

A Comprehensive Study on Profitability Analysis of Tata Tea Consumer Product Limited

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Abstract

The profitability performance of Tata Consumer Products Limited (TCPL) is examined in this study, with particular attention to the company's tea and packaged consumer goods division. Analyzing how well the business has managed its profits over the chosen time frame is the study's primary goal. The study's foundation is secondary data gathered from the company's published annual reports and financial statements over a five-year period, from FY 2021 to FY 2025. The company's profitability, liquidity, and solvency position have been assessed using a variety of financial analysis tools, including ratio analysis, comparative analysis, trend analysis, and common size statements. According to the analysis, TCPL's strong brand value and market presence have contributed to its steady revenue growth. However in some years, the company's net profitability has been impacted by changes in the cost of raw materials, operating expenses, depreciation, and interest charges. The business maintains a steady financial position with little reliance on outside borrowing and strong long-term solvency in spite of these swings. The study comes to the conclusion that long-term growth and sustainable profitability depend on sound financial planning, effective cost control, and efficient working capital management. The management should focus on strengthening cost optimization strategies to reduce the impact of raw material price fluctuations, enhancing operational efficiency through process improvement and technology adoption, diversifying product offerings to minimize segmental risk, and maintaining a capital structure to support future expansion. Furthermore, improving supply chain efficiency and investing in innovation and value-added products can help enhance profit margins and ensure long-term competitiveness.

Keywords: Profitability analysis, Ratio Analysis, Working Capital Management, Cost Management and Tata Consumer Products Limited (TCPL).

INTRODUCTION

The Moving Consumer Goods sector is really important for the Indian economy. This is because it has an impact on the number of people who have jobs the amount, of things that are made and what people want to buy. India is one of the makers and drinkers of tea in the world. So, tea is a deal in the Fast-Moving Consumer Goods sector. In the past people used to buy tea that was not packaged. Now more and more people are buying tea that is branded and packaged. This change has made it harder for companies that sell tea to succeed. They really need to be good, at managing their money if they want to stay in business in the Moving Consumer Goods sector. Tata Consumer Products Limited is a company that is part of the Tata Group. They are very good at making things like tea and other consumer products that people buy people. Trust Tata Consumer Products Limited because they make good products and sell

them in many places. The company is selling more and more. People really, like the brand. However the company profits can be affected if the cost of materials goes up or down or if it costs more to run the business. Also, there are other companies trying to sell similar things, which means Tata Consumer Products Limited has to be careful because the cost of materials can change a lot and this can affect how much money they make. Tata Consumer Products Limited has to deal with these issues to keep making a profit. Therefore, analyzing profitability helps in understanding the financial performance and efficiency of the company

STATEMENT OF THE PROBLEM

Tata Consumer Products Limited faces challenges in maintaining steady profitability despite its consistent sales growth and market leadership. Rising operating costs, depreciation, interest expenses, and raw

material costs impact profit margins. Thus, this study aims to assess how well the company has managed its profitability during the specified period.

OBJECTIVES OF THE STUDY

- To study the concept of profitability analysis with reference to Tata Consumer Products Limited.
- To analyze the profitability performance of Tata Consumer Products Limited for the period from FY 2021 to FY 2025.
- To prepare and analyze common size financial statements for better understanding of cost and profit structure.
- To apply comparative and trend analysis to examine changes in financial performance over the study period.
- To evaluate the liquidity, solvency, and profitability position of the company using relevant financial ratios.

SCOPE OF THE STUDY

This study looks at the statements of Tata Consumer Products Limited for five years. The results of this study can help the management of Tata Consumer Products Limited, investors who put money in Tata Consumer Products Limited, academics who study Tata Consumer Products Limited and researchers who look at Tata Consumer Products Limited to see how strong the company is and how well it does.

RESEARCH METHODOLOGY

Sources of Data:

The study uses information that's already available, from the annual reports of companies the financial statements that they publish and the financial databases. This information is what the study is based on which is the reports, the published financial statements and the financial databases.

Tools for Analysis:

1. Common Size Analysis
 2. Comparative Analysis
 3. Trend Analysis
 4. Ratio Analysis
- Liquidity Ratio
 - Solvency Ratio
 - Profitability Ratios

Period of the Study: FY 2021 to FY 2025

LIMITATIONS OF THE STUDY

- The study is based solely on secondary data collected from the published annual reports and financial statements of Tata Consumer Products Limited.
- The analysis is limited to the availability of published data, and detailed segment-wise information, particularly relating to tea products, is not disclosed separately.
- The study covers a restricted period of five years from FY 2021 to FY 2025, which may not reflect the long-term performance trends of the company.
- External economic factors such as inflation, changes in government policies, market volatility, and price fluctuations are not analyzed in detail.
- The study focuses only on historical financial data and is based on limited financial parameters, which may not present a complete picture of the company's overall performance.

REVIEW OF LITERATURE

Sruthi S and Jayanthi of profitability analysis (2025)¹ carried out a profitability analysis of FMCG firms through secondary data, with the aid of ratio analysis for five years. The research found significant differences in profitability among companies, reflecting contrasts in cost efficiency, pricing policy and market positioning. It can be concluded that efficient financial management is crucial for maintaining profitability in FMCG sector. The research further stressed that the sustainable profitability of tea companies in the long-term is influenced by controlling costs as well as adjusting raw material cost and market demand.

Patel and Barot of profitability analysis (2025)² did a study on the profitability of some tea companies which are selected by them; they utilized ten years secondary data for this purpose and they applied ratio analysis and ANOVA tools. The study out that the various tea companies showed significant differences in net profit, return on assets and return on equity. Results showed that strong financial management had a significant positive effect on stability and profitability. The results also proposed that transparent CSR communication can boost stakeholder confidence and contribute towards enhancing the company's corporate reputation.

Roy profitability of public and private tea companies (2025)³ analysis profitability of public and private tea companies by using ratio analysis and statistical tests. The findings suggested that private

sector companies are benefiting from superior and more stable returns, while public sector firms need to enhance cost and operating efficiency. The research also suggested that public sector tea companies need to embrace new management regimes and technology for enhancing profit and operational effectiveness. The report also suggested that public sector tea companies should introduce new management techniques and technology to enhance the profitability and efficiency.

Gupta of CSR consumer perception (2024)⁴ explored the effects of corporate social responsibility on consumer perception of Tata Consumer Products. With preliminary data and reliability added to it, our work showed that CSR projects are positively related to brand trust and customer loyalty. Results indicated that CSR as a strategic approach was supported for improving brand image. The results also proposed that transparent CSR communication can boost stakeholder confidence and contribute towards enhancing the company's corporate reputation.

Pandey Financial management (2020)⁵ the purposes of assessing the financial condition and performance of business concern. The research highlighted that ratio analysis, cash flow analysis and working capital management tools are helpful in

evaluating the profitability, liquidity and solvency position of a firm. efficient financial management allows organizations to manage costs, maximize the utilization of capital and optimize financial performance overall. The literature also underscores the importance of quality finance decisions for firms long term stability and continuous growth.

COMPANY PROFILE

Tata Consumer Products Limited is a leading Fast-Moving Consumer Goods (FMCG) company of the Tata Group, established in the year 1962. The company was promoted by the Tata Group, founded by Jamsetji Tata. The head office of Tata Consumer Products Limited is located in Kolkata, West Bengal, India. The company operates in the food and beverage sector and offers a wide range of products such as tea, coffee, salt, spices, and packaged foods. It owns popular brands including Tata Tea, Tetley, Tata Salt, and Tata Sampann. The company has a strong presence in both domestic and international markets and focuses on quality, innovation, sustainability, and customer satisfaction. The company also undertakes various corporate social responsibility activities aimed at environmental protection and community development.

ANALYSIS AND INTERPRETATION

Common Size Analysis

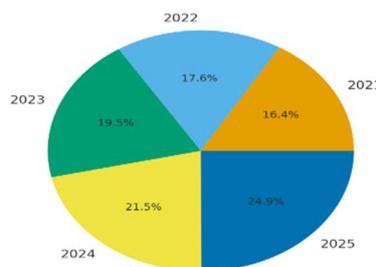
| Year | Net Sales | Total Expenses | Operating Profit | Net Profit |
|------|-----------|----------------|------------------|------------|
| 2021 | 100 | 87.98 | 13.30 | 8.28 |
| 2022 | 100 | 86.46 | 13.83 | 8.59 |
| 2023 | 100 | 88.53 | 13.47 | 7.57 |
| 2024 | 100 | 85.78 | 15.02 | 10.15 |
| 2025 | 100 | 87.96 | 14.08 | 7.33 |

Common Size Income Statement

Table No:1

Chart No:1

Common Size Pie Chart - Sales Distribution



Source: Company Balance Sheet

Interpretation:

Table no:1 shows the numbers tells us how net sales and the different costs and profits are connected over five years. Most of the sales go towards paying for total expenses every year which shows that the FMCG industry costs a lot to run. In the years FY 2021 and FY 2022 the expenses did not change much. The operating profit and the net profit were okay. In FY 2023 the total expenses took up a big part of the sales, which was 88.53 percent and this meant that the operating profit and the net profit, from the FMCG industry went down. FY 2024 reflects improved cost efficiency, as total expenses reduced to 85.78%, resulting in a significant rise in operating profit (15.02%) and net profit (10.15%). However, in FY 2025, expenses again increased to 87.96%, leading to a reduction in profit margins. Overall, the analysis indicates that fluctuations in cost control directly influence profitability, highlighting the importance of effective expense management.

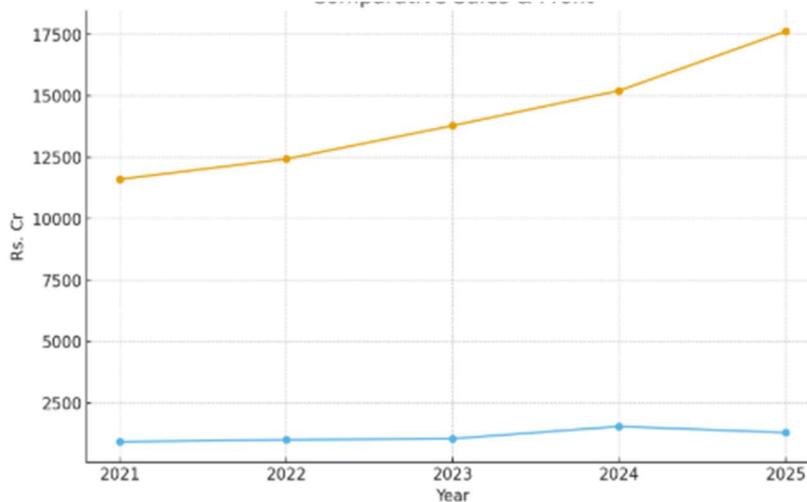
Comparative Analysis

Comparative Statement

| Year | Net sales (Cr) | Change (Cr) | Net profit (Cr) | Change (Cr) |
|------|----------------|-------------|-----------------|-------------|
| 2021 | 11,602 | - | 961 | - |
| 2022 | 12,425 | +823 | 1,067 | +106 |
| 2023 | 13,783 | +1,358 | 1,044 | -23 |
| 2024 | 15,205 | +1,422 | 1,542 | +498 |
| 2025 | 17,618 | +2,413 | 1,292 | -250 |

Table No:2

Chart No:2



Source: Company Balance Sheet

Interpretation:

Table No:2 show that Tata Consumer Products Limited had sales each year from 2021, to 2025. This means people really want to buy what they are selling and the company is getting bigger. Sales really took off in 2025 because Tata Consumer Products Limited got better at getting their products to stores and people know their brands. The money they made in total does not keep going up and up. They made money in 2022 but then they made a little less in 2023. This is weird because they had sales in 2023. It seems like it cost them more to run the company and buy the things they need to make their products in 2023. FY 2024 shows a substantial rise in net profit, indicating better cost management and improved operational efficiency. In FY 2025, net profit declined again even though sales increased sharply, implying margin pressure due to rising expenses. This analysis highlights that revenue growth alone does not guarantee profitability and emphasizes the need for stronger cost control measures.

Trend Analysis

Shows trend analysis with the base year 2021 equal to 100.

Table No:3

| Year | Sales Index | Profit Index |
|------|-------------|--------------|
| 2021 | 100 | 100 |
| 2022 | 107.1 | 111.0 |
| 2023 | 118.8 | 108.6 |
| 2024 | 131.1 | 160.4 |
| 2025 | 151.9 | 134.4 |

Source: Company Balance Sheet

Interpretation:

The sales of the company have been going up and up since FY 2021. This is the year we are using to compare everything to. If we look at the number we can see that sales just keep getting better. By FY 2025 the sales index was at 151.9. This means the company is really growing. The profit index is a story. It goes up and down. We made money in FY 2022 and FY 2024. FY 2024 was the year for profits with a profit index of 160.4. This happened because we were able to do things efficiently. In FY 2023 and FY 2025 the profits were not as good as the sales. This means we are feeling some pressure on our margins. The sales growth is not translating into profit growth, for the company. That is a problem. The divergence between sales and profit trends suggests that increasing costs and external factors affected profitability. Overall, the company demonstrates strong growth potential, but maintaining profit stability remains a challenge.

Ratio Analysis

Profitability Ratio

| Ratio | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------------------------|-------|-------|-------|--------|-------|
| Net Profit Margin (NPM) | 8.28% | 8.59% | 7.57% | 10.15% | 7.33% |
| Return on Equity (ROE) | N/A | N/A | N/A | N/A | N/A |
| Return on Capital Employed (ROCE) | N/A | N/A | N/A | N/A | 9.50% |

Interpretation:

The Net Profit Margin had ups and downs over the time we looked at it. This is because the company was good at managing costs and not so good at other times. The Net Profit Margin was a little better in FY 2022. It got worse in FY 2023 because the company spent more money. In FY 2024 the Net Profit Margin was the best it had been at 10.15%. This shows that the company did a job of keeping costs under control and made the business run better. Then the Net Profit Margin got worse again in FY 2025 going down to 7.33%. This means that the company was under pressure, from costs going up again. The absence of ROE data limits equity performance analysis, while ROCE available for FY 2025 at 9.50% indicates moderate efficiency in utilizing long-term capital. Overall, profitability ratios reveal inconsistent profit performance despite steady revenue growth.

Liquidity and Stability Ratio (FY 2025)

| Ratio | Formula | Value | Interpretation |
|----------------------|------------------------------------|-------|---------------------------------|
| Current Ratio | Current Assets / Current Liability | 1.07 | Adequate but tight liquidity |
| Debt-to-Equity Ratio | Debt / Equity | 0.09 | Very low leverage high solvency |

Interpretation:

The company has a ratio of 1.07. This means the company has money to pay its short-term debts. The company can meet its short-term obligations. It does not have a lot of extra money to handle unexpected expenses. This shows that the company needs to manage its working capital well. The debt-to-equity ratio of the company is 0.09. This debt-to-equity ratio is very low. It means the company is using little debt to finance its business. The company has a conservative approach to financing. This low debt-to-equity ratio is good because it means the company is financially stable and has financial risk. The company debt-, to-equity ratio shows that the company has solvency. The company's low reliance on external borrowings strengthens its long-term sustainability and ability to withstand economic uncertainties.

FINDINGS

The company had sales that went up at a pace over time. The company saw this growth in sales for a while now. This meant the company was doing well with its sales. The company had sales numbers and this made the company happy. Profitability varied throughout the study period. The liquidity was fine. It felt like it was not enough. The liquidity seemed a bit tight. The financial situation of the company is still good. The solvency position of the company remained strong. This means the company has money to pay its debts. The solvency position is a thing to look at when you want to know if a company is doing well or not.

SUGGESTIONS

- Consider strengthening cost control measures.
- Improve working capital management.
- Focusing on premium and high-margin products could be beneficial.
- Reducing exposure to raw material price fluctuations might help.
- Improving the efficiency of supply chain can minimize the operational time and cost.
- Greater investment in product innovation and brand building could yield long-term growth and profits.
- Advanced Technology and Automation Using the latest technology including automation can drive up productivity while lowering costs.
- Increasing presence in developing and rural markets may spur sales volume and market share growth.

CONCLUSION

The findings of this research indicated that Tata Consumer Products Limited's (TCP) financial performance (net profit) has remained at a relatively consistent level over most of the study period. Therefore, TCP's financial performance during this period has demonstrated TCP's capacity for long-term profitability through its ability to continuously generate income through core operational functions. TCP continued to experience periodic positive and negative fluctuations in profit margins as a result of cost changes that affected gross margins relative to TCP's sales volume. Therefore, TCP must continue finding cost control measures and invest in greater effectiveness (efficiency) in managing its working capital (current assets/liabilities) to improve

profitability and promote long-term stability through productive financial performance. As long as TCP remains focused on product innovation to provide better, more efficient products to consumers, TCP can continue to develop and maintain a competitive advantage in its industry.

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