

BUY

CMP (Rs)	645
Target Price (Rs)	776
Potential Upside	20.3%
Sensex	72,186
Nifty	21,929

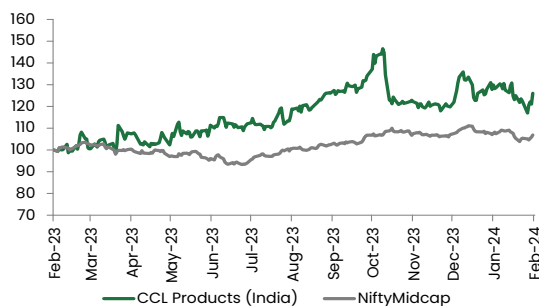
Key Stock data

BSE Code	519600
NSE Code	CCL
Bloomberg	CCLP IN
Shares o/s, Cr (FV 2)	13.3
Market Cap (Rs Cr)	8,582
3M Avg Volume	164,243
52 week H/L	750/531

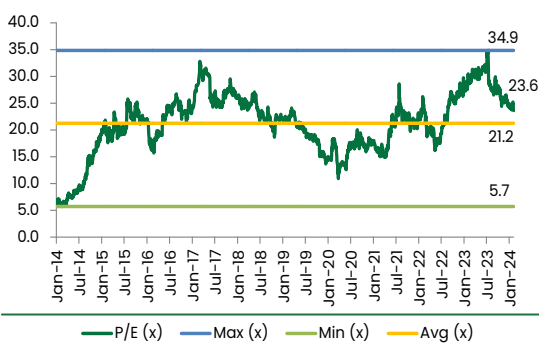
Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	46.3	46.3	46.3
FII	7.7	7.7	7.8
DII	21.1	21.4	21.4
Others	24.9	24.6	24.5

1 year relative price performance



1 year P/E Forward (x)



Research Analyst

Nirvi Ashar

nirvi.ashar@religare.com

Mixed performance for Q3; Focus on volume led growth ahead;

Q3FY24 Result Update | Sector: FMCG | February 06, 2024

Strong topline led by volumes: CCL products posted strong topline growth of 24.1% YoY/9.4% QoQ to Rs 664.5cr led by volume growth of 14% YoY. The volume growth could have been higher (more by 5%) however the issue of red sea impacted the dispatches of ~800 metric tons. In India, the company is working at peak capacity and for Vietnam they would be utilizing at optimal levels for the new capacities. Going ahead, their core focus will be on volume growth.

Margins remain a miss: The company's gross profit increased by 16.9% YoY/7.3% QoQ to Rs 273.6cr while gross margin witnessed a healthy decline of 254bps YoY/78bps QoQ to 41.2% led by increase in raw material cost by 29.7% YoY/10.8% QoQ. Further, EBITDA margin too saw a decrease of 212bps YoY/140bps QoQ to 16.7% while EBITDA in value was up by 10.1% YoY/0.9% QoQ to Rs 110.9cr. The impact was due to an increase in expense by 27.4% YoY/11.2% QoQ. Its PAT de-grew by 13.4% YoY and margins were down by 412bps YoY/39bps QoQ to 9.5%. The fire breakdown in Vietnam in the last quarter impacted the bottom-line (value up-to 5% of the bottom-line) as the insurance claim was not received.

Management guidance intact: Management stated though there were certain headwinds impacting volume growth however going ahead their focus will be driving volumes led by capacity addition and increasing utilization. Further, they have retained their overall guidance of growing volumes at ~18-20% levels and also maintaining the EBITDA margins at 18-20% for the next couple of years.

Key highlights: 1) Capacity expansion for India and Vietnam is moving as per the plan wherein India capacity to be operational in Q4FY24 and Vietnam in 2HFY25. 2) Small packs increases led to increase in expenses and thus impacting profits. 3) CIF contracts signed with customers mean the cost would be borne by the company. 4) Coffee prices remain higher. 5) Channels like general trade, modern trade, etc. are growing at a steady pace. 6) The company has ~4000 vending machines across pan India. 7) No new capex planned as of now and so within the next 4-5 years plan is to be debt free. 8) The company is utilizing its India & other Vietnam capacity at 100% while new capacity added last quarter is running at optimal levels. 9) Continue to focus on the home sales segment.

Outlook & Valuation: CCL Products reported mixed numbers with decent volume growth while margin impacted led by higher raw material prices. Going ahead, management focus remains on expanding capacity and utilizing it to the fullest. Also, they would continue to add more products into the premium category and expand reach as well as increase brand visibility. We remain positive on the growth prospect of the company and have estimated its revenue/EBITDA/PAT to grow at 24.8%/23%/23% CAGR over FY23-26E and maintaining the **Buy** rating with target price of **Rs 776**, valuing the company at P/E multiple of 21x on FY26EPS.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	2,071.2	2,577.1	3,221.3	4,026.7
EBITDA	399.9	438.7	576.1	744.3
EBITDAM (%)	19.3	17.0	17.9	18.5
APAT	268.9	244.2	356.1	500.0
APATM (%)	13.0	9.5	11.1	12.4
EPS (Rs)	20.2	18.4	26.8	37.6
PE (x)	31.9	35.1	24.1	17.2
RoE (%)	18.1	14.7	18.3	21.0

Source : RBL Research

Net Sales grew by 24% YoY led by 14% growth in volumes

Margins impacted led by rise in raw material prices

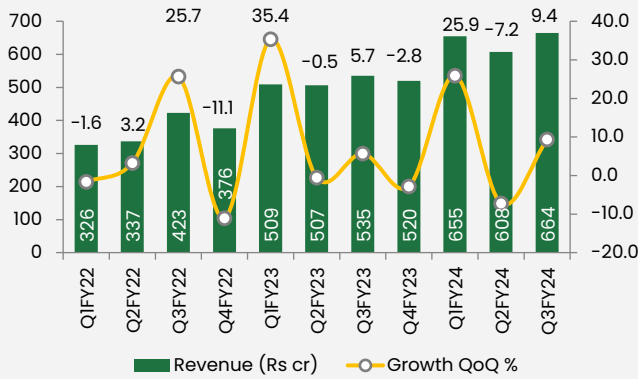
P&L Account Quarterly – consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Net Sales	664.5	535.3	24.1	607.6	9.4
Cost of Raw Materials	428.7	293.5	46.0	357.7	19.8
(Increase) / Decrease In Stocks	(37.8)	7.7	-	(5.0)	-
Total Raw material cost	390.9	301.3	29.7	352.6	10.8
Gross Profit	273.6	234.0	16.9	254.9	7.3
Gross Margins %	41.2	43.7	-254bps	42.0	-78bps
Employee Cost	35.9	25.9	38.5	31.9	12.5
Other Expense	126.8	107.4	18.1	113.1	12.1
Total Expenditure	553.5	434.6	27.4	497.7	11.2
EBITDA	110.9	100.7	10.1	109.9	0.9
EBITDA Margins (%)	16.7	18.8	-212bps	18.1	-140bps
Depreciation	22.2	19.0	16.5	22.6	(1.8)
EBIT	88.8	81.7	8.7	87.3	1.6
Other Income	1.1	0.3	223.9	0.1	-
Interest	23.2	11.5	101.9	18.4	26.3
PBT	66.7	70.5	(5.5)	69.1	(3.4)
Tax	3.4	(2.5)	-	8.8	(61.4)
PAT	63.3	73.1	(13.4)	60.2	5.1
PAT Margin (%)	9.5	13.6	-412bps	9.9	-39bps
EPS	4.8	5.5	(13.4)	4.5	5.1

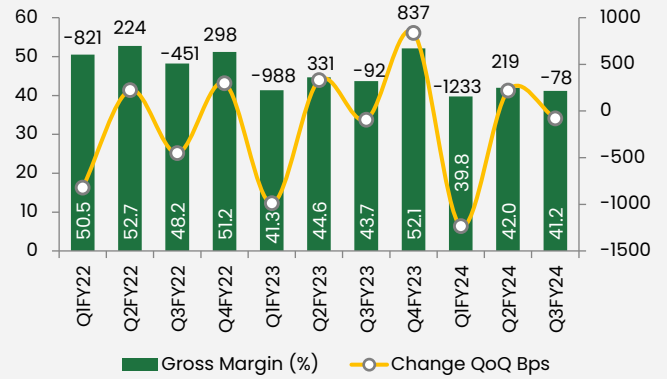
Source : RBL Research

Story in charts

Revenue grew by 24.1% YoY and 9.4% QoQ

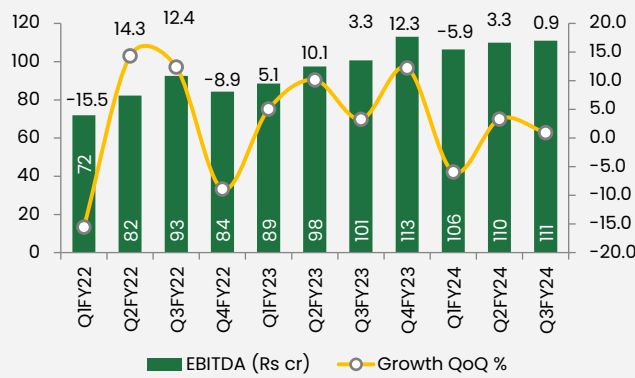


Gross margin declined by 254bps YoY and 78bps QoQ

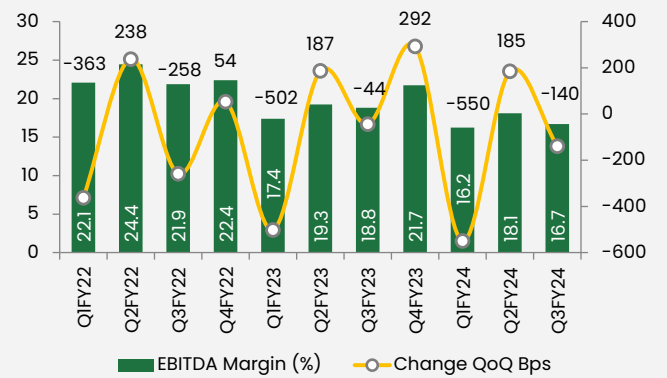


Source : RBL Research

EBITDA grew by 10.1% YoY and 0.9% QoQ

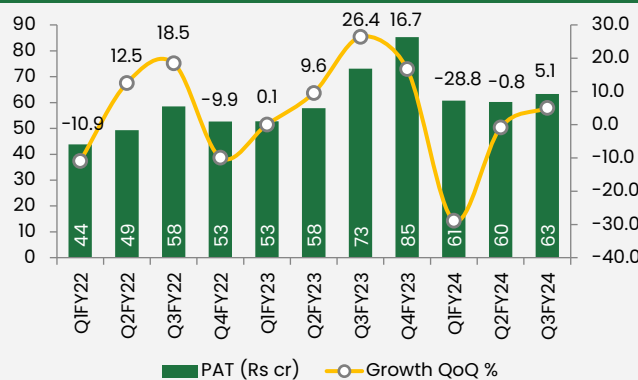


EBITDA margin declined by 212bps YoY and 140bps QoQ

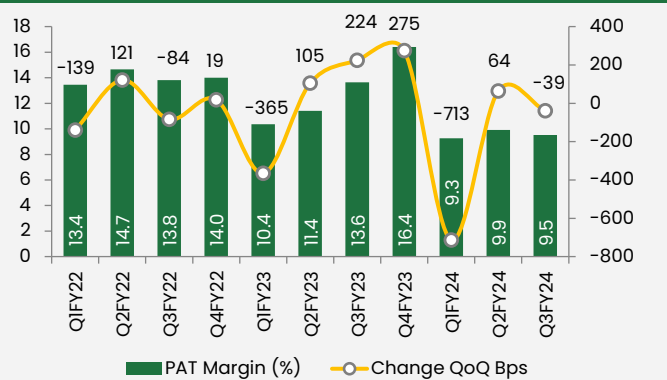


Source : RBL Research

PAT de-grew by 13.4% YoY but grew by 5.1% QoQ



PAT margin down by 412bps and 39bps QoQ



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	2,071.2	2,577.1	3,221.3	4,026.7
Expenditure				
Cost of materials	1,140.5	1,584.8	1,965.0	2,436.1
(Increase) / Decrease In Stocks	(10.9)	(66.9)	(90.2)	(112.7)
Total raw materials	1,129.6	1,518.0	1,874.8	2,323.4
Gross Profit	941.6	1,059.1	1,346.5	1,703.3
Employee cost	113.5	134.4	168.0	210.1
Other expenses	428.3	486.0	602.4	749.0
Total expenditure	1,671.4	2,138.4	2,645.3	3,282.4
EBITDA	399.9	438.7	576.1	744.3
EBITDAM (%)	19.3	17.0	17.9	18.5
Depreciation	63.7	89.5	93.4	96.6
EBIT	336.1	349.2	482.7	647.6
Other income	3.3	2.8	3.2	4.0
Interest expenses	34.4	80.0	81.2	83.5
PBT	305.0	272.0	404.7	568.1
Tax	36.1	27.8	48.6	68.2
Reported PAT	268.9	244.2	356.1	500.0
PAT Margin (%)	13.0	9.5	11.1	12.4
EPS	20.2	18.4	26.8	37.6

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	26.6	26.6	26.6	26.6
Reserves & Surplus	1,455.6	1,633.3	1,923.0	2,356.4
Total Shareholder's Fund	1,482.2	1,659.9	1,949.6	2,383.0
Long term borrowings	200.8	249.9	280.3	342.3
Short term borrowing	715.3	824.7	879.4	885.9
Total Debt	916.1	1,074.6	1,159.7	1,228.1
Deferred tax liabilities	72.7	90.5	113.1	141.4
Long term provision	2.6	3.2	4.0	5.0
Other long term liabilities	2.4	3.0	3.8	4.7
Total	278.6	346.6	401.2	493.4
Current Liabilities				
Trade payables	73.8	91.9	114.8	143.5
Short term provisions	5.0	6.2	7.8	9.7
Other current liabilities	42.1	52.3	65.4	81.7
Total	836.1	975.1	1,067.4	1,120.9
Total liabilities	2,596.9	2,981.6	3,418.2	3,997.3
Application of Assets				
Net Block	1,253.7	1,421.8	1,489.5	1,594.2
Current work in process	54.0	54.0	54.0	54.0
Other non-current assets	42.0	52.3	65.4	81.7
Total	1,349.7	1,528.2	1,608.9	1,729.9
Current Assets				
Inventories	578.3	713.1	882.6	1,103.2
Trade receivables	441.4	550.7	688.4	860.5
Cash balance	85.7	12.7	16.6	25.9
Bank balance	(2.3)	(2.3)	(2.3)	(2.3)
Other current assets	144.1	179.3	224.1	280.1
Total	1,247.2	1,453.5	1,809.3	2,267.4
Total assets	2,596.9	2,981.6	3,418.2	3,997.3

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Profit before tax	305.0	272.0	404.7	568.1
Add: Depreciation	63.7	89.5	93.4	96.6
Add: Interest cost	34.4	80.0	81.2	83.5
Others	17.8	-	-	-
Operating profit before working capital changes	417.7	438.7	576.1	744.3
Changes in working capital	(187.6)	(241.1)	(303.2)	(387.9)
Cash from Operations	230.1	197.6	272.8	356.4
Less: Taxes	(35.0)	(27.8)	(48.6)	(68.2)
Cash flow from Operations	195.1	169.8	224.3	288.2
Net cash used in Investing				
Purchase of fixed assets	(332.3)	(257.7)	(161.1)	(201.3)
Other Income	3.3	2.8	3.2	4.0
Others	0.1	-	-	-
Cash flow from investing	(328.9)	(254.9)	(157.8)	(197.3)
Cash flow from Financing				
Proceeds of borrowings	187.5	158.5	85.1	68.5
Sales of borrowings	77.8	-	-	-
Dividend (Incl dividend tax)	(66.5)	(66.5)	(66.5)	(66.5)
Interest cost	(34.4)	(80.0)	(81.2)	(83.5)
Others	(0.8)	-	-	-
Cash flow from Financing	163.6	12.0	(62.6)	(81.6)
Net cash Inflow/Outflow	29.8	(73.1)	3.9	9.3
Opening cash	55.9	85.7	12.7	16.6
Closing Cash	85.7	12.7	16.6	25.9

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24E	FY25E	FY26E
Per share Data				
EPS (Rs)	20.2	18.4	26.8	37.6
Book value per share (Rs)	111.4	124.8	146.6	179.1
Dividend per share (Rs)	5.0	5.0	5.0	5.0
Dividend Payout (%)	24.7	27.2	18.7	13.3
Dividend Yield (%)	0.8	0.8	0.8	0.8
Profitability Ratios				
EBITDAM (%)	19.3	17.0	17.9	18.5
PBTM (%)	14.7	10.6	12.6	14.1
NPM (%)	13.0	9.5	11.1	12.4
RoE (%)	18.1	14.7	18.3	21.0
RoCE (%)	14.0	12.8	15.5	17.9
Efficiency Data				
Debt-Equity Ratio	0.6	0.6	0.6	0.5
Interest Cover Ratio	9.8	4.4	5.9	7.8
Fixed Asset Ratio	0.6	0.6	0.5	0.4
Debtors (Days)	77.8	78.0	78.0	78.0
Inventory (Days)	101.9	101.0	100.0	100.0
Payable (Days)	13.0	13.0	13.0	13.0
WC (Days)	166.7	166.0	165.0	165.0
Valuation				
P/E (x)	31.9	35.1	24.1	17.2
P/BV	5.8	5.2	4.4	3.6
EV/EBITDA	23.5	22.0	16.9	13.1
EV/Sales	4.5	3.7	3.0	2.4

Source : RBL Research

Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com
Riddhika Mirajkar	riddhika.mirajkar@religare.com
Ashwani Harit	ashwani.harit@religare.com
James Kunnel	james.kunnel@religare.com

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
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	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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