BUY
TP:Rs 1,239 | ▲ 32%

TATA CONSUMER PRODUCTS

| Consumer Staples | 26 October 2026

Growth Amid Cost Pressures

- **Cumulative tea price hikes of 8–10% implemented across Q1–Q2 to offset inflation**
- **Salt (+ 15%) price increases were implemented in October to offset cost pressures**
- **Starbucks rev grew 15%, with positive SSSG for the fifth consecutive quarter**

Lavita Lasrado
Research Analyst

Nistha Pala
Research Associate
research@bobcaps.in

Growth momentum remains healthy: TCPL delivered a strong Q227, with consol revenue growing 14% YoY to Rs 56.6 bn and EBITDA increasing 18% to Rs 7.9 bn, driven by broad-based performance across its India businesses and continued momentum in Growth businesses. India Salt revenue grew 15%, supported by 9% volume growth, while Tata Sampann delivered an impressive 57% revenue growth. Growth businesses grew 40% YoY to account for 38% of the India business, led by strong traction in RTD beverages, Capital Foods and Organic India. India Tea & Coffee revenue declined 1% as tea volumes remained flat amid elevated input costs and price hikes of 8–10% during Q1–Q2; management expects value growth to exceed volume growth from Q3 as pricing benefits flow through. International business grew 7% YoY in reported terms, but declined 2% in constant currency, with strong performance in the US and Canada partly offset by weakness in the UK.

Concall KTAs: Demand remained healthy across key categories, with growth supported by volume expansion, premiumisation and continued traction in growth businesses. Tea demand remained soft, with volumes flat, while elevated input costs led to cumulative price hikes of 8–10% across Q1–Q2; management expects pricing benefits to flow through, driving value growth ahead of volumes from Q3. In Salt, price hikes were implemented in May and October to offset cost pressures, with the October increase falling outside Q2. Management remains focused on balancing pricing with volume growth, strengthening premium offerings and driving penetration. International performance was mixed, with UK demand affected by heatwave conditions, while the US and Canada remained resilient. In the non-branded business, solubles volumes and realisations improved, and management expects margins to remain broadly around Q2 levels in H2.

Our view: We remain constructive on the medium-term outlook and upgrade to BUY rating from HOLD following the recent stock price correction. We have marginally revised our estimates to factor in input cost inflation, with sales/EBITDA/EPS CAGR of ~11%/14%/16% over FY26–29E. We value the stock at 55x Sept'28E EPS, with a TP of Rs1,239.

Key changes

Target	Rating
▲	▲

Ticker/Price	TATACONS IN/Rs 937
Market cap	US$ 9.4bn
Free float	64%
3M ADV	US$ 14.1mn
52wk high/low	Rs 1,283/Rs 916
Promoter/FPI/DII	34%/20%/25%

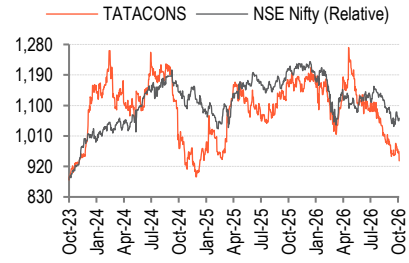
Source: NSE | Price as of 26 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	202,904	226,960	251,482
EBITDA (Rs mn)	27,918	31,804	37,553
Adj. net profit (Rs mn)	15,624	17,906	21,230
Adj. EPS (Rs)	15.5	17.8	21.1
Consensus EPS (Rs)	15.5	19.6	23.9
Adj. ROAE (%)	6.7	7.4	8.3
Adj. P/E (x)	60.5	52.5	44.3
EV/EBITDA (x)	32.0	28.1	23.8
Adj. EPS growth (%)	16.6	17.1	18.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Earnings KTAs

- **Consolidated performance remained strong, with growth businesses and margin expansion driving earnings growth.** Consolidated revenue grew 14% YoY to Rs 56.61bn, supported by 11% underlying volume growth (UVG) in the India business. EBITDA increased 18% YoY to ₹7.94bn, with EBITDA margin expanding 40bps YoY to 14.0%. Management reiterated its commitment to the previously stated 50–70bps EBITDA margin expansion for FY27, acknowledging cost pressures during the year but highlighting that pricing actions across tea, salt and Capital Foods are yet to fully flow through the P&L. Management remains confident of delivering year-on-year margin expansion in H2, supported by pricing, seasonally stronger demand and improving international profitability.

- **India Tea & Coffee continued to face subdued demand, although calibrated pricing helped narrow the volume-value gap.** Revenue declined 1% YoY to Rs 12.44bn, while volumes remained flat amid weak category demand and weather-related disruptions. Management indicated that cumulative tea price hikes implemented between Q1 and Q2 were approximately 8–10%, broadly in line with tea cost inflation; the initial inflationary increase was around 7–8%, while current week-on-week tea inflation had moderated to 2–3%. Peak procurement was underway, and the full benefit of pricing had not yet translated into reported financials. Management expects revenue growth to begin exceeding volume growth from Q3 as pricing flows through, with stable market share despite a soft industry environment. New launches, including Tata Tea Gold Reserve, Chakra Gold Select and Kanan Devan Gold, are aimed at premiumisation and strengthening market share. Management also indicated that it does not currently see significant reasons for further tea cost inflation, while continuing to monitor procurement trends.

- **Salt delivered another strong quarter, with sustained volume growth despite price increases.** Revenue grew 15% YoY to Rs 10.99bn, supported by 9% volume growth, while value-added and premium salts recorded 17% volume growth and continued to grow at approximately 2x the rate of base salt. The company implemented a price increase of approximately 6%, raising the price of the orange pack from Rs 30 to Rs 32 in May and subsequently to Rs 34 in the first week of October; the October increase was not reflected in Q2FY27 reported numbers. Tata Salt's market share is now approximately 39.8–39.9%, and the company also launched Tata Salt Plus, a double-purified solar salt variant. Management reiterated its guidance of mid-single-digit volume growth and modest positive pricing for the salt business. The recent price increases are expected to support margins as their impact flows through from Q3.

- **Tata Sampann continued to deliver strong, volume-led growth, with improving scale and profitability.** Revenue increased 57% YoY, supported by broad-based demand across the portfolio. Dry fruits and cold-pressed oils together crossed Rs 10bn in ARR, while core categories such as pulses, poha and makhana continued to grow at over 30%. Management highlighted that Sampann products are performing well across quick-commerce platforms, with the business growing broadly in line with leading quick-commerce players as they expand their dark-store networks into smaller cities. The portfolio continues to benefit from innovation, premiumisation and distribution execution, with management reporting

approximately 270–280bps YoY margin expansion in the business during the quarter. New launches are assessed closely, with products that fail to meet expectations within the initial six months subject to a further limited period of support before discontinuation. Management remains focused on scaling the portfolio while expanding margins through higher volumes, product variants and improved mix.

- **Growth businesses remained a key growth engine, supported by RTD recovery and strong domestic execution in Capital Foods and Organic India.** The overall growth portfolio expanded 40% YoY to Rs 14.38bn and now contributes 38% of the India business. Ready-to-Drink (RTD) revenue grew 47%, supported by 34% volume growth, following a reset of the business and continued traction from the core portfolio and innovation. New launches included Tata Gluco Plus with added iron in a Rs 20 PET bottle and Tata ION, a functional electrolyte drink. Capital Foods revenue grew 18% to Rs 2.64bn, while Organic India grew 9% to Rs 1.45bn. Combined growth was 15%, with domestic revenue growth of 24%, partly offset by export disruptions. Moreover, shipping disruptions, including approximately 10–12 days of disruption at Mundra port and longer shipping routes, affected exports; some recovery may carry into Q3 as shipments normalise. Management reiterated its expectation of 25–30% growth for Capital Foods and Organic India going forward, while continuing to target approximately 30% growth for the broader growth portfolio over the longer term.

- **International business reported moderate growth, with weather and shipping-related disruptions weighing on reported performance, while profitability improved.** Revenue increased 7% YoY to Rs 12.56bn, although growth was negative 2% in constant currency, against a high base. The US business grew 4% in cc terms, led by 6% growth in coffee, with continued distribution expansion and market-share gains. The UK declined 8% in cc terms due to an unusually prolonged heatwave that affected tea consumption; however, Tetley continued to outperform the category and maintained its share. Canada grew 8% in cc, with Tetley outperforming across regular and specialty tea, while South Africa also delivered a strong quarter and introduced new instant Matcha Latte variants. Management expects the UK business to recover as weather conditions normalise and demand enters the seasonal period. It also remains confident of delivering further international revenue growth alongside margin expansion, supported by easing US coffee commodity costs, distribution gains and stronger seasonal demand in the UK and Canada.

- Non-branded business benefited from strong soluble coffee volumes, although lower coffee prices affected plantation realisations. Revenue grew 12% YoY to Rs 6.59bn, or 9% in constant currency, on an elevated base. Solubles revenue increased 23% in constant currency, supported by 21% volume growth and strong operational and logistics execution, while plantations revenue declined 11% as softer Arabica and Robusta prices weighed on realisations. Segment results increased 28% to Rs 0.98bn, with segment margin improving to 14.8% (vs 12.9% in Q2FY26). Management indicated that soluble margins remain broadly stable because the business largely operates on a pass-through model, while quarter-to-quarter plantation margin movements are affected by the seasonal accounting of biological crops. Accordingly, management expects non-branded margins to

remain broadly around Q2 levels through H2, barring substantial movements in coffee prices.

- **Tata Starbucks delivered a strong quarter, supported by sustained same-store sales growth, higher store traffic and improving execution.** Revenue increased 15% YoY, marking a multi-quarter high, with the business recording its fifth consecutive quarter of positive same-store sales growth. Management highlighted approximately 10% growth in store traffic, reflecting improving customer engagement and the benefits of its calibrated store-opening strategy and operating-model changes. Seven stores were added during the quarter, taking the network to 505 stores across 81 cities, including entry into Shillong and the addition of two Reserve stores. The Starbucks Rewards programme was enhanced through simpler tiers and improved benefits to drive customer frequency and engagement. Management indicated that the operating model is now largely in place and expects store additions to accelerate going forward.

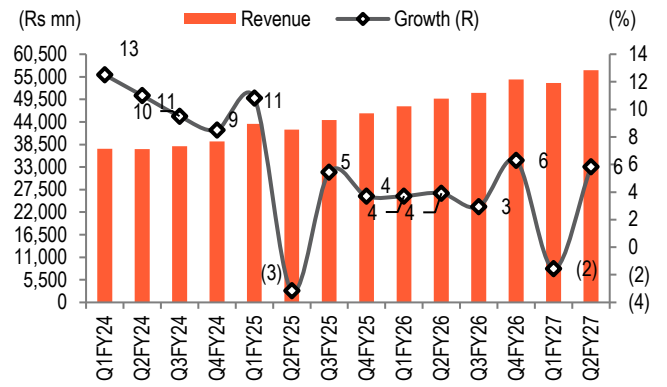
- **Innovation, advertising and AI-led execution remain central to the company's growth and margin-expansion strategy.** The company launched 22 new products during Q2FY27 and 36 during H1FY27, focusing on health and wellness, convenience and premiumisation. A&P expenditure stood at 5.5% of India business sales in Q2FY27 and 5.8% in H1FY27; management clarified that visibility expenditure is reported separately, with total A&P and visibility investment broadly remaining around 6.3–6.5% of sales. Investments in visibility remain particularly important for Sampann and quick-commerce channels. The company is scaling AI-led sales execution through personalised sales companions, retailer voice agents and supervisor coaching, with approximately 1,600–1,700 salespeople already using the AI sales companion and a target of reaching all salespeople by December. Early pilots have improved product lines per sales call, while the trade-spend optimiser has been rolled out for tea nationally and is already generating savings. AI is also being deployed for tea-leaf grading and online bottle inspection, with further applications planned across sourcing, consumer insights, invoice processing and sales-force productivity.

Fig 1 – Quarterly Table

Consolidated (mn)	Q2FY27	Q1FY27	Q2FY26	QoQ (%)	YoY (%)
Total Revenues	56,611	53,489	49,659	5.84%	14.0%
COGS	33,020	30,669	28,763	7.67%	14.8%
as % of sales	58%	57%	58%	99 bps	40.6 bps
Gross Profit	23,592	22,820	20,896	3.38%	12.9%
Gross margin (%)	42%	43%	42%	-99 bps	-40.6 bps
Employee costs	4,758	4,458	4,067	6.72%	17.0%
as % of sales	8.4%	8.3%	8.2%	6.9 bps	21.4 bps
Other expenses	11,002	11,120	10,111	-1.07%	8.8%
as % of sales	19%	21%	20%	-136 bps	-92.7 bps
EBITDA	7,832	7,241	6,718	8.16%	16.6%
EBITDA margin (%)	13.8%	13.5%	13.5%	30 bps	30.7 bps
D&A	1,638	1,648	1,533	-0.59%	6.9%
Interest cost	257	391	332	-34.25%	-22.7%
Other income	7,832	7,742	1.16%	7,832	7,742
PBT	13.84	13.70	14 bps	13.84	13.70
Tax	4,775	4,601	4%	4,775	4,601
Reported PAT	56,611	56,513	0.17%	56,611	56,513
PAT margin	7,832	7,742	1.16%	7,832	7,742

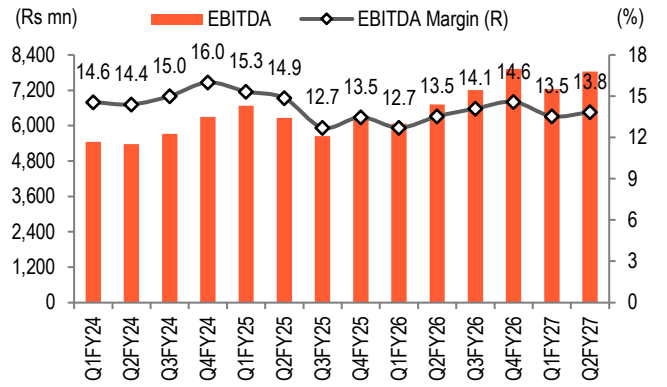
Source: Company, BOBCAPS Research

Fig 2 – Revenue & its growth



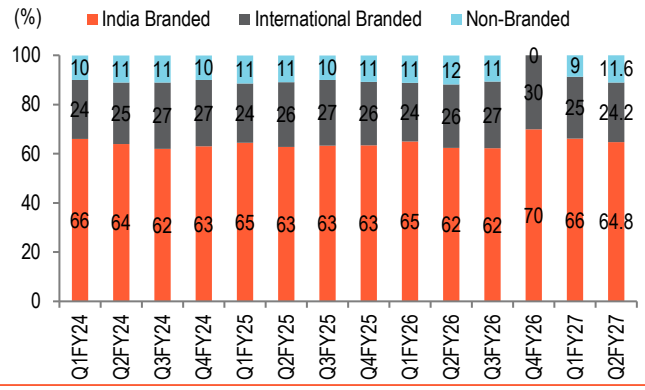
Source: Company, BOBCAPS Research

Fig 3 – EBITDA & EBITDA Margins



Source: Com

Fig 4 – Contribution segment-wise



Source: Company, BOBCAPS Research

Valuation methodology

We remain constructive on the medium-term outlook and upgrade to BUY rating from HOLD following the recent stock price correction. We have marginally revised our estimates to factor in input cost inflation, with sales/EBITDA/EPS CAGR of ~11%/14%/16% over FY26–29E. We value the stock at 55x Sept'28E EPS, with a TP of Rs1,239.

Fig 5 – Actual vs Estimates

Rs mn	Q2FY27A	Q2FY27E	Deviation (%)
Revenue	56,611	56,513	0.17%
EBITDA	7,832	7,742	1.16%
EBITDA Margin (%)	13.84	13.70	14 bps
PAT	4,775	4,601	4%

Source: BOBCAPS Research, Company

Fig 6 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Sales	226,960	251,482	277,963	226,862	251,202	277,580	0.0%	0.1%	0.1%
EBITDA	31,804	37,553	41,783	33,383	37,197	41,376	-4.7%	1.0%	1.0%
EBITDA Margin (%)	14.01	14.93	15.03	14.90	14.87	14.97	(89 bps)	6 bps	6 bps
Adj. PAT	17906	21230	24032	19358	21825	24,556	-7.5%	-2.7%	-2.1%
Adj. EPS	17.9	21.1	23.9	19.3	21.7	24.5	3.9%	-3.3%	-3.3%

Source: BOBCAPS Research

Key risks

Key upside/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

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**176,183**	**202,904**	**226,960**	**251,482**	**277,963**
EBITDA	24,794	27,918	31,804	37,553	41,783
Depreciation	6,007	6,267	6,914	7,993	8,807
EBIT	18,786	21,651	24,890	29,560	32,976
Net interest inc./(exp.)	2,902	1,370	1,358	1,419	1,419
Other inc./(exp.)	1,933	1,648	1,799	1,691	2,136
Exceptional items	(51)	(201)	74	0	0
EBT	17,766	21,728	25,406	29,832	33,692
Income taxes	3,962	(5,353)	6,351	7,458	8,423
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	86	45	(2)	(5)	(6)
Reported net profit	**12,785**	**15,423**	**17,980**	**21,230**	**24,032**
Adjustments	(51)	(201)	74	0	0
Adjusted net profit	**12,836**	**15,624**	**17,906**	**21,230**	**24,032**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	35,084	38,753	42,973	47,114	52,503
Other current liabilities	1,847	1,988	2,224	2,464	2,723
Provisions	3,551	4,027	4,248	4,473	4,716
Debt funds	18,487	21,203	21,203	21,203	21,203
Other liabilities	42,169	40,583	41,069	41,564	42,098
Equity capital	990	990	990	990	990
Reserves & surplus	212,914	230,899	241,685	254,418	268,831
Shareholders' fund	213,903	231,889	242,674	255,407	269,821
Total liab. and equities	**319,777**	**344,530**	**360,478**	**378,312**	**399,151**
Cash and cash eq.	27,259	30,466	39,833	51,540	64,986
Accounts receivables	8,698	11,483	12,845	14,233	15,731
Inventories	35,999	35,268	39,108	42,877	47,781
Other current assets	14,490	17,129	18,019	18,927	19,907
Investments	6,336	11,539	11,539	11,539	11,539
Net fixed assets	20,656	21,613	22,157	22,619	22,975
CWIP	2,068	4,599	4,599	4,599	4,599
Intangible assets	186,890	189,957	189,439	188,903	188,348
Deferred tax assets, net	1,695	2,002	2,240	2,482	2,743
Other assets	4,672	8,612	9,255	9,910	10,618
Total assets	**319,778**	**344,530**	**360,478**	**378,312**	**399,151**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**25,185**	**29,852**	**29,873**	**35,446**	**39,588**
Capital expenditures	(4,595)	(4,486)	(6,522)	(7,160)	(7,848)
Change in investments	(289)	(5,454)	0	0	0
Other investing cash flows	(18,654)	(4,042)	919	794	1,167
Cash flow from investing	**(23,538)**	**(13,981)**	**(5,603)**	**(6,365)**	**(6,681)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(558)	857	0	0	0
Interest expenses	(2,606)	(1,115)	(1,358)	(1,419)	(1,419)
Dividends paid	(7,415)	(8,203)	(7,192)	(8,492)	(9,613)
Other financing cash flows	(3,656)	(2,293)	(2)	(5)	(6)
Cash flow from financing	**4,527**	**(10,754)**	**(8,552)**	**(9,916)**	**(11,038)**
Chg in cash & cash eq.	**1,555**	**(517)**	**9,367**	**11,707**	**13,446**
Closing cash & cash eq.	**27,258**	**26,743**	**39,833**	**51,540**	**64,986**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	13.1	15.3	17.9	21.1	23.9
Adjusted EPS	13.2	15.5	17.8	21.1	23.9
Dividend per share	0.3	0.4	0.4	0.4	0.4
Book value per share	232.1	251.6	263.3	277.1	292.8

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	5.1	4.4	3.9	3.5	3.2
EV/EBITDA	36.0	32.0	28.1	23.8	21.4
Adjusted P/E	71.2	60.5	52.5	44.3	39.1
P/BV	4.0	3.7	3.6	3.4	3.2

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	72.0	71.0	70.8	71.2	71.3
Interest burden (PBT/EBIT)	68.1	71.2	72.2	71.8	72.9
EBIT margin (EBIT/Revenue)	10.7	10.7	11.0	11.8	11.9
Asset turnover (Rev./Avg TA)	55.1	58.9	63.0	66.5	69.6
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.5	1.5	1.5
Adjusted ROAE	6.0	6.7	7.4	8.3	8.9

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	15.9	15.2	11.9	10.8	10.5
EBITDA	8.5	12.6	13.9	18.1	11.3
Adjusted EPS	5.9	16.6	17.1	18.1	13.2
Profitability & Return ratios (%)					
EBITDA margin	14.1	13.8	14.0	14.9	15.0
EBIT margin	10.7	10.7	11.0	11.8	11.9
Adjusted profit margin	7.3	7.7	7.9	8.4	8.6
Adjusted ROAE	6.0	6.7	7.4	8.3	8.9
ROCE	8.1	8.6	9.4	10.7	11.3
Working capital days (days)					
Receivables	18	21	21	21	21
Inventory	130	109	109	109	109
Payables	127	119	119	119	119
Ratios (x)					
Gross asset turnover	0.5	0.6	0.6	0.6	0.6
Current ratio	1.5	1.6	1.7	1.8	1.9
Net interest coverage ratio	6.5	15.8	18.3	20.8	23.2
Adjusted debt/equity	0.1	0.1	0.1	0.1	0.1

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

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Name of the Research Entity: **BOB Capital Markets Limited**
Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
SEBI Research Analyst Registration No: **INH000000040 (Perpetual)**
SEBI Stock Broker Registration No: **INZ000159332**
SEBI Depository Participant Registration No: **IN-DP-728-2022**
SEBI Merchant Banker Registration No: **INM000009926**
Phone: +91-22-61389300
Name of the Compliance Officer: Mr. Sameer Khobrekar
Email ID: Compliance@bobcaps.in; Phone no.: +91-22-61389358
For any queries or grievances, you may contact the Grievance Officer.
Name of the Grievance Officer: Mr. Nilesh Mehta
Email ID: head-customercare@bobcaps.in; Phone no: 92288 60945

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

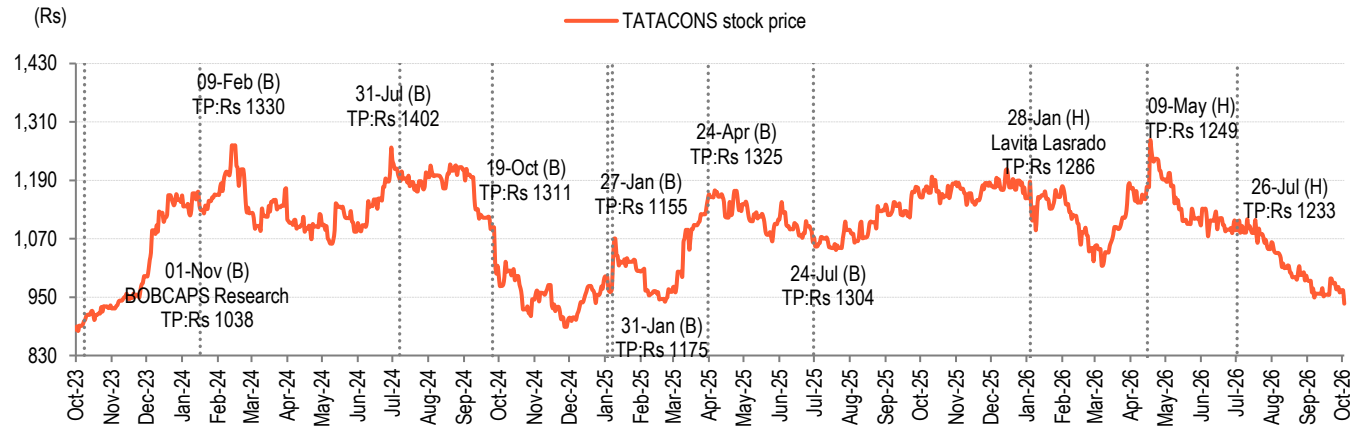
HOLD – Expected return from -6% to +15%

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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