



November 7, 2025

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**Sub: Transcript of Earnings Conference Call pertaining to financial results for the quarter and half year ended September 30, 2025**

Dear Sir/Madam,

In accordance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), please find enclosed the transcript of Earnings Conference Call held on Monday, November 3, 2025, in respect of the financial results for the quarter and half year ended September 30, 2025.

The same can also be viewed at <https://www.tataconsumer.com/investors/financial-information/call-transcripts>

This is for your information and records and treat the same as compliance with the applicable provisions of the SEBI Listing Regulations.

Thanking You.

Yours faithfully,

For **Tata Consumer Products Limited**

**Delnaz Dara Harda**

**Company Secretary & Compliance Officer**

**ACS73704**

*Encl.: as above*

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**“Tata Consumer Products Limited  
Q2 FY '26 Earnings Conference Call”**

**November 03, 2025**



**MANAGEMENT: MR. SUNIL D'SOUZA – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – TATA CONSUMER  
PRODUCTS LIMITED  
MR. ASHISH GOENKA – GROUP CHIEF FINANCIAL  
OFFICER – TATA CONSUMER PRODUCTS LIMITED  
MS. NIDHI VERMA – HEAD, INVESTOR RELATIONS AND  
CORPORATE COMMUNICATIONS – TATA CONSUMER  
PRODUCTS LIMITED**

**MODERATOR: MR. MANOJ MENON – ICICI SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Tata Consumer Q2 FY '26 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Menon from ICICI Securities. Thank you, and over to you.

**Manoj Menon:** Hi, everyone. Season's greetings from ICICI. As always, it's our absolute pleasure to host the management of Tata Consumer Products for the results conference call, this one being the 2Q FY '26.

Over to Nidhi Verma from the company for the intro and the proceedings. Over to Nidhi, please. Thank you. I'm sorry for that.

**Nidhi Verma:** Thank you, Manoj, and thanks, ICICI, for hosting us. Hi. Welcome, everyone. We announced our second quarter FY '26 results earlier today, and I hope you had some time to go through some of our materials.

In terms of the format, as we usually do, we'll perhaps use the first 20 minutes or so to go through some of the key highlights, which will be covered by Sunil D'Souza, Managing Director and CEO; and Ashish Goenka, Group CFO; post that we will open the floor for Q&A. And I just want to draw your attention to the disclaimer statement that is up on your screen.

With that, handing it over to Sunil.

**Sunil D'souza:** Yes. Thanks, Nidhi. So in terms of summary, we had a good quarter, I would say. Revenue up 18%. More importantly, the India branded business UVG was 14%, which is, I think, a strong double-digit volume after some time.

Core India business, we've seen the second quarter of double-digit growth both in tea and salt. We've seen sequential acceleration in the growth business overall. While we always maintained that growth business it will be 30% of our portfolio growing at 30%. This quarter, they grew 27%. Sampann was up at 40%, RTD now has come back quite strongly, 31% volume and 25% value.

Most of our growth businesses fell, and that's including RTD, fell into the 18% or 12% bracket on GST. And we did have a hiccup at the end of the quarter, the only reason why you will not see the hiccup on RTD, because it is an impulse business. And you don't wait to drink a bottle of water or GlucoPlus when you're thirsty, whereas everything else you can hold back purchases. And I think we saw that hiccup up in Capital Foods, Organic India and Tata Soulfull.

International momentum continued its top line with a 9% growth. Non-branded, while revenue grew 26%, profitability came back to par compared to last year because last year, we had the

advantage of low cost inventory and higher prices. Whereas right now, it's par for both inventory as well as pricing.

EBITDA grew 7% year-on-year. As we had mentioned that Q2 would be the bridge between Q1, which was a bit pressurized on margins, and Q3 where we expected tea prices broadly to come back to normal. While tea prices will come back to normal, it's coffee which will be the one to watch out for as we go forward.

But coming back, consolidated EBITDA grew at 7% with a margin 13.6%, sequential expansion of 70 bps. Good part is the India business is broadly operating on a normalized EBITDA margin as we go forward. We continued the pace of innovation with 25 product launches in Q2.

Overall, Q2 revenue growth of 15%, India Beverages; Foods, 19%; International, 15%; non-branded, 28%; all in, close to INR5,000 crores at 18%. In terms of H1 as well, close to INR10,000 crores at 14% with all businesses delivering double-digit growth.

So yes, close to INR5,000 crores, 18% growth, margin of 13.6%, PBT up 10.5% -- sorry, margin of 10.5%. Group net profit margin of 8.2% at INR400 crores and now close to INR1,000 crores of cash back in the portfolio. Yes, I'll just skipped the H1, close to INR10,000 crores, 14% growth.

Yes. So we continue to power our brands and we maintain our A&P-to-sales in India at 7.4%. Salt market share value came in flat. Tea market share showed a dip of 80 bps, but I would just like to reiterate that Nielsen measures only general trade and a portion of modern trade because one significant player doesn't share revenue and they do not consolidate the e-com and quick com numbers into this. Incidentally, between e-com, quick com and modern trade, this quarter is now -- 37% of the contribution is from these channels.

So a significant portion of the new and emerging channels is not captured by Nielsen. Next slide. Yes. This is -- I already talked about it. 32% contribution growing at 27% versus our guidance of 30%, so broadly in the ballpark. Continued to launch 25 new SKUs in Q2.

We strengthened our commitment to responsible business. We improved our Dow Jones Sustainability Index from 65 to 71. We released our human rights score. We rolled out a biodiversity conservation policy. And we are now certified water neutral based on third-party evaluation. In fact, with a global positive water index of 2.2 which is very significant.

In terms of macros. Tea prices, just to recap, we had maintained at the beginning of the year that last year, tea prices, which went up 30%, we had expected them to come down by 20%. And that was in line. You see the 250 and 204 numbers broadly in the North India tea. There will be ups and downs as we go depending on the weather.

But broadly, we would expect to play in this ballpark. Coffee prices have started coming down. There was a slight bit of an upward blip with the Brazil tariffs coming in. We're keeping our fingers crossed to see how that pans out.

Next slide. In terms of business, packaged beverages, 5% volume growth; 12% revenue, overall margins have shown a healthy recovery. Broadly, tea margins, we have always maintained, should be operating between the roughly 34% to 36%, 37% mark, and we are into that ballpark now.

Coffee, we continue our robust performance with a 56% growth. India Foods, 11% volume, 19% revenue and maintained salt market share. Value-added salts grew 23% in the quarter and Sampann delivered a 40% sales growth. All our launches and innovations are doing quite well in this space.

Ready-to-drink, back to growth. We had said we are aiming to grow 30% in this space. Volume was 30%. Net revenue was 25%. The net revenue also should start catching up in Q3, Q4 in line with volume.

Tata Copper+ grew 36% continuing its strong trajectory. Organic India delivered INR133 crores top line, Capital Foods, INR223 crores. Overall, we had said that these margins are 50% accretive to our base, and they continue to be that, delivering a 48% combined gross margin.

As I mentioned, we did have a bit of a hiccup at the end of the quarter in line with the GST disruptions, probably continued for the first week of October. But broadly, we are back to business as usual. Non-branded business, 26% revenue growth. Margins did come under pressure but back to normative margins that the business should have. Tata Starbucks, the good news was we've got to 8% revenue growth. Same-store sales growth was positive, we had slowed down net new stores in line with the overall slowdown in the industry and, therefore, opened only 7. But we are now inching towards the 500 store mark and we're now present in 80 cities.

U.K. revenue from the quarter, we are cycling a high base of last year and, therefore, planned revenue decline of 5%. Margin continued to be very healthy. Teapigs, as we have said, the focus in the U.K. is to maintain our share in black tea but continued growth in fruit and herbal and specialty.

In line with that, Teapigs penetration expanded up 35% year-on-year, and Good Earth sales grew double versus the same quarter last year. U.S. business -- sorry, just to point out in the U.K., now fruit and herbal, we are up to 10% shares in fruit and herbal.

In the U.S., business registered a 21% growth driven by volume as well as value. Eight O'clock continued to gain market share. The only catch out here is the coffee prices continue to be volatile, and that is a watch out. Canada came back to growth. 7% growth in the quarter, margins healthy.

Tetley continued to retain its market leadership. And the ethnic foods portfolio has come strongly to the party in Canada, where we've always said we need to grow beyond tea. This is the one other leg that the team is building out very strongly.

Financials, Ashish?

**Ashish Goenka:**

Thanks, Sunil. So as Sunil mentioned, I think we had an overall 18% consolidated growth in the quarter. The growth was broad-based and volume-led with almost 14% UVG in India business. Across the board, we saw good growth, India growing at 18%; International growing at 9%, and non-branded growing at 26%.

In terms of margins, we have seen a significant recovery in our tea margins in India, while coffee volatility creates headwinds in both the U.S. and our non-branded business. However, the margins were -- EBITDA was 7% up. And sequentially, we have improved EBITDA margins by almost 80 basis points.

In terms of first half rounding it up, overall revenue growth was 14%. EBITDA was flat over last year, largely on account of the impact that we had on tea costs in quarter 1. In terms of overall financials, just looking at the quarter, I think we are on the path to margin recovery at an overall EBITDA and EBIT level. There were no exceptional items this quarter.

I will just want to draw your attention to the tax line. We had a significant one-off in the base when we had consolidated or merged our wholly owned subsidiaries into the mother company. And therefore, the ETR was significantly lower, which has led to PBT growth of 23% but a PAT growth of only 10%.

So I think that pretty much sums of the presentation, and I'll probably now open it up for questions.

**Moderator:**

Thank you very much. We will now begin with the question and answer session. We'll take our first question from the line of Mihir Shah from Nomura. Please go ahead.

**Mihir Shah:**

Hi, sir. Thank you for taking my question. So first question is on tea. It is a two-part question. On tea, you've grown well in double digits over the past 4 quarters, but I believe there were some price cuts put into effect in second quarter because of the soft tea prices. Should one expect further price cuts to continue or all the price cuts are behind now? Firstly, that.

And secondly, given that you will start cycling a higher base, what level of sales growth should one expect in the second half for the tea business? So that's the part one. Part two, on the tea margins, you highlighted that they have come back to normative levels. So should one expect similar margins for tea in the second half or there is still room for further margin improvement for tea in the second half? So that's my first question.

**Sunil D'souza:**

So Mihir, let me answer the second question first. We've broadly always said we will operate between roughly a 34% to 36% gross margin range for tea. And we have broadly reached that level. And the reason why we say 34% to 36% is if we try to go beyond that, you have to remember that, A, it's a competitive environment out there; B, it's a largely commodity price indexed business.

And therefore, we will start bleeding share at that point. And market share to me is an extremely important factor in any business. So we will operate in the 34% and 36% and make sure that we keep making corrections in pricing as and when needed. So that's number one.

Number two, going back to your first question. Again, the principle is it's a 34% to 36% margin, that is the longer-term guidance, A; B, also, we've always maintained that in tea, we will have mid-single-digit growth, volume growth and a couple of bps of price mix and therefore mid- to high single-digit total revenue growth.

Now that formula can change between volume and price from time to time. Last year, we had high price-driven growth. I would think as we give out pricing, as we take down prices, we will see volume-driven growth coming back into the category. So broadly, I would say, more importantly, the mid- to high single-digit top line growth is what we would guide for.

**Mihir Shah:** Secondly, on international sales in non-branded, it seems to have turned better largely because of coffee or coffee prices. Are these sustainable? And if not, what level of growth should one expect in these businesses?

**Sunil D'souza:** See, in the unbranded business, I would urge not to look at the top line. It is more the margin because more or less, it's conversion, right? We buy the coffee, convert it into either spray dried, freeze dried and sell it back to the big boys, right? And therefore, it is a margin which matters. While we saw a 26% top line, the margins were broadly in line with where it should be. It is, I would say, the low teens is where non-branded operates, and that is where we've landed.

So coffee prices going up and down, your guess is as good as mine. Everything was starting to come down from a \$4 level. It had come down up to \$3. And then this 50% tariffs in Brazil happened. Brazil supplies roughly 30% of the U.S. coffee, and then the whole thing went north again. We are starting to see some softness again. But I would say broadly, it's the margin and not the absolute numbers that I would urge you to look at.

**Mihir Shah:** And on international business, Sunil?

**Sunil D'souza:** On the international business, if you are referring to its U.S. coffee, U.S. coffee, we took one round of price increases in July. We've had one round of deweighting happening in November and we have announced a price increase around the corner starting early next year. So we're keeping our fingers crossed.

But we are announcing pricing in line with what other players in the market are doing in early 2026. The point is, given our market share in the U.S., we are more price takers than price makers.

And the good part is we've grown volume as well as market share in the U.S. in bags. K-Cups also has started to see positive traction. Margins are under pressure, but it depends on how coffee prices move. And I would not try to second guess coffee prices now.

**Mihir Shah:** And last is a quick bookkeeping question. Other expenses seems to have gone up sequentially quite a bit on a consol level, actually. What is triggering that? And should one expect them to remain at these elevated levels?

**Ashish Goenka:** Referring to our other expenses?

- Mihir Shah:** Yes, Ashish.
- Ashish Goenka:** I think we had some one-off in that. So I think current levels are normative levels, should continue to remain at these levels.
- Mihir Shah:** Understood. Thank you very much. Wishing you all the very best.
- Moderator:** Thank you. Next question is from the line of Shlok from Nuvama. Please go ahead.
- Abneesh:** Thanks. This is Abneesh here. Congrats on very good performance. My first question is on Capital Foods. So first part of that question is in terms of GST disruption, other large companies have said the impact is 2 days to 4 days. So I wanted to understand in this part of the business, which was GST impacted. What would have been the normal growth if GST disruption was not there?
- And second, you have come out with a lot of new products in Capital Foods post the acquisition. Initial remarks, you said you are excited on most of the new launches across brands. In Capital Foods, I wanted to understand which are the new product lines you're more excited in terms of the medium and long-term also?
- Sunil D'souza:** So, Abneesh, I didn't get the 2 days to 4 days point.
- Abneesh:** GST disruption Impact. GST disruption impact, if that was not there. Then Q2 growth of Capital Foods, how much it would have been higher?
- Sunil D'souza:** So that is -- your guess is as good as mine. We were tracking on a, let me say, a very good, high double-digit -- or a decent double-digit growth rate before 22nd. I had not expected to see that much disruption that we did see, and the disruption was both GT and MT. MT, obviously, because they were downstocking, because they wanted the right price on the shelves, GT because on 22nd onwards, we started to pass the extra GST as a discount.
- And obviously, retail trade a lot of it, general trade sees this as margin so that probably we didn't calculate in as much detail. But that I would say broadly, we are back to normal sales. In terms of new product development; A, the core Chinese chutney and the extensions thereof, right, including the chili oil, etc., that's one pillar that we're working on.
- The second pillar we are working on is the noodles portfolio. Which is you've seen we've got hakka, we've got instant. And most importantly, the third piece, which is now we've -- I think we said that when we had bought out Capital Foods is that we had looked at it as moving beyond desi-Chinese into an oriental portfolio.
- So the Korean launches which we have done, right now, it's only, I would say, ramen and instant noodles. But you would see much more coming out of the Korean platforms as we go forward.
- Abneesh:** One follow-up here. On the re-inventorization bit, there has been a different kind of takes on how much will be the GST re-inventorization in Q3. So if you could tell us because you have - - obviously, you also are facing -- have faced that issue. And you said October 1<sup>st</sup> week also,



there was some GST transition impact. So if you could tell us, do you get back all the inventories, say, destocking which happens?

Or there is a genuine stock-out, so that part of demand obviously will not come back? So some clarity on how much is the GST re-inventorization in Q3 versus the days lost in first week of October and in Q2?

**Sunil D'souza:**

So Abneesh, your guess is as good as mine. We are in the food and beverage business. So it's not that you can -- you don't have to eat food to, this thing, you can push up purchases to a little extent. But my broad assumption, and we're seeing that, right, overall, we are seeing the categories come back to what it was pre-GST.

Now how much of that was postponed and/or completely lost, I wouldn't want to hazard a guess. But broadly, our -- this thing about 30% of the growth categories, driving 30% top line continues to remain.

RTD, like I said, didn't have a -- while the GST rates did drop from 18% to 5% for categories, didn't have that much of an impact because it is impulse and that's not something you can postpone. And therefore, RTD continues to deliver strong growth going forward.

**Abneesh:**

Last question was on your remarks that e-commerce, quick commerce, and modern trade is 37%. My sense is that is obviously at a pan-India level for you. My specific question was on your 2 main core categories, the legacy categories of salt and tea. There, if you could tell us how the competition is versus, say, the other large player in tea. Because that player said that when tea normal deflation happens, that the large branded players get uptrading back from consumer.

Because last 2 years, we have seen that the consumer has been down trading. So, if you could comment on that. Do you expect that you and the other large player in tea should get a benefit of that? And similarly, in terms of competition from some of the D2C start-ups in tea, any comments in terms of the e-commerce and quick commerce? If you could give that color?

**Sunil D'souza:**

So let me say the advantage of operating in staple categories, Abneesh, is that it's not a 60%, 70%, 80% margin category and, therefore, smaller D2C players coming and challenging you very strongly, that is not a fact for us in tea, salt and staples, A; B, in terms of e-commerce, quick commerce, we are market leaders, as measured by Nielsen. But the only reason I believe Nielsen doesn't report is because not all the channels give them the numbers.

But we do internal tracking. And we are market leaders on e-commerce and quick commerce. See, as regards downtrading, uptrading, I wouldn't want to make a comment on gaining share, losing share. All that I would say is we strive to be between the 34% to 36% gross margin, at which point, we know that we will continue to gain market share with execution.

**Abneesh:**

Yes, thanks. That is all from my side. Thank you.

**Moderator:**

Thank you. Next question is from the line of Vivek M from Jefferies. Please go ahead.

- Vivek M.:** Hi, Sunil and team. Three questions. First, on the international margins. You have mentioned about the reasons. But do you think second quarter F'26 marks the trough and things should start to get better?
- Sunil D'souza:** So Vivek, I actually wouldn't -- this thing, on tea, broadly, we're back to where we should be. I would still say we are at least one quarter out from seeing normalcy just because between now and this thing, I don't know how the moment -- see, tea, essentially, we had started coming off the highs as commodity.
- And it has started, like I said, from \$4.17 was the high, it had come down close to a \$3. And there was news that it will breach \$3 and come down. Unfortunately, the 50% tariffs on Brazil happened, and that's when it went back.
- We are now starting to see softening. But if I see -- start to see softening now, it's at least 3 to 4 months out before it seeps into my supply chain. So I would say we're at least 1, if not 1.5 quarter out before seeing margins normalize.
- Ashish Goenka:** Yes. And just to add to what Sunil said, I think the other variable in the whole, this one is tariff. And we don't know where it will settle. Because right now, we are still not pricing for tariffs. We're just still pricing for the increase in commodity costs, which is coffee beans, right? So I think that's the other variable, we'll have to watch -- do a close watch on.
- Vivek M.:** Sure, Ashish, tariff part, yes, that uncertainty is there. But just, let's say, just to conclude, so do you still think that international margins have downside? Or do you think second quarter broadly is where the trough would be?
- Sunil D'souza:** I would say we are at least -- Vivek, I'm 1 quarter out from calling out where I'm going to land, right; because there is so much upheaval. So coffee, last year, I said I wouldn't try to hazard a guess on where coffee prices are going because every time I guessed, I guessed wrong, right? And right now, I wouldn't try to guess how tariffs are going to settle. Because remember, there was a 10%, then there was a 25%, then there was a 50%.
- So it's a bit all over the place. We have announced price increases effective January. If all of them go through, we will be slightly below where we should be and it will probably take one more round of price increase, probably around March or so, for us to come back to normative.
- Vivek M.:** On the market share, Sunil, 2 things. One is on the salt side. The growth is good both volume as well as value, and the market share is flat. Now is it just quarter-to-quarter anomaly because last quarter, there was a share loss or I mean, I was just thinking at this growth, the market share numbers should have trended up because unlikely that industry would have grown at the same rate, right, the rest of the industry?
- Sunil D'souza:** Vivek, like I said, we are giving out numbers for broadly indicative directions of Nielsen. As I said, when 37% of my business or maybe close to 32%, 33% of my business is not measured by Nielsen, and this is despite us taking it up with them again and again, right? Saying your panel doesn't represent what -- so very simply put, even if you do the competitive commentary

on tea and then look at my competitive commentary and do the math, it doesn't add up. So I would say I would not comment on the numbers.

**Ashish Goenka:** But just to clarify, Vivek. I think what you're seeing is MAT. Of course, in the last 3 months, we have gained significant share in salt, almost 100 basis points plus. So I think if it continues, then we will start seeing it reflected in MAT as well.

**Vivek M.:** Sure. And apologies on market share on the tea side because we have seen this trend, and I understand the part about MAT. Do you think -- so let's say, more than one-third you are saying is not getting represented. And I recall maybe a year back or so, you mentioned that the gap is basically -- or maybe 6 quarters back, the gap is basically you need to still penetrate deeper into the general trade.

Do you think that ex of that -- so basically two-third of the market, you are still losing share in that? Is that how -- because your comment has been specifically about the new channels? So how are you doing on the general trade side? And what will it take you to stabilize market share if there were any losses?

**Sunil D'souza:** No. So general trade, broadly, Vivek, the hypothesis that if I equate distribution, I will equate market share. That math continues to hold. So there is no dispute in that. It is just that I'm taking that much more time to cover that gap. That's about it.

**Vivek M.:** Okay. And so on the distribution side, what will it take you, Sunil, to bridge the gap?

**Sunil D'souza:** So it is primarily to do with specific geographies in, say, Eastern UP, specific parts of Andhra and specific parts of Tamil Nadu for me to cover the gap. If I just total these 3 geographies, it is more than the India number, right, which means the rest of the India number overall average, I'm ahead in distribution than this. So the focus continues to be drive there. And this is mostly semi-urban rural. So it's taking time for us to go down the pop strata.

As I said, last year, we have gone up to distributors at 50,000 pop strata. And right now, we are appointing sub-distributors at 20,000. At some point of time, we will look at going below that pop strata as well. That is the -- it's just a question of going -- taking penetration deeper into the hinterland.

**Vivek M.:** And last question, between Organic India and Capital Foods, there has been a fair amount of disparity in terms of growth rates. You mentioned about October first fortnight or first couple - first week or so. But once we are out, let's say, of this quarter, do you think Capital Foods should move to, let's say, high teens, if not higher than that?

**Sunil D'souza:** Yes, yes. So the reason why you're seeing the disparity, Vivek, is, remember, half the business of Organic India comes from exports, right? And if you remember in the last quarter, one of the hiccups in Organic India was that our supply chains in the U.S., we figured out quite late that it was a long, long lead time.

And this quarter, we've got it right. And that's why the U.S. has come very strongly to the party, A; B, in India, Organic India, one of the big assumptions was that building the pharma channel will give us growth.

And also by extension, Capital Foods, building a foodservice will give us growth. The pharma channel has given us a far better contribution in overall terms to Organic India than Capital Foods -- the foodservice channel in Capital Foods. So that is what is driving Organic India. But going forward, it should be, I would say, a strong double-digit growth for Capital Foods as well as Organic India.

**Vivek M.:** Good to know that, Sunil, wishing you and your team all the very best. Thank you.

**Moderator:** Thank you. Next question is from the line of Tejas Shah from Avendus Spark. Please go ahead.

**Tejas Shah:** Hi, thanks for the opportunity. Sunil, last time you had called out that you are not very happy or content with growth portfolio's performance and it has very visibly turned around this quarter. So just wanted to know, 2 parts, at what scale do we expect base effect to catch up because we are growing very phenomenally well over here?

And then within this portfolio, how should we think about whether the brand equities started to establish in terms of repeat purchase or is it largely still in experiment stage and we are just -- it's a beneficiary of both product expansion and distribution expansion?

**Sunil D'souza:** So Tejas, I would say broadly 30% of portfolio growing at 30% will continue for some time to come. The whole parameters inside might change, but overall, we do expect to deliver 30% growing at 30% for at least, I mean, the foreseeable near term, right?

And the reason we're quite confident about that is whether it's Organic India, Capital Foods, the penetration levels remain low. Distribution remains a big opportunity and the TAM for the categories that we play in are significantly high. And like you've seen, we've now expanded for Capital Foods, we started to play Korean.

We started to play the noodles portfolio. We've expanded beyond just the Schezwan Chutney. Organic India, you've seen the whole organic food space lighting up apart from the supplements and this thing, the distribution ramping up.

RTD per capita consumptions are abysmally low in India compared to any country, I mean, any middle-income country. So that's going to continue for some time. Sampann, everything that we've done seems to be working very well. My dry fruits portfolio is hitting a INR300 crores run rate. It is, what, a 2-year-old phenomenon.

My cold-pressed oil is sitting at INR250 crores run rate. Nidhi is nodding in front of me. Vending business, which you just started a year back, maybe 15 months back is now INR80 crores, INR90 crores run rate. Foodservice is at a decent clip. Pharma is at a decent clip.

We've just got listing into the largest pharma retailer in India. So distribution, penetration, both brand and execution-driven portfolio expansion, TAM expansion, I think, opportunities for us across the place. If we don't deliver 30%, I think the fault is on our side.

**Tejas Shah:** Super. Second, last quarter, you kind of exited with the promise that we will go back to the 16% margin in the near future and we'll have a bridge quarter where we'll land up at 13%, 13.5%. And then we have kind of achieved that. So how should we think about margins not in near future also, but would you say that we are out of that slump and margins should stabilize now at your desired level?

**Sunil D'souza:** So I've always maintained that a good foods business in India should be between a 17% to 20% EBITDA margin and we strive towards that. Yes, we did get it into a little bit of a reverse gear after -- I mean, through last year as coffee prices shot up. I think Q4 of FY '25, if I'm not mistaken, we came close to 15 plus number. Now we do expect by Q4, broadly, we should be in that ballpark. The only spoiler in the whole piece is coffee prices.

More to do with the branded coffee business in the U.S. more than anything else because, as I said, the unbranded piece is a pass-through and therefore margin is not impacted as much. But it is the U.S. coffee which is probably the only outlier in the pack. By the way, if I added the impact from the U.S. coffee back here, I was in the 15% ballpark even this quarter.

**Tejas Shah:** Very clear. Thanks and all the best for coming quarters.

**Moderator:** Thank you. We'll take our next question from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

**Arnab Mitra:** Hi, team. I had a few questions on the RTD beverage business. So if you could just highlight with the GST rate drops, do you see any fundamental advantage in this category because there is a lot of, I would say, non -- or local players in the segment is what we understand? So do you expect any fundamental improvement in growth because of the GST cut?

And the second is that this quarter obviously is quite noisy. There was very bad weather conditions. Other companies have not done well in the segment. But you also would have had some channel adjustment at the end due to the drop in GST. So overall, I mean, how are the pluses and minuses in terms of how should we see a normalized growth in this going ahead?

**Sunil D'souza:** So Arnab, I think channel adjustments, I would question because this is an impulse business. And normally -- by the way, in season, I would say there are -- for the high-volume outlets, there are multiple deliveries in a day, not only in a week. So inventory is never a big -- or never should be a big thing in this business, number one.

And therefore, like I said, we did not see too much of an inventory adjustment in RTD, and that's why we delivered the growth. A. B, in terms of competition, I would say the 5% does help us because, as you said, we will not play in carbonated soft drinks. And carbonated and/or caffeinated soft drinks continue to remain in the high GST bracket.

So from that perspective, affordability is definitely an option here. Actually speaking, in water, for example, we've dropped prices. The INR10 bottle is now INR9, INR20 bottle is INR18. So we will probably look at upsizing at some point. But yes, compared to carbonated and/or caffeinated beverages, affordability is a strong point now.

**Arnab Mitra:**

The other thing is the competitive intensity continues to be high. Other than water, where you've done well, the other parts of the portfolio has really, I think, struggled in that initial Campa aggression. How are those segments doing? Any steps further that you need to do to get consistent growth there?

**Sunil D'souza:**

So Arnab, broadly, you've seen the business come back to normalcy with a 25% volume growth. And we had consciously taken those price drops last year, right, in line with Campa. So I would say broadly as long as you are clear of your value proposition, you are clear about your brand promise and your product acceptance with the consumer, making sure that the value proposition to the retailer stays right, which is a critical piece we've seen us coming back. I would say you would only see growth accelerating on the non-water portfolio, if you may, on RTD going forward.

**Arnab Mitra:**

And my last question here, Sunil, was this energy drinks where you're now coming with a still formulation. So could you just share your thought process? And again, is this in pilot stage? And how would you think about the potential consumer of this product?

**Sunil D'souza:**

So let me say, fundamentally, if you dial back 20 years, the entire energy segment was still. I can go on and on about carbonated energy and how it was invented, but that's for a separate time. But incidentally, from a consumer perspective, still or sparkling doesn't make the difference. This is the actual product benefit that the consumer looks at it.

And the hypothesis is energy at a INR10 price point, which is sustainable from a profitability for me, does have a role to play. And we had done a test market last year. The brand name, the product formulation, the whole marketing mix did not resonate. That's why we pulled it out. This is -- I would say you're right. It's probably -- I would call it an advanced pilot phase.

We're testing out the proposition albeit on a slightly broader footprint. If it works, then we'll figure out how to put muscle behind it. As of now, it is early days, early signs are good. But I would say we're still not there in calling it a slam dunk.

**Arnab Mitra:**

One last question on Sampann, where we have seen a significant acceleration. Is it -- how much of this would be pricing, volume or are there new segments, you mentioned dry fruits, I think, which are contributing to this, you were growing at 25%, 30%, which has become 40%. So just trying to understand what has driven this incremental growth?

**Sunil D'souza:**

So A, Sampann broadly is in the commodity profile. So there cannot be too much of a pricing-driven growth, right? Because as you're moving people from unbranded to branded, the premium over the unbranded and/or the regional brands is a critical piece. For example, in pulses, we very, very clearly fixed the premium that we will operate in versus specific regional players.

Now the whole growth in Sampann, of course, the base portfolio continues to grow at a very healthy clip. The dry fruits and the cold pressed oils which we have launched, I think that have only accelerated the growth.

Now you'd remember, it's -- dry fruits is today, a Board member reminded me that it's a INR75,000 crores category in India, largely unbranded. So it plays perfectly well in our hypothesis for Sampann that we will enter categories which are trust deficit, high TAM, good margin, good growth rate and where I can build a differentiated portfolio.

**Arnab Mitra:** Okay, thanks so much, Sunil, sir for your detailed answers. All the best.

**Moderator:** Thank you. Next question is from the line of Nihal Jhamb from HSBC. Please go ahead.

**Nihal Jhamb:** Yes, thank you so much. Good evening, Sunil and team. Sunil, I had 2 questions, both on NourishCo. First one was that Campa started in your territory, which is mainly, say, Orissa, AP, Telangana, and post that, they've sort of expanded. So is it that over the last 1.5 years as we see the growth accelerate this quarter, it is mainly the case that we put our distributor margins in place or is that the competition from Campa has sort of stabilized and that has also helped in terms of its growth improving?

**Sunil D'souza:** So I think last year, we had said very clearly, the INR10 proposition has not changed. It is just that Campa came in with 2x the retailer margin. It is not distributor. It is 2x the retailer margin that they were offering versus our INR0.80 and thereabouts, they came in with a INR3.50.

And in categories like soft drinks and water, the retailer plays a very, very big role because that's impulse, you're thirsty, at the point, you're willing to pick up what the retailer is giving you. That was what made the difference.

We should have taken the shot early in 2024, but we did not see it. And finally, by the time we took this thing -- action was about June of last year. So we've cycled more than 1 full year of -- and as I said, as long as your product proposition to the consumer is strong and you execute against that, I see no reason why anyone else coming in can disrupt this thing.

So we did index our price. And therefore, you see -- even this quarter, you see volume at 31% but value at 25%. So we did do that indexation. But going forward, we'll continue to maintain that and be competitive both on a retailer margin as well as consumer value proposition.

**Nihal Jhamb:** The second one was a hypothetical question. There is obviously a scale up in terms of the competitive intensity from the reliance itself in hydration, the bottled water segment. Himalayan is obviously a very different segment.

But in case of Tata Copper, in case you see a similar kind of aggression play out of maybe where retailer margins have stepped up and there is more volume sort of effort, then what is the thought process we have to sort of not see a repeat of maybe what happened with the other portfolio?

- Sunil D'souza:** So we're very, very clear. We will not lose market share this time around to retailer margin. We're keeping a close eye on it. Either retailer margin or consumer value proposition, if it changes, we will react. To me, maintaining market share is always a better proposition because I can build back margin at a later point of time. Maintaining margin and losing relevance and market share is not an option.
- Nihal Jhamb:** That's very clear. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Akshen from Fidelity. Please go ahead.
- Akshen:** Yes. Hi, sir. Congratulations on a good set of numbers. My question is pertaining to the India margins. You flagged risks to international margins from coffee. But if you were to just look at the India EBIT margins, would you say the current margins have further upside or these are the margins that you are comfortable working with? I'm looking at close to 10% EBIT this quarter. And I think your peak was about 12%, 13%.
- Sunil D'souza:** I'm not sure about the peak of 12%, 13%. Broadly, India margins, we are in the ballpark of where we should be. I would say EBITDA, we are roughly in the 15% margins for this quarter, and that's where we should operate.
- Broadly tea, salt, everything, the gross margins are in the 34% to 36% range. And growth businesses, probably a little bit of a play out there but it's relatively a smaller part of the portfolio. So I would say India margins, broadly where they should be.
- Akshen:** Okay. Because I would have thought that since tea prices started to correct through the quarter, with some benefit out of the lower tea prices would start accruing in second half as well, plus some of the goodness of growth that will come from your M&A would also start flowing. So my question was actually from that context.
- Sunil D'souza:** So on the tea prices, I maintained, right? We operate in the 34% to 36% gross margin. If you try to get too greedy, we will lose market share because it's a commodity-driven business. There is a big competitor and there is multiple regional and local players out there. We've seen time and again, if we don't operate in the 34% to 36%, we start losing share.
- So we have started -- actually, this quarter has been delivered despite us giving back some pricing. A lot of the pricing was -- some of the pricing was given during the quarter. A lot of it came during the end of the quarter. So tea prices going up and down, my this thing would be not to read too much into it as long as I operate in the 34% to 36% range.
- Akshen:** Okay. Second question from my side is just on the competitive scenario with the other players in the tea market. Could you just help us understand when these prices are being cut, who's taking the lead? Is it one player over another? Is it somebody who is a market leader in a particular geography that is taking a cut? How are you and the other player approaching pricing?
- Sunil D'souza:** I don't know how the other player is approaching. All that I would say, where I lead, if there is an issue, I would take up price if there is a pressure on tea cost. Because similarly, if I see tea



prices going down, I know people -- I mean, if I'm the market leader, then share has to come out of me, which I'm not comfortable with. That's why I go down first on pricing. So I would say wherever I'm the market leader, I move first. But where I'm not, I would wait for the market leader to move.

**Akshen:** Okay. Thank you and all the best for the rest of the year, sir.

**Moderator:** Thank you. Next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

**Percy Panthaki:** Sir, there have been some news articles about discontent in the distributors and some protests. So of course, there is some reasons given in those articles. But in your view, what is the reason behind this discontent with the distributors?

**Sunil D'souza:** So Percy, fundamentally, when we started off in 2020, distributors were either tea distributors or salt distributors. We integrated, more or less, I would say, about 85%, 90% of the distributors whom we selected as common distributors were from within that fraternity.

Now as we expanded our portfolio, we've got Capital Foods, we've got Organic India, we've got Soufull, we've got Sampann. And I do think distributors of Tata Consumer Products have to distribute to the entire portfolio of Tata Consumer Products. Picking and choosing portfolio is not an option in my mind.

I would say that is the single biggest driver. Yes, after that, there were some operational issues, which are par for the course in any distribution business. But the fundamental thing is it has to be a full portfolio distributor for Tata Consumer.

**Percy Panthaki:** But isn't this a little weird, generally in my experience, distributors are happy to take on more lines because it adds to their business. So why is it a problem this time around?

**Sunil D'souza:** So salt is a more wholesale-driven business. So life is more comfortable. You sit back and make deals. Capital Foods is a retail outlet to outlet distribution, you've got to make a little bit of more effort.

So every category is different. Every distributor has different strengths, Percy. So some people like it, some people don't. But you're absolutely right. In my mind, more categories means more lines, more top line and therefore, better money in the bank. I just hope everyone sees it that way.

**Percy Panthaki:** Understood. Do you think that whatever this issue is could cause some disruption in terms of some sort of extra inventory in the pipeline currently, which will normalize later on or something like that?

**Sunil D'souza:** Percy, the good part is when people start throwing about inventory numbers and all that, I'm also amazed because sometimes I also struggle to get the same numbers, right? I mean, everyone is free to put whatever numbers there are. We follow an ARS system. We monitor distributor closing stocks every month.

Actually, last month, stocks have dropped, not increased in the distributor system. It is just that the ARS system makes sure you are ordering every single -- or every salient SKU across categories that we want to sell in that geography, and you've got to maintain a specified number of days of inventory. That, I think, is a critical point.

**Percy Panthaki:** Understood. Second question on margins. So you mentioned that gross margins and, indeed, India EBITDA margins also are more or less where you want them to be. However, consol margins are still low. And going into 3Q, 4Q, we would be sort of lapping a high base of margins. So do you think that there is any chance of a Y-o-Y margin compression going into the next couple of quarters?

**Sunil D'souza:** You would see a Y-o-Y expansion of margins going into the next couple of quarters, Percy, because if I said that by Q4, we will come back to broadly the ballpark of about a 15% EBITDA, right? I have to cross about 130, 160 bps, if I'm not mistaken, from here to there. And apart from the U.S. business, U.S. coffee business to be specific, broadly, there is no pressure on margin from any of the other businesses.

**Percy Panthaki:** Okay. Got it. Okay. Thank you very much.

**Moderator:** Thank you. Over to you, Nidhi.

**Nidhi Verma:** Yes. Thank you. So I have gone through the questions on the webcast as well. I think we've covered all of them during the course of Q&A. But in case there are any pending questions, you can always reach out to me later on.

But I think for today's call, we'll just conclude it, and I would like to thank you all on behalf of Tata Consumer, and good evening.

**Moderator:** Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.