

# Tata Consumer Products

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↑ |
| Rating change   | ↔ |

**CMP: INR576**
**TP: INR661 (+15%)**
**Buy**

## Gross margin contraction weighs on EBITDA

### Adjusted PAT above our estimates

- Higher tea price impacted standalone gross margin by 840bp YoY to 30%. The consolidated EBITDA margin was impacted by 100bp YoY to 11.8%. Consolidated EBITDA grew 14% YoY on the back of 23% revenue growth. Performance across business segments has improved (Tata Coffee standalone and overseas operations and overseas Tea). India Food and Beverage business showed double-digit volume growth.
- Factoring in its performance in 3QFY21, we decrease our FY21E EBITDA/adjusted PAT estimates by 6%/2%, but maintain our FY22E/FY23E earnings estimates, and arrive at an FY23E SoTP-based TP of INR661. Maintain **Buy**.

### Double-digit volume growth in India Foods/Beverages business

- Revenue was up 23% YoY to INR30.7b (v/s our estimate of INR29.9b). EBITDA grew 14% YoY to INR3.6b (v/s our expectation of INR3.9b). EBITDA margin contracted 100bp YoY to 11.8% due to 570bp gross margin contraction (to 37.8%). Adjusted PAT stood at INR2.2b (v/s our estimate of INR2b), up 31% YoY, aided by EBITDA growth and a lower tax rate. In 9MFY21, revenue/EBITDA/adjusted PAT grew 18%/26%/39%.
- India Branded Beverages/Foods revenue grew 46%/19% YoY to INR12.8b/INR6.3b. India Beverages/Foods EBIT declined/increased by 38%/41% YoY to INR793m/INR934m. International Branded Beverages witnessed 9% revenue growth to INR9.3b, with EBIT growth of 55% YoY to INR1,226m. India Branded Beverages/Food volumes grew 10%/12% YoY.
- Standalone revenue grew 34% YoY to INR19.6b and EBITDA stood at INR2b, down 5%. Gross margin contracted 840bp YoY to 30.1% on the back of higher Tea prices. Adjusted PAT stood at INR1.4b, down 2% YoY.
- Tata Coffee:** Consolidated revenue grew 6% YoY to INR5.3b, with 13% EBITDA growth to INR964m. **Standalone** revenue declined 5% to INR1,578m, with 28% YoY EBITDA growth to INR190m. **Overseas** (Tata Coffee consolidated less standalone operations) revenue grew 12% YoY to INR3.8b, with EBITDA growth of 10% to INR773m.
- TCP Overseas Tea:** Revenue/EBITDA grew 9%/160% to INR5.7b/INR679m.

### Highlights from the management commentary

- Tea prices are 25-30% higher as compared to last year and is likely to cool off once the new crop comes into the market, i.e. by Apr-May'21. Thus, Tea prices are likely to normalize by 1QFY22.
- Tata Sampann: Revenue is up 40% in 9MFY21. The portfolio grew in high double-digits during 3QFY21, with in-home consumption normalizing.

|                       |             |
|-----------------------|-------------|
| Bloomberg             | TATACONS IN |
| Equity Shares (m)     | 922         |
| M.Cap.(INRb)/(USD\$b) | 530.4 / 7.4 |
| 52-Week Range (INR)   | 635 / 214   |
| 1, 6, 12 Rel. Per (%) | -8/2/29     |
| 12M Avg Val (INR M)   | 2218        |
| Free float (%)        | 65.3        |

### Financials & valuations (INR b)

| Y/E Mar      | 2021E | 2022E | 2023E |
|--------------|-------|-------|-------|
| Sales        | 114.3 | 121.9 | 134.7 |
| EBITDA       | 15.8  | 19.5  | 22.2  |
| PAT          | 9.7   | 12.3  | 14.3  |
| EBITDA (%)   | 13.9  | 16.0  | 16.4  |
| EPS (INR)    | 10.5  | 13.3  | 15.5  |
| EPS Gr. (%)  | 32.1  | 26.3  | 16.5  |
| BV/Sh. (INR) | 157   | 167   | 176   |

### Ratios

|            |       |       |       |
|------------|-------|-------|-------|
| Net D/E    | (0.1) | (0.2) | (0.2) |
| RoE (%)    | 6.9   | 8.2   | 9.1   |
| RoCE (%)   | 8.4   | 10.4  | 11.5  |
| Payout (%) | 27.2  | 24.8  | 34.9  |

### Valuations

|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 54.7 | 43.3 | 37.2 |
| EV/EBITDA (x) | 32.5 | 26.4 | 23.2 |
| Div Yield (%) | 1.4  | 1.6  | 2.6  |
| FCF Yield (%) | 3.0  | 5.7  | 5.7  |

### Shareholding pattern (%)

|          | Dec-20 | Sep-20 | Dec-19 |
|----------|--------|--------|--------|
| Promoter | 34.7   | 34.7   | 34.5   |
| DII      | 13.6   | 17.7   | 14.9   |
| FII      | 25.8   | 21.7   | 26.0   |
| Others   | 26.0   | 25.9   | 24.6   |

Note: FII includes depository receipts

- Salt revenue grew 19% in 3QFY21, with double-digit volume growth.
- TCP has rationalized its distributor network and reduced it by 63%. Dedicated sales representatives have increased by 30%. Rural feet on the street has increased by 3x.

#### Valuation and view

- Performance during 3QFY21 was impacted due to higher Tea prices, which led to 570bp contraction in consolidated gross margin. The management expects Tea prices to stabilize by 1QFY22 and thus ease down the pressure on gross margin going forward.
- In line with the Tata Group's vision to participate in India's consumption story, TCP has entered into a share purchase agreement with Kottaram Agro Foods Pvt, the brand owner of 'Soulfull' for INR1.56b (FY20 revenue of INR390m). The tuck-in acquisition will enable TCP to have a wider play in the 'Better for You' product category, leveraging Kottaram's expertise in millets such as ragi. Its product portfolio straddles multiple consumption occasions - breakfast, snacking, and mini-meals. Key synergies through this acquisition include: i) Significant scope to expand distribution - 15,000 outlets (Soulfull) v/s TCP's 2.4m, ii) Scope to unlock synergies in S&D, procurement, manufacturing, and logistics, and iii) Addition of 'TATA' to strengthen the brand's credential.
- TCP has two strong legs in the India business – Tata Tea and Tata Salt – by which it is targeting lower double-digit growth, driven by cross-selling between Tata Chemicals and TCP's distribution channels and expansion into new geographies.
- TCP is building its third leg – Tata Sampann, which should grow in high double-digits and deals in Pulses and Spices. The market size of Pulses/Spices in India currently stands at INR1,500b/INR600b, with unorganized players forming 99%/70% of the market. Growth is expected by grabbing market share from unorganized players with increasing distribution reach. Apart from the above, TCP has launched nutrimixes (*chilla*), *poha*, and *chutney* in the ready-to cook space, which should aid growth.
- Over FY20-23E, we expect sales/EBITDA/PAT of 12%/20%/25% CAGR.
- Factoring in its performance in 3QFY21, we decrease our FY21E EBITDA/adjusted PAT estimates by 6%/2%, but maintain our FY22E/FY23E earnings estimates, and arrive at an FY23E SoTP-based TP of INR661/share. Maintain **Buy**.

## Consolidated quarterly earning model

(INR b)

| Y/E March                    | FY20        |             |             |             | FY21        |             |             |             | FY20        | FY21E        | 3Q<br>FY21E | Var<br>(%) |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|------------|
|                              | 1Q          | 2Q          | 3Q          | 4Q          | 1Q          | 2Q          | 3Q          | 4QE         |             |              |             |            |
| <b>Gross Sales</b>           | <b>23.9</b> | <b>23.5</b> | <b>24.9</b> | <b>24.1</b> | <b>27.1</b> | <b>27.8</b> | <b>30.7</b> | <b>28.6</b> | <b>96.4</b> | <b>114.3</b> | <b>29.9</b> | <b>3</b>   |
| YoY Change (%)               | 32.7        | 33.3        | 30.3        | 35.5        | 13.4        | 18.5        | 23.1        | 19.0        | 32.9        | 18.6         | 19.9        |            |
| Total Expenditure            | 20.4        | 20.3        | 21.7        | 21.0        | 22.3        | 23.8        | 27.1        | 25.2        | 83.5        | 98.4         | 26.0        |            |
| <b>EBITDA</b>                | <b>3.5</b>  | <b>3.1</b>  | <b>3.2</b>  | <b>3.1</b>  | <b>4.8</b>  | <b>4.0</b>  | <b>3.6</b>  | <b>3.4</b>  | <b>12.9</b> | <b>15.8</b>  | <b>3.9</b>  | <b>-7</b>  |
| Margin (%)                   | 14.7        | 13.4        | 12.8        | 12.8        | 17.8        | 14.4        | 11.8        | 11.9        | 13.4        | 13.9         | 13.0        |            |
| Depreciation                 | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         | 0.7         | 2.4         | 2.5          | 0.7         |            |
| Interest                     | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.2         | 0.8         | 0.7          | 0.2         |            |
| Other Income                 | 0.3         | 0.3         | 0.3         | 0.2         | 0.3         | 0.3         | 0.2         | 0.2         | 1.1         | 1.0          | 0.3         |            |
| <b>PBT before EO expense</b> | <b>3.1</b>  | <b>2.6</b>  | <b>2.7</b>  | <b>2.5</b>  | <b>4.4</b>  | <b>3.5</b>  | <b>3.0</b>  | <b>2.8</b>  | <b>10.8</b> | <b>13.6</b>  | <b>3.3</b>  |            |
| Extra-Ord. expense           | -0.1        | 0.0         | 0.0         | -2.6        | 0.6         | -0.2        | -0.1        | 0.0         | -2.7        | 0.3          | 0.0         |            |
| <b>PBT</b>                   | <b>3.0</b>  | <b>2.6</b>  | <b>2.6</b>  | <b>-0.2</b> | <b>5.0</b>  | <b>3.2</b>  | <b>2.9</b>  | <b>2.8</b>  | <b>8.1</b>  | <b>13.9</b>  | <b>3.3</b>  |            |
| Tax                          | 1.0         | 0.6         | 0.8         | 0.3         | 1.1         | 0.9         | 0.6         | 0.8         | 2.7         | 3.3          | 0.9         |            |
| Rate (%)                     | 34.1        | 24.3        | 28.4        | -198.2      | 22.1        | 27.1        | 18.9        | 28.0        | 33.9        | 23.8         | 28.0        |            |
| Minority Interest            | 0.2         | 0.1         | 0.2         | -0.5        | 0.2         | 0.2         | 0.2         | -0.5        | 0.0         | 0.0          | 0.2         |            |
| Profit/Loss of Asso. Cos.    | -0.1        | 0.1         | 0.0         | -0.7        | -0.4        | 0.4         | 0.0         | -0.4        | -0.8        | -0.4         | -0.2        |            |
| <b>Reported PAT</b>          | <b>1.7</b>  | <b>1.9</b>  | <b>1.7</b>  | <b>-0.8</b> | <b>3.3</b>  | <b>2.6</b>  | <b>2.2</b>  | <b>2.1</b>  | <b>4.6</b>  | <b>10.1</b>  | <b>2.0</b>  |            |
| <b>Adjusted PAT</b>          | <b>1.8</b>  | <b>1.9</b>  | <b>1.7</b>  | <b>1.9</b>  | <b>2.6</b>  | <b>2.7</b>  | <b>2.2</b>  | <b>2.1</b>  | <b>7.3</b>  | <b>9.7</b>   | <b>2.0</b>  | <b>9</b>   |
| YoY Change (%)               | 35.2        | 10.3        | 71.4        | 499.0       | 45.4        | 39.3        | 30.9        | 12.7        | 66.4        | 32.1         | 19.6        |            |
| Margin (%)                   | 7.6         | 8.3         | 6.8         | 7.8         | 9.7         | 9.8         | 7.3         | 7.4         | 7.6         | 8.5          | 6.8         |            |

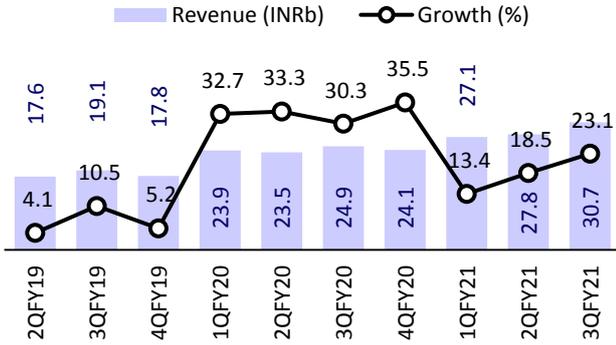
Numbers include that of Tata Chemicals' Consumer business

## Key performance indicators

| Y/E March                      | FY20 |      |      |       | FY21  |      |      |      | FY20 | FY21E |
|--------------------------------|------|------|------|-------|-------|------|------|------|------|-------|
|                                | 1Q   | 2Q   | 3Q   | 4Q    | 1Q    | 2Q   | 3Q   | 4QE  |      |       |
| <b>Consolidated</b>            |      |      |      |       |       |      |      |      |      |       |
| <b>Revenue Growth (%)</b>      |      |      |      |       |       |      |      |      |      |       |
| Standalone                     | 61.1 | 68.5 | 64.5 | 70.3  | 9.7   | 21.6 | 34.1 | 27.3 | 65.9 | 23.1  |
| Overseas Tea business          | -2.2 | -4.2 | -5.3 | 4.2   | 12.8  | 14.5 | 8.7  | 4.0  | 9.6  | 9.6   |
| Tata Coffee (TCL) Consolidated | 10.5 | 5.5  | 7.7  | 12.2  | 25.9  | 12.9 | 6.3  | 13.4 | 9.0  | 14.4  |
| TCL Standalone                 | 25.9 | 4.7  | 0.6  | -16.9 | -12.3 | 0.0  | -5.0 | 10.0 | 2.4  | -2.3  |
| Coffee Overseas                | 1.3  | 6.1  | 11.7 | 34.8  | 54.6  | 21.1 | 11.8 | 15.0 | 13.2 | 24.1  |
| <b>EBITDA Margin (%)</b>       |      |      |      |       |       |      |      |      |      |       |
| Standalone                     | 15.9 | 14.3 | 14.1 | 12.0  | 20.3  | 14.6 | 10.0 | 9.9  | 14.1 | 13.5  |
| Overseas Tea business          | 8.5  | 7.2  | 4.9  | 12.8  | 8.9   | 11.4 | 11.8 | 12.9 | 8.5  | 11.3  |
| TCL Consolidated               | 16.9 | 16.5 | 17.0 | 14.9  | 18.8  | 16.3 | 18.1 | 16.8 | 16.3 | 17.5  |
| TCL Standalone                 | 11.4 | 9.4  | 8.9  | 0.4   | 8.7   | 6.2  | 12.1 | 6.3  | 7.8  | 8.2   |
| Coffee Overseas                | 21.0 | 20.9 | 21.0 | 21.9  | 23.2  | 21.6 | 20.6 | 21.5 | 21.2 | 21.8  |
| <b>Cost Break-up</b>           |      |      |      |       |       |      |      |      |      |       |
| RM Cost (% of sales)           | 57.1 | 56.5 | 56.5 | 54.5  | 55.3  | 59.2 | 62.2 | 59.0 | 56.1 | 59.0  |
| Staff Cost (% of sales)        | 8.9  | 9.4  | 8.8  | 9.6   | 8.4   | 8.3  | 7.9  | 8.7  | 9.2  | 8.3   |
| Adv. and Sales (% of sales)    | 5.5  | 6.9  | 8.1  | 7.5   | 4.9   | 6.0  | 6.8  | 7.0  | 7.0  | 6.2   |
| Other Cost (% of sales)        | 13.9 | 13.8 | 13.9 | 15.5  | 13.6  | 12.2 | 11.3 | 13.4 | 14.2 | 12.6  |
| Gross Margin (%)               | 42.9 | 43.5 | 43.5 | 45.5  | 44.7  | 40.8 | 37.8 | 41.0 | 43.9 | 41.0  |
| EBITDA Margin (%)              | 14.7 | 13.4 | 12.8 | 12.8  | 17.8  | 14.4 | 11.8 | 11.9 | 13.4 | 13.9  |
| EBIT Margin (%)                | 12.3 | 10.9 | 10.3 | 10.2  | 15.5  | 12.1 | 9.7  | 9.6  | 10.9 | 11.6  |

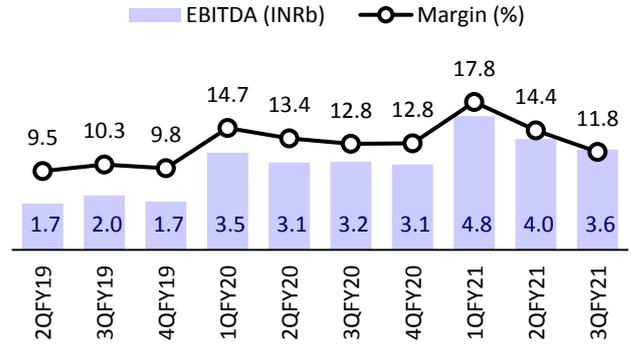
Key exhibits

Exhibit 1: Consolidated revenue trend



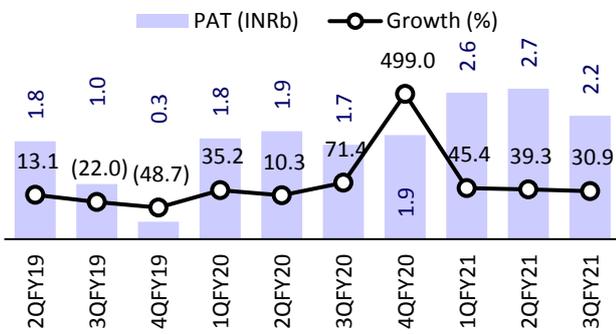
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



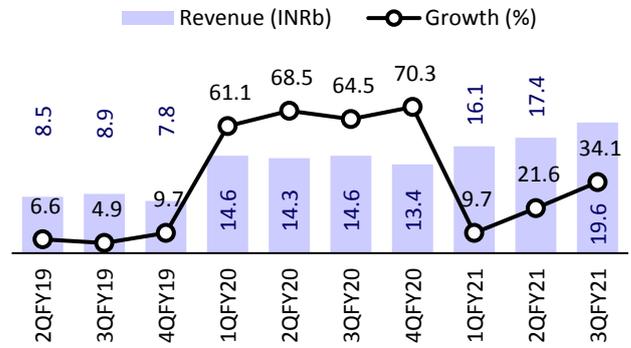
Source: Company, MOFSL

Exhibit 3: Consolidated adjusted PAT trend



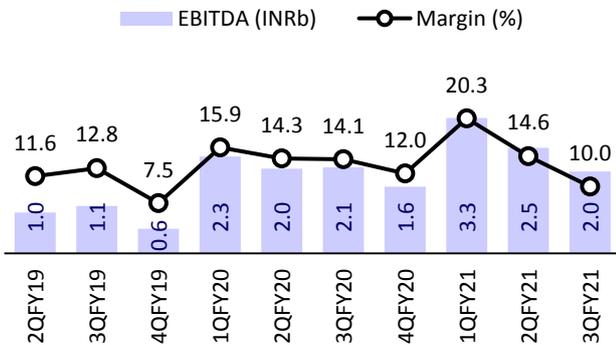
Source: Company, MOFSL

Exhibit 4: Standalone revenue trend



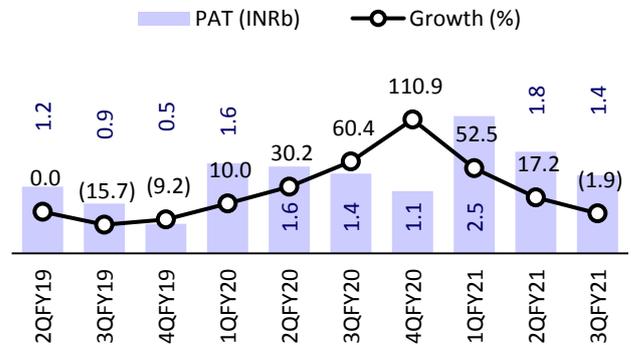
Source: Company, MOFSL

Exhibit 5: Standalone EBITDA trend



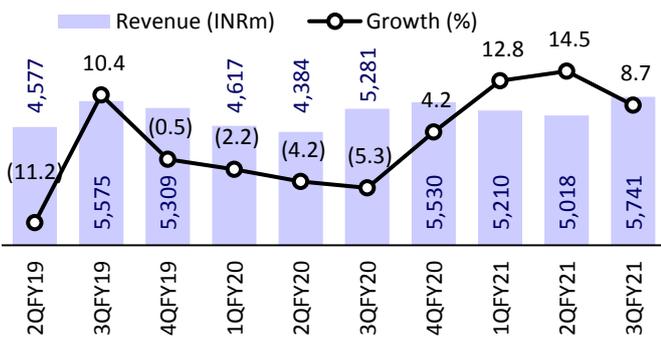
Source: Company, MOFSL

Exhibit 6: Standalone adjusted PAT trend



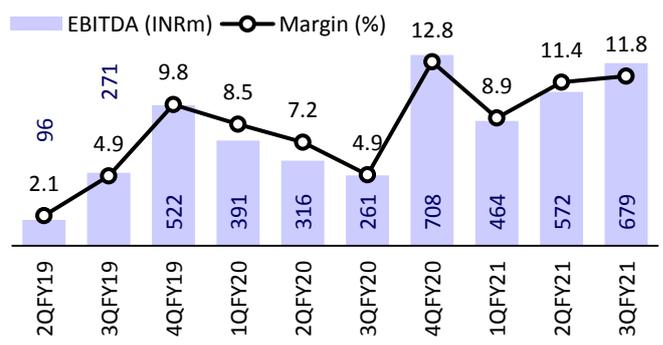
Source: Company, MOFSL

Exhibit 7: TCP's overseas Tea revenue trend



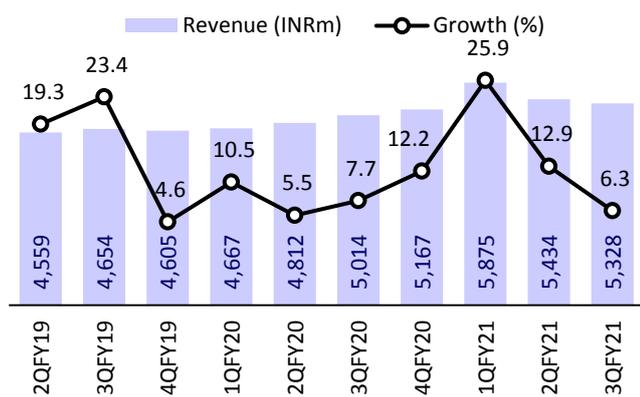
Source: Company, MOFSL

Exhibit 8: TCP's overseas Tea EBITDA trend



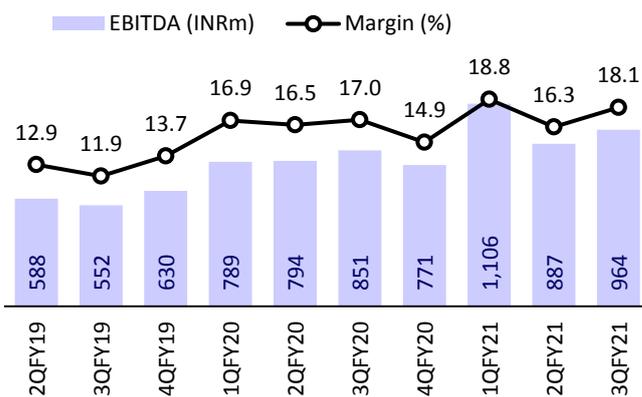
Source: Company, MOFSL

**Exhibit 9: Tata Coffee's consolidated revenue trend**



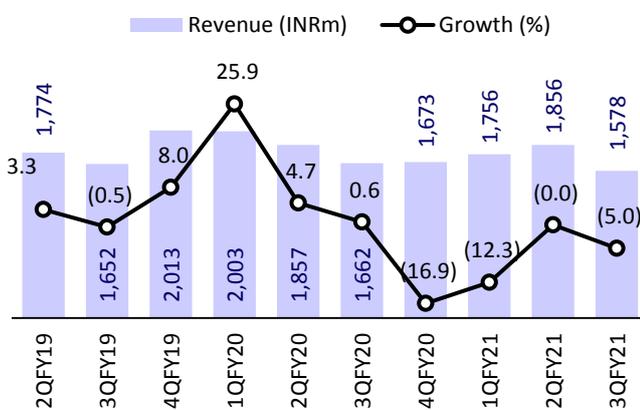
Source: Company, MOFSL

**Exhibit 10: Tata Coffee's consolidated EBITDA trend**



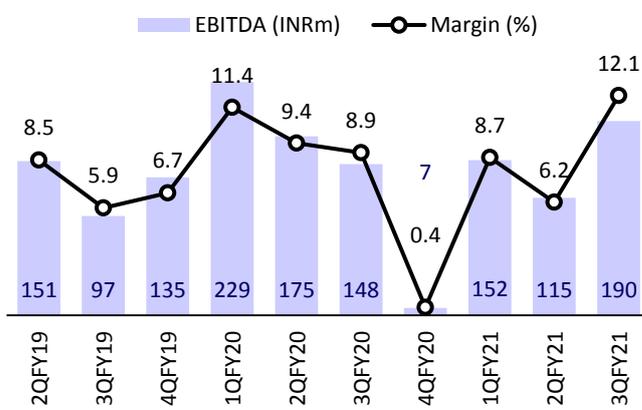
Source: Company, MOFSL

**Exhibit 11: Tata Coffee's standalone revenue trend**



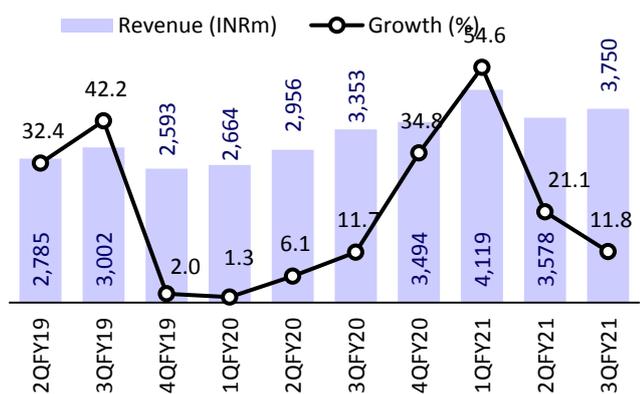
Source: Company, MOFSL

**Exhibit 12: Tata Coffee's standalone EBITDA trend**



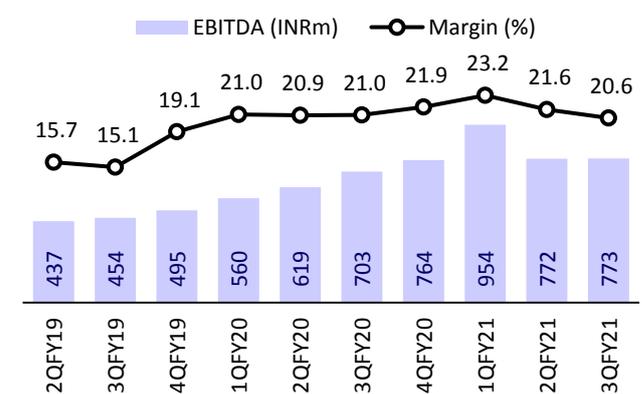
Source: Company, MOFSL

**Exhibit 13: Tata Coffee's overseas revenue trend**



Source: Company, MOFSL

**Exhibit 14: Tata Coffee's overseas EBITDA trend**



Source: Company, MOFSL

**Exhibit 15: Revenue at a glance (3QFY21)**



| In ₹ Cr<br>(unless specified)                      | India  |             | International Business |                   |                             |                             | Consolidated |
|--|--|-------------|------------------------|-------------------|-----------------------------|-----------------------------|--------------|
|  | India Beverages  | India Foods | US Coffee              | International Tea | Foodservice (International) | Tata Coffee (incl. Vietnam) |              |
| <b>Revenue</b>                                     | 1,275  | 631         | 321                    | 549               | 56                          | 212                         | 3,070        |
| <i>Revenue Growth<br/>Constant currency growth</i> | 46%  | 19%         | 11%<br>6%              | 14%<br>7%         | -28%<br>-31%                | 1%<br>0%                    | 23%<br>21%   |
| <i>Volume Growth</i>                               | 10%  | 12%         | 7%                     | 6%                | -25%                        | -4%                         |              |
| <b>Key Brands</b>                                  |  |             |                        |                   |                             |                             |              |

**Note:**  
a) India Beverages includes Middle East and NourishCo (subsidiary effective May'20)  
b) International tea business includes UK, Canada, US, Aus and Europe.  
c) Tata Coffee incl. Vietnam and excl. USCoffee (EOC)  
d) Consolidated revenue includes other non-branded business and Inter-segment eliminations

Source: Company, MOFSL

**Exhibit 16: Revenue at a glance (9MFY21)**



| In ₹ Cr<br>(unless specified)                      | India  |             | International Business |                   |                             |                             | Consolidated |
|--|--|-------------|------------------------|-------------------|-----------------------------|-----------------------------|--------------|
|  | India Beverages  | India Foods | US Coffee              | International Tea | Foodservice (International) | Tata Coffee (incl. Vietnam) |              |
| <b>Revenue</b>                                     | 3,396  | 1,800       | 980                    | 1468              | 146                         | 684                         | 8,565        |
| <i>Revenue Growth<br/>Constant currency growth</i> | 30%  | 17%         | 19%<br>12%             | 13%<br>6%         | -36%<br>-40%                | 10%<br>8%                   | 18%<br>16%   |
| <i>Volume Growth</i>                               | 8%   | 9%          | 10%                    | 4%                | -35%                        | 6%                          |              |
| <b>Key Brands</b>                                  |  |             |                        |                   |                             |                             |              |

**Note:**  
a) India Beverages includes Middle East and NourishCo (subsidiary effective May'20)  
b) International tea business includes UK, Canada, US, Aus and Europe.  
c) Tata Coffee incl. Vietnam and excl. USCoffee (EOC)  
d) Consolidated revenue includes other non-branded business and Inter-segment eliminations

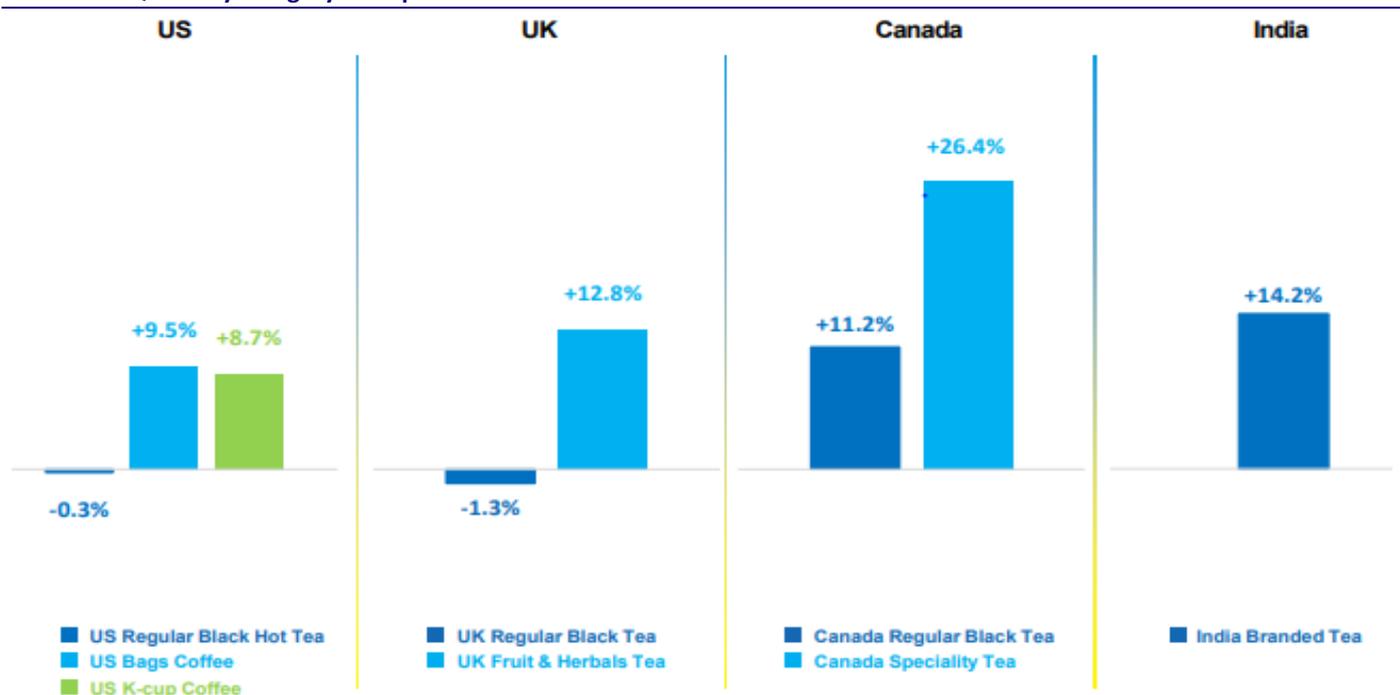
Source: Company, MOFSL

Exhibit 17: Consolidated segmental results

| INR m                          | 3QFY20        | 2QFY21        | 3QFY21        | %/bp change<br>YoY | %/bp change<br>QoQ |
|--------------------------------|---------------|---------------|---------------|--------------------|--------------------|
| <b>Segmental revenue</b>       |               |               |               |                    |                    |
| Branded Business               |               |               |               |                    |                    |
| India - Beverages              | 8,731         | 11,200        | 12,754        | 46.1%              | 13.9%              |
| India - Foods                  | 5,311         | 5,803         | 6,306         | 18.8%              | 8.7%               |
| International - Beverages      | 8,516         | 8,005         | 9,262         | 8.8%               | 15.7%              |
| <b>Total Branded Business</b>  | <b>22,558</b> | <b>25,008</b> | <b>28,322</b> | <b>25.6%</b>       | <b>13.3%</b>       |
| Non-Branded Business           | 2,385         | 2,876         | 2,465         | 3.3%               | -14.3%             |
| <b>Total Segmental Revenue</b> | <b>24,943</b> | <b>27,885</b> | <b>30,787</b> | <b>23.4%</b>       | <b>10.4%</b>       |
| Others                         | 82            | 32            | 84            |                    |                    |
| Inter-segment sales            | -96           | -104          | -175          |                    |                    |
| <b>Revenue from Operations</b> | <b>24,930</b> | <b>27,813</b> | <b>30,696</b> | <b>23.1%</b>       | <b>10.4%</b>       |
| <b>Segment Results</b>         |               |               |               |                    |                    |
| <b>Branded Business</b>        |               |               |               |                    |                    |
| India - Beverages              | 1,276         | 1,493         | 793           | -37.8%             | -46.9%             |
| India - Foods                  | 662           | 930           | 934           | 41.0%              | 0.4%               |
| International - Beverages      | 790           | 1,007         | 1,226         | 55.2%              | 21.7%              |
| <b>Total Branded Business</b>  | <b>2,728</b>  | <b>3,430</b>  | <b>2,953</b>  | <b>8.2%</b>        | <b>-13.9%</b>      |
| <b>Non-Branded Business</b>    | <b>162</b>    | <b>181</b>    | <b>204</b>    | <b>26.0%</b>       | <b>12.4%</b>       |
| <b>Total Segment Results</b>   | <b>2,889</b>  | <b>3,611</b>  | <b>3,156</b>  | <b>9.2%</b>        | <b>-12.6%</b>      |
| <b>EBIT margin</b>             |               |               |               |                    |                    |
| India - Beverages              | 14.6%         | 13.3%         | 6.2%          | (839)bp            | (711)bp            |
| India - Foods                  | 12.5%         | 16.0%         | 14.8%         | 234bp              | (121)bp            |
| International - Beverages      | 9.3%          | 12.6%         | 13.2%         | 396bp              | 66bp               |
| <b>Total Branded Business</b>  | <b>12.1%</b>  | <b>13.7%</b>  | <b>10.4%</b>  | <b>(167)bp</b>     | <b>(329)bp</b>     |
| <b>Non-Branded Business</b>    | <b>6.8%</b>   | <b>6.3%</b>   | <b>8.3%</b>   | <b>149bp</b>       | <b>196bp</b>       |

Source: Company, MOFSL

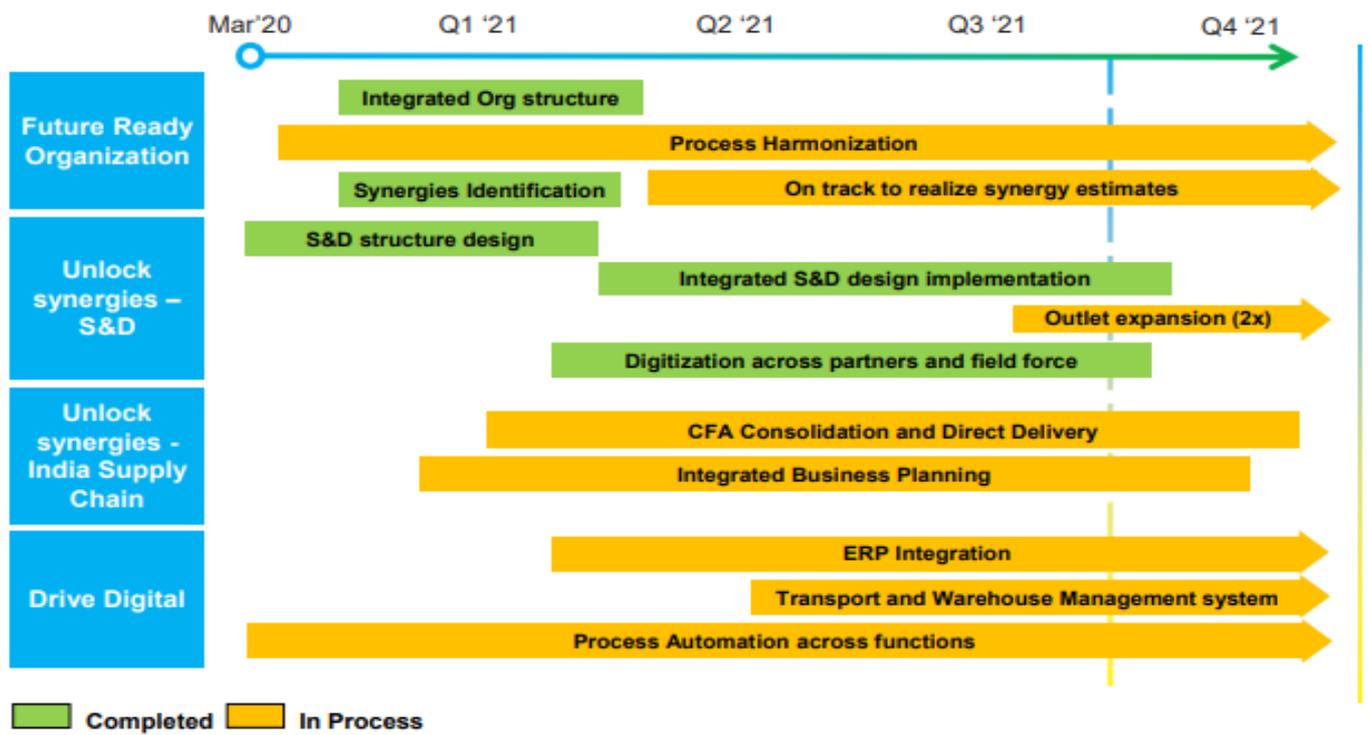
Exhibit 18: Quarterly category-wise performance



Source: Nielsen: 12 weeks (Value) – Dec'20

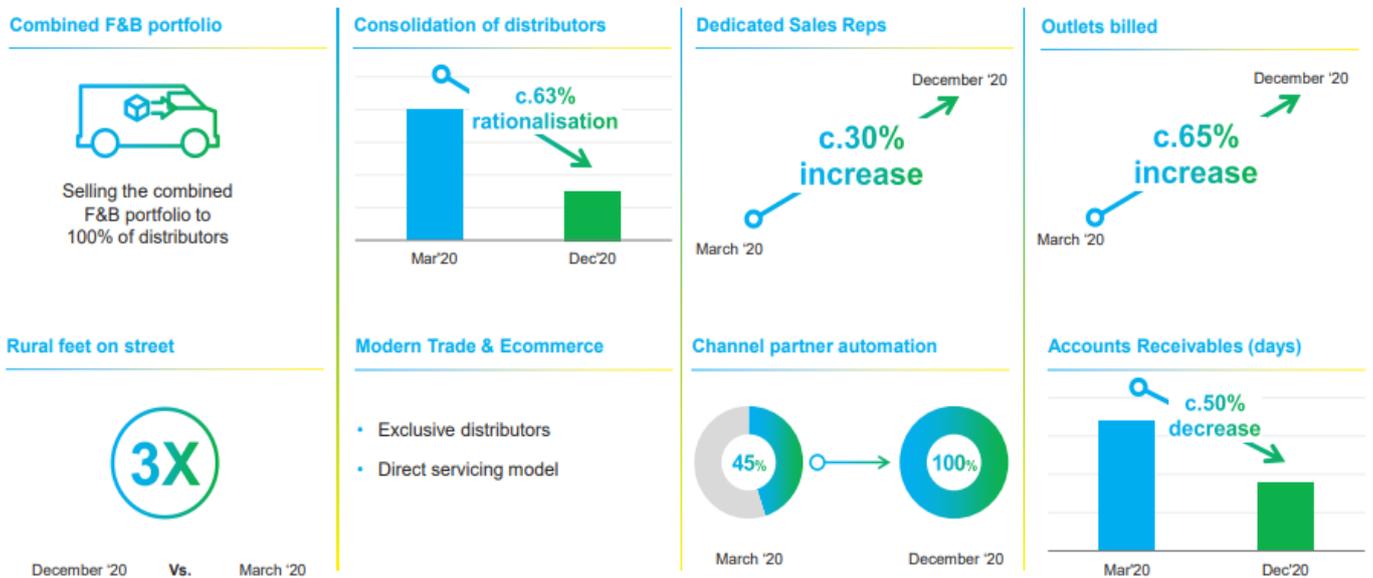
Source: Company, Nielsen, MOFSL

Exhibit 19: Broad timelines and status of integration



Source: Company, MOFSL

Exhibit 20: India integration update – S&D impact



Source: Company, MOFSL

**Exhibit 21: Acquisition of Kottaram Agro Foods Pvt****Summary**

- In line with one of our strategic priorities to expand into new categories, we have entered in a SPA to acquire Kottaram Agro Foods Pvt. Ltd, the owner of the brand "Soulfull".
- The **tuck-in** acquisition will enable us to have a wider play in the **"Better for You"** products category, leveraging their expertise in millets such as Ragi.
- The product portfolio straddles multiple consumption occasions - breakfast, snacking, mini-meals.
- Convenient, healthy offerings targeted for millennial families, kids and discerning health-conscious adults.
- Soulfull is a strong brand built in select urban markets with a reach of c.15,000 outlets, offering significant potential for geographic expansion.
- Led by young, passionate, purpose-led management team.
- In-house manufacturing and R&D capabilities.
- Strategy for portfolio expansion with a strong NPD pipeline.

**Transaction Overview**

- Acquisition of 100% shares in Kottaram Agro Foods Pvt. for a consideration of ~Rs.156cr and future consideration linked to achievement of certain milestones.
- Company to become a 100% subsidiary of Tata Consumer Products.
- Transaction expected to close in Q4FY21.
- Soulfull to be integrated with TCPL, including its Sales & Distribution system.
- The Founders and the key management team to continue with the Company.



Ragi Bites

Millet Muesli

Smoothix

Oat Millets Meal

**"Tata Soulfull" to leverage the Tata Consumer platform to expand its addressable market and accelerate growth**

Source: Company, MOFSL

**Exhibit 22: Value creation and synergies through acquisition****Value Creation**

- Build a platform with differentiated offerings in the Health & Wellness space (estimated market size of Rs. 20,000 Cr.)
- Adjacent to the core category of "For Better" food products offered by TCPL
- Access to a fast growing brand with a new addressable Target Group
- Gives TCPL an opportunity to expand the portfolio into -
  - ✓ On-the-Table / On-the-Go categories
  - ✓ New consumption occasions – RTE breakfast, snacking, mini-meals
  - ✓ Fast growing category - cereals, mini meals, healthy snacks, protein drinks, etc. (Categories growing @ 15%+)
- Explore innovative formats in-line with current consumption trends
- Margin accretive addition to the business

**Key synergies with TCPL**

- Significant scope to expand distribution - 15,000 outlets (Soulfull) vs 2.4m total numeric reach (TCPL)
- Scope to unlock synergies in S&D, procurement/ manufacturing/ logistics
- Addition of 'TATA' to strengthen brand's credentials
- Leverage our R&D capabilities for building a platform for the future
- Strong & passionate team to be supplemented with TCPL expertise

**Timelines**

- Definitive Agreements signed
- Post closing activities to be completed by Q4, 2021
- Operational integration with TCPL to commence shortly after closing and be completed within Q1 / Q2 FY22

Source: Company, MOFSL

**Highlights from the management call****India Beverages**

- India Packaged Beverages business recorded 46%/10% value/volume growth, led by robust growth across most brands and market share gains.
- NourishCo recorded 9% YoY revenue growth, in sharp acceleration from the 18% decline in 2QFY21, driven by Tata Water Plus and Tata Gluco Plus.
- TCP gained 94bp market share in the Tea business.
- Tea prices are 25-30% higher as compared to last year and is likely to cool off once the new crop comes into the market, i.e. by Apr-May'21. Thus, Tea prices are likely to normalize by 1QFY22.
- Segment margin for 3QFY21 was impacted by Tea inflation and competitive pricing, but was offset by continued momentum in volume growth and growth in market share.

**India Foods**

- India Foods business registered 19%/12% value/volume growth. This was the third consecutive quarter of double-digit revenue growth across the Tata Salt and Tata Sampann portfolio

- Tata Salt saw double-digit volume growth with the value-added salts portfolio growing disproportionately. The Salt portfolio continued to gain market share during 3QFY21.
- Tata Sampann: Revenue is up 40% in 9MFY21. The portfolio grew in high double-digits during 3QFY21, with in-home consumption normalizing.
- Salt revenue grew 19% in 3QFY21, with double-digit volume growth.
- The value-added Salt portfolio is up 2.7x YoY during 3QFY21.
- EBIT margin expanded despite a doubling of advertising spend YoY.
- Tata Sampann Poha grew 5x YoY on a low base.

### Acquisition

- The company acquired Kottaram Agro Foods Pvt for ~INR1.6b and future consideration is linked to achievement of certain milestones
- Kottaram has products that have an addressable market size of INR200b. The same will touch INR400b in the next couple of years.
- It reported INR390m in revenue in FY20.
- There is significant scope to expand distribution - 15,000 outlets (Soulfull) v/s TCP's 2.4m.
- A definitive agreement has been signed and post-closing activities will be completed by 4QFY21.

### Food business Integration

- Integration of its Food business is expected to get completed by 4QFY21. This would enable better execution of the management strategic roadmap.
- **Tasks completed:** i) Distribution channel partner consolidation, and ii) Channel partner digitization for urban distributors. Integration of India ERP is on track and will go-live in 4QFY21
- TCP has rationalized its distributor network and reduced it by 63%. Dedicated sales representatives have increased by 30%. Rural feet on the street has increased by 3x.
- The company remains on track to achieve synergies of 2-3% of sales.

### Tata Coffee

- Topline grew 1% led by Vietnam Extractions business and Tea Plantations, which helped offset the decline in the India Extractions business.
- **Plantations:** It saw robust value growth in Tea (better realization) and Pepper (better volumes), while revenue growth in Coffee was lower.
- **Extractions:** Overall business declined 3% in value terms as the decline in domestic revenue more than offset the growth in the Vietnam business. The Extractions business was impacted by global shortages of shipping containers and further lockdowns in Europe.
- Vietnam plant is now operating ~93% capacity.

### Tata Starbucks

- The management said that 92% of its stores are open.
- Revenue is on an upward trajectory and stands ~90% of last year's levels (77% on a like-for-like basis).
- The company said that non-metro cities are recovering faster.
- In Dec'20, it returned to being EBITDA positive.
- It opened 13 new stores and entered three new cities during 3Q, bringing the FY21 YTD new store count to 24.

- Dine-in capacity still at 50%, however the channel salience is returning to pre-COVID levels.
- Delivery channel is performing well, with customized activations on key platforms.
- Tata Starbucks celebrated completion of eight years in India with a total store count of 209 at the end of Dec'20.

#### UK business

- In constant currency, revenue/volume grew 1%/ 5%.
- Discounter channel continues to be the key growth driver. There is also growth in the online channel driven by COVID-19 led lockdowns.
- Out of Home (OOH) and wholesale channels continue to remain under pressure due to repeated lockdowns.
- Good Earth Tea and Kombucha continue to see good traction, especially in the e-commerce channel.
- Tetley continues to grow in the rapidly growing segments of Decaf, F&H, and Green Tea.
- Improved profitability on account of strong overhead management and lower trade promotion.

#### US business

- **Coffee:** In constant currency, revenue/volumes grew 6%/7% – a strong uptick from 2QFY21 when volumes declined.
- Retail Coffee category is slowly returning to its long-term average growth rates.
- e-commerce channel continues to grow at an accelerated pace.
- **Tea (excluding Empirical)** posts robust revenue growth (18%) against volume growth of 22%.
- Good Earth Sensorial Blends saw strong growth.
- Growth in the Tea category continues to be driven by Specialty Tea.

#### Canada business:

- The business saw exceptional revenue growth of 24% (constant currency), with a volume growth of 19%, led by promotions and COVID-led lockdowns.
- Tetley continues to be the No. 1 brand in the market, with both Regular and Specialty Teas growing strongly during 3QFY21.
- Specialty Tea sales were further boosted by the new Tetley Super 3.0 range.
- The strong YoY growth in profitability was led by higher sales and strong control on overheads.

#### Others

- India business grew 36%, led by: i) 43% growth in the India Packaged Beverages business, with 10% volume growth; ii) 19% growth in the India Foods business grew, with 12% volume growth; and iii) Sequential improvement in NourishCo's performance, with 9% revenue growth
- Branded International business (excluding Foodservice) grew 13%, with an underlying (constant currency) growth of 7%.
- The company has exited the Coffee business in Australia, in line with its portfolio rebalancing strategy.
- At present, TCP has 2.4m outlets.
- It has a net cash of INR15.5b as of Dec'20.

### Valuation and view

- Performance during 3QFY21 was impacted due to higher Tea prices, which led to 570bp contraction in consolidated gross margin. The management expects Tea prices to stabilize by 1QFY22 and thus ease down the pressure on gross margin going forward.
- In line with the Tata Group's vision to participate in India's consumption story, TCP has entered into a share purchase agreement with Kottaram Agro Foods Pvt, the brand owner of 'Soulfull' for INR1.56b (FY20 revenue of INR390m). The tuck-in acquisition will enable TCP to have a wider play in the 'Better for You' product category, leveraging Kottaram's expertise in millets such as ragi. Its product portfolio straddles multiple consumption occasions - breakfast, snacking, and mini-meals. Key synergies through this acquisition include: i) Significant scope to expand distribution - 15,000 outlets (Soulfull) v/s TCP's 2.4m, ii) Scope to unlock synergies in S&D, procurement, manufacturing, and logistics, and iii) Addition of 'TATA' to strengthen the brand's credential.
- TCP has two strong legs in the India business – Tata Tea and Tata Salt – by which it is targeting lower double-digit growth, driven by cross-selling between Tata Chemicals and TCP's distribution channels and expansion into new geographies.
- TCP is building its third leg – Tata Sampann, which should grow in high double-digits and deals in Pulses and Spices. The market size of Pulses/Spices in India currently stands at INR1,500b/INR600b, with unorganized players forming 99%/70% of the market. Growth is expected by grabbing market share from unorganized players with increasing distribution reach. Apart from the above, TCP has launched nutrimixes (*chilla*), *poha*, and *chutney* in the ready-to cook space, which should aid growth.
- Over FY20-23E, we expect sales/EBITDA/PAT of 12%/20%/25% CAGR.
- Factoring in its performance in 3QFY21, we decrease our FY21E EBITDA/adjusted PAT estimates by 6%/2%, but maintain our FY22E/FY23E earnings estimates, and arrive at an FY23E SoTP-based TP of INR661/share. Maintain **Buy**.

#### Exhibit 23: Valuation methodology

| EV/EBITDA                                 | FY23 EBITDA (INR) | Multiple (x) | EV (INR)        |
|---|-------------------|--------------|-----------------|
| India Tea (TCP Standalone)                | 7,134             | 32           | 2,28,304        |
| Coffee India (excluding Starbucks) at 57% | 439               | 10           | 4,590           |
| Coffee Overseas                           | 3,223             | 12           | 38,670          |
| Consumer (Salt and others)                | 7,640             | 32           | 2,44,482        |
| Overseas tea (Tetley UK)                  | 2,519             | 10           | 26,324          |
| DCF                                       |                   |              |                 |
| Starbucks JV                              |                   |              | 29,508          |
| Price/Sales                               |                   |              |                 |
| NourishCo (JV with Pepsi) and others      | 2,000             | 4            | 8,000           |
| <b>Enterprise value</b>                   |                   |              | <b>5,79,877</b> |
| <b>Less: Net debt</b>                     |                   |              | <b>-29,096</b>  |
| <b>Market value</b>                       |                   |              | <b>6,08,973</b> |
| <b>No. of shares (m)</b>                  |                   |              | <b>922</b>      |
| <b>Target price)</b>                      |                   |              | <b>661</b>      |

Source: MOFSL

#### Exhibit 24: Change in estimates

| Earnings change<br>(INR m) | Old      |          |          | New      |          |          | Change |       |       |
|----------------------------|----------|----------|----------|----------|----------|----------|--------|-------|-------|
|                            | FY21E    | FY22E    | FY23E    | FY21E    | FY22E    | FY23E    | FY21E  | FY22E | FY23E |
| Revenue                    | 1,13,761 | 1,21,030 | 1,33,648 | 1,14,262 | 1,21,903 | 1,34,666 | 0%     | 1%    | 1%    |
| EBITDA                     | 16,801   | 19,400   | 22,013   | 15,839   | 19,533   | 22,152   | -6%    | 1%    | 1%    |
| Adjusted PAT               | 9,895    | 11,908   | 13,891   | 9,701    | 12,252   | 14,273   | -2%    | 3%    | 3%    |

Source: MOFSL

## Financials and valuations

| Consolidated Income Statement    |               |               |               |               |                 |                 |                 | (INR m)         |
|----------------------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                        | FY16          | FY17          | FY18          | FY19          | FY20            | FY21E           | FY22E           | FY23E           |
| <b>Net Sales</b>                 | <b>66,365</b> | <b>67,796</b> | <b>68,154</b> | <b>72,515</b> | <b>96,374</b>   | <b>1,14,262</b> | <b>1,21,903</b> | <b>1,34,666</b> |
| Change (%)                       | -17.0         | 2.2           | 0.5           | 6.4           | 32.9            | 18.6            | 6.7             | 10.5            |
| <b>Gross Profit</b>              | <b>30,149</b> | <b>32,180</b> | <b>31,160</b> | <b>32,439</b> | <b>42,267</b>   | <b>46,813</b>   | <b>53,157</b>   | <b>58,453</b>   |
| Margin (%)                       | 45.4          | 47.5          | 45.7          | 44.7          | 43.9            | 41.0            | 43.6            | 43.4            |
| Other operating exp.             | 23,606        | 24,269        | 22,771        | 24,579        | 29,346          | 30,974          | 33,623          | 36,301          |
| <b>EBITDA</b>                    | <b>6,543</b>  | <b>7,911</b>  | <b>8,389</b>  | <b>7,859</b>  | <b>12,921</b>   | <b>15,839</b>   | <b>19,533</b>   | <b>22,152</b>   |
| Margin (%)                       | 9.9           | 11.7          | 12.3          | 10.8          | 13.4            | 13.9            | 16.0            | 16.4            |
| Depreciation                     | 1,168         | 1,260         | 1,160         | 1,226         | 2,417           | 2,539           | 2,577           | 2,654           |
| Net Interest                     | 1,169         | 915           | 428           | 525           | 779             | 710             | 559             | 559             |
| Other income                     | 820           | 831           | 942           | 1,571         | 1,116           | 1,004           | 1,105           | 1,215           |
| <b>PBT before EO</b>             | <b>5,026</b>  | <b>6,566</b>  | <b>7,743</b>  | <b>7,680</b>  | <b>10,842</b>   | <b>13,594</b>   | <b>17,502</b>   | <b>20,154</b>   |
| EO income/(exp.)                 | -3,329        | 53            | -211          | -333          | -2,748          | 333             | 0               | 0               |
| PBT after EO                     | 1,698         | 6,619         | 7,531         | 7,347         | 8,094           | 13,926          | 17,502          | 20,154          |
| Tax                              | 2,000         | 1,983         | 1,859         | 2,609         | 2,742           | 3,310           | 4,900           | 5,643           |
| Rate (%)                         | 117.8         | 30.0          | 24.7          | 35.5          | 33.9            | 23.8            | 28.0            | 28.0            |
| Minority and Associates          | -247          | 742           | 717           | 656           | 754             | 471             | 349             | 238             |
| <b>Reported PAT</b>              | <b>-55</b>    | <b>3,894</b>  | <b>4,956</b>  | <b>4,082</b>  | <b>4,598</b>    | <b>10,146</b>   | <b>12,252</b>   | <b>14,511</b>   |
| <b>Adjusted PAT</b>              | <b>3,274</b>  | <b>3,841</b>  | <b>5,167</b>  | <b>4,415</b>  | <b>7,345</b>    | <b>9,701</b>    | <b>12,252</b>   | <b>14,273</b>   |
| Change (%)                       | -13.3         | 17.3          | 34.5          | -14.6         | 66.4            | 32.1            | 26.3            | 16.5            |
| Balance Sheet                    |               |               |               |               |                 |                 |                 | (INR m)         |
| Y/E March                        | FY16          | FY17          | FY18          | FY19          | FY20            | FY21E           | FY22E           | FY23E           |
| Share Capital                    | 631           | 631           | 631           | 631           | 922             | 922             | 922             | 922             |
| Reserves                         | 61,841        | 62,024        | 69,685        | 72,686        | 1,37,227        | 1,44,055        | 1,52,658        | 1,60,849        |
| <b>Net Worth</b>                 | <b>62,472</b> | <b>62,655</b> | <b>70,316</b> | <b>73,317</b> | <b>1,38,149</b> | <b>1,44,977</b> | <b>1,53,579</b> | <b>1,61,770</b> |
| Minority Interest                | 8,618         | 9,195         | 10,090        | 10,277        | 10,925          | 10,952          | 10,983          | 11,020          |
| Loans                            | 13,541        | 7,866         | 10,676        | 11,283        | 11,825          | 11,825          | 9,325           | 9,325           |
| <b>Capital Employed</b>          | <b>84,630</b> | <b>79,716</b> | <b>91,082</b> | <b>94,877</b> | <b>1,60,898</b> | <b>1,67,754</b> | <b>1,73,888</b> | <b>1,82,114</b> |
| Gross Block                      | 24,033        | 23,711        | 25,424        | 27,689        | 59,111          | 60,611          | 62,611          | 64,611          |
| Less: Accum. Deprn.              | 14,511        | 13,650        | 15,181        | 16,407        | 18,824          | 21,362          | 23,939          | 26,593          |
| <b>Net Fixed Assets</b>          | <b>9,523</b>  | <b>10,060</b> | <b>10,244</b> | <b>11,282</b> | <b>40,288</b>   | <b>39,249</b>   | <b>38,672</b>   | <b>38,018</b>   |
| Capital WIP                      | 394           | 632           | 1,352         | 4,244         | 954             | 954             | 954             | 954             |
| Goodwill and Intangibles         | 37,096        | 34,979        | 37,235        | 37,851        | 73,338          | 73,338          | 73,338          | 73,338          |
| Investments                      | 11,926        | 13,534        | 6,431         | 6,045         | 4,893           | 4,450           | 4,132           | 3,930           |
| <b>Curr. Assets</b>              | <b>40,009</b> | <b>36,309</b> | <b>49,343</b> | <b>49,385</b> | <b>65,258</b>   | <b>75,988</b>   | <b>83,808</b>   | <b>94,211</b>   |
| Inventories                      | 16,290        | 14,530        | 14,483        | 16,099        | 17,120          | 23,479          | 25,049          | 28,617          |
| Account Receivables              | 5,924         | 5,925         | 6,483         | 6,806         | 9,224           | 10,869          | 11,595          | 12,809          |
| Cash and Bank Balance            | 6,744         | 7,412         | 18,067        | 16,168        | 24,550          | 27,277          | 32,800          | 38,421          |
| Others                           | 11,051        | 8,444         | 10,310        | 10,313        | 14,364          | 14,364          | 14,364          | 14,364          |
| <b>Curr. Liability and Prov.</b> | <b>13,532</b> | <b>14,345</b> | <b>13,525</b> | <b>12,887</b> | <b>20,799</b>   | <b>23,191</b>   | <b>23,982</b>   | <b>25,304</b>   |
| Account Payables                 | 6,773         | 7,378         | 7,057         | 6,649         | 9,440           | 11,832          | 12,623          | 13,945          |
| Other liabilities                | 2,776         | 3,389         | 3,562         | 4,221         | 8,603           | 8,603           | 8,603           | 8,603           |
| Provisions                       | 3,983         | 3,578         | 2,906         | 2,017         | 2,756           | 2,756           | 2,756           | 2,756           |
| <b>Net Curr. Assets</b>          | <b>26,477</b> | <b>21,965</b> | <b>35,818</b> | <b>36,498</b> | <b>44,459</b>   | <b>52,797</b>   | <b>59,825</b>   | <b>68,908</b>   |
| Def. tax liability               | 786           | 1,454         | -3            | 1,043         | 3,033           | 3,033           | 3,033           | 3,033           |
| <b>Appl. of Funds</b>            | <b>84,630</b> | <b>79,716</b> | <b>91,082</b> | <b>94,877</b> | <b>1,60,898</b> | <b>1,67,754</b> | <b>1,73,888</b> | <b>1,82,114</b> |

## Financials and valuations

### Cash flow statement

| Y/E March                           | FY16          | FY17          | FY18          | FY19          | FY20          | FY21E         | FY22E         | FY23E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>EBITDA</b>                       | <b>6,543</b>  | <b>7,911</b>  | <b>8,389</b>  | <b>7,859</b>  | <b>12,921</b> | <b>15,839</b> | <b>19,533</b> | <b>22,152</b> |
| Prov. and FX                        | -132          | 22            | -14           | 0             | 0             | 0             | 0             | 0             |
| WC                                  | -2,719        | 1,485         | -1,389        | -2,347        | -649          | -5,611        | -1,506        | -3,461        |
| Others                              | -190          | 100           | -438          | -333          | 1,292         | 333           | 0             | 0             |
| Direct taxes (net)                  | -2,342        | -2,106        | -2,992        | -2,609        | -2,742        | -3,310        | -4,900        | -5,643        |
| <b>CF from Op. Activity</b>         | <b>1,160</b>  | <b>7,412</b>  | <b>3,556</b>  | <b>2,571</b>  | <b>10,822</b> | <b>7,251</b>  | <b>13,127</b> | <b>13,048</b> |
| Capex                               | -1,545        | -1,382        | -3,588        | -3,000        | -1,500        | -1,500        | -2,000        | -2,000        |
| <b>FCFF</b>                         | <b>-385</b>   | <b>6,030</b>  | <b>-32</b>    | <b>-429</b>   | <b>9,322</b>  | <b>5,751</b>  | <b>11,127</b> | <b>11,048</b> |
| Interest/dividend                   | 697           | 574           | 485           | 1,571         | 1,116         | 1,004         | 1,105         | 1,215         |
| Investments in subs./assoc.         | -509          | -280          | 373           | 0             | 0             | 0             | 0             | 0             |
| Others                              | 4,273         | 2,503         | 10,133        | 0             | 0             | 0             | 0             | 0             |
| <b>CF from Inv. Activity</b>        | <b>2,917</b>  | <b>1,415</b>  | <b>7,403</b>  | <b>-1,429</b> | <b>-384</b>   | <b>-496</b>   | <b>-895</b>   | <b>-785</b>   |
| Borrowings                          | -796          | -4,848        | 2,160         | 0             | 0             | 0             | -2,500        | 0             |
| Finance cost                        | -663          | -615          | -282          | -525          | -779          | -710          | -559          | -559          |
| Dividend                            | -1,871        | -1,890        | -2,118        | -1,893        | -2,986        | -3,318        | -3,650        | -6,083        |
| Others                              | 512           | -805          | -65           | -623          | 1,709         | 0             | 0             | 0             |
| <b>CF from Fin. Activity</b>        | <b>-2,818</b> | <b>-8,158</b> | <b>-304</b>   | <b>-3,041</b> | <b>-2,056</b> | <b>-4,028</b> | <b>-6,709</b> | <b>-6,642</b> |
| <b>(Inc.)/Dec. in Cash</b>          | <b>1,259</b>  | <b>668</b>    | <b>10,655</b> | <b>-1,899</b> | <b>8,382</b>  | <b>2,727</b>  | <b>5,523</b>  | <b>5,621</b>  |
| Opening balance                     | 5,485         | 6,744         | 7,412         | 18,067        | 16,168        | 24,550        | 27,277        | 32,800        |
| <b>Closing balance (as per B/S)</b> | <b>6,744</b>  | <b>7,412</b>  | <b>18,067</b> | <b>16,168</b> | <b>24,550</b> | <b>27,277</b> | <b>32,800</b> | <b>38,421</b> |
|                                     | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |

### Ratios

| Y/E March                     | FY16       | FY17       | FY18       | FY19       | FY20       | FY21E       | FY22E       | FY23E       |
|-------------------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |            |            |            |            |            |             |             |             |
| <b>EPS</b>                    | <b>3.6</b> | <b>4.2</b> | <b>5.6</b> | <b>4.8</b> | <b>8.0</b> | <b>10.5</b> | <b>13.3</b> | <b>15.5</b> |
| Cash EPS                      | 4.8        | 5.5        | 6.9        | 6.1        | 10.6       | 13.3        | 16.1        | 18.4        |
| BV/Share                      | 67.8       | 68.0       | 76.3       | 79.6       | 149.9      | 157.3       | 166.6       | 175.5       |
| DPS                           | 2.3        | 2.3        | 2.4        | 2.5        | 2.7        | 3.0         | 3.3         | 5.5         |
| Payout (%)                    | NA         | 36.5       | 29.9       | 38.7       | 54.1       | 27.2        | 24.8        | 34.9        |
| Dividend yield (%)            | 1.9        | 1.5        | 0.9        | 1.2        | 0.9        | 1.4         | 1.6         | 2.6         |
| <b>Valuation (x)</b>          |            |            |            |            |            |             |             |             |
| P/E                           | 162.0      | 138.1      | 102.7      | 120.1      | 72.2       | 54.7        | 43.3        | 37.2        |
| Cash P/E                      | 119.4      | 104.0      | 83.8       | 94.0       | 54.3       | 43.3        | 35.8        | 31.3        |
| P/BV                          | 8.5        | 8.5        | 7.5        | 7.2        | 3.8        | 3.7         | 3.5         | 3.3         |
| EV/Sales                      | 7.8        | 7.6        | 7.6        | 7.1        | 5.3        | 4.5         | 4.2         | 3.8         |
| EV/EBITDA                     | 78.7       | 65.1       | 61.4       | 65.5       | 39.9       | 32.5        | 26.4        | 23.2        |
| Dividend Yield (%)            | 1.9        | 1.5        | 0.9        | 1.2        | 0.9        | 1.4         | 1.6         | 2.6         |
| FCF per share                 | -0.6       | 9.6        | -0.1       | -0.7       | 10.1       | 6.2         | 12.1        | 12.0        |
| <b>Return Ratios (%)</b>      |            |            |            |            |            |             |             |             |
| RoE                           | 5.6        | 6.1        | 7.8        | 6.1        | 6.9        | 6.9         | 8.2         | 9.1         |
| RoCE                          | 7.6        | 9.0        | 9.4        | 8.6        | 8.5        | 8.4         | 10.4        | 11.5        |
| ROIC                          | 8.2        | 10.6       | 11.7       | 9.8        | 11.5       | 11.1        | 12.5        | 14.3        |
| <b>Working Capital Ratios</b> |            |            |            |            |            |             |             |             |
| Fixed Asset Turnover (x)      | 7.0        | 6.7        | 6.7        | 6.4        | 2.4        | 2.9         | 3.2         | 3.5         |
| Asset Turnover (x)            | 0.8        | 0.9        | 0.7        | 0.8        | 0.6        | 0.7         | 0.7         | 0.7         |
| Debtor (Days)                 | 33         | 32         | 35         | 34         | 35         | 35          | 35          | 35          |
| Creditor (Days)               | 37         | 40         | 38         | 33         | 36         | 38          | 38          | 38          |
| Inventory (Days)              | 90         | 78         | 78         | 81         | 65         | 75          | 75          | 78          |
| <b>Leverage Ratio (x)</b>     |            |            |            |            |            |             |             |             |
| Debt/Equity                   | 0.1        | 0.0        | -0.1       | -0.1       | -0.1       | -0.1        | -0.2        | -0.2        |

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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