

## Strong Operational Performance Despite Weak Volumes; Maintain BUY

**Est. Vs. Actual for Q3FY25:** Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

### Changes in Estimates post Q3FY25

**FY26E/FY27E:** Revenue: -7%/-9%; EBITDA: -7%/-12%; PAT -5%/-12%

### Recommendation Rationale

- **Revenue Performance:** Revenue grew 14% YoY to Rs 758 Cr, driven by a ~3% volume increase (vs. double-digit guidance). The moderation in volume growth was due to higher volatility in coffee prices, leading to slower long-term contracts. However, management remains optimistic, reiterating its long-term volume growth target of 15%.
- **Pricing Strategy:** Over the past 18 months, the company has taken price hikes of 30%–40% in the B2C segment, with an additional 10%–15% increase still under consideration. Future pricing decisions will be guided by market conditions and competitive responses, as the company closely tracks industry leaders before finalising its strategy.
- **EBITDA Growth Outlook:** Management indicated that coffee prices are expected to stay elevated in the near term. However, they remain confident in sustaining EBITDA growth within the 15–20% range by prioritizing long-term agreements, private label partnerships, and higher-margin contracts, which provide better pricing stability and profitability.
- **Debt and Working Capital Position:** The company's working capital remains elevated at approx. Rs 1,200 Cr, primarily due to high coffee prices. Meanwhile, long-term debt stands at Rs 790–800 Cr, bringing total debt to around Rs 2,000 Cr. The sustained increase in working capital reflects the impact of commodity price fluctuations, which continue to influence the company's financial position. Management indicated that going forward, total debt would not exceed Rs 2,200 Cr.

### 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 Dec-26 EPS).

**Current TP:** Rs 730/share (Earlier TP: Rs 820/share)

**Recommendation:** With a 13% upside from the CMP, we **maintain** our BUY rating on the stock.

**Financial Performance:** CCL Products' consolidated revenue for Q3FY25 stood at Rs 758 Cr, registering a 14% YoY growth, driven by ~3% volume growth. Gross margins declined by 104 bps to 40.1%, impacted by volatility in coffee prices. EBITDA increased to Rs 124 Cr, up 12.2% YoY, while EBITDA margins declined by 29 bps YoY to 16.4%. The company's PAT stood at Rs 63 Cr, down 0.4% YoY.

### Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	758	2.7	14.1	784	(3.3)
EBITDA	124	(9.2)	12.2	128	(2.8)
EBITDA Margin (%)	16.4	-216 bps	-29 bps	16.3	8 bps
Net Profit	63	(14.8)	(0.4)	66	(4.3)
EPS (Rs)	4.7	(14.8)	(0.4)	5.0	(4.3)

Source: Company, Axis Research

(CMP as of 06<sup>th</sup> February 2025)

CMP (Rs)	648
Upside /Downside (%)	13%
High/Low (Rs)	854/551
Market cap (Cr)	8658
Avg. daily vol. (6m) Shrs	389
No. of shares (Cr)	13

### Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	46.1	46.1	46.1
FII's	9.8	10.2	10.1
MFs/UTI	18.8	19.0	19.0
Banks/FIs	0.0	0.0	0.0
Others	25.3	24.8	24.8

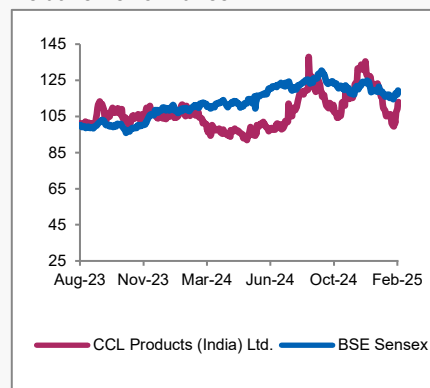
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	3,065	3,631	4,300
EBITDA	506	616	751
Net Profit	258	342	449
EPS, Rs	19.4	25.7	33.7
PER, x	33.4	25.2	19.2
EV/EBITDA, x	20.3	16.6	13.4
ROE, %	13.8	16.0	17.8
Debt/Equity (%)	0.9	0.8	0.6

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-7%	-9%
EBITDA	-7%	-12%
PAT	-5%	-12%

### Relative Performance



Source: Ace Equity, Axis Securities

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## Outlook & Recommendation

CCL Products has maintained consistent performance despite volatility in coffee prices. Following supply chain disruptions, several global coffee companies are looking to de-risk their supplies by partnering with manufacturers that have a presence across multiple geographies. In this context, CCL Products is well-positioned as a preferred choice due to the following factors: 1) It has facilities in Vietnam and India, unlike Brazilian players that operate only in their home country. This geographic advantage has helped CCL strengthen its foothold in international markets, gain market share, and access new business. Additionally, it is looking to invest further in the UK and US markets. The company targets a 15% global market share in the next few years; 2) It operates 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 expanding capacity in value-added products such as FDC and small packs in Vietnam; and 5) It is aggressively scaling up its domestic business, led by its branded segment. We have revised our FY25/26 PAT estimates downward to factor in high coffee prices, increased depreciation, and higher interest costs.

## Concall highlights

1. **Domestic Business:** The company's domestic business continues to demonstrate strong growth, recording a gross turnover of Rs 330 Cr YTD, with Rs 220 Cr contributed by branded products. In Q3FY25, domestic revenue stood at Rs 130 Cr, of which Rs 90 Cr came from branded sales. The India segment is expanding at a robust 40%, driven by 50% growth in the B2C segment. Management had earlier guided for Rs 400 Cr in total domestic revenue for the year and now expects to surpass this, reaching Rs 430-440 Cr, with B2C contributing Rs 300 Cr. Management further highlighted that it remains well on track to meet its targets, reflecting broad-based growth across operations.
2. **Distribution Network:**
  - a) Currently, 65%- 70% of sales come from Southern markets, slightly ahead of category trends due to the company's early focus on the region. However, management indicated that reliance on the South has declined from 80%- 85% two years ago to 70% now, reflecting growth in other regions.
  - b) Regarding channel mix, 50%-60% of sales still come from general trade, quick commerce and e-commerce contribute ~20%, and modern trade accounts for 25%. As the company expands further into North, East, and West India, the share of modern trade and digital channels is expected to rise, with quick commerce leading growth, followed by modern trade and general trade. This shift is driven by higher penetration in South India's general trade, while modern trade and digital channels are scaling up in other regions.
  - c) On the distribution front, the company now reaches ~1,20,000 direct general trade outlets and is present in ~3,500 modern trade stores. Additionally, it has achieved 90% coverage across dark stores in quick commerce, ensuring strong availability in this fast-growing segment.
3. **Capex:** The company does not anticipate any significant capex in FY26 and FY27. With most of its capacity expansion already completed, management stated that it is well-positioned for the next three years and does not expect any additional capex during this period.

## Key Risks to Our Estimates and TP

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

## Change in Estimates

	Old		New		% change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	3,895	4,733	3,631	4,300	-7%	-9%
EBITDA	662	857	616	751	-7%	-12%
PAT	361	510	342	449	-5%	-12%
EPS	27.1	38.3	25.7	33.7	-5%	-12%

Source: Company, Axis Securities

## Results Review

Rs Cr	Q3FY24	Q2FY25	Axis Est.	Q3FY25	% Change (YoY)	% Change (QoQ)	Var (%) Axis Sec Est.
<b>Net Sales</b>	<b>664</b>	<b>738</b>	<b>784</b>	<b>758</b>	<b>14.1</b>	<b>2.7</b>	<b>(3.3)</b>
<b>Gross Profit</b>	<b>274</b>	<b>294</b>	<b>313</b>	<b>304</b>	<b>11.3</b>	<b>3.7</b>	<b>(2.8)</b>
<b>Gross Margin (%)</b>	<b>41.2</b>	<b>39.8</b>	<b>39.9</b>	<b>40.1</b>	<b>-104 bps</b>	<b>37 bps</b>	<b>21 bps</b>
Employee Expenses	36	40	43	44	23.1	9.6	2.6
Other Expenses	127	116	142	136	7.1	16.9	(4.4)
<b>EBITDA</b>	<b>111</b>	<b>137</b>	<b>128</b>	<b>124</b>	<b>12.2</b>	<b>(9.2)</b>	<b>(2.8)</b>
<b>EBITDA Margin (%)</b>	<b>16.7</b>	<b>18.6</b>	<b>16.3</b>	<b>16.4</b>	<b>-29 bps</b>	<b>-216 bps</b>	<b>8 bps</b>
Oth. Inc	1	1	1	3	145.0	409.3	385.0
Interest	23	27	27	31	31.7	14.8	13.6
Depreciation	22	24	24	25	11.8	4.6	3.6
PBT	67	87	78	72	7.8	(17.7)	(7.6)
Tax	3	13	12	9	159.2	(33.8)	(25.7)
<b>PAT</b>	<b>63</b>	<b>74</b>	<b>66</b>	<b>63</b>	<b>(0.4)</b>	<b>(14.8)</b>	<b>(4.3)</b>
<b>EPS</b>	<b>4.8</b>	<b>5.6</b>	<b>5.0</b>	<b>4.7</b>	<b>(0.4)</b>	<b>(14.8)</b>	<b>(4.3)</b>

Source: Company, Axis Securities

## Financials (consolidated)

### Profit & Loss

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
<b>Net sales</b>	<b>2,654</b>	<b>3,065</b>	<b>3,631</b>	<b>4,300</b>
Growth, %	28.1	15.5	18.5	18.5
Total income	2,654	3,065	3,631	4,300
Raw material expenses	(1,552)	(1,800)	(2,106)	(2,465)
Employee expenses	(146)	(167)	(201)	(241)
Other Operating expenses	(511)	(592)	(707)	(844)
<b>EBITDA (Core)</b>	<b>445</b>	<b>506</b>	<b>616</b>	<b>751</b>
Growth, %	11.4	13.5	21.9	21.8
Margin, %	16.8	16.5	17.0	17.5
Depreciation	(98)	(115)	(121)	(127)
<b>EBIT</b>	<b>348</b>	<b>390</b>	<b>495</b>	<b>624</b>
Growth, %	3.4	12.3	26.9	26.0
Margin, %	13.1	12.7	13.6	14.5
Interest paid	(78)	(101)	(106)	(111)
Other Income	6	7	8	9
Non-recurring Items	-	-	-	-
<b>Pre-tax profit</b>	<b>276</b>	<b>296</b>	<b>397</b>	<b>522</b>
Tax provided	(26)	(39)	(56)	(73)
<b>Profit after tax</b>	<b>250</b>	<b>258</b>	<b>342</b>	<b>449</b>
Growth, %	(11.9)	3.1	32.6	31.4

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Cash & bank	170	(8)	36	146
Marketable securities at cost	-	-	-	-
Debtors	497	574	680	805
Inventory	788	911	1,079	1,278
Other current assets	286	286	286	286
Total current assets	1,741	1,763	2,080	2,515
Investments	0	0	0	0
Gross fixed assets	1,683	1,983	2,083	2,183
Less: Depreciation	(432)	(547)	(668)	(794)
Add: Capital WIP	501	501	501	501
Net fixed assets	1,753	1,937	1,917	1,890
Non-current assets	42	42	42	42
<b>Total assets</b>	<b>3,536</b>	<b>3,743</b>	<b>4,039</b>	<b>4,447</b>
Current liabilities	1,278	1,294	1,315	1,340
Provisions	3	3	3	3
Total current liabilities	1,282	1,297	1,318	1,343
Non-current liabilities	581	581	581	581
Total liabilities	1,862	1,878	1,899	1,924
Paid-up capital	27	27	27	27
Reserves & surplus	1,647	1,839	2,114	2,496
Shareholders' equity	1,674	1,865	2,140	2,523
<b>Total equity &amp; liabilities</b>	<b>3,536</b>	<b>3,743</b>	<b>4,039</b>	<b>4,447</b>

Source: Company, Axis Securities

**Cash Flow**

(Rs Cr)

Y/E Mar	FY24	FY25E	FY26E	FY27E
Pre-tax profit	276	296	397	522
Depreciation	98	115	121	127
Chg in working capital	29	(184)	(253)	(299)
Total tax paid	(37)	(39)	(56)	(73)
Other operating activities	(10)	(10)	(10)	(10)
<b>Cash flow from operating activities</b>	<b>356</b>	<b>179</b>	<b>200</b>	<b>266</b>
Capital expenditure	(538)	(300)	(100)	(100)
Other investing activities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>(538)</b>	<b>(300)</b>	<b>(100)</b>	<b>(100)</b>
Free cash flow	(182)	(121)	100	166
Other financing activities	(59)	(59)	(59)	(59)
<b>Cash flow from financing activities</b>	<b>259</b>	<b>(59)</b>	<b>(59)</b>	<b>(59)</b>
The net change in cash	77	(180)	41	108
Opening cash balance	83	170	(8)	36
Closing cash balance	170	(8)	36	146

Source: Company, Axis Securities

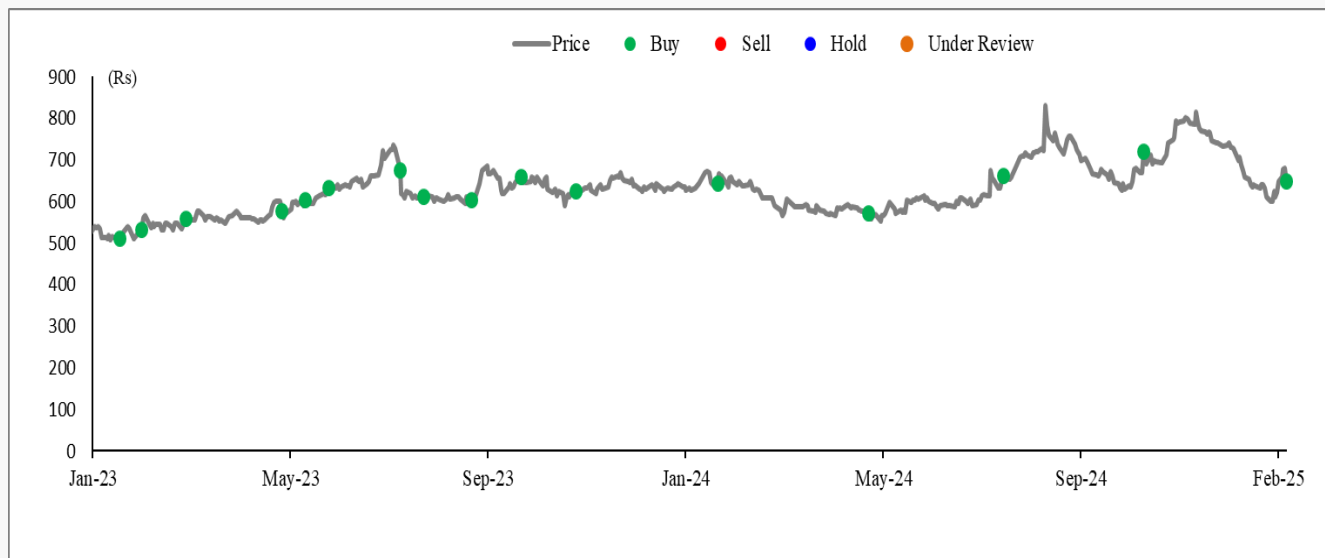
**Ratio Analysis**

(%)

Y/E Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share data</b>				
EPS (INR)	18.8	19.4	25.7	33.7
Growth, %	(11.9)	3.1	32.6	31.4
Book NAV/share (INR)	125.8	140.2	160.9	189.6
FDEPS (INR)	18.8	19.4	25.7	33.7
CEPS (INR)	26.1	28.0	34.8	43.3
CFPS (INR)	(1.6)	13.7	15.2	20.1
<b>Return ratios</b>				
Return on assets (%)	10.7	9.9	11.5	13.2
Return on equity (%)	14.9	13.8	16.0	17.8
Return on capital employed (%)	16.3	15.2	17.3	19.2
<b>Turnover ratios</b>				
Asset turnover (x)	1.0	0.9	1.0	1.1
Sales/Total assets (x)	0.9	0.8	0.9	1.0
Sales/Net FA (x)	1.7	1.7	1.9	2.3
Working capital/Sales (x)	0.1	0.2	0.2	0.2
Receivable days	68.3	68.3	68.3	68.3
Inventory days	108.4	108.4	108.4	108.4
Payable days	16.5	16.4	16.5	16.6
Working capital days	40.3	56.8	73.3	87.3
<b>Liquidity ratios</b>				
Current ratio (x)	1.4	1.4	1.6	1.9
Quick ratio (x)	0.7	0.7	0.8	0.9
Interest cover (x)	4.5	3.9	4.7	5.6
Total debt/Equity (%)	1.0	0.9	0.8	0.6
<b>Valuation</b>				
PER (x)	34.5	33.4	25.2	19.2
PEG (x) - y-o-y growth	(2.9)	10.8	0.8	0.6
Price/Book (x)	5.2	4.6	4.0	3.4
EV/Net sales (x)	3.8	3.3	2.8	2.3
EV/EBITDA (x)	22.6	20.3	16.6	13.4
EV/EBIT (x)	29.0	26.3	20.6	16.2

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
07-Feb-25	BUY	730	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.