

Reco/View: **BUY**

 CMP: **Rs. 1,159**

 Price Target: **Rs. 1,425**
TATA CONSUMER PRODUCTS
STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Consumer Goods

COMPANY DETAILS

Market cap:	Rs. 1,14,674 cr
52-week high/low:	Rs. 1,221/934
NSE volume: (No of shares)	12.4 lakh
BSE code:	500800
NSE code:	TATACONSUM
Free float: (No of shares)	65.5 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	33.8
FII	23.0
DII	23.5
Others	19.7

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-4.3	-2.7	10.1	13.2
Relative to Sensex	-2.5	-3.0	6.3	6.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Quick Snapshot

- TCPL's Q3FY26 numbers were good with revenue/adjusted PAT rising 15%/23% y-o-y, respectively. OPM rose by 139 bps y-o-y to 14.1%. Growth was driven by sustained momentum across core and growth businesses.
- Core business (tea/salt) to post 5-9% growth, while growth businesses' (~30% of portfolio) guidance was maintained at 30% growth in the near term.
- Go-To-Market (GTM) transformation launched to improve focus on growth businesses and reduce dominance of tea/salt categories.
- Stock trades at 74x/61x/53x its FY26E/FY27E/FY28E EPS, respectively. We maintain a Buy with an unchanged PT of Rs. 1,425.

Result overview

- Revenues grew 15% y-o-y to Rs. 5,112 crore, slightly better than our expectations. India beverage business' revenues grew by 7% y-o-y (packaged beverages volumes grew 3%), foods business grew by 19% y-o-y (volume growth of 16%), international/non-branded business grew by 11%/20% y-o-y on CC terms, respectively.
- Growth businesses recorded robust growth of 29% y-o-y and surpassed Rs. 1,000 crore in quarterly revenues.
- Gross margin and OPM rose 170 bps and 139 bps y-o-y to 42.8% and 14.1%, respectively driven by a recovery in India business' margins led by tea cost moderation, while non-branded and international business margins fell y-o-y.
- Operating profit grew by 27.6% y-o-y to Rs. 721 crore and adjusted PAT increased by 23.1% y-o-y to Rs. 403 core, in line with our expectation.
- Innovation pipeline remained strong with 15 product launches during the quarter.
- 9MFY26 revenue grew by 14.2% y-o-y to Rs. 14,857 crore, OPM declined 83 bps y-o-y to 13.5% and adjusted PAT grew by 15.4% y-o-y to Rs. 1,182 crore.

Our Call

With the right strategies in place, the India beverage business is expected to see an uptick in performance in the medium term. Bridging the portfolio gap through acquisitions and portfolio expansion will help the India Foods business to post consistent double-digit growth going ahead. Focus on distribution expansion, innovation, and scaling up of newly acquired businesses will help TCPL post better performance in the coming years. Stock trades at 74x/61x/53x its FY26E/FY27E/FY28E EPS, respectively. We maintain a Buy rating with an unchanged PT of Rs. 1,425.

Key Risks

Slowdown in demand or a further rise in raw tea or coffee prices would act as a risk to our earnings estimates.

Valuation (Consolidated)

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	15,206	17,618	20,011	21,590	23,279
OPM (%)	15.0	14.1	14.0	14.6	15.1
Adjusted PAT	1,457	1,372	1,545	1,874	2,148
Adjusted EPS (Rs.)	15.3	13.9	15.6	18.9	21.7
P/E (x)	75.8	83.6	74.2	61.2	53.4
P/B (x)	6.9	5.7	5.6	5.3	4.9
EV/EBIDTA (x)	49.2	46.4	41.4	36.3	32.2
RoNW (%)	9.5	8.1	8.0	9.3	10.1
RoCE (%)	9.6	8.6	8.8	10.1	11.2

Source: Company; Mirae Asset Sharekhan estimates

Concall highlights

- **India Beverages (Packaged Beverages, Ready-to-Drink (RTD), and Organic India)**
 - o Revenues grew 7% y-o-y to Rs. 1,620 crore
- **India packaged beverages business**
 - o Revenue grew 3% y-o-y, with 3% volume growth.
 - o India tea delivered a 3% growth as the benefit of lower input costs were passed on to consumers.
 - o Tea's value market share declined by 70 bps.
 - o Margins continued to improve and were back to normal operating levels.
 - o Coffee continued its robust performance, with revenue growth of 40%.
- **Ready-to-drink (RTD)**
 - o Revenues grew by 26% y-o-y to Rs. 199 crore, led by strong volume growth of 27%.
 - o Tata Copper+ maintained its strong performance with 31% growth.
 - o RTD Coffee & Tea delivered robust performance, scaling up rapidly.
 - o Tetley entered the RTD tea segment with two differentiated launches – Tetley Green Tea Slimcare and Tetley Fruit Tea.
- **India foods business**
 - o Revenue grew 19% y-o-y to Rs. 1,655 crore led by 16% y-o-y volume growth.
 - o Salt revenue grew 14%, backed by a strong 15% volume growth driven by targeted consumer and trade promotions in specific geographies.
 - o Salt value market share rose by 40 bps.
 - o Tata Himalayan Rock Salt Crystal was launched, strengthening its presence in the high-growth rock salt category.
 - o Tata Sampann delivered 45% y-o-y growth, with new launches and innovations continuing to perform strongly. The management indicated that Sampann has reached double-digit margin and targets ~15% margin in the near to medium term.
 - o Tata Simply Better entered the flavoured dry fruits and nuts segment with innovative single-serve packs.
- **Capital Foods and Organic India**
 - o Capital Foods/Organic India revenue grew by 10%/26% y-o-y to Rs. 237 crore/Rs. 117 crore, with combined growth of 15% y-o-y (including international operations).
 - o Combined gross margin at 48% for Q3 continues to remain significantly accretive to the base India businesses.
 - o Capital Foods' exports to the US were impacted by tariff-led uncertainty.
 - o Pace of innovation for Capital Foods and Organic India remains strong with launches across categories. Capital Foods launched Ching's Premium Soy sauces and a range of premium stir-fry sauces in Q3.
- **Growth businesses (Tata Sampann, RTD, Capital Foods and Organic India)**
 - o Revenue grew 29% y-o-y and surpassed Rs. 1,000 crore in quarterly revenue.
 - o Growth businesses accounted for 30% of the India business in Q3FY26.
 - o Growth was broad-based across businesses with strong performances from Tata Sampann, RTD, Organic India, and vending.
 - o Guidance maintained at 30% growth in the near term led by low penetration, strong category tailwinds, and expanding distribution.
- **Tata Starbucks**
 - o Revenues grew 7% y-o-y, with same-store sales growth (SSSG) of 3%.
 - o Tata Starbucks added 12 new stores (net) in Q3, mainly in metros and small cities, including new store formats, taking the total network to 504 stores across 81 cities at Q3FY26-end.
 - o Beverage collaborations with Baileys, continued innovation in the food program, and the enhanced Diwali gifting portfolio drove growth in Q3.

- **Non-branded business**

- o Revenue grew by 20% y-o-y (CC terms) to Rs. 547 crore.
- o Solubles business grew 34% y-o-y while plantations revenue declined 16% y-o-y.
- o Profitability remains in a healthy range, with margins being stable sequentially.

- **International business**

- o Revenue grew 11% y-o-y (CC terms) to Rs. 1,304 crore, led by strong coffee performance in the USA.
- o US: Delivered 31% y-o-y growth, driven by pricing actions taken to offset higher coffee costs. Eight O'clock continued to gain market share.
- o UK: Revenue stood flat y-o-y, with higher pricing offsetting a decline in everyday black volumes. Good Earth grew ahead of its category. TCPL's value market share in Everyday Black/Fruit & Herbal is 18.9%/10.0%.
- o Canada: Revenues fell 6% y-o-y, largely due to the timing of promotions in the base quarter. Tetley is the fastest growing brand in specialty tea.
- o International margins remain below normative levels as entire impact of the coffee cost increases have not passed through, normalisation expected in Q4.

- **Go-to-market (GTM)**

- o TCPL launched a GTM transformation pilot in eight cities to improve its focus on 'Growth' businesses in tea and salt dominant markets.
- o This is a material execution lever aimed at reducing core gravity (tea/salt dominance) and improving focus/throughput for growth categories, especially in metros where penetration of core categories is high.
- o The national rollout is underway across metros and larger cities through phased tranches. Business continuity has been maintained with minimal operational disruption. More than 270 distributors have been transitioned to the new GTM model (80% of target). Over 160 additional distributors have been onboarded across priority growth markets.
- o Company has optimized beat routes and servicing norms, aligned dispatch plans and auto-replenishment systems, and realigned the sales hierarchy.

- **Innovation**

- o Momentum on innovation continued across categories with focus on Health & Wellness, Convenience and Premiumization.
- o TCPL launched 15/55 new products in Q3/9MFY26.
- o Innovation-to-sales ratio currently stands at 4.8%, management expects it to cross 5% for FY26.

- **Commodities movement**

- o **Tea:** Prices in India remained stable even as the key tea plucking season passed last quarter. Kenyan tea prices remain rangebound.
- o **Coffee:** Arabica coffee prices continued their increasing trend seen at the end of Q2 before ending Q3 at lower prices. Average prices for Q3 were 37% higher y-o-y. Average Robusta coffee prices were 10% lower y-o-y in Q3.

- **Margins:**

- o India business' EBITDA grew 58% y-o-y with margins expanding 460 bps y-o-y.
- o International business' EBITDA declined 1% y-o-y (CC terms). EBITDA margin was 160 bps lower y-o-y led by adverse gross margin.
- o Non-branded business EBITDA declined 26% y-o-y (CC terms) with margin contracting 950 bps y-o-y due to reversal of fair value benefits.

Results (Consolidated)

Particulars	Rs cr				
	Q3FY26	Q3FY25	Y-o-Y (%)	Q2FY26	Q-o-Q (%)
Total Revenue	5,112.0	4,443.6	15.0	4,965.9	2.9
Raw material cost	2,925.2	2,618.4	11.7	2,876.3	1.7
Employee cost	434.5	378.0	15.0	406.7	6.8
Other expenses	1,031.6	882.4	16.9	1,011.1	2.0
Total operating cost	4,391.3	3,878.8	13.2	4,294.1	2.3
Operating profit	720.7	564.7	27.6	671.8	7.3
Other income	33.0	51.6	-36.0	38.0	-13.2
Interest & other financial cost	31.6	57.9	-45.4	33.2	-4.8
Depreciation	159.3	95.3	67.1	153.3	3.9
Profit Before Tax	562.8	463.1	21.5	523.3	7.5
Tax	141.7	118.1	20.0	126.2	12.2
Adjusted PAT before share of profit from associates/JV	421.1	345.0	22.0	397.1	6.1
Minority Interest (MI)/ Profit from associates	-18.3	-17.8	2.5	9.5	-
Adjusted PAT after MI	402.8	327.2	23.1	406.5	-0.9
Extra-ordinary items	-18.3	-45.3	-	0.0	-
Reported PAT	384.5	281.9	36.4	406.5	-5.4
Adjusted EPS (Rs.)	4.3	3.5	22.0	4.0	6.1
			Bps		bps
GPM (%)	42.8	41.1	170	42.1	70
OPM (%)	14.1	12.7	139	13.5	57
NPM (%)	8.2	7.8	47	8.0	24
Tax rate (%)	25.2	25.5	-32	24.1	105

Source: Company; Mirae Asset Sharekhan Research

Segment-wise performance

Particulars	Rs cr		
	Revenue (Rs. cr)	Value growth	Volume growth
India beverages	1,620	7%	3%
India foods	1,655	19%	16%
International	1,304	18%	-
Non-branded	547	23%	-

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corporation of India	9.33
2	Vanguard Corp. Inc.	2.83
3	Blackrock Inc.	2.65
4	NPS Trust A/c UTI retirement Solutions Ltd.	1.73
5	SBI Funds Management Ltd.	1.42
6	Nippon Life India AMC Ltd.	1.39
7	Goldman Sachs Group Inc	1.19
8	Republic of Singapore	1.04
9	Canara Robeco AMC Ltd.	0.91
10	UTI AMC	0.87

Source: Bloomberg

Key management personnel

Name	Designation
Chandrasekaran Natarajan	Director-Chairperson
Sunil Alaric D' Souza	Chief Executive Officer and Managing Director
Sivakumar Sivasankaran	Chief Financial Officer
Delnaz Dara Harda	Company Secretary and Compliance Officer

Source: Company Website

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