

TATA CONSUMER PRODUCTS

“Tata Consumer Products Limited
Q4 FY26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Tata Consumer Products Q4 FY26 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 Ms. Nidhi Verma, Head of Investor Relations and Corporate Communications. Thank you, and over to you.

Nidhi Verma: Thank you, and welcome, everyone, to the Q4 FY26 Conference Call for Tata Consumer Products. We announced our results for the quarter and year a while ago and we also shared the materials. Hope you've had some time to go through those. In the call today, 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.

So in terms of the format, the way we usually do, we will spend about 15, 20 minutes walking you through the key highlights of the performance and then we'll open the floor for Q&A. I just want to draw your attention to the disclaimer statement that is on the screen. With that, I hand it over to Sunil.

Sunil D'Souza: Thanks, Nidhi. So in summary, our consolidated revenue for the quarter grew 18% with the India business delivering 16% UVG. For the full year, we've crossed INR20,000 crores. Revenue grew 15% with India business UVG of 13%. India tea volumes grew 4%, revenue was minus 1%, primarily because we've taken price cuts as we've seen tea costs go down. Just as rider, margin has come back to where it should be as a result of this.

For the full year, revenue for tea was up 6%. Salt delivered 12% revenue growth with a stellar volume growth as well. Overall, for the full year, top line was up 14%. Growth businesses crossed the INR4,000 crores mark, growing 24% in this year. For the quarter, growth has come back to where it should be with 33%. Sampann grew 69% in Q4 and 46% full year.

RTD continued its strong performance 28% volume, 23% revenue in Q4 and overall was 10% for the year. Capital Foods and Organic India grew 8%, while the domestic business grew 15%, but because of the Middle Eastern issues, shipping got disrupted for the month of March, including for the U.S., et cetera, where we transship via Dubai. And therefore, we had a hit on the international business.

For the full year, combined revenue was up 12%. International maintained a -- strong trajectory. It's actually now competing for growth numbers with India. It delivered 11% constant currency growth in Q4 led by the U.S. coffee business, full year was 9%. Non-branded was up by 41% in Q4 and for full year by 23% with healthy profitability. Profitability in the non-branded which was elevated last year due to pricing is now back to normal.

Consolidated EBITDA grew 27%, top line 18%, EBITDA 27% and therefore, margin expanded 100 bps to 14.6%. For the full year, because of the softness in the first 2 quarters,

EBITDA margin for the full year was 13.9%. Working capital was down now to 21 from 26 days last year, and India was minus 2 versus minus 1 last year.

Innovation-to-sales ratio came in at 4.5% with 80 new product launches during the year. The Board recommended a dividend of INR10 per share, which is a substantial increase on where it was last year. So for the quarter, India Beverage is INR1,600 crores growing 4%. India Foods up 21%. International up 21%. Non-branded up 43%. Overall, INR5,400 crores at 18% growth.

For the full year, India Beverages up 8%. India Foods 18%. International up 16%. And non-branded up 25%. Overall, a 15% growth. Constant currency 13%. I will not repeat the numbers. But to say that while EBITDA grew 27%. PBT was up 32%. Group net profit before exceptionals was 48%. And group net profit grew 22%.

And we're now sitting with roughly INR3,000 crores of net cash. Sorry, just if you go back, there is one more metric that we are publishing starting this quarter is adjusted EPS, and that's the reason is because we also amortize some of the brands that we've acquired. And as the amortization winds down, we will have an expansion on EPS. So we will continue to show adjusted EPS also as a factor.

So for the full year, 15% top line. 12% EBITDA growth. 23% PBT. 24% of group net profit before exceptionals. 20% after. And EPS -- adjusted EPS of INR17.3 reported EPS of INR15.6. So our A&P-to-sales was slightly soft this quarter because we spent a significant amount in Q2 and Q3. So we normalized it a bit. But as I said, directionally, we will be the 7.5% to 8.5% ratio as we go forward.

Salt market share was up by 100 bps. Tea market share was down 50 bps, but just to reiterate, Nielsen doesn't capture quick com and e-com which is now 21% of our portfolio. Modern trade, half of modern trade doesn't report their numbers and they extrapolate. And if you triangulate between home panel, the Kantar home panel, reported numbers by competition and the Nielsen numbers, you would figure that these numbers are a bit off.

Going forward, we will probably stop reporting this because we use them now only for execution and not for actual benchmarking. I talked about growth businesses, contributed 31% of our business -- India business in FY '26. For the quarter, grew 33%, contributing 33%. We have finished our entire rollout of our new go-to-market system.

So in geographies where salt is very strong, we've got salt distributor and every one -- everything else. There are 64 cities where our salt and tea combined business is overwhelming. So that's -- we call it core and the rest is clubbed under the growth distributor. And in about 17 cities we've got common distributors, but we've changed the frequency and/or the number of salesmen who got to the outlet.

As a result of this, we've already started to see execution metrics, especially lines per outlet go up significantly. And we do expect that to start to roll into actual revenue numbers. We are continuing to focus on channels of the future. Modern trade was up 20%, contributing to 15%

of India business. E-com plus Quick-com was up 62% contributing to 19%. We incubated 3 channels during this year.

Food Services exited at ARR of INR170 crores, present in roughly 60 cities. Vending exited at an ARR of INR1,000 -- sorry, INR100 crores, and we have now about 8,000-plus machines. Pharmacy exited at an ARR of INR30 crores, and we cover about 42,000 outlets nationally now.

Innovation-to-sales, we continue to ramp up. It's now 4.5% of our sales and we have grown innovation revenue 7x from where we started. We launched 80 new products this year, roughly doubling the number from last year. And our innovation was all focused on the three pillars that we have defined: Health & Wellness, Convenience, and Premiumization.

We also made strides on sustainability. We featured in the S&P Global Sustainability Yearbook for the second consecutive year. We have ranked among Top 3 companies, among India 60 Most Sustainable Companies by BW Businessworld for second year in a row. And since formation, we've grown top line at a 16% CAGR for India, 7% for international, consolidated at 13%.

EBITDA has grown ahead at 14%. Group net profit has grown still ahead at a 22%. And we've driven shareholder returns. Net working capital in India is minus 2 -- total working capital -- the point to note is our working capital in India is less than -- while we've more than doubled the business, it is less than when we started off 6 years back.

Adjusted EPS more than 3.5x. Free cash flow to EBITDA was 107%, and we've consistently improved our dividends. In terms of the macros, tea prices largely benign, right now trending about 5% ahead of where they were in the same period last year. But barring any unforeseen climate change, we should have largely benign tea cost.

Coffee prices coming down. Right now, as we speak, it is \$2.99 is what Arabica is trading at, which means in the next probably 2 months or so, you will start to see coffee margins climb up in the U.S. I talked about 4% volume, minus 1% of revenue for India Packaged Beverages. Coffee also grew 20% in Q4 and overall for the full year 43%.

India Foods volume was up 15%, primarily driven by salt, but net revenue was also up 21%. And salt on already high market share, we've continued to improve market share from there. Sampann grew 69% with broad-based contribution across categories. Dry fruits, and cold-pressed oils which we've launched about 2 years back, as of now are close to hitting a INR500 crores each ARR.

RTD, we've grown 28% on volume, 23% on revenue and INR260 crores total. Tata Copper Plus continues to go from strength to strength up by 33% in Q4 and 26% for the full year. Capital Foods and Organic India. Organic India, INR135 crores. Capital Foods, INR213 crores.

Combined gross margin, as we said, roughly around 45% to 50% above our base, which is at 47%. Domestic business in Q4 grew 15%. 13% overall in FY '26. Exports declined primarily

because of the hit in Q4, very specifically the month of March. Non-branded business revenue was up 41%. Soluble revenue was up 43%.

Starbucks, a good part is now -- this is the third successive quarter of positive same-store sales growth. Same-store sales growth of 5% and total Starbucks growth of 7%. We opened 23 net stores, 502 total stores. And now we're present in 80 cities. U.K. revenue growth of 3%. There's volume growth of 4%. Market share continues to retain at a 19% and value market share in fruit and herbal continues to inch up.

U.S., very strong revenue growth driven by price. Volume was a bit soft. Market share continues to improve. Bags is 4.3% and we continue to gain share on K-Cups as well. Canada, we had volume growth in Q4 and revenue growth of plus 7%. Big part was focus is to grow -- we've already got close to a 45%, 50% share in black. Focus is to gain in specialty. So if you observe, specialty grew faster than base, overall value market share of 25%. I hand it over to Ashish to talk to you about the financials.

Ashish Goenka:

Yes. Thank you, Sunil. As Sunil mentioned, we had a strong quarter. Stand-alone revenue growth of 15%. Consolidated revenue grew 18%. Growth was largely volume led and broad-based with India growing at 13%. International and non-branded delivering 11% and 41%, respectively, in constant currency.

Growth was also complemented by margin expansion. Our stand-alone EBITDA grew at 51%, while consolidated EBITDA saw a 27% growth. Margins on EBITDA level expanded by 100 basis points over last year. In terms of consolidated financials, I think we have spoken about the numbers. Full year growth was at 15%.

And EBITDA growth was 12%. Of course, we were impacted by the high tea cost in the first half of the year and through the year, coffee in U.S. specifically remain elevated. And therefore, overall, EBITDA margins contracted versus last year. On segment, I think nothing particular to report.

India has significantly improved over last year, while international and non-branded, we saw some contraction in margins, while the growth remains healthy, largely on account of the overturning of the commodity cost, U.S. coffee in international and overall terminal price impacts in non-branded cost. I think that's all from my side. We will probably spend more time on Q&A, turning back to Nidhi.

Nidhi Verma:

Thank you. Thank you Ashish, thank you, Sunil. Yes, coordinator, you can go to the Q&A queue now. And requesting all participants to limit their questions to two at a time, please.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the question and answer session. We'll take a first question from the line of Mihir Shah from Nomura.

Mihir Shah:

Hi, sir. Thank you for taking my questions and congrats on a good set of numbers. Firstly, on gross margins. They have compressed sequentially. This seems largely due to the non-branded coffee and international business, while India margins seems to have improved. With the elevated cost levels from crude and fuel, etcetera, that we are seeing now,

can one expect the near-term margin should be under pressure? And what level of margin should one consider for FY '27, especially when you say A&P will go back to 7.5% from 6.7% in FY '26 that you saw and with the rising pressure on RMs that we are seeing currently. So that's my first question?

Sunil D'Souza:

So let me answer that this thing. We have seen some increases in packaging costs, et cetera, number one. Number two, we've seen some increases because of places where we use LPG. Now the good and bad part of our portfolio, I think we've got a fairly balanced portfolio of I would say, slightly stronger commodities and a piece of highly processed food.

So far, we've not seen a big impact on the margins per se. Now if fuel price goes up, then it's broad-based inflation and then it's a different story. But with the current set of variables, we don't see a high pressure per se. And I think we've got enough in our equity for all the categories for us to take increases to make sure we will mitigate margin.

So let me put it this way. I wouldn't lose sleep on trying to figure out margins at least in the next 2, 3 months. Longer term, your guess is as good as mine. But right now, we remain confident of delivering top line numbers and EBITDA ahead of top line, right? And top line, we will grow at double digits. So, yes.

Mihir Shah:

Understood. Just one small clarification there, Sunil. Should we still hold to that 50, 70 basis points of expansion over FY '26 that we had indicated? Or do you think that it can come with a little bit of delay?

Sunil D'Souza:

No/ So 50 to 75, 80 bps is a given. I mean it's not an option. We will deliver it, number one. Number two, just a rider, saying that, we've got seasonality in our businesses. So it will be quarter-to-quarter. So it's not that it's automatically jumping up to the 50 to 100 for the full year number straight away. So you have to cycle quarter-by-quarter because we've got seasonality, you will see that in play. 50 to 75 for the full year will happen.

Mihir Shah:

Understood. That's clear. Secondly, when one looks at the Sampann growth of close to 70%. There's a material step up. If you could share your thoughts on what really drove this? Was it largely due to the higher NPDs that we have seen? Or there is some tailwind from the new GTM strategy that is going about. And also on Sampann margins, post the beverage margins recovering, can one assume that the food and beverage margins are at similar level? And Sampann margins have seen some improvement. So your thoughts on both these.

Sunil D'Souza:

So the reason for Sampann growth from a portfolio perspective is, I would say, broad-based. But a little bit of higher impetus in the NPDs. But we've seen growth across pulses, poha, vermicelli, everything. I mean whole portfolio, I think we're getting stronger as a brand and portfolio per se. That's number one.

Number two, the quick-com, e-com shift by consumers is helping us as well because then distribution and availability is not a constraint. And we're able to reach every single consumer, right? That's number two. Number three, from a margin perspective, we've always said there's no reason Sampann can't hit a mid-teens plus number. And we're starting to get close to that. But we don't look at food -- we look at tea separately.

We look at salt separately. And Sampann separately. Salt is on a very strong wicket. Beverages has come back to a strong wicket. Tea -- sorry, Sampann per se is, I would say, headed towards the mid-teens sort of margin. So from a margin perspective, overall, I would think we're in a good place.

Moderator: We'll take our next question from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: Congrats. Two questions. So first, of course, on your comment that the market share data you may stop giving and it is more from an execution part rather than a benchmark. So second question is, how do you then benchmark because you must be having those e-commerce, quick-commerce data, which you must be getting. So how reliable is that? And apart from this, if the data is not covering so many channels, how relevant is it even from an execution part of things? How relevant is it from that also?

Sunil D'Souza: So for Quick-com, E-com, the good part is Nielsen does have a panel and that gives us data, right? So we get that data. And by the way, we're market leaders on tea on Quick-com and E-com, right? And I would just urge you to go through different annual reports, different analyst calls to pick up numbers and do comparisons on tea number, one.

And the reason I say benchmark is -- my team has got to very, very specific targets in terms of channels, in terms of numeric reach, et cetera. So more than market share, I mean, the numeric reach, etcetera, is what I would look at, share among handlers and numeric reach. But the overall market share, I would say, broadly I don't find the directional numbers right.

And that's why we -- we are starting to -- stopping to publish because I don't want to get the discussion every time saying the numbers are not right, et cetera, right? Salt by sheer weight of the fact that you've got a 40% share and therefore, is very highly distributed, and we are the number one.

I think broadly, the number works now I don't have any benchmark anywhere in the industry to do any other comparison on salt. So that's why salt, we'll still look at the number. But beverages, like I said 25%, we just gave the number, right? 20% is Quick-com, E-com, out of 15% modern trade if you take out half, it's about another 7%. Institutions is about 4%, 5% for me. So overall, GT is just about 55%, and the number is off, right? So it doesn't make sense.

Abneesh Roy: Understood. Second and last question will be on the beverage business. 2 subparts here. One is Campa is now number 3 in water Pan-India and very aggressive advertising INR15 pricing Campa Sure, Amitabh Bachchan brand ambassador. Here, specific question is from a margin perspective for you in NourishCo how are things?

And from a long-term growth perspective, given Campa will keep getting more aggressive as they get the back end right. How is the long-term growth? I'm sure next 2 quarters, the growth will be very strong given the El Niño impact. That's the first part. Second part, very small U.S. business, you highlighted margins will improve. But what about pricing? In developed markets, once commodity cools off pricing also cools off very quickly, right? So if you could comment on that part?

Sunil D'Souza:

So let me go with the second answer first. Number one is, today, while commodities costs have softened, there is inventory in the channel of raw material and therefore, the entire margin expansion hasn't happened. And even after, I would say, 2, 3 months when the inventory levels start to go down and the newer inventory starts to flow in, the margins would just come back to where they were for the industry before this entire up-cycle on coffee prices.

That said, you could see action on pricing specifically driven by promos on the shop floor. We remain alert to that. But I would say, till -- broadly, the industry comes back to the margins, which used to be there just about 2 years back. I don't see too much of a fight breaking out on the shop floor.

And therefore, margins, I would say, would broadly -- will they come back to exactly where they were? I'm not sure. But they will definitely improve from where we are currently. So that's the reason why we remain extremely confident. That's number one. And by the way, the good part is even in this scenario of compressed margins, we have continued to drive significant top line and therefore gain market share in the U.S. So that's one.

On the second part, I wouldn't compete about competitors with numbers and data, which I'm not too clued-in about. All that I can say is we remain confident of growing 30% consistently and improving our whole margin portfolio profile as well. In NourishCo we have 3 different verticals that we are very clearly focused on.

Number one is water in its whole stack, and you will see a bunch of launches happening. Right now, we have Himalayan, we have Spring Alive, we have alkaline, and we have Tata Copper. You'll see more of launches across the spectrum and functional waters. That's number one. Number two, you have affordable cups and I would term it as affordable and profitable cups,

So I wouldn't worry about people trying pricing actions in that category. And the number three is where I have every right to win, which is tea and coffee. We have right now kombucha green tea, fruit tea. We've got coffee in cans and coffee in PET. And you will see more launches in the coffee space -- sorry, tea space as well as we go forward.

We've grown Tata Copper by 33% last quarter. There's no reason why this trajectory can't continue at this level for a long, long time because A, we do have a strong brand proposition. B, we still, I mean, not covered the entire country in the manufacturing / distribution terms. And C, per capita consumption of water itself is at abysmal levels in India when you compare to the rest of the world. So geographic expansion, per capita consumption, and portfolio expansion, all 3 will drive NourishCo.

Moderator:

Next question is from the line of Vivek Maheshwari from Jefferies.

Vivek Maheshwari:

Two questions. So first one is on the growth categories you now that Capital Foods and Organic India are kind of doing well in the domestic market. Are you thinking about more acquisitions and adding more to your growth portfolio? And where do you think its salience settles at in the next 3, 4 years? That's the first question?

Sunil D'Souza:

So Vivek, let me say, while we've improved our performance in Capital Foods and Organic India, I think we've got a runway to improve it still more significantly with the split GTM that we have rolled out, we've already started -- my single biggest indicator is lines sold. And for that, we have started to see significant improvement in Capital Foods and Organic India when I look at it by category.

And when I look by type of distributors, the growth guys are growing the fastest on lines per outlet, which means we are doing the retailing and distribution of the products backed by media spends on the brand as well, whether it is Sachin Tendulkar or it is Ranveer Singh on the Capital Foods side. I think that's doing very well for us.

And you'll see a lot of innovation also rolling out in the pipeline. That -- so therefore, we should be accelerating on Capital Foods and Organic India. You will see a lot of launches organically across different platforms as we go forward, including some new platforms that we're going to launch. So therefore, the growth portfolio will continue to chug along at this 30% number, at least in the near term.

On the acquisitions front, we remain open. But right now, let me say, what we like is not for sale, what is for sale, we don't like, right? So from that perspective, if and when something comes along, which we think will be attractive, we will look at it. So we've never said no. In terms of percentage, right now for the short term, short to medium term, I would say 30% growth is a given, for the growth businesses, and we will keep recalibrating as we go forward.

Vivek Maheshwari:

Interesting. Got it. And the second bit is, you have already answered. So you have a very unique raw material basket versus most of your competitors. You have mentioned about international margins and drivers for that. But because of this volatility and whatever geopolitical bit,

whether from a margin perspective or growth perspective, are there any -- should there be anything that we bear in mind from U.S., Canada and the U.K. perspective that in case if geopolitical things do not settle down in time, are there any areas because this is a piece which is very difficult to understand for us sitting in India. So I just wanted to be sure on that?

Sunil D'Souza:

So overall, if you look at it, Vivek, how does the entire Middle East situation impact us? Number one is in terms of availability of raw material and therefore, for business continuity, right? So from -- for the India business itself, we used to have some plastic closures and PET, et cetera, which we use to import. We've already shifted about I would say, about 15, 20 days back. And we are fully -- I mean there is no issue on continuity. That's number one.

Number 2 is the issue is LPG. LPG for specific categories where we used to use LPG, most of the places we found alternate suppliers who are supplying without a problem and/or we've switched to dual use burners. So that is not an issue at all. The third piece is where if there is a fuel price increase and there is broad-based inflation, that is what should worry us.

As of now, I mean, I'm not sure where this is headed. I don't see a reason why it should only impact us. It will be an industry-wide phenomenon if it happens. And therefore, you would see price increases with people making sure margins are protected. My hypothesis is if there is a

broad-based fuel price uptick, it will translate to price increases as everyone in the industry moves to protect margins. But per se, as of now, with the moves that have happened, I don't see too much of an impact. And if there is an impact, like I said, we do have the equity strength to take pricing and make sure we mitigate that.

Vivek Maheshwari: And Sunil, just to confirm whatever comments you have made just now are applicable to international business, each of the geographies as well?

Sunil D'Souza: Absolutely. Because the international, remember in U.K., Canada, et cetera, it's primarily tea and therefore, I mean, the big, big impact is tea prices more than anything else, and that hasn't changed. Similarly in the U.S., it is coffee, which is probably 90% of my business. And again, coffee prices are coming down rather than going up and therefore doesn't change. There's going to be minor uptick here or there, but nothing significant.

Moderator: Next question is from the line of Nihal Jham from HSBC.

Nihal Jham: The first question was on Capital Foods and Organic India that there was an impact in the international, but we had the thought that, again, the domestic portfolio could start touching a 30% growth this quarter itself. So what are the issues? It's mainly the distribution which you've rehashed or there is some other issues which had come up for this quarter?

Sunil D'Souza: No. So this quarter, Organic India did touch close to 30%. I think it was 26% or 27%, if I'm not mistaken. Capital Foods was a bit subdued. I would have loved for it to grow, but it still grew double digit. The primary reason was as we relayed the entire go-to-market, remember, between November and February, we relayed our entire go-to-market in the top cities. That had a bit of a hiccup. That said, we remain quite confident of coming to the 30% mark very quickly.

Nihal Jham: Understood. The second question was in the tea bit. Last quarter, you did highlight there was a worry of a slight spike. I think in the opening remarks, you did mention about some comfort. But just to clarify that on tea prices, there is comfort that at least based on the showing that you're seeing that the prices look comfortable for the year ahead or at least for the season ahead?

Sunil D'Souza: So like I said, I've stopped trying to forecast commodities too far ahead because things go up and down. But as of now, for this year, tea prices have trended well. They are roughly, I think, in the same ballpark as the price same period last year. And so therefore, it's largely benign and that's why we had given down -- given off pricing to make sure that we are competitive. As of now, we don't see any reason to change the guidance for that.

Nihal Jham: Understood. Just one last question on Sampann. So it's obviously great to see the kind of growth the business is delivering. I think when you mentioned about the margin you're referring to the MAPE or the contribution margin that you highlighted earlier. Then is it possible that on the EBITDA bit, Sampann gets profitable and start giving a sizable contribution, given on top line, it's already the fastest growing part of the portfolio.

Sunil D'Souza: See, in a structure like mine where my front end is common and my entire back-end operations are common, I would not try to do a mathematical exercise to allocate overheads by different categories and therefore, calculate EBITDA, right? So I mean we've always maintained saying we will do P&L by category, up to margin after promotion and advertising expenses.

Below that, all the costs are all fixed. And then the target -- I mean, the targets for the teams who are handling those lines are fixed costs. And that's how we play it. So for every single category, whether it is I mentioned the 33% to 35% for tea or 35% range for salt, or the mid-teens for Sampann, it is all margin after promotion expenses.

Moderator: We'll move on to our next question from the line of Aditya Soman from CLSA.

Aditya Soman: Two questions from me. So firstly, on the -- so we've received also feedback from some of the Quick-commerce players and E-commerce players about how Tata Consumer is doing -- is amongst the best performing companies on their platform. So from your perspective, what has really worked well and has allowed you to outperform even compared to GT where you've had long-standing relationships. So that's one.

And second, on tea, despite obviously, you're doing very well on these channels the 4% of volume growth, would you say that's a satisfactory number? Or would you sort of aspire to see that number improve over the next 3 quarters?

Sunil D'Souza: So let me answer the second question first. We've always mentioned for tea, we will target mid-single-digit growth and a couple of basis points of price mix, therefore, mid- to high single-digit total top line growth. From that perspective, we are almost there, but not there in this quarter. So I would aspire for a slightly higher number. That's number one.

Number two, on the Quick-commerce, E-commerce, our philosophy is very clear. We will be where the consumer is. And if the consumer is shifting from GT, Modern Trade to E-com, Quick-com, we will be there first and then we'll figure out all the other pieces later. So that's been our motto, number one.

Number two is, remember, we came from significantly behind our distribution. While you might say relationships on GT, when we started 6 years back, we were 0.5 million [direct] outlets with a numeric reach of 2 million. Today, we are about 2 million [direct] outlets with a numeric reach of 4.5 million, right?

So from that perspective, we've expanded significantly. But we are still behind where we want to be on distribution. And the ability to reach consumers through Quick-com, E-com and gain momentum is primarily because, A, we've got the most trusted brand name in the country. B, are very, very sure of the quality of the products that we offer.

And therefore, when we connect straight with the consumer, we hit it out of the park, right? And -- in fact, that is one of the things which I use to beat up my sales guys saying as long as I am talking straight to the consumer, which is what happens on Quick-com, E-com, I am a winner, and I'm number one, right? So therefore, if they get execution right and close

distribution gaps, there's no reason I should be number 1. I shouldn't be number 1 even in GT channels.

Aditya Soman: That's very clear. And just in terms of profitability on across channels. So would it be fair to say that like-for-like for the same products, profitability will be lower on these new channels, but obviously, you see more premiumization. So overall, the product or at a category level, your margins could be better. Would that be the right way to look at it?

Sunil D'Souza: Now you have to remember, when you put all-in cost, right? If you look at only up to gross margin level, there are different costs on different channels. If you take the cost of the field force and put it on to GT channels and the cost of logistics and you put visibility on the E-com, Quick-com channels, you might broadly be surprised that it lands up in the same ballpark. So I wouldn't want to do that calculation.

And the other piece, like I mentioned, right? I would rather go play where the consumer is, even if it's a slightly lower margin than not go just because it is lower margin and land up with no margin, right? So that's number two. Number three, remember, there is a game of ROAS as well.

As you build scale on these channels, you initially have to spend higher visibility to get momentum going. Once you get momentum going that same advertising dollar gives you significantly higher return by building scale. So there is an advantage to be had by first-mover. And I do think that in quite a bit of the categories we're getting there.

Moderator: Next question is from the line of Jayant Parasramka from 3P Investment Managers.

Jayant Parasramka: Just a couple of points on A&P spends, if you were correct, you said it is going to go up. So with gross margins likely to be under pressure in some of the categories, we still think about 60 to 70 basis point EBITDA margin expansion can happen given how status -- current status quo, which we are maintaining?

Sunil D'Souza: So a couple of things, right? As long as I don't increase the middle of my P&L, my top line continues to grow double digit, it has to drop to the bottom line. That's number one. Number two, I did mention that if there are some tweaks and some small niggles on cost aspects, we have the ability to take pricing up and therefore, make sure that margins are well protected.

So I wouldn't worry about it. I would say a food business in India should be between, I would say, 7.5% to about 8.5% sort of -- so 7% to 8.5% sort of A-to-S ratio. We are broadly operating in that ballpark. And if you look at the full year, we are almost in that ballpark, right?

So for the full year, there will be ups and downs in quarters because, for example, for tea there is a peak in North India in quarter 3, for example, quarter 3, quarter 4. So you will find slightly ahead of that advertising ramping up or for example, there are specific big days and big events around, we will ramp it up then. But broadly, in the ballpark, we should be in the 7% sort of range coming in, and I don't expect that to impact my overall EBITDA margins.

Jayant Parasramka: Sure. My second question is slightly strategic. I'm just trying to understand on Sampann, you launched Protein Makhana and also you have a brand Simply Better. Just from an Indian perspective, are you seeing people move towards more healthier kind of food? Is that a strategic shift which is happening pretty fast? And are we looking to take advantage of that, given our scale, given our bigger scale as business?

Sunil D'Souza: So absolutely, if you saw the slide on innovation, innovation is focused on the 3 big macro trends in the Indian consumer: Health & Wellness, Convenience, and Premiumization, right? The other piece is communication moving to digital and online shopping as well. So you see us going aggressively between E-com Quick-com and therefore, advertising dollars also being or rupees also being spent on that. So that is a secular trend, number one.

Number two, you will see Sampann and you'll see Tata Simply Better, that's because the base categories we are present in Sampann and when we are adding something, subtracting something, and making sure it is better than what you consume on a regular basis, that is branded under Tata Simply Better. So cold-pressed oils is not your regular oil. It is better for you oil and therefore, it is Tata Simply Better.

Jayant Parasramka: Sure. Thank you, sir.

Moderator: Thank you. Next question is from the line of Kaivalya Baing from IIFL Capital. Please go ahead.

Percy Panthaki: Hi, sir. This is Percy here. Can you hear me?

Moderator: Yes. Please go ahead.

Sunil D'Souza: Yes, Percy.

Percy Panthaki: Yes. Sir, just wanted to understand on tea cost, did you say that it is in FY '27 likely to be flat Y-o-Y?

Sunil D'Souza: So Percy, I said, as of now, we are seeing it roughly flat. And as mentioned on a couple of calls, I've stopped trying to forecast commodity costs too far ahead because with all the bumps that we have on climate, weather, et cetera, I don't know what I don't know. And we will react, we'll be agile to move pricing, et cetera, in line with commodity trends. For now, the season has already started. Plucking and auctions are up fully in April. And we are seeing costs roughly benign.

Percy Panthaki: Okay. Let me put it other way. The tea margins that you have enjoyed in FY '26, the India tea margins, are you happy with that? Or do you plan to see an expansion in those margins in FY '27 through initiatives of your own? And if there is a small cost impact, you will pass that on. So therefore, you will still see an expansion in India tea margins. Would that be a fair assessment or no?

Sunil D'Souza: So Percy, the tea margins for Q4 are roughly where we want to be. We were not there in the beginning of the year. They started expanding as we went through the year, and we had taken

pricing and costs went down. Roughly right now we are where we should be, and we'll aim to be in this ballpark.

Percy Panthaki: Understood. Secondly, just wanted to ask on product portfolio. Over the last few quarters, you've launched several products and categories. Do you think that your product portfolio is now more or less complete and you would focus more on driving sales in the existing products or would you plan to expand it further?

Sunil D'Souza: So Percy, with our ambition of growing double digit and continuing to deliver EBITDA margins ahead of -- or EBITDA ahead of top line, we will not only grow our organic portfolio, which exists today, but we will continue to drive, as I've clearly mentioned saying, it's distribution, marketing, brand building and innovation.

So as we see consumer trends come up, you will continue to see innovation coming out. So I think we are a long, long, long way away from saying we've got the perfect portfolio. I do think we will continue to aggressively expand distribution, continue to spend behind building strong brands and continuing to expand on innovation.

Percy Panthaki: Can you give some gaps as to where broadly, of course, I understand you can't comment on new launches, but where broadly do you think are the gaps in your portfolio, which you can sort of fill over the next 1 or 2 years? And a related question is that, as I see it, now your portfolio is actually pretty wide. Do you run the risk of spreading yourself too thin in terms of proliferating the number of products and not being able to give enough attention and focus on individual product from a sort of either a sales point of view or a general organizational point of view?

Sunil D'Souza: So Percy, last 3 quarters, I think we've been in a strong double-digit top line growth 18, 15, 18. So that's number one. Number two, these are all driven by base UVG and not by pricing actions. I think that proves the ability of the system to execute all these innovations at scale. That's number one.

Number two, remember, not all the innovation that you see are immediately lining up in the distributor's warehouses and therefore, complicating the system. Today, there is this beautiful channel called E-com, Quick-com, which allows you to launch. So your test market is, you can do it in a city on Quick-com, do a quick test and then roll out total Quick-com then modern trade, then SAMTs, then GT.

So as long as your playbook is very clear on how you're going to expand at lowest risk, lowest cost and highest impact I don't think there is a problem in launching innovation, right? The critical piece is to have your framework on where you want to play and launch innovation in that space, I think that is the more critical space. So I wouldn't see an issue out there.

As far as portfolio goes, let me just leave you with, we are right now in the food and beverage space, which has still got, I would say, enough white spaces for us to go after especially in very, very specific nutrition, health and wellness and premium categories. So we will -- you will continue to see launches across our portfolio in that space.

- Percy Panthaki:** Got it, sir. Last one, just give the ARR of Sampann as a brand overall, including all its categories?
- Sunil D'Souza:** So Sampann overall for the full year ended at close to INR1,400 crores. But remember, starting from a 35%, 37% growth, if I'm not mistaken in Q1. We are now at 60%. I don't -- yes, this is a INR1,600 crores is the actual number for Sampann for the full year, Percy.
- Nidhi Verma:** Moderator, we will go to the webcast now and take a few questions from there.
- Moderator:** Sure. Please go ahead.
- Nidhi Verma:** So there is a question from.
- Moderator:** I'm sorry to interrupt, can you come a little closer to the microphone, you're sounding distant.
- Nidhi Verma:** Sure. Okay. So there is a question from Atul. He is asking what is your strategy on a tactical aggression in high-margin protein segment. Are we looking to go organic or all options on the table given that you have enough cash on our balance sheet?
- Sunil D'Souza:** So let me answer it in this way. Yes, protein is a segment which is trending, and we are looking at it closely. But the acquisition strategy doesn't pertain to protein alone. As I said, we are very clear where we want to play, where we don't want to play. And if there is a attractive acquisition, which comes across any of the segments that we play in, we will look at it, protein included.
- But protein per se, you would have seen some of our launches come out, Makhana for example, or we launched Edamame et cetera. That is -- let me just say, it's a teaser. You would see much more ramping up in this space, but ramping up with a plan.
- Nidhi Verma:** Thank you. Thank you, Sunil. There is a question on consumption patterns. Atul is asking in terms of the adoption of semaglutide, which is the GLP-1 trend that we are seeing. How are you developing products that serve the needs of that category?
- Sunil D'Souza:** So GLP support is what food and beverage companies are looking at. We are also looking at that -- the thing right now, there is nothing on the anvil. We will wait and watch, but be trigger ready to see if this category takes off.
- Nidhi Verma:** There is question from Omkar, from UTI Pension. He is asking Organic India has approximately 40% revenue coming from exports, yet, it has been able to grow 24% during the quarter, but Capital Foods is approximately 20% export mix. And yet, it has delivered below expectations. What could possibly be the reason for this?
- Sunil D'Souza:** So the primary reason is because for Organic India, the single biggest market in the U.S. and we carry inventory onshore out there in the U.S. During the tariff up and down, which impacted Organic India quite a bit. We had pumped up inventory, and therefore, there was enough inventory sitting onshore in the U.S.

Whereas for Capital Foods, it is FOB India to many of the retailers and most of them do U.S. transshipments happen at the Middle East, et cetera. And that shipping got disrupted in the month of March. Come April, it is back to normal, and we do expect to start delivering decent growth even in that category.

Nidhi Verma: There is a question from Abhishek Mathur at Systematix Group. He is asking, what is driving the strong volume growth in salt? Is it coming from loose, unorganized or there are some other drivers?

Sunil D'Souza: There are multiple drivers starting with the first thing, which I said when Tata Consumer was formed we decided to play not only in vacuum evaporated iodized salt, we said we will play in salt. So actually, if you look at my salt portfolio today, it's almost like a Udipi restaurant menu.

You got salt with zinc, you've got salt iron, you've got salt-light, you've got salt super-light, you've got rocksalt, you've got sendha salt, you've got solar salt, you've got vacuum evaporated. So we have created a portfolio on salt which caters right from the premium, down to a value play. That's number one.

Number two, over a period of time, we've continued to build the brand with media and strengthen it. In fact, top of mind, I think right now, I would dare say Tata Salt is probably right up there among the top Indian brands. Our top of mind is now about 88. So 88 out of 100 Indians, if you ask them, salt? They'll say Tata Salt, right, as simple as that.

Number three is distribution, and we continue to expand and we continue to reengineer our distribution systems to make sure we're delivering. There were very many cities, I think 24, if I'm not mistaken where salt was overwhelming. And therefore, if it's a very, very strong market, it's good to separate it out to give it single-minded focus. That has started to play off as well. So yes, multiple things in play, I would say, not one.

Nidhi Verma: There is another question. Perhaps in the interest of time, we'll take one last question. There is a question from Bharat. He's asking what is explaining the unbranded soluble growth given that coffee prices are in deflation now? What is the outlook for this segment on growth and margins in FY'27?

Sunil D'Souza: So the growth is primarily when you compare with last year. So the coffee prices are elevated even when you compare to last year, and that is what is driving the unbranded soluble growth. Incidentally, on the unbranded soluble growth. Yes, FYI, I think Vietnam is now running at a 99% utilization.

And we had already started a project to expand capacity out in Vietnam, which should be online by, I think very early in 2027. That will give it the real next leg of growth going forward. Today, our Board has also officially approved capacity expansion on tea extracts, which again, we're running out of capacity and we will start on that project as well. So the whole solubles unbranded business will continue to go from strength to strength.

Nidhi Verma: Thank you, Sunil. With that, we conclude this call. I know we are running out of time. There might be some pending questions in which case you can get in touch with me or Kaiwan from the Investor Relations team. Our details are on the last slide of the investor presentation. On behalf of the management, I want to thank you all for joining today, and have a great evening.

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