Tata Consumer brews a stronger growth mix

New businesses may drive another year of double-digit growth

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Led by the India branded business, fast-moving consumer goods major Tata Consumer Products posted healthy revenue growth in the first quarter (April-June/Q1) of 2026-27 (FY27). Operating metrics were also strong, with margins expanding. Given the growth momentum, particularly in the newer segments, the company is expected to maintain double-digit sales growth while improving profitability in FY27.

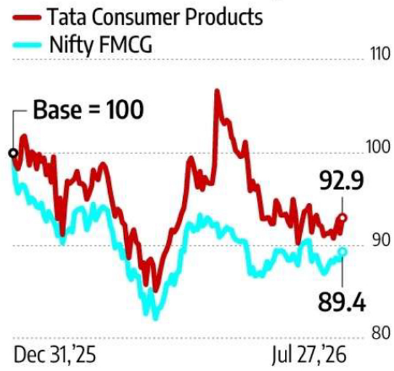
Brokerages are also positive on the outlook for the international business. At the current price, the stock, which has delivered muted returns of 5 per cent over the past six months, is trading at about 42x its 2027-28 earnings estimates.

The company's consolidated revenue growth of 12 per cent was in line with brokerage estimates and was driven by 13 per cent volume growth in the India branded business and the scaling up of the growth portfolio. The momentum in growth businesses continued to accelerate, with the segment recording 46 per cent growth. It now accounts for 36 per cent of revenue, up from 31 per cent in 2025-26.

Within the growth portfolio, Tata Sampann grew 58 per cent, led by pulses, spices, dry fruits, and oils. Capital Foods and Organic India maintained strong momentum, reporting year-on-year (Y-o-Y) growth of 40 per cent and 27 per cent, respectively, with contributions from both domestic and export markets. Revenue from the ready-to-drink segment rose 41 per cent, supported by 35 per cent volume growth. This was led by Tata Gluco+, Copper+, and the wellness drink Kombucha.

Tata Consumer has guided for 25-30 per cent growth in the Tata Sampann portfolio over the coming quarters. The salt portfolio delivered 7 per cent value and volume growth, with its market share moving towards 40 per cent. The company implemented calibrated price hikes to offset input cost inflation.

Ahead of the pack



Sources: Bloomberg, NSE

The international business also posted 16 per cent growth, led by a strong performance in the US, where revenue increased 7 per cent Y-o-Y on a constant-currency basis. This was partly offset by weakness in the UK business, where revenue declined 2 per cent due to a slowdown in the black tea category. The non-branded business had a weak quarter as a 26 per cent decline in coffee prices hurt realisations, though better execution supported volumes. Mid-single-digit same-store sales growth helped the Starbucks joint venture post 11 per cent growth.

Motilal Oswal Research expects the company's growth momentum to strengthen further, driven by improving go-to-market execution, rising ecommerce penetration, premium product launches, and the continued scale-up of high-growth businesses such as Tata Sampann, ready-to-drink beverages, Capital Foods, and Organic India. The brokerage has a "buy" rating with a target price of ₹1,500.

On the profitability front, the company posted gross margin expansion of 260 basis points (bps) Y-o-Y and 140 bps sequentially. This was aided by benign tea prices, which helped expand margins in the India business by 170 bps Y-o-Y, along with steady international margin performance.

However, higher staff costs, up 15.6 per cent Y-o-Y, and other overheads, which rose 20.4 per cent Y-o-Y, weighed on operating profit growth, which came in at 19.3 per cent Y-o-Y. As a result, operating margin expansion was limited to 85 bps.

JM Financial Research believes sustained momentum in growth businesses, a stable international business, and a recovery in domestic volumes should support double-digit revenue growth. Along with the benefit of price hikes, Y-o-Y moderation in coffee prices, operating leverage, and cost-saving programmes, these factors should drive operating margin expansion, according to analysts led by Mehul Desai. The brokerage has an "add" rating with a target price of ₹1,250.

For ICICI Securities, medium-term growth triggers include faster expansion of the growth portfolio, premiumisation, distribution re-engineering, quick commerce, new product development, and gains in branded penetration.

Analysts led by Manoj Menon believe margins could benefit from the full impact of recent price hikes, cost efficiencies, and easing coffee costs, supporting 50-70 bps operating margin expansion in FY27. This would be partly offset by raw material inflation and elevated advertising costs. The brokerage has a "buy" rating with a target price of ₹1,450.