

Growth Momentum Continues; Maintain BUY
Est. Vs. Actual for Q2FY25: Revenue – **BEAT**; EBITDA – **BEAT**; PAT – **BEAT**
Changes in Estimates post Q2FY25
FY25E/FY26E: Revenue: 2%/3%; EBITDA: -4%/2%; PAT -12%/-6%

Recommendation Rationale

- The company reported solid revenue growth of ~22% YoY in Q2FY25, reaching Rs 738 Cr, driven by volume growth of ~10% and higher realizations from premium coffee. EBITDA grew by ~25% YoY, with EBITDA margins improving by 48bps YoY to 18.6%, supported by a favourable product mix (higher value contracts), premium brand collaborations, and smaller SKUs.
- The management remains optimistic about coffee prices stabilizing at current levels, with a potential for softening if favourable harvests materialize in Vietnam and Brazil. Volume growth guidance for FY25 has been reaffirmed at 15-20%.
- Gross debt increased to Rs 1,974 Cr (as of Sep'24), primarily attributed to working capital needs amounting to Rs 1,300 Cr, with the remainder allocated to Capex. The new FDC plant in Vietnam, with a capacity of 30,000 MT, is progressing as planned and is operating at a capacity utilization rate of 40-50%.

Sector Outlook: Positive

Company Outlook & Guidance: We have revised our FY25/26 estimates downward to account for elevated coffee prices, increased depreciation, and higher interest costs. Despite these adjustments, we maintain our BUY recommendation on the stock as we roll over our estimates to Dec-26.

Current Valuation: 23x Dec-26 EPS (Earlier Valuation: 23x Sep-26 EPS).

Current TP: Rs 820/share (Earlier TP: Rs 760/share)

Recommendation: With a 14% upside from the CMP, we **maintain** our BUY rating on the stock.

Financial Performance: CCL Products' consolidated revenue for Q2FY25 was Rs 738 Cr, reflecting a 21.5% YoY growth, driven by ~10% volume growth. Gross margins declined by 218bps to 39.8%, impacted by volatility in coffee prices. EBITDA increased to Rs 137 Cr, a 24.7% YoY rise, while EBITDA margins improved to 18.6%, up 48bps YoY, supported by higher value contracts and smaller pack sizes (SKUs). The company's PAT stood at Rs 74 Cr, a 21.5% YoY increase, surpassing expectations.

Outlook & Recommendation: CCL Products has been consistent in its performance despite volatility in coffee prices. Post supply chain disruptions, several coffee companies globally are looking to de-risk their supplies and are therefore seeking to partner with manufacturers that have a presence in different territories. In this context, CCL Products stands as the right choice for these companies for the following reasons: 1) It has facilities in Vietnam and India, unlike Brazilian players who are present only in their home country. This has enabled CCL to establish a strong foothold in international markets, continue gaining market share, and access new business. Furthermore, it is looking to invest more in the UK and US markets to expand further. The company targets a 15% global market share in the next few years; 2) The company enjoys a cost-efficient business model; 3) It is doubling its capacity from 38,500 MT in FY22 to approximately 77,000 MT by FY25 across Vietnam and India; 4) It is adding capacity in value-added products (FDC and small packs) in Vietnam; and 5) It is aggressively scaling up its Domestic business led by branded business. We have cut our FY25/26 PAT estimates to factor in high coffee prices, higher depreciation, and interest cost.

Key Financials (Consolidated)

(Rs Cr)	Q2FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	738	(4.5)	21.5	729	1.3
EBITDA	137	5.2	24.7	129	6.4
EBITDA Margin (%)	18.6	172 bps	48 bps	17.7	89 bps
Net Profit	74	3.5	21.5	70	5.7
EPS (Rs)	5.6	3.5	21.5	5.3	5.7

Source: Company, Axis Research

 (CMP as of 06th November 2024)

CMP (Rs)	718
Upside /Downside (%)	14%
High/Low (Rs)	854/551
Market cap (Cr)	9596
Avg. daily vol. (6m) Shrs '000	371
No. of shares (Cr)	13

Shareholding (%)

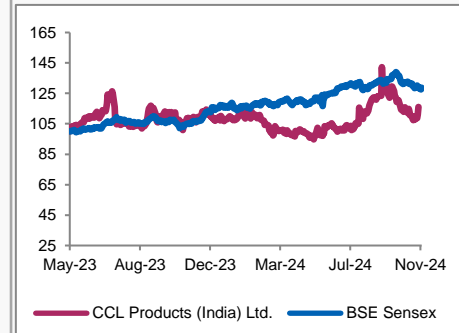
	Mar-24	Jun-24	Sep-24
Promoter	46.3	46.1	46.1
FIIs	8.1	9.8	10.2
MFs/UTI	20.8	18.8	19.0
Banks/FIs	0.0	0.0	0.0
Others	24.8	25.3	24.8

Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	3,204	3,895	4,733
EBIDTA	508	662	857
Net Profit	260	361	510
EPS, Rs	19.5	27.1	38.3
PER, x	36.8	26.5	18.8
EV/EBIDTA, x	22.2	17.6	13.6
ROE, %	13.9	16.7	19.6
Debt/Equity (%)	0.9	0.8	0.6

Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	2%	3%
EBITDA	-4%	2%
PAT	-12%	-6%

Relative Performance


Source: Ace Equity, Axis Securities

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Concall highlights

- **Domestic Business:** The domestic business continued its strong growth, recording Rs 105 Cr in Q2FY25, with Rs 70 Cr contributed by pure branded business (Rs 140 Cr in H1FY25). The company aims to achieve Rs 300 Cr in branded business by FY25.
- **Distribution Network:** With extensive ground-level initiatives underway, the company is aggressively expanding its distribution reach beyond its core Southern market to untapped regions across India.
- **Vietnam Freeze-Dried Capacity:** The new freeze-dried capacity in Vietnam is on track for commercial operations by Q3FY25. Although trial phases have been extended for certifications, testing, and blend consistency, the company anticipates a higher-than-usual initial utilization rate of 40-50% in year one due to strong demand, compared to its standard starting utilization of 30%.
- **India Plant:** The Indian facility is set for commercial operations within a month, as trials and certifications near completion. Management expects capacity utilization to follow a steady ramp-up trajectory, targeting 30% in the first year, 60% in the second, and 80% thereafter.

Key Risks to Our Estimates and TP

- Delay in capacity utilisation, the emergence of supply chain constraints, and increase in coffee prices.

Change in Estimates

	Old		New		% change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,131	3,769	3,204	3,895	2%	3%
EBITDA	529	651	508	662	-4%	2%
PAT	295	385	260	361	-12%	-6%
EPS	22.1	29.0	19.5	27.1	-12%	-6%

Source: Company, Axis Securities

Results Review

Rs Cr	Q2FY24	Q1FY25	Axis Est.	Q2FY25	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
Net Sales	608	773	729	738	21.5	(4.5)	1.3
Gross Profit	255	294	299	294	15.2	(0.3)	(1.8)
Gross Margin (%)	42.0	38.1	41.0	39.8	-218 bps	171 bps	-122 bps
Employee Expenses	32	38	38	40	26.4	5.0	7.1
Other Expenses	113	126	132	116	2.7	(7.5)	(12.2)
EBITDA	110	130	129	137	24.7	5.2	6.4
EBITDA Margin (%)	18.1	16.8	17.7	18.6	48 bps	172 bps	89 bps
Oth. Inc	1	1	1	1	(25.5)	(59.2)	(61.2)
Interest	18	21	22	27	44.9	24.2	23.0
Depreciation	23	23	23	24	5.0	3.0	1.9
PBT	70	87	85	87	25.3	0.1	2.2
Tax	9	16	15	13	51.0	(15.0)	(13.2)
PAT	61	71	70	74	21.5	3.5	5.7
EPS	4.6	5.4	5.3	5.6	21.5	3.5	5.7

Source: Company, Axis Securities

Financials (consolidated)
Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Net sales	2,654	3,204	3,895	4,733
Growth, %	28.1	20.8	21.5	21.5
Total income	2,654	3,204	3,895	4,733
Raw material expenses	(1,552)	(1,909)	(2,291)	(2,749)
Employee expenses	(146)	(167)	(193)	(221)
Other Operating expenses	(511)	(620)	(749)	(906)
EBITDA (Core)	445	508	662	857
Growth, %	11.4	14.1	30.3	29.4
Margin, %	16.8	15.9	17.0	18.1
Depreciation	(98)	(115)	(144)	(162)
EBIT	348	393	518	695
Growth, %	3.4	13.0	31.8	34.3
Margin, %	13.1	12.3	13.3	14.7
Interest paid	(78)	(101)	(106)	(111)
Other Income	6	7	8	9
Non-recurring Items	-	-	-	-
Pre-tax profit	276	299	420	593
Tax provided	(26)	(39)	(59)	(83)
Profit after tax	250	260	361	510
Growth, %	(11.9)	4.0	38.8	41.3

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Debtors	497	600	729	886
Inventory	788	952	1,157	1,406
Other current assets	286	286	286	286
Total current assets	1,741	1,770	1,735	2,072
Investments	0	0	0	0
Gross fixed assets	1,683	1,983	2,483	2,783
Less: Depreciation	(432)	(547)	(691)	(852)
Add: Capital WIP	501	501	501	501
Net fixed assets	1,753	1,937	2,293	2,432
Non-current assets	42	42	42	42
Total assets	3,536	3,750	4,071	4,546
Current liabilities	1,278	1,299	1,325	1,356
Provisions	3	3	3	3
Total current liabilities	1,282	1,302	1,328	1,360
Non-current liabilities	581	581	581	581
Total liabilities	1,862	1,883	1,909	1,940
Paid-up capital	27	27	27	27
Reserves & surplus	1,647	1,841	2,135	2,579
Shareholders' equity	1,674	1,867	2,162	2,605
Total equity & liabilities	3,536	3,750	4,071	4,546

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	276	299	420	593
Depreciation	98	115	144	162
Chg in working capital	29	(246)	(308)	(375)
Total tax paid	(37)	(39)	(59)	(83)
Other operating activities	(10)	(10)	(10)	(10)
Cash flow from operating activities	356	119	187	287
Capital expenditure	(538)	(300)	(500)	(300)
Other investing activities	-	-	-	-
Cash flow from investing activities	(538)	(300)	(500)	(300)
Free cash flow	(182)	(181)	(313)	(13)
Other financing activities	(59)	(59)	(59)	(59)
Cash flow from financing activities	259	(59)	(59)	(59)
Net chg in cash	77	(240)	(372)	(72)
Opening cash balance	83	170	(68)	(437)
Closing cash balance	170	(68)	(437)	(507)

Source: Company, Axis Securities

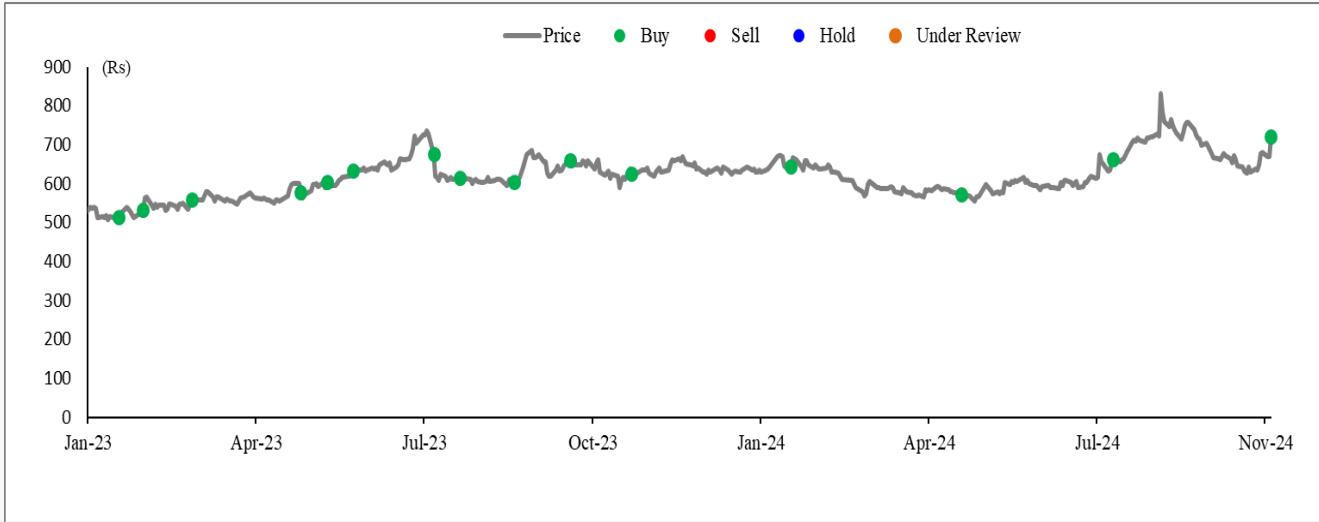
Ratio Analysis

(%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Per Share data				
EPS (INR)	18.8	19.5	27.1	38.3
Growth, %	(11.9)	4.0	38.8	41.3
Book NAV/share (INR)	125.9	140.4	162.6	195.9
FDEPS (INR)	18.8	19.5	27.1	38.3
CEPS (INR)	26.1	28.2	38.0	50.5
CFPS (INR)	(1.6)	9.2	14.2	21.6
Return ratios				
Return on assets (%)	10.7	9.9	11.9	14.4
Return on equity (%)	14.9	13.9	16.7	19.6
Return on capital employed (%)	16.3	15.3	18.0	20.9
Turnover ratios				
Asset turnover (x)	1.0	1.0	1.0	1.1
Sales/Total assets (x)	0.9	0.9	1.0	1.1
Sales/Net FA (x)	1.7	1.7	1.8	2.0
Working capital/Sales (x)	0.1	0.2	0.2	0.3
Receivable days	68.3	68.3	68.3	68.3
Inventory days	108.4	108.4	108.4	108.4
Payable days	16.5	16.3	16.5	16.7
Working capital days	40.3	61.4	79.4	94.2
Liquidity ratios				
Current ratio (x)	1.4	1.4	1.3	1.5
Quick ratio (x)	0.7	0.6	0.4	0.5
Interest cover (x)	4.5	3.9	4.9	6.2
Total debt/Equity (%)	1.0	0.9	0.8	0.6
Valuation				
PER (x)	38.2	36.8	26.5	18.8
PEG (x) - y-o-y growth	(3.2)	9.2	0.7	0.5
Price/Book (x)	5.7	5.1	4.4	3.7
EV/Net sales (x)	4.2	3.5	3.0	2.5
EV/EBITDA (x)	24.7	22.2	17.6	13.6
EV/EBIT (x)	31.7	28.6	22.4	16.8

Source: Company, Axis Securities

CCL Products Price Chart and Recommendation History



Date	Reco	TP	Research
01-Jan-23	BUY	600	Top Picks
19-Jan-23	BUY	650	Result Update
01-Feb-23	BUY	600	Top Picks
01-Mar-23	BUY	650	Top Picks
01-Apr-23	BUY	650	Top Picks
02-May-23	BUY	660	Top Picks
18-May-23	BUY	750	Result Update
01-Jun-23	BUY	750	Top Picks
01-Jul-23	BUY	750	Top Picks
18-Jul-23	BUY	750	Result Update
01-Aug-23	BUY	730	Top Picks
01-Sep-23	BUY	750	Top Picks
03-Oct-23	BUY	750	Top Picks
08-Nov-23	BUY	700	Result Update
07-Feb-24	BUY	720	Result Update
14-May-24	BUY	670	Result Update
09-Aug-24	BUY	760	Result Update
07-Nov-24	BUY	820	Result Update

Source: Axis Securities Research

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