April 05, 2022

Tata Consumer Products Limited: Update on Entity

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term debt (including Non-Convertible Debentures)	350.00	350.00	[ICRA]AAA(Stable)
Long-term/Short-term – fund-based working capital facilities#	400.00	400.00	[ICRA]AAA(Stable)/[ICRA]A1+
Short-term – Non-fund based facilities	24.00	24.00	[ICRA]A1+
Commercial Paper**	715.00	715.00	[ICRA]A1+
Total	**1,489.00**	**1,489.00**	

**Instrument details are provided in Annexure-1*
#Long-term fund-based limits can also be utilised as short-term fund-based limits wherein the short-term rating of [ICRA]A1+ would be applicable
***Total borrowing under Commercial Paper and fund-based facilities from banks to remain within an overall limit of Rs. 715 crore.*

Rationale

On March 29, 2022, Tata Consumer Products Limited (TCPL) announced that the Board of Directors of the company have approved that acquisition of 10.15% ordinary shares of its existing subsidiary, Tata Consumer Products UK Group Limited, which consequent to this transaction would become a wholly owned subsidiary of the company, for a consideration of Rs. 570.80 crore payable by way of issue and allotment of 74.6 lakh equity shares of the company at a price of Rs. 765.16 per share on a preferential basis. The Board of Directors also approved a Composite Scheme of Arrangement between TCPL, Tata Coffee Limited (TCL; rated [ICRA]AA+%/[ICRA]A1+) and TCPL Beverages and Foods Limited (TBFL) which provides for the following:

1. Demerger of the demerged undertaking, comprising the Plantation Business of TCL, into TBFL for a consideration of one equity share of TCPL for every twenty two equity shares of TCL
2. Amalgamation of TCL, comprising the remaining business, with TCPL for a consideration of fourteen equity shares of TCPL for every fifty five equity shares of TCL

The above transactions are subject to shareholders' and regulatory approvals, as may be required.

ICRA has taken note of the above developments and is of the opinion that the same do not have any material impact on the credit profile of the company. ICRA already considers the consolidated financial profile of TCPL, along with its subsidiaries, affiliates and joint ventures, which is expected to largely remain unchanged after the proposed business reorganization. The current ratings outstanding are [ICRA]AAA (pronounced ICRA triple A) with a Stable outlook and [ICRA]A1+ (pronounced ICRA A one plus).

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of TCPL. As on March 31, 2021, the company had 38 subsidiaries, 3 associates and 4 joint ventures which are all enlisted in Annexure-2.

About the company

Tata Consumer Products Limited (TCPL) is one of the leading companies of the Tata Group with presence in the food and beverages business in India and internationally. It is the second largest tea company globally and has significant market presence and leadership position in many global markets. In addition to South Asia (mainly India), TCPL has interests in various geographies including Canada, the UK, the US, Australia, Europe, Middle East and Africa. In February 2020, TCPL acquired the consumer products business of Tata Chemicals Limited comprising branded salt, pulses, spices and other food products.

In FY2021, the company reported a net profit of Rs. 619.5 crore on an operating income of Rs. 7,154.4 crore compared to a net profit of Rs. 523.5 crore on an operating income of Rs. 5,690.2 crore in the previous year. On a consolidated basis, TCPL reported a consolidated net profit of Rs. 993.8 crore on an operating income of Rs. 11,602.0 crore in FY2021 compared to a net profit of Rs. 535.2 crore on an operating income of Rs. 9,637.4 crore in the previous year.

Key financial indicators (audited)

TCPL Consolidated	FY2020	FY2021	H1 FY2021	H1 FY2022
Operating Income (Rs. crore)	9,637.4	11,602.0	5,495.3	6,041.6
PAT (Rs. crore)	535.2	993.8	623.4	502.0
OPBDIT/OI (%)	13.3%	13.3%	16.1%	13.5%
PAT/OI (%)	5.6%	8.6%	11.3%	8.3%
Total Outside Liabilities/Tangible Net Worth (times)	0.24	0.29		
Net Debt/OPBDIT (times)	The company is net debt negative			
Interest Coverage (times)	18.3	23.7	25.1	20.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Net Debt = (Gross Debt less cash and cash equivalents and liquid investments)

Source: TCPL

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Mar 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		
					Apr 05, 2022	Dec 23, 2021	Dec 31, 2020	Feb 24, 2020	Nov 25, 2019	May 22, 2019
1	Long-term debt (including NCDs)	Long-term	350.00	-*	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)
2	Fund-based working capital facilities#	Long-term/ Short-term	400.00	NA	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AAA (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+	[ICRA]AA+ (Stable)/ [ICRA]A1+
3	Non-fund based facilities	Short-term	24.00	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Commercial Paper**	Short-term	715.00	NA	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

**yet to be placed*

#Long-term fund based limits can also be utilised as short-term fund-based limits, wherein the short term rating of [ICRA]A1+ would be applicable

***Total borrowing under commercial paper and fund based facilities from banks to remain within overall limit of Rs. 715 crore*

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term debt (including Non-Convertible Debentures)	Simple
Long-term/ Short -term – Fund Based Working Capital facilities	Simple
Non-fund based facilities	Simple
Commercial Paper	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long-term debt (including NCDs*)	NA	NA	NA	350.00	[ICRA]AAA (Stable)
NA	Fund-based Working Capital facilities	NA	NA	NA	400.00	[ICRA]AAA (Stable)/[ICRA]A1+
NA	Non-fund based facilities	NA	NA	NA	24.00	[ICRA]A1+
#	Commercial Paper**	NA	NA	NA	715.00	[ICRA]A1+

Source: *Company*

**Yet to be placed, **Total borrowings under commercial paper and fund based facilities from banks to remain within overall limit of Rs. 715.00 crore*

#Unplaced

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Subsidiaries		
Tata Consumer Products UK Group Ltd. (Formerly Tata Global Beverages Group Ltd.)	89.10%	Full Consolidation
Tata Global Beverages Holding Ltd.	89.10%	Full Consolidation
Tata Global Beverages Services Ltd.	89.10%	Full Consolidation
Tata Consumer Products GB Ltd. (Formerly Tata Global Beverages GB Ltd.)	89.10%	Full Consolidation
Tata Consumer Products Overseas Holdings Ltd. (Formerly Tata Global Beverages Overseas Holding Ltd.)	89.10%	Full Consolidation
Tata Global Beverages Overseas Ltd.	89.10%	Full Consolidation
Lyons Tetley Limited	89.10%	Full Consolidation
Drassington Ltd.	89.10%	Full Consolidation
Teapigs Ltd.	89.10%	Full Consolidation
Teapigs US LLC	89.10%	Full Consolidation
Stansand Ltd.	89.10%	Full Consolidation
Stansand (Brokers) Ltd.	89.10%	Full Consolidation
Stansand (Africa) Ltd.	89.10%	Full Consolidation
Stansand (Central Africa) Ltd.	89.10%	Full Consolidation
Tata Consumer Products Polska.sp.zo.o (Formerly Tata Global Beverages Polska.sp.zo.o)	89.10%	Full Consolidation
Tata Consumer Products US Holdings Inc. (Formerly Tata Global Beverages US Holdings Inc.)	89.10%	Full Consolidation
Tetley USA Inc.	89.10%	Full Consolidation
Empirical Group LLC (up to March 31, 2021)	-	-
Tata Waters LLC	89.10%	Full Consolidation
Good Earth Corporation	89.10%	Full Consolidation
Good Earth Teas Inc.	89.10%	Full Consolidation
Tata Consumer Products Canada Inc. (Formerly Tata Global Beverages Canada Inc.)	89.10%	Full Consolidation
Tata Consumer Products Australia Pty. Ltd. (Formerly Tata Global Beverages Australia Pty. Ltd.)	89.10%	Full Consolidation
Earth Rules Pty. Ltd.	89.10%	Full Consolidation
Tata Global Beverages Investment Ltd.	89.10%	Full Consolidation
Campestres Holdings Ltd.	89.10%	Full Consolidation
Kahutara Holdings Ltd.	89.10%	Full Consolidation

Company Name	Ownership	Consolidation Approach
Suntyco Holdings Ltd.	89.10%	Full Consolidation
Coffee Trade LLC (liquidated on April 09, 2020)	-	-
Onomento Co Ltd.	89.10%	Full Consolidation
Tata Consumer Products Capital Ltd. (Formerly Tata Global Beverages Capital Ltd.)	100.00%	Full Consolidation
Tata Coffee Ltd.	57.48%	Full Consolidation
Tata Coffee Vietnam Company Ltd.	57.48%	Full Consolidation
Consolidated Coffee Inc.	78.70%	Full Consolidation
Eight O'Clock Holdings Inc.	78.70%	Full Consolidation
Eight O'Clock Coffee Company	78.70%	Full Consolidation
Tata Tea Extractions Inc.	100.00%	Full Consolidation
NourishCo Beverages Ltd. (w.e.f May 18, 2020)	100.00%	Full Consolidation
Tata Consumer Soulfull Private Ltd. (Formerly Kottaram Agro Foods Private Ltd.) (w.e.f. February 17, 2021)	100.00%	Full Consolidation
Tata Tea Holding Private Ltd.	100.00%	Full Consolidation
Joint Ventures		
Tetley Clover (Pvt.) Ltd. (under liquidation)	50.00%	Equity Method
Tetley ACI (Bangladesh) Ltd.	50.00%	Equity Method
Joekels Tea Packers (Proprietary) Ltd.	51.70%	Equity Method
Southern Tea, LLC (up to March 31, 2021)	-	-
Tata Starbucks Private Ltd.	50.00%	Equity Method
NourishCo Beverages Ltd. (up to May 17, 2020)	-	-
Associates		
Amalgamated Plantations Pvt. Ltd.	41.03%	Equity Method
Kanan Devan Hill Plantation Company Pvt. Ltd.	28.52%	Equity Method
TRIL Constructions Ltd.	32.50%	Equity Method

Source: *TCPL annual report FY2021*

Note*: ICRA has taken a consolidated view of the parent (TCPL), its subsidiaries, joint ventures and associates while assigning the ratings.*

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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