500.00	CARE A1+	-	1)CARE A1+ (23-Jan-24) 2)CARE A1+ (25-Jul-23)	1)CARE A1+ (04-Aug-22)	1)CARE A1+ (05-Aug-21) 2)CARE A1+ (06-Jul-21)
2	Commercial Paper- Commercial Paper (Standalone)	ST	-	-	-	1)CARE A1+ (23-Jan-24)	-	-
3	Short Term Instruments-CP/ Short Term loan	ST	-	-	-	1)CARE A1+ (23-Jan-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities - Not applicable
Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Short Term Instruments-CP/ Short Term loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

S.No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Tata Consumer Products UK Group Limited	Full	Subsidiary
2	Tata Global Beverages Holdings Limited	Full	Subsidiary
3	Tata Global Beverages Services Limited	Full	Subsidiary
4	Tata Consumer Products GB Limited	Full	Subsidiary
5	Tata Consumer Products Overseas Holdings Limited	Full	Subsidiary
6	Tata Global Beverages Overseas Limited	Full	Subsidiary
7	Lyons Tetley Limited	Full	Subsidiary
8	Drassington Limited	Full	Subsidiary
9	Teapigs Limited	Full	Subsidiary
10	Teapigs US LLC	Full	Subsidiary
11	Stansand Limited	Full	Subsidiary
12	Stansand (Brokers) Limited	Full	Subsidiary
13	Stansand (Africa) Limited	Full	Subsidiary
14	Stansand (Central Africa) Limited	Full	Subsidiary
15	Tata Global Beverages Polska sp.zo.o	Full	Subsidiary
16	Tata Consumer Products US Holdings Inc.	Full	Subsidiary
17	Tata Consumer Products US Inc. (Formerly Tetley USA Inc.)	Full	Subsidiary
18	Tata Waters LLC (upto June 30, 2024)	Full	Subsidiary
19	Good Earth Corporation (upto June 30, 2024)	Full	Subsidiary
20	Good Earth Teas Inc. (upto June 30, 2024)	Full	Subsidiary
21	Tata Consumer Products Canada Inc.	Full	Subsidiary
22	Tata Consumer Products Australia Pty Limited	Full	Subsidiary
23	Earth Rules Pty Limited (Liquidated w.e.f . December 22, 2023)	Full	Subsidiary
24	Tata Global Beverages Investments Limited	Full	Subsidiary
25	Campestres Holdings Limited (Liquidated w.e.f . February 16, 2024)	Full	Subsidiary
26	Kahutara Holdings Limited (Liquidated w.e.f . February 16, 2024)	Full	Subsidiary
27	Suntycy Holding Limited	Full	Subsidiary
28	Onomento Co Limited	Full	Subsidiary
29	Tata Consumer Products Capital Limited	Full	Subsidiary
30	Capital Foods Private Limited ((w.e.f February 01, 2024)	Full	Subsidiary
31	Tata Coffee Vietnam Company Limited	Full	Subsidiary
32	Consolidated Coffee Inc.	Full	Subsidiary
33	Eight O'Clock Holdings Inc. (upto June 30, 2024)	Full	Subsidiary
34	Eight O'Clock Coffee Company (upto June 30, 2024)	Full	Subsidiary
35	Tata Tea Extractions Inc.	Full	Subsidiary
36	Tata Tea Holdings Private Limited	Full	Subsidiary
37	TRIL Constructions Limited	Full	Subsidiary
38	Tata Coffee Limited (Formerly TCPL Beverages & Foods Limited)	Full	Subsidiary
39	Joekels Tea Packers (Proprietary) Limited	Full	Subsidiary
40	Tata Consumer Products Bangladesh Limited (Formerly Tetley ACI (Bangladesh) Limited) (converted from JV to Subsidiary on February 9, 2023)	Full	Subsidiary
41	Organic India Private Limited (on April 16, 2024)	Full	Subsidiary
42	Organic India USA LLC (on April 16, 2024)	Full	Subsidiary

43	Tata Starbucks Private Limited	Proportionate	Joint venture
44	Tetley Clover (Pvt) Limited (under liquidation)	Proportionate	Joint venture
45	Amalgamated Plantations Private Limited	Proportionate	Associate
46	Kanan Devan Hills Plantation Company Private Limited	Proportionate	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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