July 28, 2025

National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai 400 051
Scrip Code – **TATACONSUM**

BSE Limited
Phiroze Jeejeebhoy Towers
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Mumbai 400 001
Scrip Code - **500800**

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Scrip Code – **10000027 (Demat)**
27 (Physical)

Sub: Transcript of Earnings Conference Call pertaining to financial results for the quarter ended June 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 Wednesday, July 23, 2025, in respect of the financial results for the quarter ended June 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**

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“Tata Consumer Products Limited

Q1 FY '26 Earnings Conference Call”

July 23, 2025

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

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

Moderator: Ladies and gentlemen, good day, and welcome to Tata Consumer Q1 FY '26 Earnings Conference Call. 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, sir.

Manoj Menon: Hi, everyone. Representing ICICI Securities, as always, it's our absolute pleasure to host the management of Tata Consumer for another results conference call. Without much ado, passing the baton to Nidhi Verma from the company for the intro of the management and further proceedings. Over to Nidhi, please.

Nidhi Verma: Thank you, Manoj, for hosting us, and welcome, everyone. I hope that you have gone through the investor presentation and other materials that we have uploaded. As usual, how we will run today's call is, we'll walk you through some of the key highlights of the quarter, and then we will open the floor for Q&A.

I'm joined by Mr. Sunil D'Souza, Managing Director and CEO; Mr. Ashish Goenka, Group CFO; and Mr. Ajit Krishnakumar, Executive Director and COO; and my colleague, Kaiwan from the Investor Relations team. And I want to draw your attention to the disclaimer statement that is up on your screen right now.

With that, I hand it over to Sunil.

Sunil D’Souza: Yes. Thanks, Nidhi. So in summary, we delivered double-digit growth, 10%. The India branded business and if you had noticed from the last quarter, we had started publishing our UVG. It was close to 7% at 6.8%. The core India businesses, both tea and salt, grew double digit in value, and they also grew in volume.

The growth businesses grew 7% on an aggregate basis. Yes, this was below par in our parlance. It was primarily driven by unfavourable weather impacting the RTD business, the monsoon came early. Despite that, we recorded positive volume growth.

Sampann obviously continued its strong momentum. We've always said it will be close to 30%. It came in at 27% in quarter 1. Capital Foods and Organic India, we were impacted by some transitory issues, which includes some capacity constraints, some rightsizing of inventories and supply chain hiccups in the export, both as well as imported ingredients pieces. The focus now remains to continue to accelerate growth through innovation and expanding distribution here.

International business is on a strong wicket and continued its momentum with a 5% constant currency growth. And this time, the U.S. has come to the party. Non-branded business was quick to adapt. Coffee prices are in at least a short-term declining phase and we need to be agile about figuring out sourcing and managing inventory. I think we did that quite well.

Consolidated EBITDA, primarily, I would say 2/3 of this EBITDA decline is accounted for by tea cost, and this declined by 8%, and other is primarily because of coffee price corrections in the Non-branded segment.

Overall, EBITDA margin was down by 250 bps. As I said, 160 bps was accounted by tea cost and the balance mostly with the coffee price. We continue to strengthen omnichannel capabilities. We're rolling out our food services and pharmacy and these are demonstrating robust growth, albeit on a small base. And I talked about coffee prices. Tea prices, however, currently remain favourable, and we remain cautiously optimistic.

In terms of performance, India Beverages was up by 8%, India Foods was up by 14%, International up 9%, in constant currency price 5%, Non-branded was up 7%, and Consolidated, we were up by 10%. Revenue 10%, INR4,779 crores. EBITDA, negative 8%, which is negative 250 bps. INR465 crores of PBT, which is up 10%. Group net profit is up to 6.9%, which has grown by 10%. And after exceptionals is -- total net -- before exceptional is up 10%.

Total net profit all in is up by 15%, which translates to a 12% EPS growth year-on-year. We've got roughly INR400 crores of cash on our balance sheet. Just to recap, at this time last year, we were negative since we had not done our rights issue.

Strategic priorities remain the same. We have maintained our A&P-to-sales in the 7% range. Albeit in the short to medium term, we would like to go closer to 7.5%-8%. Just as a perspective, Nielsen keeps on changing the goalpost. They have rejigged their panel, which they used to do once in 3 years. This time, they have rejigged it in a year's time. And therefore, again, there is a new goalpost on the share front.

Apart from that, we have had several new launches. We've launched green tea with L-Carnitine. L-Carnitine is proven to burn fat. And we've brought in Sachin Tendulkar to endorse Organic India to build brand credentials and authenticity. We've also pumped up our communication on Tata Salt. Last year, we did the Desh Ka Namak campaign version 1.0. This is now 2.0, going retro. And even in RTD, we have started moving up the value chain and the RTD coffee has got off to a very strong start.

We're building multichannel capabilities. This quarter, e-com, including quick commerce, grew 61% for us. Modern trade grew 21%. Food services, which was the muscle that we're building, we've got now that we're in business for some time, we're now getting the tenders through and successful activation across several key large accounts and premium hotel chains.

So the pharmacy rollout is going very well. We have now expanded to the 40 cities. And here, there's a very strange equation. The percentage of DSR on the street is equal to the percentage achievement against plan, which means it's only a question of putting feet on street and we're getting traction on top line. Just that feet on street is taking a little bit more time.

Vending is the other piece, which we have gone aggressive behind. We've now got 5% share in the bean-to-cup market with 5,000 machines. We had guided for 30% of our business coming out of the growth businesses, which will grow at 30%. In terms of percentage, it's still at 28%. We are still not there. It's not a satisfactory result on the growth number, which has come in at 7%.

And as I mentioned, it's primarily to do with a little bit of transitory issues, primarily on Capital Foods and Organic India, more Capital Foods, I would say. And RTD, while volume growth has come through, could have been better. And of course, we've reindexed price and therefore, value growth has lagged.

We have done several launches across all our businesses this quarter. We've significantly improved our sustainability standing, and this has been steady progress. If you look at the CRISIL rating 57, 58, 61, we've moved the needle significantly and now in the strong territory.

In terms of macros, tea prices right now, as of the latest auction is about 13% to 15% below last year same time, and we do expect it to trend lower as we go into the full season. Coffee, while it is trending downwards, there's not a uniform trend. There's still a bit of volatility there, and that is something which you've got to manage.

In terms of business performance, Packaged Beverages, as I had mentioned, volume is up 1%. Net revenue is up 12%. Growth was initially about 6 months back, it was the bottom of the portfolio growing faster than the top. But now more or less with pricing having settled, growth was broad-based across categories. I would especially want to highlight coffee still while we're a relatively smaller share player, we had, had a 33% growth in volumes and 67% value.

In terms of Foods, we had a 6% volume growth, 14% revenue growth. Salt grew 13% with 5% volume. Actually, we have achieved our highest-ever quarterly tonnage. Value-added salts continued their strong momentum, up 31%. Sampann has grown 27%. And most importantly here, the recent launches in Sampann of dry fruits and cold pressed oil continued to build on the growth momentum. And right now, we're tracking ARR of about INR200 crores.

On the RTD piece, we had a 3% volume growth. Net revenue delivered was INR271 crores. Revenue, however, was minus 13%. And this is driven by the reindexing of the price to retail that we did in Q2 of last year, end of Q1, early Q2 of last year. So now that is behind us. So going forward, volume growth will translate into additional value growth as well. Apart from this, we've launched 8 new products during the quarter, all of them in the value-added range.

Tata Copper continued to show strong growth. Despite the reduced season, we had 11% growth in Tata Copper+. Capital Foods and Organic India, total of about INR260 crores between the two of them. Combined margin was at 50%. This is what we had guided for. And most importantly, Organic India's e-commerce revenue, which the e-commerce channel probably has responded best on Organic India, has grown 3.5x year-on-year. And I did mention the fact that we've partnered with Sachin Tendulkar using the integrity to build the brand's emphasis on quality and trust.

Non-branded business, slightly soft quarter as coffee prices came down, single-digit growth, both on solubles and overall revenue. Plantations delivered 11% growth as coffee prices moderated. Profitability for the business was impacted due to the drop in the overall prices for coffee globally.

Starbucks, the good news was we're back to same-store sales growth. We grew in April and June; May, albeit was a decline, and that's primarily because we had about 10 days of impact because of geopolitical tensions, especially in North and Northwestern India driven by Operation Sindhoor, reduced store timing, shutdown of stores in some places, but we feel pretty confident about the uptick starting on both traffic, which we call ADT as well as same-store sales growth.

We tempered store opening for the quarter. We've added only 6 new stores for the quarter, focusing on the footprint growth across both metros as well as smaller cities. International, U.K. was negative 4%. Just to, I mean, point out, we were cycling a very strong quarter last year, where competition had a misstep in the quarter there, but share continues to be on a strong wicket, close to a 20% share.

Apart from that, on fruit and herbal, we have close to a double-digit share, which we are continuing to build on. The U.S. came to the party very strongly. Coffee growth of 20%, market share 4%. And overall market share growth in the U.S. after some -- a few quarters. Canada was a bit of soft performance this quarter, primarily to do with the shifting of promotion timings in one of the big retailers namely Costco in Canada. This will come back over the next few quarters.

I hand over to Ashish for the financials.

Ashish Goenka: Thanks, Sunil. As Sunil said, I think overall, we had a 10% growth at a consolidated level. EBIT was an 8% decline, largely on account of the impact of tea cost and some impact of the contraction that we've seen in coffee. Overall, EBITDA is down minus 8% and PAT up 10% as we have knocked off the interest costs from our base now given that we have repaid the bridge loan after the rights issue.

So that's flowing into the PAT now. And there was no exceptional items this quarter. Therefore, reported group net profit was up 15%. Nothing much to cover on the segment. I think we have -- Sunil has really talked about and covered all the various aspect parts of the business. So we can move to the Q&A now. Thank you.

Moderator: Thank you very much. Our first question comes from the line of Jay Doshi from Kotak. Please go ahead.

Jay Doshi: I've got two questions. The first one is a slightly longer one on tea. So could you please explain us the commodity price trends over the past 6 months and the outlook for the year? I know you touched upon this in the presentation. How has the end product prices been in the last 3, 4 months and competitive activity?

And when you factor all of these three moving parts, are you still sort of confident that tea margins should -- could normalize to what you had called out couple of quarters back that tea impacted margins by about 300 basis points at a consolidated level? So do you still expect somewhere between 200 to 300 basis point improvement in consolidated margins as -- once commodity prices come into the P&L starting 3Q? So that's first question.

And second is a small one. See, Non-branded business margins have in a quarter corrected from 22% to 12%. I mean, the short-term falling coffee prices can actually drop to the other extreme just the way it went from 13%, 14% to 20% plus. In falling coffee prices, do you actually get adversely impacted by inventory losses? And can it go to low single digit or it will stabilize at these levels?

Sunil D'Souza: So Jay, let me answer the second question first, and Ashish chip in. The issue with falling coffee prices is your trailing inventory, right? That is the whole catch. Because you're sitting with inventory and selling it at a lower price, it will stabilize at a point in time. And I would dare say it's -- we are probably close to the bottom on the margins front. Ashish?

Ashish Goenka: Yes. So just to add to what Sunil said, I think we are fairly well hedged, of course, and we have taken a small charge this quarter on the mark-to-market. I think probably we'll have to see one more quarter, and of course, it largely depends on where the coffee prices finally settle. But if they are around about where they are currently, I think we'll see probably one more quarter of pain, and then we should get back to the historical margins that we had in the business.

Sunil D'Souza: Yes. And Jay, to answer your question on tea, broadly, I would say we've had about a 10-percentage point impact of tea prices -- teas costs. We've been able to translate roughly 70% of the price increases of tea into pricing for the consumer. So 30% is still out there, and that has impacted our margins by about 10 percentage points.

Broadly, tea should operate in a margin range of about 34% to 36%, 37% gross margin. We're about 10 percentage points below that. So two things will happen from here on. A) is, like I said, 70% of the pricing we've already taken, a). So therefore, as tea prices come down and the latest auction for which data is available, tea prices were down 13% versus the same period last year.

Last year, overall, the rise was about 30%. Like I said, 13% has already come off. So that's 17% left there. We do think it will come down to a -- probably there's a mid- to high single-digit remainder, which will remain. Otherwise, we do expect this to come off and therefore, tea margins to expand.

Also, there is one more phenomenon which will happen as we go forward. If the tea prices come off rapidly, the locals will have access to lower tea prices. And therefore, as we see market prices moving, we will -- like I said, 34% to 36%, 37%, is a margin which we are comfortable with. I don't think this category, you can go beyond this and therefore, as -- if prices come down more dramatically, we will have to give up something in terms of consumer price as well. But overall, I would say, by Q3, you should see margins operating in this range.

Jay Doshi: Can you give some color on competitive activity? Has the market leader sort of -- what is the extent of price reductions that they've already taken? And have you responded to it? So at a portfolio level, have you taken any price reductions in the last 3, 6 months, 3 months?

Sunil D'Souza: So I would say in the last 3 months in specific blends, in specific geographies. So let me put it this way. Jay, we've seen both sides moving. We've seen price increases and price declines. Like I said, I do not think we are going to win -- I don't think any player is going to win the battle of market share by pricing. And therefore, if someone moves up, the other person moves up or down and it's vice versa. So from that perspective, I don't think there is a competitive advantage. As I said, overall, I do see margins first coming back and then competitive movement starting to happen.

Moderator: The next question comes from the line of Abneesh from Nuvama.

Abneesh: I have a few follow-up questions on the tea only. How relevant is the current spot prices because the crop will come in the next maybe 2 months. And currently, Northeast India has a deficit in rain. So would you see that as a risk because current spot, the real buying is not happening, right?

So how relevant is the current prices? And would you see Northeast deficit in rains as a risk because it's already in deficit and the initial forecast, which came speaks on this deficit. So if you could discuss that?

Sunil D'Souza: So Abneesh, actually speaking, if you look at the crop itself, I think we are already ahead of North India compared to last year, right? If I'm not mistaken, May itself was close to about 25%, 30% higher than the year before, and it was equal to 2023. June, the Tea Board has still not published the numbers. But June last year was fairly decent. It was July, which ran into issues with the drought.

Now we do expect this year to be a normal -- even the IMD has forecast a normal rainfall season. And if that happens, there's no reason for us not to go back to the cropping levels of 2023 and therefore, the pricing to start unwinding. As I said, my expectation is, out of the 30%, you'll have some remnant single digit left.

The balance will unwind. Just as a perspective, buying has already started. I would say sometime mid-June onwards, everyone started to build up positions. Yes, the peak is yet to come. It's probably 30 days away in the peak buying this thing. But there's no reason for us at this point of time to speculate saying that we are not going back to cropping level of 2023 and therefore, price corrections.

Abneesh: Sure. My second question is you have done quite well in dry fruits. And in pulses, definitely, you had a USP of, say, low contamination, more fiber, unpolished. In dry fruits, what exactly is working? Is it more of the unbranded opportunity getting branded? Is that the opportunity? And in terms of competition, a lot of start-up companies are there, a lot of private labels of the e-com, q-com is also there.

Long term, how do you see the business case here? In pulses, I do understand there's absolutely no pan-India large, branded player and definitely, you can command a premium. In dry fruits, if you can expect the same long-term right to win.

Sunil D'Souza: So Abneesh, I'll just reiterate, right? Any of the categories that we're getting in, it is -- let me say, it's not -- I mean, just on the spur-of-the-moment decide. This was all drawn up as a road map way back when we started in 2020, when we had scanned the entire horizon and we had evaluated categories on multiple axes, right, including growth, branded to unbranded margin, competition. If it was fragmented, there's a problem. If it's concentrated, there's a problem, ability to differentiate, et cetera.

And most importantly, we had evaluated lack of trust. In dry fruits is one of the categories, which is the largest lack of trust from a consumer perspective because it's very, very difficult for the consumer to judge whether it's INR150, INR200 or INR250. I mean, this is all the retailer telling them that this is the price, right? And that is why it's got off to a phenomenal start.

E-com is primarily the big driver for us, and that is where most of the top line is coming from. Once it is -- we've stabilized there, that is when we've started to go down to general trade. It's more general trade and less modern trade because modern trade players, like you rightly mentioned, they've got their own private label, et cetera.

Now I would also want to reiterate that plain dry fruits, which is what we have launched, is good top line, but relatively moderate margin. The margin in dry fruits is made once you roast, salt, flavour, et cetera, and you will soon start seeing us expand into that.

Now that we have figured out the supply chain for dry fruits because that is another tough nut to crack because there is a seasonality on sourcing and you've got to time it right, right origin country, all these kinds of places. Now that we've figured it, now you'll see us expanding into the value-added and driving up margins in this category.

Abneesh: Sure. Last quick question. Essentially on NourishCo, how do you see the coming 3 quarters, Q1, all summer categories have been impacted. So completely understand that. And if you can discuss both sales and volume because volume growth is back, but sales growth, the commission has been increased. So if you can discuss on sales.

And on Capital Foods now, this is the sixth quarter we are now entering post-acquisition. So where is the challenge and in terms of -- what else is needed for Capital Foods, the kind of growth this should grow, but that's not happening. What is the issue in terms of that?

Sunil D'Souza: So in terms of NourishCo, Abneesh, actually speaking, as I mentioned, we took the pricing corrections last year, last -- second half of June, early July, and that's why you'll see a cycling those things. So effectively, to give you this thing, Tata Gluco+ would be about -- at that point of time, about 50% of my portfolio, and we had moved the price to retail from roughly from INR8.20 to INR6.50, right?

So we've roughly doubled the retailer margin, and that is what has driven down value. So 3% volume growth, negative 13% value. But that is now behind us, because now Q2 onward, I'm cycling the INR6.50 pricing. And therefore, as I said, my volume growth will now translate into value growth as well. So there is -- that's number one.

Number two, remember, we've driven 3% volume growth despite missing out roughly, I would say, 10 out of 90 days of peak season. So roughly about 10% growth has disappeared from there. I -- plus all my new launches have got off to a good start, whether it is alkaline water, it is kombucha tea, it has got -- we are expanding ready-to-drink coffee, alkaline water. So there's no reason for me to say that we will not get back to the 30% top line growth, and that too, I would say, Q2, latest Q3. Q2, definitely, second half of Q2, it should exceed 30%.

Capital Foods, to your question, as I mentioned, there was a bunch of issues and we've termed it as transitory because more or less, we've figured out how to tackle it. Exports, we had shipping issues, especially with the geopolitical issues around the Middle East, et cetera. Apart from that, we had several imported ingredients, right? And you know the China story, and therefore, we had to rejig our recipes in certain categories. In certain places, we had to right size inventories for certain categories.

And then, of course, things like noodles, let me say, my team did not figure out the capacity constraints in the right manner, which we unlocked only towards the second half of the quarter. So going forward now, I think we should be in a good place.

Abneesh: What are the capacity constraints on noodles?

Sunil D'Souza: So noodles, for example. I mean, we didn't have the -- as soon as we said, we are going to expand into -- we didn't have a INR10 pack sold as a INR10 pack. We didn't have a INR15 pack sold as a INR15 pack, right? So we were selling all of them.

We were selling 4 packs put together at INR80, whereas the largest market leader was selling the same thing at INR60, right? So -- sorry, it's 4 packs at INR80 and market leader was 4 packs at INR60, and it was sold as a 4-pack, not as a single pack.

So we did two things. One is we dropped our price from INR80 to INR60 to match the largest competitor. And we've launched a INR15 pack, which is 60 grams as well as we've launched a INR10 pack, right? And team had underestimated the demand and we quickly ran short of product. And we had -- it took us some time to activate the 3Ps for us to expand.

Moderator: Our next question comes from the line of Mihir Shah from Nomura.

Mihir Shah: Firstly, again, on the NourishCo side of the business. In the 16% price cut that we are seeing, should one expect this price cut to continue for the remaining part of the 3 quarters? And will it have an impact? Or you're expecting volume growth of more than 20-plus percent to make up for that price cut that we are seeing?

Sunil D'Souza: So, Mihir, very simply put, I cannot predict how long competition will hold out. But as long as competition holds out at this price, I'm holding out. And I will, therefore, drive volume to make up for this gap. And as I said, we do expect saying for the next 3 quarters, we will grow upwards of 30%.

Mihir Shah: Okay. In the NourishCo business or the entire growth?

Sunil D'Souza: In the NourishCo business and the growth -- overall growth businesses also.

Mihir Shah: Understood. Fair point. Secondly, again, coming back to Capital Foods and Organic India. I understand that there is a one-off this quarter. But if you see the past run rates, they haven't moved much. What is the normal growth rate that one should consider in this business? And one should expect things to stabilize from 2Q? Is that what I understand correctly?

Sunil D'Souza: So yes, you should expect things to stabilize from Q2. In fact, already, we're seeing the stabilization happening in July. That's number one. Number two, Capital Foods and Organic India, as we said, are part of the growth portfolio for us, where we've guided for 30% of the portfolio growing at 30%. So in broad terms, you should expect a year-on-year growth of about 30%.

Mihir Shah: Got it. And lastly, a key question on the other expenses. Is there any one-off that is sitting out there? It seems to have declined. And if you've stepped up on ad spends and signed up Sachin, et cetera, one would have expected those line items to go up. How should one think about ad spends going forward and on the other expenses line item? And that's all from my side.

Ashish Goenka: Thanks, Mihir. I'll take that. I think you're comparing it with last year. In the base, we had a one-off charge on account of some of the hedge reversals that we had done. But having said that, we are also keeping a very tight control on our overall cost. However, we will not compromise on the A&P spend. We will continue to keep it at -- in fact, as Sunil said, from the current levels of 6.8%, 6.9%, we want to step it up to about 7.5%. But we will want to continue to keep a tight leash on the other [inaudible 0:33:11].

Mihir Shah: Understood, Ashish. So this run rate of INR925-odd crores that we are seeing on other expenses should continue going forward as well? Or it will materially go up to like INR950-plus crores?

Ashish Goenka: It should not go materially. I mean, there will some movements, but not material. As we step up our A&P spend, you could see -- we expect it to go up slightly, but I don't think we'll have a material change in this line.

Moderator: Our next question comes from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra: My first question is actually again on the tea business. See, in the last couple of years, one year was a deflation year, one was a inflation year. In both the years, the branded industry did not do very well in terms of volumes. So anything that you think has to be fundamentally changed here to get back the growth because now you're getting into a deflation year again, where obviously, the competitive strength of the unorganized or the regional players becomes a little higher.

So do you worry about the volume growth not coming back to some reasonable level of mid-single-digit that you have historically spoken about? And in that context, do you still feel comfortable taking the margins back to that 34%, 35% levels?

Sunil D'Souza: So Arnab, here's the thing, right? We've -- I would say mid- to longer term, we have said mid-single-digit volume, plus a couple of basis points to ramp up and go to a slightly higher number on the total value.

So just to put it in perspective, if I dial back, my December quarter was 10% growth, which was 7% volume, 3% value. My March quarter was 9%, which was 2% volume and 7% value. And right now, we're at 12%, which is 1% volume and 11% value, right? So this volume value, I think you will keep on seeing the whole thing move.

I do think going forward, now you'll see the value coming down and the volume going up. And I do think, as, a) prices stabilize and more importantly, as tea costs go down and there is reindexing, you should start seeing volumes start to pick up towards the mid-single digit. But overall, I would not change my guidance of overall, I would say between 6% to 7-8% total value growth. That's number one.

Number two, to your question of market share swinging on the upside or downside, I think the most -- this thing that we had seen was during COVID. But you have to remember, that was driven by 2, 3 pieces. A) was the fact that prices had run up very quickly, and therefore, if I'm not mistaken, it was 60%, 70% increase in double quick time.

That had put pressure on working capital for the smaller players and therefore, an issue on supply chain, A. B) because of COVID, their ability to move product from Assam down to the different markets, Western India, South, wherever they were operating, that was a challenge, and therefore, there were supply chain gaps.

Right now, the prices moving up or down are moving up or down very gradually. So I don't expect that market shares will change dramatically because of prices moving up or down. They will change if we don't reindex our prices very quickly, especially when it goes down, and that is what I talked about.

I think margins will come back to normal. As I said, between 34% to 37% is a normative operating margin for us. And this is -- my gross margin is more like marginal contribution because it includes all variable freight, et cetera. So once it comes into that level, then we will have to give up pricing because I don't think we can go beyond this without losing share, which I don't want to do.

Arnab Mitra: Okay. Understood. Sunil, the second question was again on Capital Foods. So my question was you spoke about the transitory issues. Did this lead to an offtake loss also or this was basically supply chain primary loss and consumer offtake was okay? And in that context, therefore, do you think that you can recover part of what you didn't sell this quarter because the consumer was still buying?

Or there was actually a loss of consumer sales in this quarter? And the second part of that question is, I think you partly managed -- answered it, but all the issues you think are largely over in the -- at the end of 1Q and we should be normal in the 2Q on the supply chain?

Sunil D'Souza: So, a) I would think most of the issues are over. We've still got to crack the supply chain for the cup noodles, for example, right? And just to give you a perspective, there are two ways of doing cup noodles, put the same pack in a cup and I mean, put a cover on it, which is not the way noodles should be served. The cake has to be cut in a particular manner, put in it and then seasoning applied and therefore, the right taste come through. We are right now piloting the line, that's probably the last piece to be tied up there. So that's number one.

Number two, there was marginal offtake impact because noodles, for example, we couldn't supply enough and therefore, I would say, opportunity loss. But my secondaries grew by about 22-23%. And from that perspective, there was no consumer loss per se. And that's why we remain confident of coming back to the 30% plus growth levels that we've talked about.

Moderator: Our next question comes from the line of Tejash Shah from Avendus Spark.

Tejash Shah: Sunil, just wanted -- just expanding on the Capital Foods and Organic India problem, if I have to call it that. So in most of such acquisitions, one of the key argument is usually distribution synergy, given they are usually under-indexed versus our widespread distribution. So I was just wondering, I can understand some of the minor issues here and there. But does the distribution also face a challenge and is not as numeric as we think that it will be easier to just plug and play immediately?

Sunil D'Souza: No. So Tejash, very simply, I think distribution was a slam dunk. There was absolutely no issue. We've got the distribution expansion in the last 1 year that we expected. In fact, we probably exceeded a bit. I think the bigger issue is solving for these smaller hiccups, if I may.

Just as a perspective, Organic India as well, my secondary sales were 32%. Capital, my secondary sales were 22%. From that perspective, from a consumer offtake, secondary there is no issue. It is just minor pieces that we've got to stick together. And Organic India, just as a perspective, the other pieces, I think I said it in a few the things.

The term I would use is, we figured out what the Germans felt when they reached Stalingrad and figured the supply chain was missing, right? Because the theory was that we'll be able to fire up Amazon, which is about 40% of the category in the U.S., we did a few pilots last July, and from September, October fired it up sincerely. In fact, for the last 3 months, they've been firing at about 51% growth.

The catch is the lead times from there, I mean, coming back to Rath, going to the Barabanki factory, packing it, sending it up there, that is something, which I think was a bit of a learning for us on Organic India. So yes, most of these, like I said, issues behind us. I don't see any reason why we can't deliver the 30% growth that we've talked about Q2 onwards.

Tejash Shah: Reassuring. Second and last, you have always stressed aspiration for EBITDA growth higher than revenue growth and for the commodity cycle that we are in, we have not been able to do it. So 16% EBITDA margin that we are potentially indicating by Q2, Q3 this year, where do we stand on that guidance now?

Sunil D'Souza: So I do think by Q3, we should definitely be able to get to it. Q2 would be a bridge between where we are to that. We'll be closer to that number than the Q1 number. That's because, as we had mentioned, by the time tea comes into my supply chain, it's roughly about anywhere from 30 to 45 days.

So while the auction prices have started dipping about, I would say, about 3, 4 weeks back, now middle of Q2 is when that low-priced inventory starts coming in, and therefore, changing the EBITDA margins. So yes, so we should be in a good place definitely by Q3, but we'll be on our way by Q2.

Tejash Shah: And this guidance, you are also keeping room for competitive intensity if it picks up?

Sunil D'Souza: Competitive intensity, as I said, on tea, I don't think anyone is going to win the market share battle by pricing. I would be highly surprised if that were to happen. I would put a very low probability on it.

On ready-to-drink beverages, it's already happened, right? So I've already reindexed my pricing per se, and overall, ready-to-drink beverages is what, hardly about, I would say, 5% of my portfolio. So not a material impact on my EBITDA margin. My EBITDA margins, everything would be dependent on tea and coffee prices.

Moderator: Our next question comes from the line of Vivek M from Jefferies.

Vivek M.: Couple of questions. First is on, Sunil, you mentioned about some change in the Nielsen panel on the market share. Can you just briefly highlight what exactly is the change? Is it -- like historically, you have mentioned that probably modern trade e-commerce is under-indexed. Can you just elaborate briefly as much as you can?

Sunil D'Souza: So Vivek, normally, see, Nielsen is a panel, and the panel is supposed to mirror exactly the consumer offtake and, I would say, different channels per se. Now they rejigged their general trade panel in line with what they are seeing on offtakes by geography, pin code, et cetera, et cetera, size of outlet, et cetera. It used to happen once every 3 years. But this time, they have reindexed it within a year. They reindexed it last year, and they have again reindexed it this year. That's number one.

Number two, this doesn't include e-commerce at all, right? They do publish e-commerce separately. But I believe since all the platforms don't share the data and even the platforms, which do share the data, the marketplaces give out only data for products, which they sell directly and not for other players selling on. So therefore, it's not fully accurate, number two.

Number three, in modern trade, the whole paradigm is shifting. And I believe one of the big players doesn't share data. So Nielsen is second-guessing that number as well. So on GT, they've rejigged their panel within 1 year. E-commerce, while they have the data, I mean, they say they're not very confident about it.

And in modern trade, I know for a fact that one of the big players doesn't share data. So at Nielsen, I would say I look more for broad execution metrics and not absolute market share. I would be very, very intrigued on specific numbers from other players more than I would look at Nielsen.

Vivek M.: Interesting. I mean I don't want to put you on spot, but basically, you are saying 40 to 80 basis point margin -- sorry, market share decline is something that probably in your views doesn't reflect the true picture.

Sunil D'Souza: So Vivek, let me say we have other players declaring volume declines and showing market share gains over the past 6, 9 months. And therefore, while I published this number, just because we have an external number and we've been publishing it. I have maintained, I think, a year back, I was printed out in one of the big financial papers saying Tata CEO doesn't believe Nielsen, right? So I do take these numbers. We do take directional inputs, but I wouldn't take it as the gospel.

Vivek M.: Got it, sir. Got it. And second, a lot has been asked on both Capital Foods and Organic India. If you have to think about build versus buy, what is your view incrementally with -- I know you never do M&A for [inaudible 0:46:59].

Moderator: Next question is from the line of Sumant Kumar from Motilal Oswal.

Sumant Kumar: Yes. So my question is for the Capital Food and Tata Sampann. So how is the penetration in our distribution channel for these products?

Sunil D'Souza: Sumant, effectively, we have grown distribution significantly in Capital Foods. When we had taken them over, it was about 3 lakh outlets, if I'm not mistaken. We have more than doubled that number as we have gone in. So that is not an issue.

Like I said, the reason for the throughput not coming through on Capital Foods is various other transitory issues. Distribution execution, both in Capital Foods and Organic India, I mean, has been the easiest to deliver.

Sumant Kumar: What we are expecting the post-acquisition of Capital Food, the availability of that product and synergy benefit what existing channel we have in urban and also in some other cities. Hope that is going to exceed the growth of Capital Foods, and that is not happening.

Sunil D'Souza: No. So Sumant, here's the thing. Like I said, growth has happened. On the secondary level, we have delivered a 22% growth on Capital Foods, right? The number which you are seeing is our reporting, which is the primary number. So distributors selling to outlets and delivering the number, 22% has got delivered. Organic India, 32% has got delivered. So that is not the issue. It is the various other hiccups, which you've got to solve for. And I think, Vivek, you're back on the call.

Nidhi Verma: Operator, can we have Vivek back, if he's on?

Moderator: Yes. Next question is from the line of Vivek from Jefferies.

Vivek M.: Okay. Apologies. I don't know what went wrong. But what I was asking you was on the Capital Foods and Organic India, a lot has been asked and you have answered. But build versus buy, do you think incrementally you -- probably you will need a greater amount of thinking even if the target is attractive enough or you think these are like really transitory issues, so do not change your thought process on the M&A side?

Sunil D'Souza: So Vivek, I wouldn't change my thought process on the M&A side at all. I would -- build versus buy, I don't think we would ever be able to build the supply chain which Organic India has with the credibility with the farmers and the authentic product passing through the 600-plus tests that it passes through.

And incidentally, at that point of time, we had benchmarked versus a lot of other organic things and I would probably put a question mark on most of the products which are labelled organic out, there right? That's number one.

With Capital Foods, I would say there is no other brand which owns the Desi Chinese space. And most of the -- I mean I'm sure you're aware, there's actually no Chinese product called schezwan chutney, right? So I mean, these creative products, which have got built and categories which have got created, we would be struggling to do that.

I think the game is now taking that equity of Capital Foods or the back end of Organic India and delivering it. And just to give you an example, right? One of the hypotheses when we had got in was that these guys are not distributed very well. In the U.S., Amazon is a big channel. 40% of throughput through Amazon.

So just by activating it, we will get throughput. And I said we did get 51% growth in the last few months. It's just that we didn't have the supply chain, right? So I mean, very, very simple pieces. Hindsight, it looks very simple pieces, but it's just taken us a bit of time to stitch up.

The pharma channel, for example. One of the hypotheses in Organic India was that pharma channel, which is profitable and delivers growth. We proved it in the pilot. But when we started rolling out, getting the DSR, the salespeople is taking a little bit of time. Let me put it this way. The percentage of DSRs on the streets is actually equal to my percentage achievement versus plan. So it's all a race of how quickly can I find that person, train him and put him on the street. So I -- it's only a matter of time. I don't think the thesis will shift.

Vivek M.: Got it. Got it. Very interesting. And last thing, apologies if it's a naive question, but with all this uncertainty around tariffs, and all of that, does any piece of your business, whether the U.S. directly from a supply chain or whatever, whatever, perspective get impacted one way or the other, depending on the tariff outcome? Or it doesn't have a major impact on your business?

Sunil D'Souza: So Vivek, let me put it this way. For -- I mean, there are basically 3 businesses, which we operate in the U.S., which are dependent on the India piece, right? A -- sorry, there are 3 businesses effectively. Number one, is the coffee business in the U.S. Now coffee, whatever happens on tariffs with the Brazil, Indonesia, Vietnam will happen for everyone. Therefore, it's a category issue. It's not a competitive issue.

I mean, 50% tariffs from Brazil, we can imagine what's going to happen to coffee prices, if it goes through. Now it's your guess against mine, whether it will go through, right? But competitively, we will not be disadvantaged in coffee.

The second piece is on the organic stuff, 40% of Organic India turnover is in the U.S. Those products are going out of India. Most of the ashwagandha, triphalas, this thing, everything goes out of India. So therefore, again, competitively, I don't think there will be a disadvantage.

The third piece is on the ethnic exports, all the other Sampann, Tata Salt, Tata Tea, et cetera, which goes in. Again, competitively, whatever happens on tariffs from India will happen. I don't see -- there might be category issues in the U.S.

If, for example, Brazilian coffee is taxed at 50%, I mean there is going to be a ruckus, right? And we are already sitting at the verge of as the Lavazza CEO put in, demand destruction in the U.S. So I'm not sure this 50% goes through. But if it does, it will impact category. Competitively, I won't be impacted.

But yes, I think, Vivek, I don't spend mind time trying to second-guess what is going to happen, right? Because it's more from, what, 26% down to 10% and then tomorrow, it might go to 50%. So I will wait for it to happen and then figure out. We've got a playbook of various different options. But that's it, it's a playbook for now. We'll action it as and when we see something landing.

Vivek M.: Sure, Sunil. The idea of only asking you this question was just the framework. So thank you so much for explaining this in detail, and wish you all the best.

Nidhi Verma: Operator, we'll just quickly go to the webcast once to see if there are any pending questions. I think there are some questions, Sunil, from Latika at JPMorgan, Vismaya from Citi and Aditya Gupta, but I think we've already covered those. And given the time, I think we'll conclude the call. If you have any further pending questions, please feel free to get in touch with us.

Moderator: Thank you very much. Ma'am, would you like to give any closing comments?

Nidhi Verma: I just want to thank all of you for attending the call. And if you do have any remaining questions, please get in touch. Yes, thank you.

Moderator: Thank you very much. On behalf of Tata Consumer Products Limited, that concludes this conference. Thank you for joining us, you may now disconnect your lines.