

Tata Consumer Products Q4FY21

Financial Results & Highlights

Brief Company Introduction

Tata Consumer Products Limited (formerly Tata Global Beverages) is an Indian multinational non-alcoholic beverages company headquartered in Kolkata, West Bengal, India and a subsidiary of the Tata Group. It is the world's second-largest manufacturer and distributor of tea and a major producer of coffee.

Tata Consumer Products markets tea under the major brands Tata Tea, Tetley and Good Earth Teas. Tata Tea is the biggest-selling tea brand in India, Tetley is the biggest-selling tea brand in Canada and the second-biggest-selling in United Kingdom and United States.

In 2012, the company ventured into the Indian cafe market in a 50/50 joint venture with Starbucks Coffee Company. The coffee shops branded as "Starbucks Coffee - A Tata Alliance" source coffee beans from Tata Coffee, a subsidiary company of Tata Consumer Products.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1879	1352	38.98%	1988	-5.48%	7287	5808	25.46%
PBT	115	96	19.79%	176	-34.66%	836	729	14.68%
PAT	82	71	15.49%	136	-39.71%	620	524	18.32%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	3080	2427	26.91%	3089	-0.29%	11723	9749	20.25%
PBT	198	-17	1265%	292	-32.19%	1311	809	62.05%
PAT	133	-50	366%	237	-43.88%	930	460	102.17%

Detailed Results:

1. The consolidated performance was good at 27% YoY growth in revenue and PAT was at Rs 133 Cr vs loss of Rs 50 Cr last year.
2. During FY21, Consolidated Revenue grew 20% YoY with consolidated Net Profit growth of 102% YoY.
3. The company saw growth in consolidated EBITDA of 20% YoY in FY21. EBITDA margins fell 260 bps YoY to 10.4%.
4. Overall, India's business grew 29% YoY with a volume growth of 12% in beverages & 11% in foods. The company has a cash position of Rs 2421 Cr.
5. Distribution points for tea rose 15% YoY and salt rose 11% YoY. TCPL is on track to reach 1 million direct outlets by Sep '21. E-commerce contribution has risen to 5.2% of sales vs 2.5% last year.

6. The India Beverages business showed revenue growth of 53% YoY & volume growth of 23% YoY in Q4. The business saw 32% YoY revenue growth in FY21 and a market share gain of 100 bps. Coffee Volume grew 19% YoY with revenue growth of 36% during FY21.
7. The India Foods business showed revenue growth of 22% YoY & volume growth of 21% YoY in Q4. Salt revenues grew 26% in Q4 with a market share gain of 180 bps in FY21. The value-added salt portfolio has grown 75% in FY21. Pulses grew 26% in FY21. Launched 5 products under Tata Sampann Ready to Cook (RTC) portfolio in Q4.
8. NourishCo had revenue of Rs 188 Cr in FY21 and saw 86% YoY revenue growth in Q4. Tata Water Plus sold 1.3 x volumes in FY21.
9. The Tata Coffee division saw value growth of 14% YoY in FY21 & 30% YoY in Q4. Plantations revenue grew 24% YoY and Extractions revenue grew 12% YoY in FY21. Vietnam plant now operating at near peak capacity.
10. In the Starbucks JV, the company saw a 14% YoY revenue growth in Q4 and a 33% revenue decline in FY21. Around 94% of stores are operational. 39 new stores and 7 new cities are added in FY21.
11. The UK tea business saw revenue growth of 2% YoY in FY21 & a revenue decline of 10% YoY in Q4. It maintained a market share of 20% in the everyday black tea segment. Teapigs revenue grew 18% YoY in FY21.
12. The USA coffee business saw a 9% & 3% YoY revenue growth in FY21 & Q4 respectively. The tea business saw revenue growth of 16% YoY in FY21.
13. In Canada, the company saw revenue growth of 15% & 6% YoY in FY21 & Q4 respectively. It maintained a market share of 29.3%.
14. The Board recommended a final dividend of Rs 4.05 per share for FY21.

Investor Conference Call Highlights

1. TCPL added about INR 2,000 crores to the top line in FY21.
2. Consolidated EBITDA for the year is also up 20%, with strong margin expansion in International and India Foods. India Beverages faced margin pressure due to inflation in raw tea prices.
3. TCPL is now at 2.4 million outlets in terms of total reach.
4. The company has added 2000 rural distributors in FY21.
5. Kanan Devan had a relaunch during the quarter. A&P spend in Q4 was up 18% YoY.
6. Q4 saw the relaunch of Tetley with Vitamin C & the pilot of Tata Tea Gold Care in some cities in the South.
7. TCPL also launched Tata Coffee Sonnets, its direct-to-consumer coffee product, & Tata Tea 1868, a range of gourmet tea, in Q4.
8. 100% of distributors are now online on the sales force and distributor management system.
9. TCPL has also gone live with its ERP system.
10. The company also launched thin poha & haldi doodh in Q4.
11. It launched a new brand called Fruski under NourishCo in Q4 which got good response in pilot cities of Hyderabad and Vijaywada.

12. TCPL is now realizing between INR 5 crores and INR 7 crores of monthly run-rate cost synergies alone.
13. The Soulfull integration should be done in the next 3 months.
14. The management states that TCPL has completed internal S&D integration and is now focused on adding outlets.
15. The major market share capture taking place across all segments is from the unorganized sector.
16. Although Sampann growth has tapered in H2, the management has stated that it has been finetuning this business and the segment should come back to high growth soon.
17. The company has still not passed on the entire price increase in tea to the consumers and it will do so on steps going forward if tea prices do not come down.
18. Although there is a capacity constraint for salt from Tata Chemicals, the company is increasing its capacity to align with the growth expectations of TCPL.
19. The management expects tea prices to moderate as the hyperinflation last year was mainly on account of lockdown and bad weather in July.
20. Despite the drought-like condition in April in Assam, the management is confident of prices normalizing for tea going forward.
21. The opportunity size of the pulses market is Rs 1.5 lac Cr.
22. The BigBasket acquisition by Tata Sons should provide the opportunity to leverage synergies and work closely for TCPL.
23. The pulses business is seen as a very high-volume opportunity at a decent margin today by the management. The management hopes to convert the decent margin to a high margin over the years with its enhanced brand value to be able to weather RM price volatility.
24. The concept behind Fruski is Indianized juice variants or street drinks for ready consumption.
25. The dividend in FY21 is at 405% vs 270% last year.
26. The company has been able to reduce days of sales from 59 to 42 with the digitization of the supply chain.
27. According to the management, Sampann, both pulses, spices, and nutrimixes are significantly underleveraged in the overall GT distribution system and thus there is big room for market capture & distribution expansion here for these products.
28. The short-term slowdown in the modern trade channel is being mitigated by the growth in the e-commerce channel for TCPL.

Analyst's View:

Tata Consumer Products has a very good product portfolio in diverse F&B segments and strong brands like Tata Tea under its umbrella. The company has seen good growth in both value and volume terms across all segments, especially in the tea and salt businesses in both Q4 & FY21. It has also been able to complete almost all of the internal integration and is now focussing on expanding the reach. The long-term growth runway for both Sampann and nutrimixes remains intact, especially given its underrepresentation in the general trade channel. The margins in the tea business have remained subdued due to high RM costs but the management expects it to come down going forward. It remains to be seen how the company's tea prices affect TCPL's margins going forward and how the company will fare against other branded players like ITC in the fast-rising branded staples category. Nonetheless, given the company's leadership position in its top brand segments, its enhanced distribution reach after the merger, and the incoming synergies and benefits from integration, Tata Consumer Products remains a good FMCG stock to watch out for.



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