

**Overall mixed performance; commodity prices a key monitorable**

QIFY25 Result Update | Sector: FMCG | August 08, 2024

**BUY**

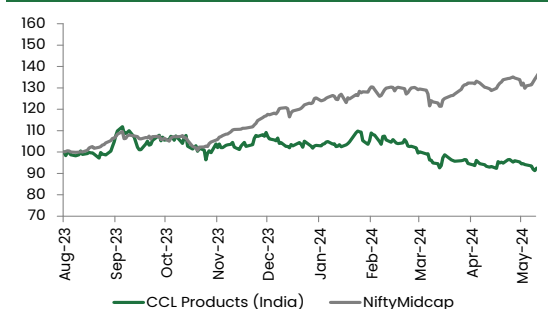
<b>CMP (Rs)</b>	<b>663</b>
<b>Target Price (Rs)</b>	<b>775</b>
<b>Potential Upside</b>	<b>17.0%</b>
<b>Sensex</b>	79,145
<b>Nifty</b>	24,199

**Key Stock data**

<b>BSE Code</b>	519600
<b>NSE Code</b>	CCL
<b>Bloomberg</b>	CCLP IN
<b>Shares o/s, Cr (FV 2)</b>	13.3
<b>Market Cap (Rs Cr)</b>	8,838
<b>3M Avg Volume</b>	2,93,105
<b>52 week H/L</b>	694/552

**Shareholding Pattern**

(%)	Dec-23	Mar-24	Jun-24
<b>Promoter</b>	46.3	46.3	46.1
<b>FII</b>	7.8	8.1	9.8
<b>DII</b>	21.4	21.7	20.6
<b>Others</b>	24.5	23.9	23.6

**1 year relative price performance**

**1 year Forward P/E (x)**

**Research Analyst**
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**Volume led topline growth:** CCL products posted strong topline growth of 18.1% YoY/6.4% QoQ to Rs 773.3cr led by volume growth of 15% YoY. In India, the company is operating at peak capacity, while in Vietnam, it is utilizing 100% of its capacity, and newer facilities are operating at 50% capacity. Going ahead, their core focus will be on volume growth and focus will be on to grow at double digit volume growth.

**Profits rise amid cost pressures:** Its gross profit was higher by 13.0% YoY but declined 5.8% QoQ to Rs 294.4cr with margins at 38.1%, declined by 170 bps YoY but improved by 485bps QoQ primarily due to higher raw material costs. EBITDA rose by 22.5% YoY and 10.3% QoQ; however, the margin showed a slight improvement of 61 bps YoY and 59 bps QoQ to 16.8%. This increase was due to the company securing some high-value contracts during the quarter. PAT grew by 17.7% YoY and 9.6% QoQ to Rs 71.5cr with margin at 9.2% which decreased by 3bps YoY but improved 27bps QoQ, due to lower depreciation.

**Management guidance intact for long term but cautiousness in the near term:** Management remains cautiously optimistic as they believe that clients are delaying in signing long term contracts while they are currently focusing on short term contracts due to fluctuation in commodity prices. Besides, the demand and consumption pattern remains intact so optimism continues going ahead and expects volume to grow in the range of 10-20% in next couple of years and expects EBITDA margin to improve further with improvement in orders, stabilization of raw material cost and focus on branded and premium products however, any deviation may impact overall growth.

**Key Highlights:**

- Tough environment in terms of raw materials as well as signing of long term contracts remains a concern on one side however on the other side, coffee consumption & demand is intact thus management remains cautiously optimistic.
- Amongst the geographies, 40% of the volumes come from the Asian market, while East Europe, West Europe & the UK, and North America contribute 25%, 15%, and 15%, respectively.
- Clients are focusing more on signing shorter term contracts while long term contracts are seeing a decline due to fluctuation in commodity prices.
- The focus is on boosting sales of branded products, with plans to increase market share and achieve a 45%-50% revenue growth in the branded business in India.
- Small packs products are 20% of the mix. Going forward, value added products and small packs will help to improve the margins.
- India Branded business was ~Rs 95cr in QIFY25 while the focus is to earn ~Rs 300cr for FY25. Further, company is targeting 7-8% EBITDA Margin from Branded products in FY25.

**Outlook & Valuation:** CCL Products reported steady numbers with double digit volume growth while gross margin remained impacted led by higher commodity prices. Going ahead, management remains cautiously optimistic with strong demand conditions, capacity expansion as per plan along with improving utilization however commodity prices a key monitorable but with stabilization ahead it would aid growth. We remain positive on the growth prospect of the company in the medium to long term perspective given the product portfolio, volume led growth and expansion however near term may see volatility. Thus, we have estimated its revenue/EBITDA/PAT to grow at 23%/25.6%/30% CAGR over FY24-26E and maintain our **Buy** rating with the revised target price of **Rs 775**.

**Financial Summary – consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	2,071.2	2,653.7	3,290.6	4,014.5
EBITDA	399.9	445.4	556.6	703.1
EBITDAM (%)	19.3	16.8	16.9	17.5
APAT	268.9	250.1	309.6	422.6
APATM (%)	13.0	9.4	9.4	10.5
EPS (Rs)	20.2	18.8	23.3	31.8
PE (x)	32.8	35.2	28.4	20.8
RoE (%)	18.1	14.9	16.2	18.6

Source : RBL Research

**Other Highlights:**

- Company has debt of INR 1,885 Cr as on 30th June 2024 and expected to peak at INR 2,200 Cr by FY25 if coffee prices remain elevated.
- Inventory at the clients is still at low level due to higher coffee prices.
- Coffee prices are still at elevated price, all hopes from upcoming harvesting season in Nov-Dec.
- Tax rate to be ~14% at consolidated levels.
- Presence amongst ~1.10 lakh outlet and targeting direct distribution outlet of close to 1.3 lakh.

*Net Sales grew by 18.1% YoY led by 15% growth in volumes*

*Margins witness a slight improvement due to better cost control*

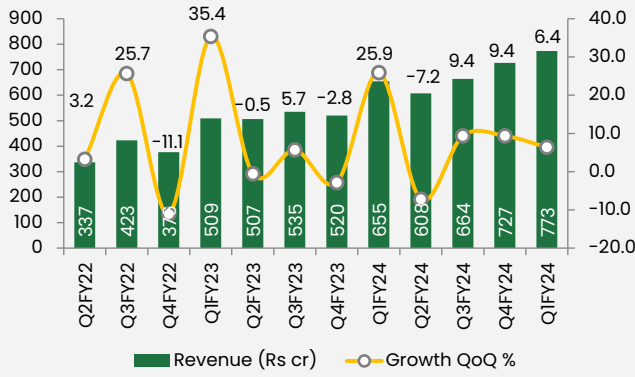
**P&L Account Quarterly - consolidated**

Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
Net Sales	773.3	654.9	18.1	726.7	6.4
Cost of Raw Materials	501.5	378.5	32.5	464.6	7.9
(Increase) / Decrease In Stocks	(22.6)	16.0	-	(50.5)	-
<b>Total Raw material cost</b>	<b>478.9</b>	<b>394.5</b>	<b>21.4</b>	<b>414.1</b>	<b>15.7</b>
<b>Gross Profit</b>	<b>294.4</b>	<b>260.5</b>	<b>13.0</b>	<b>312.6</b>	<b>(5.8)</b>
Gross Margins %	38.1	39.8	-170bps	43.0	-495bps
Employee Cost	38.4	31.6	21.6	46.3	(17.0)
Other Expense	125.7	122.5	2.6	148.2	(15.2)
<b>Total Expenditure</b>	<b>643.0</b>	<b>548.6</b>	<b>17.2</b>	<b>608.6</b>	<b>5.7</b>
<b>EBITDA</b>	<b>130.3</b>	<b>106.4</b>	<b>22.5</b>	<b>118.1</b>	<b>10.3</b>
EBITDA Margins (%)	16.8	16.2	61bps	16.3	59bps
Depreciation	23.0	22.4	2.7	30.5	(24.6)
EBIT	107.3	84.0	27.7	87.6	22.5
Other Income	1.3	0.3	292.3	4.1	-
Interest	21.4	14.9	43.8	21.3	0.6
PBT	87.2	69.4	25.6	70.4	23.8
Tax	15.7	8.7	-	5.2	202.4
<b>PAT</b>	<b>71.5</b>	<b>60.7</b>	<b>17.7</b>	<b>65.2</b>	<b>9.6</b>
PAT Margin (%)	9.2	9.3	-3bps	9.0	27bps
EPS	2.7	2.3	17.6	2.5	9.5

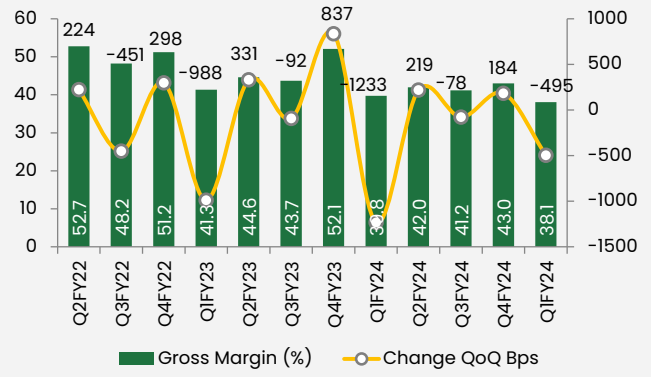
Source : RBL Research

Story in charts

Revenue grew by 18.1% YoY and 6.4% QoQ

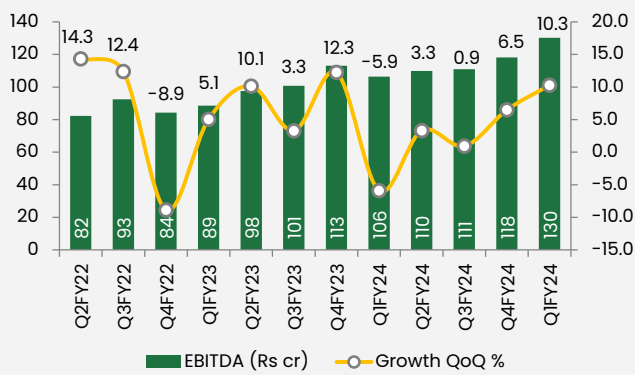


Gross margin declined by bps 170 YoY and 495bps QoQ

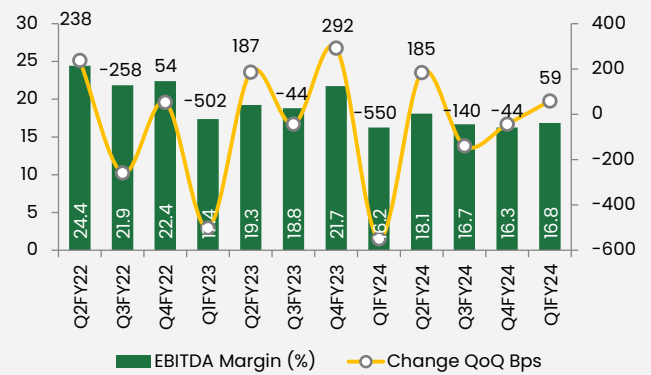


Source : RBL Research

EBITDA grew by 22.5% YoY and 10.3% QoQ

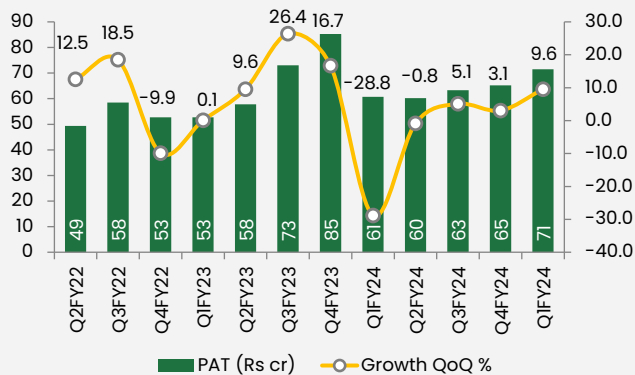


EBITDA margin improved by 61bps YoY and 59bps QoQ

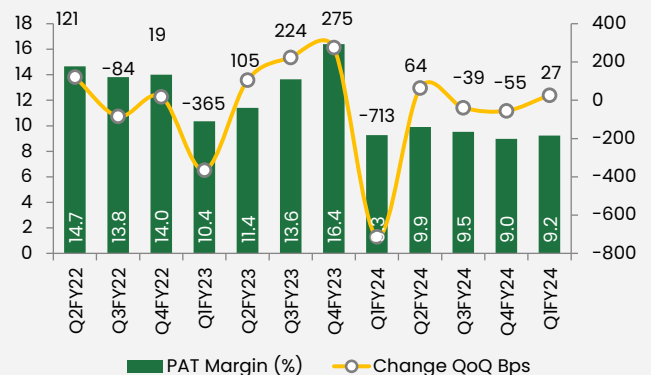


Source : RBL Research

PAT grew by 17.7% YoY and 9.6% QoQ



PAT margin down by 3bps but improved 27bps QoQ



Source : RBL Research

**P&L Account – consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>2,071.2</b>	<b>2,653.7</b>	<b>3,290.6</b>	<b>4,014.5</b>
<b>Expenditure</b>				
Cost of materials	1,140.5	1,629.4	2,027.0	2,448.8
(Increase) / Decrease In Stocks	(10.9)	(77.3)	(82.3)	(100.4)
<b>Total raw materials</b>	<b>1,129.6</b>	<b>1,552.1</b>	<b>1,944.7</b>	<b>2,348.5</b>
<b>Gross Profit</b>	<b>941.6</b>	<b>1,101.6</b>	<b>1,345.8</b>	<b>1,666.0</b>
Employee cost	113.5	145.6	180.5	220.3
Other expenses	428.3	510.7	608.8	742.7
<b>Total expenditure</b>	<b>1,671.4</b>	<b>2,208.3</b>	<b>2,734.0</b>	<b>3,311.4</b>
<b>EBITDA</b>	<b>399.9</b>	<b>445.4</b>	<b>556.6</b>	<b>703.1</b>
EBITDAM (%)	19.3	16.8	16.9	17.5
Depreciation	63.7	97.7	105.3	120.4
EBIT	336.1	347.7	451.3	582.7
Other income	3.3	6.3	7.8	9.5
Interest expenses	34.4	77.7	99.0	106.4
PBT	305.0	276.2	360.1	485.8
Tax	36.1	26.2	50.4	63.2
<b>Reported PAT</b>	<b>268.9</b>	<b>250.1</b>	<b>309.6</b>	<b>422.6</b>
Exceptional Income / Expenses	0.0	0.0	0.0	0.0
PAT (after Exceptional)	268.9	250.1	309.6	422.6
PAT Margin %	13.0	9.4	9.4	10.5
EPS	20.2	18.8	23.3	31.8

Source : RBL Research

**Balance Sheet – consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	26.6	26.6	26.6	26.6
Reserves & Surplus	1,455.6	1,647.2	1,890.3	2,246.5
<b>Total Shareholder's Fund</b>	<b>1,482.2</b>	<b>1,673.8</b>	<b>1,917.0</b>	<b>2,273.1</b>
Minority Interest	-	-	-	-
Long term borrowings	200.8	518.6	559.4	602.2
Short term borrowing	715.3	1,102.2	1,382.0	1,525.5
<b>Total Debt</b>	<b>916.1</b>	<b>1,620.8</b>	<b>1,941.4</b>	<b>2,127.7</b>
Deferred tax liabilities	72.7	62.0	76.8	93.7
Long term provision	2.6	3.3	4.1	5.0
Other long term liabilities	2.4	1.0	1.3	1.5
<b>Total</b>	<b>278.6</b>	<b>584.9</b>	<b>641.6</b>	<b>702.4</b>
<b>Current Liabilities</b>				
Trade payables	73.8	99.7	123.7	150.9
Short term provisions	5.0	5.4	6.7	8.2
Other current liabilities	42.1	69.8	86.6	105.7
<b>Total</b>	<b>836.1</b>	<b>1,277.2</b>	<b>1,599.0</b>	<b>1,790.2</b>
<b>Total liabilities</b>	<b>2,596.9</b>	<b>3,535.9</b>	<b>4,157.5</b>	<b>4,765.7</b>
<b>Application of Assets</b>				
Net Block	1,253.7	1,251.6	1,401.8	1,570.0
Current work in process	54.0	501.1	501.1	501.1
Other non-current assets	42.0	42.3	52.4	63.9
<b>Total</b>	<b>1,349.7</b>	<b>1,794.9</b>	<b>1,955.2</b>	<b>2,135.0</b>
<b>Current Assets</b>				
Inventories	578.3	788.4	977.6	1,154.9
Trade receivables	441.4	496.8	616.0	736.9
Cash balance	82.5	169.0	253.2	305.5
Bank balance	0.9	0.7	0.8	0.8
Other current assets	144.1	286.0	354.7	432.7
<b>Total</b>	<b>1,247.2</b>	<b>1,741.0</b>	<b>2,202.3</b>	<b>2,630.8</b>
<b>Total assets</b>	<b>2,596.9</b>	<b>3,535.9</b>	<b>4,157.6</b>	<b>4,765.8</b>

Source : RBL Research

**Cashflow – consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	305.0	276.2	360.1	485.8
Add: Depreciation	63.7	97.7	105.3	120.4
Add: Interest cost	34.4	77.7	99.0	106.4
Others	(4.3)	(1.6)	-	-
<b>Operating profit before working capital changes</b>	<b>395.6</b>	<b>444.0</b>	<b>556.6</b>	<b>703.1</b>
Changes in working capital	(187.4)	(359.6)	(329.3)	(321.8)
Cash from Operations	208.2	84.4	227.2	381.3
Less: Taxes	(35.0)	(29.0)	(50.4)	(63.2)
<b>Cash flow from Operations</b>	<b>173.2</b>	<b>55.4</b>	<b>176.8</b>	<b>318.1</b>
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(332.3)	(513.3)	(255.5)	(288.7)
Other Income	0.1	0.5	7.8	9.5
Others	(0.0)	(0.9)	-	-
<b>Cash flow from investing</b>	<b>(332.1)</b>	<b>(513.6)</b>	<b>(247.7)</b>	<b>(279.1)</b>
<b>Cash flow from Financing</b>				
Proceeds of borrowings	265.4	704.7	320.6	186.2
Sales of borrowings	-	-	-	-
Dividend (Incl dividend tax)	(66.5)	(66.5)	(66.5)	(66.5)
Interest cost	(34.4)	(77.7)	(99.0)	(106.4)
Others	(0.8)	(2.0)	-	-
<b>Cash flow from Financing</b>	<b>163.6</b>	<b>558.5</b>	<b>155.1</b>	<b>13.4</b>
<b>Net cash Inflow/Outflow</b>	<b>4.7</b>	<b>100.3</b>	<b>84.2</b>	<b>52.3</b>
Opening cash	52.8	82.5	169.0	253.2
<b>Closing Cash</b>	<b>82.5</b>	<b>169.0</b>	<b>253.2</b>	<b>305.5</b>

Source : RBL Research

**Key ratios – consolidated**

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
EPS (Rs)	20.2	18.8	23.3	31.8
Book value per share (Rs)	111.4	125.8	144.1	170.9
Dividend per share (Rs)	5.0	5.0	5.0	5.0
Dividend Payout %	24.7	26.6	21.5	15.7
Dividend Yield %	0.8	0.8	0.8	0.8
<b>Profitability Ratios</b>				
EBITDAM(%)	19.3	16.8	16.9	17.5
PBTM (%)	14.7	10.4	10.9	12.1
NPM (%)	13.0	9.4	9.4	10.5
RoE (%)	18.1	14.9	16.2	18.6
RoCE (%)	14.0	10.6	11.7	13.2
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.6	1.0	1.0	0.9
Interest Cover Ratio	9.8	4.5	4.6	5.5
Fixed Asset Ratio	0.6	0.5	0.4	0.4
Debtors (Days)	77.8	68.3	68.3	67.0
Inventory (Days)	101.9	108.4	108.4	105.0
Payable (Days)	13.0	13.7	13.7	13.7
WC (Days)	166.7	163.1	163.1	158.3
<b>Valuation</b>				
P/E (x)	32.8	35.3	28.5	20.9
P/BV	6.0	5.3	4.6	3.9
EV/EBITDA	24.1	23.1	18.9	15.1
EV/Sales	4.7	3.9	3.2	2.7

Source : RBL Research

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**Rating Methodology**

Ratings	Upside
Buy	More than 15%
Accumulate	5% - 15%
Hold	0%- 5%
Sell	Below 0%

**Note:** RBL Investment ratings (All ratings based on absolute return; All ratings and target price refers to 12 month performance horizon, unless mentioned otherwise).

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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? <b>[If answer is yes, nature of Interest is given below this table]</b>		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
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	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
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	I/we have been engaged in market making activity for the subject company?		No

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[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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