

April 09, 2025

Tata Consumer Products Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/ Short term - Fund-based working capital facilities	850.00	-	-
Long term/ Short term - Fund based/ non-fund based working capital facilities	-	850.00	[ICRA]AAA (Stable)/ [ICRA]A1+; Reaffirmed
Short-term - interchangeable limits [^]	(25.00)	(50.00)	[ICRA]A1+; Reaffirmed
Short term - Commercial Paper	4,215.00	1,500.00	[ICRA]A1+; Reaffirmed
Total	5,065.00	2,350.00	

*Instrument details are provided in Annexure I; [^]Non-fund based facilities as a sub-limit of working capital facilities of Rs. 850 crore; capped at Rs. 50 crore

Rationale

The ratings reaffirmation considers healthy performance of Tata Consumer Products Limited (TCPL), as reflected by a consolidated topline growth of ~15% in 9M FY2025 on a YoY basis, supported by a ~8% growth in the existing portfolio of consumer foods and beverages segments, despite muted demand. Additional revenues from the businesses acquired in the recent past – Capital Foods Pvt Ltd (Capital Foods) and Organic India Pvt Ltd (Organic India) – which together contributed 6.5% to the consolidated revenues in 9M FY2025, provided further support to TCPL's top line. The company's profitability continues to remain healthy owing to its established brand position. However, the consolidated operating margin moderated by ~40 basis points in 9M FY2025, on a YoY basis, on the back of a significant rise in tea cost in India due to crop losses, which hit the operating margin in Q3 FY2025 by more than 200 basis points compared to Q3 FY2024. Nevertheless, the company has already incorporated a part of the cost increase in its pricing, and will continue to do so, which along with improved profitability from the international branded business and the non-branded segment are expected to reduce the impact of Indian tea price inflation on its consolidated profitability in the near term. As per inorganic growth agenda, TCPL acquired a 99.99% equity stake in Organic India in April 2024 and subsequently acquired the residual minority equity in the company, entailing a total cash outlay of ~Rs. 1,787 crore (excluding deferred considerations), following the acquisition of a 75% stake in Capital Foods in February 2024 for a consideration of ~Rs. 3,881 crore. The business integration of Capital Foods and Organic India with TCPL has been completed, and a significant traction in the acquired entities' revenues and profits is expected, going forward. In August 2024, the company raised equity of nearly Rs. 3,000 crore through rights issue and paid off the bridge funding of Rs. 2,940 crore availed for the acquisitions in the form of commercial paper. This will reduce the interest expenses and strengthen the consolidated interest coverage, which moderated to 7.4 times in 9M FY2025 from 19.0 times in 9M FY2024 mainly because of the debt raised for acquisition. ICRA expects the acquisitions to expand TCPL's product portfolio into adjacent categories, strengthening its footprint in the addressable markets. Moreover, TCPL stands to benefit from the cost synergies by leveraging its existing distribution network, and accelerated scale expansion.

The ratings continue to favourably factor in the dominant position of TCPL in the domestic packet tea and salt segments and international tea and coffee markets along with improving diversification of the domestic branded business across products and categories on the back of new product launches and strategic acquisitions. The ratings also consider the high degree of financial flexibility that TCPL derives from its status as one of the leading companies of the Tata Group, the company's conservative capital structure and substantial cash and liquid investments. However, the entity's overall return on capital employed (ROCE) continues to be impacted by significant capex/acquisitions/investments, notwithstanding business restructuring of its overseas operations and exit from some marginal geographies in the recent past. The ratings also factor in TCPL's exposure to currency fluctuations and volatility in commodity prices of bulk tea and coffee. Nonetheless, the company's

established brand presence, dynamic procurement strategies and ability to pass on the increase in costs, albeit with a lag, particularly in the domestic market, help mitigate the risk to some extent and provide comfort to the ratings.

The Stable outlook on the long-term rating reflects ICRA's expectations that TCPL's dominant and balanced presence in the beverages and food segments in and outside India coupled with its key focus on increasing market penetration and product innovations, would protect its market share and profitability from any material weakening. ICRA further expects that TCPL's healthy earnings growth will continue to maintain a conservative capital structure, strong liquidity and comfortable debt coverage indicators, despite sizeable capex/acquisitions.

Key rating drivers and their description

Credit strengths

Leading brands in the domestic packet tea and salt segments and international tea and coffee markets along with growing presence in other consumer food products in India – TCPL is a leading branded packet tea and salt company in India and has a dominant position in tea and coffee segments in the UK, Canada and the US. While packet tea and salt form the company's core product portfolio in India, it also has presence in various branded food and organic products, including packaged pulses, spices, dry fruits, ready-to-drink, ready-to-eat and ready-to-cook items, which are strategically important for its future business growth. TCPL's increasing sales and resilient market share are supported by various factors, which include its brand strength, established distribution network, wide product portfolio, improving market reach with rural penetration and other marketing initiatives undertaken by the company. The company has a diverse brand portfolio with offerings across categories namely economy, popular and premium, enabling it to cater to a wide market segment. TCPL's entrenched presence in the domestic branded packet tea and salt market supports its overall performance and is likely to strengthen the retail presence and brand awareness of its other food and beverages offerings. The recent acquisitions of Capital Foods and Organic India are likely to further boost TCPL's brand offerings with the addition of new products including premium organic tea and infusions, organic products, noodles, sauces, chutneys etc.

Significant geographical and product diversification on a consolidated basis through organic growth, acquisitions and strategic alliances – With the takeover of the consumer products business of Tata Chemicals Limited in FY2020, TCPL diversified its domestic business with brands like Tata Salt (market leader in edible salt) and Tata Sampann (offering staples like pulses, poha, besan, spices etc.) and further diversified through 100% acquisition of Tata Soufull (millet-based snacks), NourishCo Beverages (Himalayan, Tata Copper Water, Tata Gluco Plus) and Tata SmartFoodz (ready-to-eat category), among others. It has also formed joint ventures, like Tata Starbucks, to achieve diversification and value addition. Additionally, its product portfolio comprises globally recognised brands including Tetley, Tata Tea, Teapigs, Good Earth, Eight O'Clock etc. which have strong brand equity across key markets of the US, the UK and Canada. TCPL's wide distribution network, product innovation and investment behind brand building are expected to continue to support its business diversification. The recent acquisitions of Capital Foods and Organic India will further expand TCPL's offerings in the pantry and mini-meals platforms while also extending its presence in health and wellness platforms, which are likely to improve business diversification over the medium-to-long term.

Healthy financial profile with a conservative capital structure, strong liquidity and exceptional financial flexibility owing to its status as a leading company of the Tata Group – TCPL continues to maintain a conservative capital structure with strong debt coverage metrics. At the consolidated level, TCPL's total gearing and TOL/TNW stood at 0.2 times and 0.6 times, respectively as on March 31, 2024. It has limited term loans (Rs. 213 crore as on March 31, 2024) majorly attributable to Tata Coffee Vietnam. It availed bridge financing of Rs. 2,940 crore in the form of commercial paper for the acquisitions of Capital Foods and Organic India, however, the same was paid off in August 2024 from the proceeds of rights issues. Its interest expenses increased because of the bridge fund availed, leading to a moderation in the consolidated interest coverage to 7.4 times in 9M FY2025 from 19.0 times in 9M FY2024. However, the interest coverage is likely to improve, going forward, with repayment of the bridge fund. Further, the company has a sizeable cash and liquid investments portfolio, which is likely to

keep its net debt (total debt including lease liabilities less cash and liquid investments) relative to OPBDITA at a low or negative level (0.3 times as on March 31, 2024).

Credit challenges

Return on capital employed remains under check due to sizeable acquisitions/capex/investments – TCPL maintains its focus on pursuing opportunities of organic and inorganic expansion for adding innovative products and strengthening its brands. This led to capex, acquisitions and investments in joint ventures over the years, including the recent acquisitions of a 75% stake in Capital Foods and a 100% stake in Organic India which led to cash outlay of ~Rs. 3,881 crore in FY2024 and ~Rs. 1,787 crore (excluding deferred consideration) in FY2025, respectively. Acquisition of the residual stake (25%) of Capital Foods is likely to happen towards the end of FY2027. Initially, the value of the residual stake was estimated at ~Rs. 1,300 crore, however, a mark-up on the same is payable at the time of acquisition, depending on the performance of Capital Foods. Sizeable cash outflow towards product line and brand expansion kept the consolidated ROCE under check (8.9% in FY2024). Nevertheless, the company's initiatives to strengthen business synergies between the existing and acquired businesses, restructuring of the international operations including exit from the marginal business etc. are expected to support business returns, going forward.

Business exposed to fluctuations in commodity prices and changes in consumer preferences – TCPL is exposed to the volatility in prices of bulk tea for its packet tea business, which in turn impacts its profitability, as reflected by a sharp contraction in its operating margin by more than 200 basis points in Q3 FY2025 on a YoY basis, due to rise in bulk tea prices in India following crop losses. Nonetheless, TCPL's established brand presence allows the company to pass on the increase in costs to its customers, albeit with a lag. This, coupled with the company's dynamic procurement strategies, helps TCPL to mitigate the risks emanating from price volatility. TCPL remains exposed to changes in consumer preference and taste across geographies. However, the company continues to invest in product innovation and brand building to counter this. The company has focussed on premiumisation in the salt segment in India and the tea segment in the international markets, which are exhibiting positive results. The coffee business is also exposed to volatility in cash flows. However, the same is mitigated to an extent by TCPL's presence across the value chain from branded coffee in the international markets to plantations and instant coffee on the non-branded side.

Environmental and social risks

Environmental considerations – TCPL remains exposed to physical climate risks as its key raw materials including tea, coffee, pulses and spices, among others, are agricultural commodities. Vagaries of the climate, translating into variation in crop output could adversely impact TCPL's operations in terms of both availability of raw materials and increase in commodity costs. Further, increasing awareness and restrictions on usage of different grades of plastics for packaging and the need to find eco-friendly solutions could impact TCPL's cost structure. The company has a sustainability strategy encompassing initiatives towards sustainable sourcing, natural resource management, circular economy and community development, which are expected to mitigate the risks to an extent.

Social considerations – TCPL is exposed to social risks such as compliance (or the lack of it) with health and safety standards besides evolving consumer lifestyle changes. The sector also has significant dependence on human capital, in terms of direct and indirect employees as well as contractual labour. Being an interplay of manufacturing and services businesses, maintaining healthy employee relationship and retaining talent are essential for disruption-free operations. Most of TCPL's products, including food and beverages, have health implications on consumers and any quality concern could impact its brand name and lead to additional costs for the company. Further, the company is dependent on plantation workers and local communities and tribes for the productivity of its plantations. However, TCPL's track record of carrying out its operations responsibly over the years provides comfort.

Liquidity position: Strong

TCPL's liquidity is likely to remain strong. ICRA estimates its consolidated fund flow from operations to remain healthy at ~Rs. 1,800 crore in FY2025 and improve further in the medium term, aided by a sizeable revenue growth. Nevertheless, incremental working capital requirement to support scale expansion is likely to keep the cash flow from operations at a relatively lower level. In FY2025, the company incurred ~Rs. 1,787 crore (excluding deferred considerations) for the acquisition of Organic India. Further, the company's estimated capex would be nearly Rs. 500 crore during the year. Going forward, the company is likely to incur a capex of Rs. 400-500 crore annually, except major acquisitions, if any. TCPL, on a consolidated basis, has sizeable free cash and liquid investments, which stood ~Rs. 2,700 crore as on March 31, 2024 after the acquisition of a 75% stake in Capital Foods in February 2024. The consolidated cash balance is likely to remain healthy at the end of FY2025, despite the sizeable outflow due to acquisition and capex and significant dividend payout (~Rs. 742 crore) during the year. The liquidity profile is also supported by the buffer available in the form of sanctioned bank facilities (with commensurate drawing power), for which the utilisation remains low. As of February 2025, TCPL, on a standalone basis, had undrawn working capital limits of ~Rs. 500 crore. In August 2024, the company raised equity through rights issue, which was utilised to pay off the commercial paper of ~Rs. 2,940 crore availed for funding the acquisitions. The company has limited long-term debt on a consolidated basis, giving rise to repayment obligation of Rs. 40-50 crore per annum (excluding lease liabilities). An exceptional financial flexibility enjoyed by the company because of the Tata Group's strong parentage would also support its liquidity.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Pressure on TCPL's ratings could arise in case of a deterioration in its profitability and return indicators on a sustained basis. Any major debt-funded capital expenditure/inorganic growth and delay in profitably ramping up revenues from such investments, which may weaken the profitability indicators, capital structure or the liquidity profile, could also put pressure on the ratings. Specific credit metrics that could lead to ratings downgrade include net debt/OPBDITA of more than 0.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology FMCG
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financial statements of TCPL, including its subsidiaries, stepdown subsidiaries, associates and joint ventures, as per details given in Annexure II.

About the company

Tata Consumer Products Limited (TCPL) is among the leading companies of the Tata Group with presence in the food and beverages business in India and overseas. It is among the largest tea companies globally and commands a significant market share in many countries, including India. In addition to South Asia, the company has business interests in Canada, the US, the UK, Australia, Europe, Southwest Asia and Africa.

In February 2020, TCPL acquired the consumer products business of Tata Chemicals Limited comprising branded salt, pulses, spices and other food products. Subsequently, the company's operations diversified from packaged beverages to foods, including pantry items, spices, breakfast mixes, dry fruits and growth initiatives like alternative protein, cooking oils, ready-to-eat and ready-to-drink products.

Key financial indicators (audited)

TCPL (consolidated)	FY2023	FY2024	9M FY2024*	9M FY2025*
Operating income	13,783	15,206	11,279	13,010
PAT	1,347	1,301	1,033	973
OPBDIT/OI	13.5%	15.0%	14.7%	14.3%
PAT/OI	9.8%	8.6%	9.2%	7.5%
Total outside liabilities/Tangible net worth (times)	0.3	0.6	-	-
Total debt/OPBDIT (times)	0.9	1.5	-	-
Interest coverage (times)	21.3	17.6	19.0	7.4

Source: Company, ICRA Research; *Unaudited; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2026)				Chronology of rating history for the past 3 years					
Instrument	Type	Amount rated (Rs. crore)	April 09, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based/ non-fund based working capital facilities	Long-term/short-term	850.00	[ICRA]AAA (Stable)/[ICRA]A1+	-	-	-	-	-	-
Interchangeable Limits	Short-term	(50.00)	[ICRA]A1+	Apr-02-24	[ICRA]A1+	-	-	-	-
Commercial Paper	Short-term	1500.00	[ICRA]A1+	Apr-02-24	[ICRA]A1+	Jan-23-24	[ICRA]A1+	Dec-19-22	[ICRA]A1+
						Dec-26-23	[ICRA]A1+	Apr-05-22	[ICRA]A1+
Long-term debt (NCDs)	Long-term	-	-	Apr-02-24	[ICRA]AAA (Stable); withdrawn	Jan-23-24	[ICRA]AAA (Stable)	Dec-19-22	[ICRA]AAA (Stable)
						Dec-26-23	[ICRA]AAA (Stable)	Apr-05-22	[ICRA]AAA (Stable)
Fund based working capital facilities	Long-term/short-term	-	-	Apr-02-24	[ICRA]AAA (Stable)/[ICRA]A1+	Jan-23-24	[ICRA]AAA (Stable)/[ICRA]A1+	Dec-19-22	[ICRA]AAA (Stable)/[ICRA]A1+
						Dec-26-23	[ICRA]AAA (Stable)/[ICRA]A1+	Apr-05-22	[ICRA]AAA (Stable)/[ICRA]A1+
Non-fund based facilities	Short-term	-	-	-	-	Jan-23-24	[ICRA]A1+	Dec-19-22	[ICRA]A1+
						Dec-26-23	[ICRA]A1+	Apr-05-22	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/ Short term - Fund based/ non-fund based working capital facilities	Simple
Short-term - Interchangeable limits	Very simple
Commercial Paper	Very 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 analysing 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 are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based/ non-fund based working capital facilities	NA	NA	NA	850.00	[ICRA]AAA (Stable)/ [ICRA]A1+
NA	interchangeable limits[^]	NA	NA	NA	(50.00)	[ICRA]A1+
NA*	Commercial Paper[#]	NA	NA	NA	1,500.00	[ICRA]A1+

Source: Company; [^]Sub-limit of the fund-based/non-fund based working capital facilities of Rs. 850 crore; *Yet to be placed; #Proposed to be listed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	TCPL Ownership	Consolidation Approach
Subsidiaries		
Tata Consumer Products Group UK Ltd.	100.00%	Full consolidation
Tata Consumer Products Capital Ltd.	100.00%	Full consolidation
Subsidiaries of Tata Consumer Products Group UK Ltd.		
Tata Consumer Products Holdings Ltd.	100.00%	Full consolidation
Tata Consumer Products Services Ltd.	100.00%	Full consolidation
Tata Consumer Products GB Ltd.	100.00%	Full consolidation
Tata Consumer Product Overseas Holdings Ltd.	100.00%	Full consolidation
Tata Consumer Products Overseas Ltd.	100.00%	Full consolidation
Lyons Tetley Ltd.	100.00%	Full consolidation
Drassington Ltd.	100.00%	Full consolidation
Teapigs Ltd.	100.00%	Full consolidation
Teapigs US LLC	100.00%	Full consolidation
Stansand Ltd.	100.00%	Full consolidation
Stansand (Brokers) Ltd.	100.00%	Full consolidation
Stansand (Africa) Ltd.	100.00%	Full consolidation
Stansand (Central Africa) Ltd.	100.00%	Full consolidation
Tata Consumer Products Polska sp.zo.o	100.00%	Full consolidation
Tata Consumer Products US Holdings Inc.	100.00%	Full consolidation
Tata Water LLC [#]	100.00%	Full consolidation
Tata Consumer Products US Inc. (Formerly Tetley USA Inc.)	100.00%	Full consolidation
Good Earth Corporation [#]	100.00%	Full consolidation
Good Earth Teas Inc. [#]	100.00%	Full consolidation
Tata Consumer Products Canada Inc.	100.00%	Full consolidation
Tata Consumer Products Australia Pty Ltd.	100.00%	Full consolidation
Tata Global Beverages Investments Ltd.	100.00%	Full consolidation
Suntycyco Holding Ltd.	100.00%	Full consolidation
Onomento Co Ltd.	100.00%	Full consolidation

Company Name	TCPL Ownership	Consolidation Approach
Tata Consumer Products Bangladesh Limited (Formerly Tetley ACI (Bangladesh) Limited)	100.00%	Full consolidation
Joekels Tea Packers (Proprietary) Ltd	75.00%	Full consolidation
Joint ventures of Tata Consumer Products Group Ltd.		
Tetley Clover (Pvt) Ltd. (under Liquidation)	50.00%	Equity Method
Tata Coffee Vietnam Company Ltd.	100.00%	Equity Method
Consolidated Coffee Inc.	100.00%	Equity Method
Subsidiaries of Consolidated Coffee Inc.		
Eight O'Clock Holdings Inc.#	100.00%	Full consolidation
Eight O'Clock Coffee Company#	100.00%	Full consolidation
Tata Tea Extractions Inc.	100.00%	Full consolidation
Tata Tea Holdings Private Ltd.	100.00%	Full consolidation
Tata Coffee Limited (Formerly known as TCPL Beverages & Foods Limited)	100.00%	Full consolidation
TRIL Constructions Limited	80.46%	Full consolidation
Capital Foods Private Limited*	75.00%	Full consolidation
Organic India Private Limited**	100.00%	Full consolidation
Organic India USA LLC**	100.00%	Full consolidation
Associates		
Amalgamated Plantations Private Limited	41.03%	Equity Method
Kanan Devan Hills Plantation Company Private Limited	28.52%	Equity Method
Joint Venture		
Tata Starbucks Private Limited	50.00%	Equity Method

Source: Company, #Up to June 30, 2024; *from Feb. 1, 2024; **from April 16, 2024

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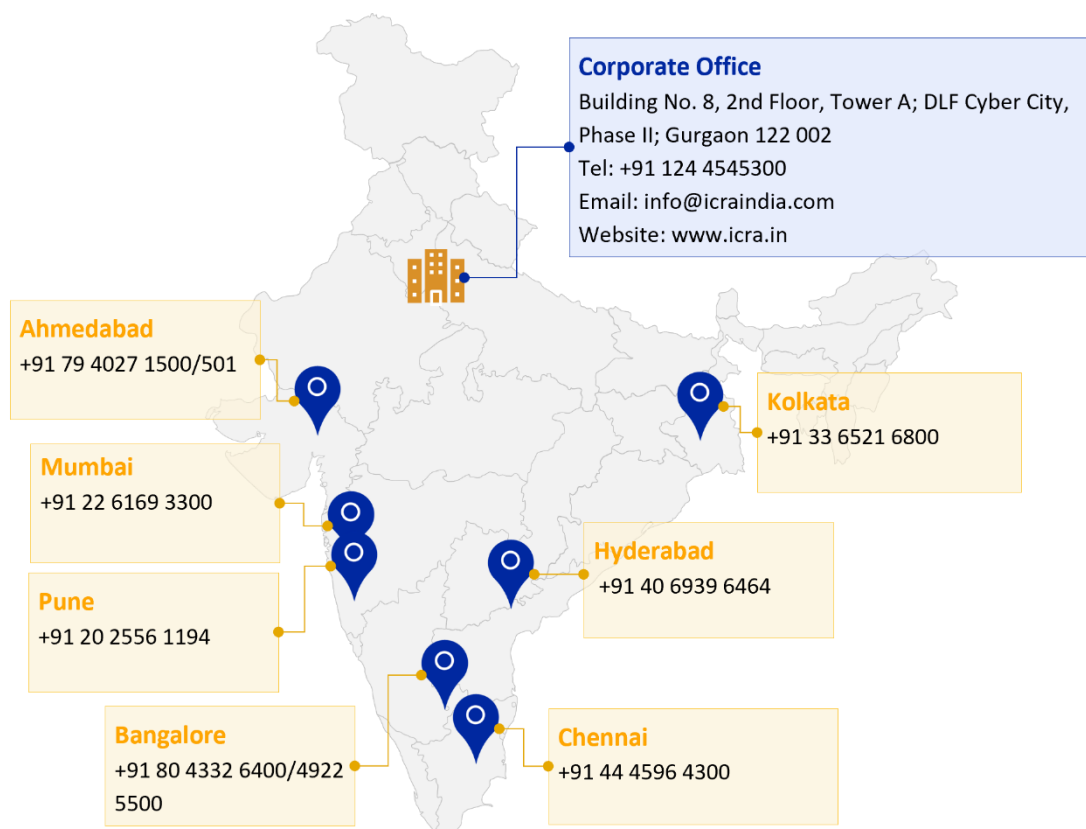
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