

CCL PRODUCTS (INDIA) LIMITED

Strong all round performance continues

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- CCL Products (CCL) saw robust 22% YoY growth in its topline owing to 10% volume growth YoY and higher contribution from value added high margin products volume growth came at the low end of management's guidance of 10-20%. Steep inflation in coffee prices affected long term contract bookings.
- While the management had indicated demand deferment trends in the earlier quarters which saw volume growth drop from 15% in the previous quarter to 10% this quarter however, even though coffee prices are at all-time highs demand continues to remain sticky and is likely to support growth in the upcoming quarters.
- Management remains positive on coffee prices stabilizing at current levels, with the potential for moderation should favorable harvests emerge in key markets like Vietnam and Brazil. The company has reaffirmed its volume growth guidance for FY25, projecting robust growth between 10-20%.
- We maintain our 'BUY' rating and a TP of ₹881 at a PE of 28x of FY26 EPS of ₹31. We expect CCL to post a Revenue/ EBITDA/PAT CAGR of 19%/25%/29% respectively over FY24-26E.

Strong Revenue growth driven by volume expansion and high-margin contracts

CCL reported a 22% YoY growth (-4.5% QoQ) in its Revenues to ₹7,382 mn in Q2FY25 from ₹6,076 mn in Q2FY24. The company's gross margin declined by 218 bps YoY (+171 bps QoQ) in Q2FY25 to 39.8%. Company posted strong growth in consolidated EBITDA by 24.7% YoY (5.2% QoQ) to ₹1,371 mn in Q2FY25 mainly due to growth in volumes. EBITDA margins expanded by 48 bps YoY (+172 bps QoQ) to 18.6% in Q2FY25. Company posted PAT at ₹740 mn grew by 21.% YoY (+3.5% QoQ) with PAT margins at 10% in Q2FY25 which came in line of the previous quarter. Company holds ₹502.47 mn cash & cash equivalents on balance sheet.

The company's gross debt rose to ₹1.97 bn as of September 2024, driven mainly by elevated working capital requirements totaling ₹1.3 bn, while the remaining amount was allocated to capital expenditures. The newly established Freeze-Dried Coffee (FDC) facility in Vietnam, boasting a production capacity of 30,000 metric tonnes, is on track. Currently, the plant is operating at a capacity utilization level of 40-50%, reflecting steady progress toward its full operational potential.

Key Financials	FY 22	FY 23	FY 24	FY 25E	FY 26E
Total Income (₹ mn)	14,620	20,712	26,537	31,632	37,642
EBITDA margins	22.6%	19.3%	16.8%	17.3%	18.4%
PAT margins	12.7%	11.8%	10.0%	10.1%	11.0%
EPS (₹)	16.8	22.1	17.7	24.0	31.1
P/E (x)	41.8	31.7	39.6	29.2	22.5
P/BV (x)	7.5	6.2	5.6	4.7	3.9
EV/EBITDA (x)	30.0	25.4	24.2	19.7	15.3
Adj ROE	17.8%	19.6%	14.1%	16.0%	17.2%
Adj ROCE	10.8%	11.3%	6.7%	7.7%	8.7%

BUY

Current Market Price (₹)	701
12M Price Target (₹)	881
Potential Return (%)	26

Stock Data

Face Value (₹)	2
Total Market Cap (₹ bn)	94
Free Float Market Cap (₹ bn)	50
52-Week High / Low (₹)	855 / 552
BSE Code / NSE Symbol	519600 / CCL
Bloomberg	CCLP IN

Shareholding Pattern

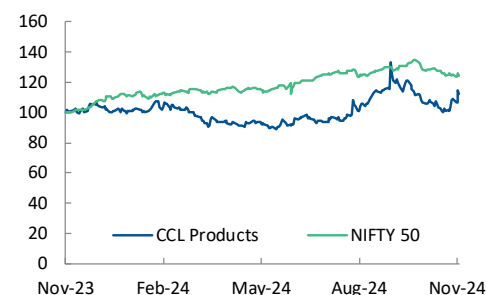
(%)	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	46.09	46.09	46.26	46.26
MF's	18.99	18.84	20.79	20.53
FPIs	10.17	9.76	8.12	7.77
AIF's	1.76	1.59	0.72	0.78
Others	22.99	23.72	24.11	24.66

Source: BSE

Price Performance

(%)	1M	3M	6M	12M
CCL Products	5.8%	7.7%	21.2%	12.2%
Nifty 50	-2.4%	-0.4%	8.5%	24.7%

* To date / current date : November 7, 2024

CCL Products vs Nifty 50

Volume growth and high-margin contracts lead the way

Revenue is strongly driven by volume growth, high-margin business, and the execution of long-term contracts. CCL's volume growth was ~10% YoY in Q2FY25. Capacity utilization of existing facilities remained consistent with the previous quarter. The existing facility in Vietnam operated at full capacity, while the extended facility in Vietnam operated at about ~40%-50% utilization in Q2FY25.

Management has observed significant volatility in green coffee prices, resulting in shorter-term contracts. According to management, global coffee prices have shown some softening, with potential to decline further to the USD 3,800-4,000 range, considering the good cropping in Vietnam and Brazil. The company anticipates additional long-term contracts once coffee prices stabilize, likely post December. The recent rally in coffee prices has increased demand for short-term contracts, and management is not inclined to accept low-margin business.

Revitalizing acquired brands through enhanced visibility and chain listings

The acquisition of the Swedish based Lofbergs Groups six premium brands including Percol has been completed and the company is in the midst of revamping the brands. Over the last 3-4 months, the company finalized most of the transition from the previous ownership. It has gradually begun relisting in several UK chains that had been lost over the past few years. Management is also conducting extensive outdoor brand-building activities in the UK to increase visibility, and volumes have started to improve. Once the company stabilizes in the UK, we believe the growth momentum will return, potentially leading to expansion around the UK.

Quarterly Performance

(₹ mn)	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
Sales	7382	6076	21.5%	7,733	-4.5%
Raw Material	4,446	3,526	26.1%	4,789	-7.2%
Employee Cost	403	319	26.4%	384	5.0%
Other expenses	1,162	1,131	2.7%	1,257	-7.5%
Total Operating expenses	6,011	4,977	20.8%	6,430	-6.5%
EBITDA	1,371	1,099	24.7%	1,303	5.2%
EBITDA Margin (%)	18.6%	18.1%	332 bps	16.8%	465 bps
Depreciation	237	226	5.0%	230	3.0%
EBIT	1,134	873	29.8%	1,073	5.7%
Other Income	5	7	-25.5%	13	-59.2%
Interest	266	184	45%	214	24.2%
Exceptional items	0	0	-	-	-
Profit Before Tax	873	697	25.3%	872	0.1%
Tax	134	88	51.0%	157	-15.0%
Tax rate (%)	15%	13%	261	18%	-273
Profit after tax	740	609	22%	715	3.5%
PAT Margin (%)	10.0%	10.0%	0	9.0%	78.0
EPS (₹)	5.6	4.6	21%	5.4	3.4%

Source: Company, LKP Research

Outlook & Valuation

We believe CCL will continue to clock mid-teens volume growth going ahead owing to a) doubling of capacity from 38,500 MT in FY22 to ~77,000 MT by FY25 across Vietnam and India in its value-added products especially Freeze-Dried Coffee and small packs b) addition of high margin products like speciality coffee (5% of sales) c) cost-efficient business model. Furthermore, it is looking to invest more in the UK, US as well as other markets to expand further. The company targets a 15% global market share in the next few years. Therefore we maintain our 'BUY' rating and a TP of ₹881 at a PE of 28x of FY26 EPS of ₹31. We expect CCL to post a Revenue/ EBITDA/ PAT CAGR of 19%/25%/29% respectively over FY24-26E.

Risks

- a) Severe weather conditions in India & Vietnam can impact production
- b) Volatility in prices of raw materials c) Climate change issue can affect the production of coffee.

P/E (x) mean and standard deviation



Source: ACE Equity, LKP Research

P/BV (x) mean and standard deviation

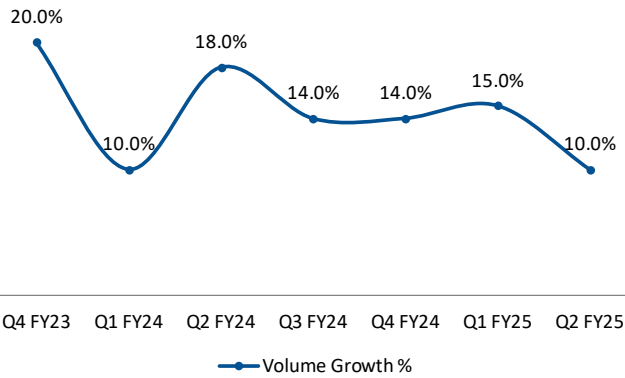


Con-Call KTA's

- **Domestic Business:** The domestic business continued its strong growth, and recorded ₹1050 mn in revenues out of which branded sales contributed ₹700 mn (₹1,400 mn in H1FY25). It aims to achieve ₹3 bn in branded business by FY25.
- **Distribution Network:** Significant efforts are underway to expand distribution beyond the core Southern market, targeting untapped regions across India to broaden reach and drive growth.
- **Vietnam Freeze-Dried Capacity:** The new freeze-dried coffee plant in Vietnam remains on schedule for commercial operations by Q3FY25. While the trial phase has been extended for final certifications, testing, and blend consistency, the company projects an initial utilization rate of 40-50% in the first year—above the typical 30%—due to strong demand.
- **India Plant:** The Indian facility is set to begin commercial operations within a month as trials and certifications conclude. Capacity utilization is expected to ramp up steadily, aiming for 30% in the first year, 60% in the second, and 80% in subsequent years.

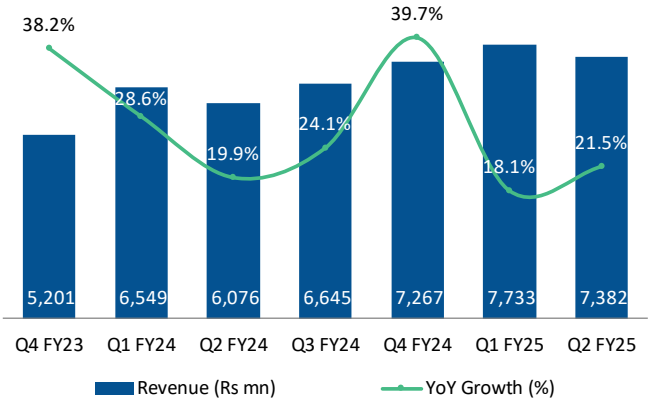
Story in charts

Volume Growth

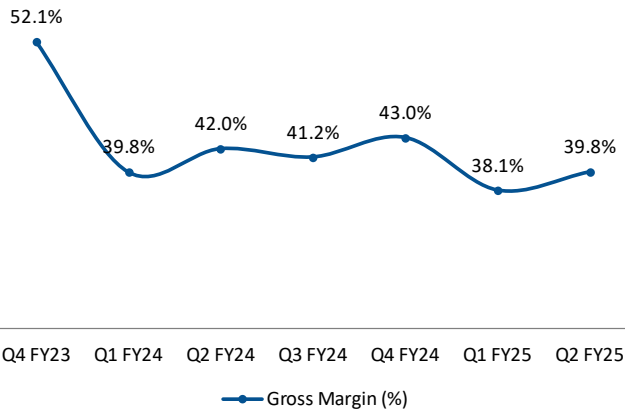


Source: Company, LKP Research

Revenue & Revenue growth

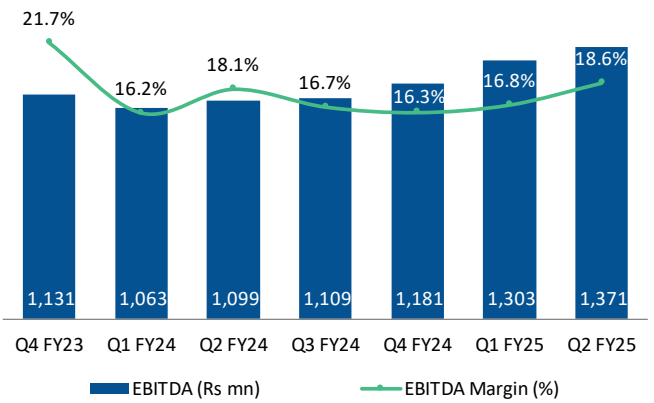


Gross Margin

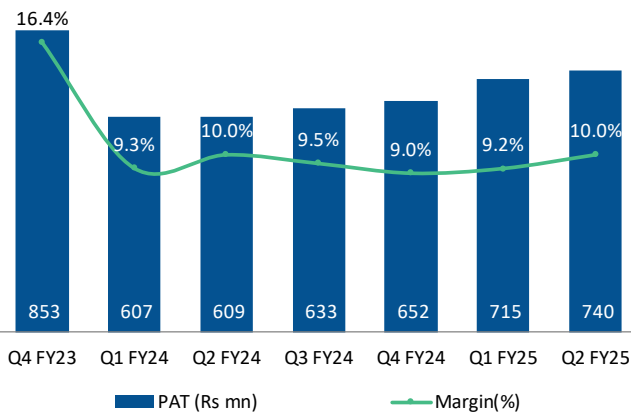


Source: Company, LKP Research

EBITDA & EBITDA Margin



PAT & PAT Margin



Source: Company, LKP Research

Income Statement

(₹ mn)	FY23	FY 24	FY 25E	FY 26E
Revenue from Operations	20,712	26,537	31,632	37,642
Raw Material Cost	11,296	15,520	18,283	21,682
Employee Cost	1,135	1,456	1,835	2,070
Other Exp	4,283	5,108	6,042	6,964
EBITDA	3,999	4,453	5,472	6,926
EBITDA Margin(%)	19.3%	16.8%	17.3%	18.4%
Depreciation	637	977	1,042	1,267
EBIT	3,361	3,476	4,430	5,659
EBIT Margin(%)	16.2%	13.1%	14.0%	15.0%
Other Income	33	63	76	91
Interest	344	777	922	994
Exceptional items	0	0	0	0
Reported PBT	3,050	2,762	3,584	4,756
RPBT Margin(%)	14.7%	10.4%	11.3%	12.6%
Tax	361	262	394	618
PAT	2,689	2,501	3,189	4,137
PAT Margins (%)	13.0%	9.4%	10.1%	11.0%
Other comprehensive income/(loss)	252	-146	0	0
Rep PAT	2,437	2,647	3,189	4,137
RPAT Margins (%)	11.8%	10.0%	10.1%	11.0%

Key Ratios

YE Mar	FY 23	FY 24	FY 25E	FY 26E
Per Share Data (₹)				
Adj. EPS	22.1	17.7	24.0	31.1
CEPS	26.9	25.0	31.8	40.6
BVPS	112.6	125.8	149.8	180.9
Growth Ratios(%)				
Revenue	41.7%	28.1%	19.2%	19.0%
EBITDA	20.8%	11.4%	22.9%	26.6%
EBIT	22.9%	3.4%	27.4%	27.7%
Adj.PAT	31.8%	-19.9%	35.5%	29.7%
Valuation Ratios (X)				
PE	31.7	39.6	29.2	22.5
P/CEPS	26.1	28.0	22.0	17.3
P/BV	6.2	5.6	4.7	3.9
EV/Sales	4.9	4.1	3.4	2.8
EV/EBITDA	25.4	24.2	19.7	15.3
Operating Ratios (Days)				
Inventory days	313.3	107.0	100.0	95.0
Receivable Days	239.1	67.4	70.0	75.0
Payables day	40.0	13.5	14.0	14.0
Debt to Equity (x)	0.61	0.97	0.96	0.86
Performance Ratios (%)				
AROA (%)	11.3%	6.7%	7.7%	8.7%
AROE (%)	19.6%	14.1%	16.0%	17.2%
AROCE (%)	19.1%	15.4%	16.5%	18.3%
Asset Turnover(x)	0.42	1.57	1.42	1.50
Inventory Turnover(x)	3.6	3.4	3.8	4.4

Balance Sheet

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E
Equity and Liabilities				
Equity Share Capital	266	266	266	266
Reserves & Surplus	14,707	16,472	19,662	23,799
Total Networth	14,973	16,738	19,928	24,065
Long term Borrowings	2,008	5,186	6,186	6,186
Deferred tax liability	588	620	646	697
Other Non-Current liabilities	50	43	43	43
Total non-current liab & provs	2,647	5,849	6,876	6,926
Current Liabilities				
Short term Borrow & Provs	7,194	11,076	13,093	14,598
Trade Payables	738	997	1,156	1,271
Other current liabilities	417	698	633	441
Total current liab and provs	8,350	12,772	14,882	16,311
Total Equity & Liabilities	25,969	35,359	41,685	47,302
Assets				
Gross block	15,959	16,902	20,931	21,796
Net block	12,537	12,502	15,489	16,129
Capital WIP	540	5,011	3,511	3,511
Other non current assets	420	436	536	558
Total fixed assets	13,497	17,948	19,535	20,197
Inventories	5,783	7,884	8,256	8,627
Trade receivables	4,414	4,968	5,779	6,811
Cash & Bank Balance	834	1,698	4,821	8,134
Other current assets	1,441	2,860	3,294	3,533
Total current Assets	12,472	17,411	22,150	27,105
Total Assets	25,969	35,359	41,685	47,302

Cash Flow

(₹ mn)	FY23	FY 24	FY 25E	FY 26E
PBT	3,050	2,762	3,584	4,756
Depreciation	637	977	1,042	1,267
Interest	344	777	922	994
Other Adjustments	907	1,677	1,964	2,261
Operating CF before WC changes	4,938	6,193	7,513	9,279
Changes in working capital	-1,874	-3,596	-1,783	-1,581
Tax paid	-350	-290	-394	-618
Cash flow from operations (a)	1,733	554	3,371	4,817
Capital expenditure	-3,323	-5,133	-2,986	-640
Other investing activities	1	-4	-	-
Cash flow from investing (b)	-3,321	-5,136	-2,986	-640
Free cash flow (a+b)	-1,589	-4,583	385	4,177
Proceeds from long term borrowings	778	4,090	1,000	-
Proceeds/Repayment of short term borrowings	1,875	2,957	2,000	1,500
Other flows in financing activities	-1,017	-1,462	-255	-1,292
Cash flow from financing (c)	1,636	5,585	2,745	208
Net chng in cash (a+b+c)	48	1,003	3,130	4,385
Closing cash & cash equivalents	826	1,691	4,821	8,134

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