

**Overall mixed performance; better growth expected ahead; Maintain Buy**

Q2FY24 Result Update | Sector: FMCG | November 13, 2023

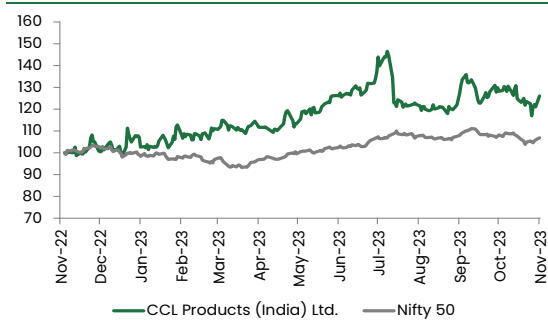
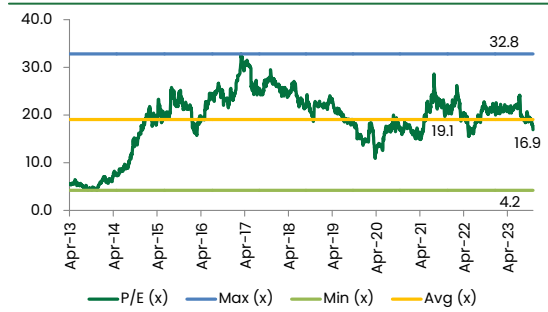
**BUY**

<b>CMP (Rs)</b>	<b>633</b>
<b>Target Price (Rs)</b>	<b>776</b>
<b>Potential Upside</b>	<b>22.5%</b>
<b>Sensex</b>	64,946
<b>Nifty</b>	19,446

<b>Key Stock data</b>	
<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>	8,420
<b>3M Avg Volume</b>	206,595
<b>52 week H/L</b>	750/486

**Shareholding Pattern**

(%)	Mar-23	Jun-23	Sep-23
<b>Promoter</b>	46.3	46.3	46.3
<b>FII</b>	7.7	7.7	7.8
<b>DII</b>	21.1	21.1	21.4
<b>Others</b>	24.9	24.9	24.6

**1 year relative price performance**

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

**Research Analyst**
**Nirvi Ashar**

nirvi.ashar@religare.com

**Overall growth remained Mixed:** CCL products reported mixed revenue growth with 19.9% YoY increase while reported de-growth of 7.2% QoQ to Rs 607.6cr. Its posted volume growth of 10-12% but it could be higher however it got impacted as the company's machinery in Vietnam broke down. Additionally, its value growth was 20% YoY due to the pricing advantage the company got because of smaller packs. Further, its gross/EBITDA/PAT margins as compared to last year remains impacted and was down by 269bps/116bps/150bps YoY as cost of raw material was higher to the tune of 12.7% YoY. However, sequentially, gross/EBITDA/PAT margins improved by 219bps/185bps/64bps led by decrease in RM cost and better operating efficiency.

**Capacity expansion moving as per the plan:** The company has plans to expand spray dried capacity both in India and Vietnam with total capex of Rs 650cr. India's capacity (~16,000 metric tons) is to be operational in Q4FY24 with a capex of Rs 400 cr with 320cr by debt. For Vietnam, (6,000MT) the capex will be USD 50mn out of which they would spend USD 30-35mn in FY24 and USD 15-20mn in FY25.

**Management guidance intact:** Management remains positive on the growth prospect of the company on the back of improving demand, product addition coupled with capacity addition. So, they have maintained growth guidance with volumes at ~18-20% while maintaining the EBITDA margins at 18-20% for the next couple of years. Besides, they expect domestic business to grow at 25-30% topline and within which branded business to achieve revenue of over Rs 200cr by FY24.

**Key highlights:** 1) Coffee price is at a high level and the company books coffee as per the order and prices. 2) The company is waiting for the prices of the Vietnam crop which is expected to come in the next month which would help the company to get an idea on how prices would pan out in future. 3) Brazil crop prices have seen some decline in trend but the company is waiting for Vietnam prices of coffee. 4) The company is utilizing its India & Vietnam capacity at 100% while new capacity added last quarter is running at 50% capacity while the utilization saw decline to 20-25% post the machinery breakdown last month. 5) The company is coping up with the machinery breakdown in Vietnam. 6) The out of home segment (~90% of revenue) growth remains healthy and seeing strong traction while in-home is ~10% and growing at a slow pace. 7) Plan is to increase consumption by increasing sampling and premix coffee products. 8) Amongst the geographies, Asia including India contributes ~20% of revenue, followed by Europe and US with 15% & 12% share in revenue. Besides, Africa and the Middle-east contributes, 10% & 5% share. 9) Tax rate to be ~12% at consolidated levels.

**Outlook & Valuation:** CCL Products will continue to grow led by increase in domestic demand for coffee, capacity expansion plan, improving utilization levels for its new commissioned plant and focusing more towards product mix and premium products. Further, management plans of focusing on strong volume led growth with steady margin as well as its expansion from B2B to B2C will aid growth. We remain positive on the growth prospect of the company and have estimated its revenue/EBITDA/PAT to grow at 25%/29%/31.5% CAGR over FY23-25E and maintaining the **Buy** rating with target price of **Rs 776**, valuing the company at P/E multiple of 22x on FY25E EPS.

**Financial Summary - consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	1,462.0	2,071.2	2,589.0	3,236.3
EBITDA	331.1	399.9	513.9	665.0
EBITDAM (%)	22.6	19.3	19.8	20.5
APAT	204.4	268.9	352.4	464.7
APATM (%)	14.0	13.0	13.6	14.4
EPS (Rs)	15.4	20.2	26.5	34.9
PE (x)	41.2	31.3	23.9	18.1
RoE (%)	16.3	18.1	19.9	21.5

Source : RBL Research

Revenue grew by 19.9% YoY led by volume growth of 10-12%

Raw material declined as compared sequentially

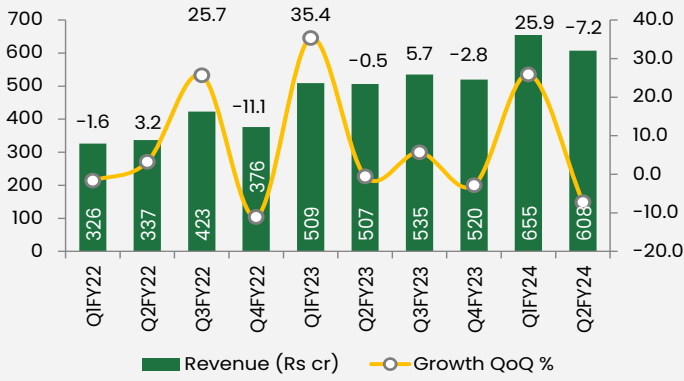
#### P&L Account Quarterly - consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
<b>Net Sales</b>	<b>607.6</b>	<b>506.6</b>	<b>19.9</b>	<b>654.9</b>	<b>(7.2)</b>
Cost of Raw Materials	357.7	280.7	27.4	378.5	(5.5)
(Increase) / Decrease In Stocks	(5.0)	(0.3)	1,446.0	16.0	(131.5)
<b>Total Raw material cost</b>	<b>352.6</b>	<b>280.4</b>	<b>25.8</b>	<b>394.5</b>	<b>(10.6)</b>
<b>Gross Profit</b>	<b>254.9</b>	<b>226.1</b>	<b>12.7</b>	<b>260.5</b>	<b>(2.1)</b>
Gross Margins (%)	42.0	44.6	-269bps	39.8	219bps
Employee Cost	31.9	25.6	24.5	31.6	1.0
Other Expense	113.1	103.0	9.8	122.5	(7.6)
<b>Total Expenditure</b>	<b>497.7</b>	<b>409.0</b>	<b>21.7</b>	<b>548.6</b>	<b>(9.3)</b>
<b>EBITDA</b>	<b>109.9</b>	<b>97.5</b>	<b>12.7</b>	<b>106.4</b>	<b>3.3</b>
EBITDA Margins (%)	18.1	19.3	-116bps	16.2	185bps
Depreciation	22.6	17.5	29.2	22.4	0.8
EBIT	87.3	80.0	9.1	84.0	4.0
Other Income	0.1	0.3	(73.4)	0.3	(78.5)
Interest	18.4	7.2	154.7	14.9	23.2
PBT	69.1	73.1	(5.6)	69.4	(0.5)
Tax	8.8	15.3	(42.3)	8.7	1.5
<b>PAT</b>	<b>60.2</b>	<b>57.8</b>	<b>4.2</b>	<b>60.7</b>	<b>(0.8)</b>
PAT Margin (%)	9.9	11.4	-150bps	9.3	64bps
EPS (Rs)	4.5	4.3	4.2	4.6	(0.8)

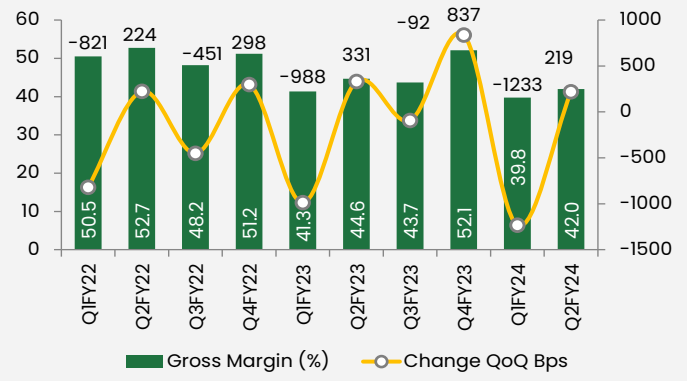
Source : RBL Research

Story in charts

Revenue grew by 19.9% YoY but declined by 7.2% QoQ

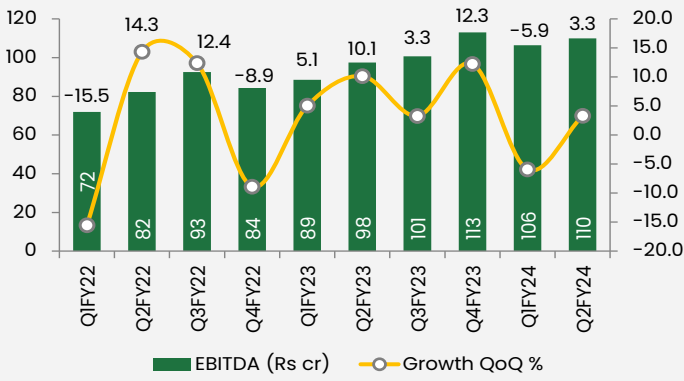


Gross margin declined by 269bps YoY but increased by 219bps QoQ

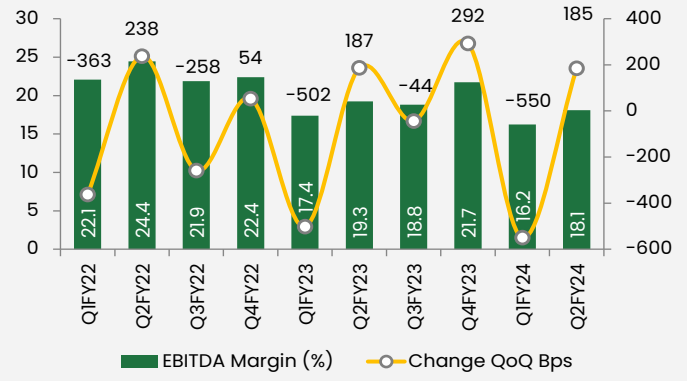


Source : RBL Research

EBITDA grew by 12.7% YoY and 3.3% QoQ

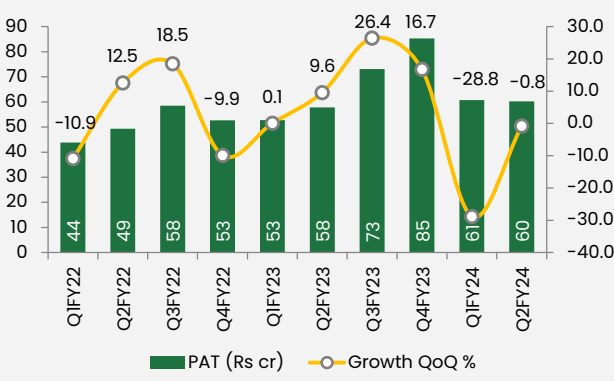


EBITDA margin declined by 116bps YoY but higher by 185bps QoQ

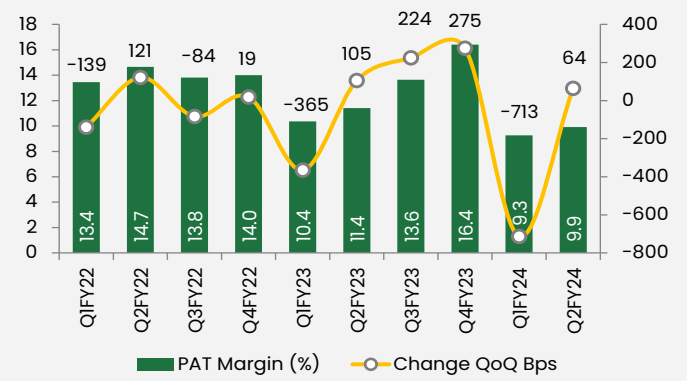


Source : RBL Research

PAT grew by 4.2% YoY but was marginally down by 0.8% QoQ



PAT margin down by 150bps but increased by 64bps QoQ



Source : RBL Research

**P&L Account – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>1,462.0</b>	<b>2,071.2</b>	<b>2,589.0</b>	<b>3,236.3</b>
Growth (%)	18.0	41.7	25.0	25.0
<b>Expenditure</b>				
Cost of materials	785.6	1,140.5	1,416.2	1,757.3
(Increase) / Decrease In Stocks	(62.7)	(10.9)	(13.6)	(17.0)
<b>Total raw materials</b>	<b>722.9</b>	<b>1,129.6</b>	<b>1,402.6</b>	<b>1,740.3</b>
<b>Gross Profit</b>	<b>739.1</b>	<b>941.6</b>	<b>1,186.4</b>	<b>1,496.0</b>
Employee cost	97.7	113.5	141.8	177.3
Other expenses	310.4	428.3	530.7	653.7
<b>Total expenditure</b>	<b>1,131.0</b>	<b>1,671.4</b>	<b>2,075.2</b>	<b>2,571.3</b>
<b>EBITDA</b>	<b>331.1</b>	<b>399.9</b>	<b>513.9</b>	<b>665.0</b>
EBITDAM (%)	22.6	19.3	19.8	20.5
Depreciation	57.5	63.7	77.7	97.1
EBIT	273.6	336.1	436.2	567.9
Other income	4.1	3.3	4.1	5.1
Interest expenses	16.4	34.4	40.5	45.8
PBT	261.3	305.0	399.7	527.2
Tax	57.0	36.1	47.3	62.4
<b>Reported PAT</b>	<b>204.4</b>	<b>268.9</b>	<b>352.4</b>	<b>464.7</b>
PAT Margin (%)	14.0	13.0	13.6	14.4
EPS (Rs)	15.4	20.2	26.5	34.9

Source : RBL Research

**Balance Sheet – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	26.6	26.6	26.6	26.6
Reserves & Surplus	1,224.1	1,455.6	1,741.5	2,139.7
<b>Total Shareholder's Fund</b>	<b>1,250.7</b>	<b>1,482.2</b>	<b>1,768.1</b>	<b>2,166.3</b>
Long term borrowings	111.7	200.8	251.1	313.8
Short term borrowing	539.0	715.3	828.5	906.2
Total Debt	650.8	916.1	1,079.5	1,220.0
Deferred tax liabilities	72.6	72.7	90.9	113.6
Long term provision	1.0	2.6	3.2	4.0
Other long term liabilities	3.9	2.4	3.1	3.8
<b>Total</b>	<b>189.2</b>	<b>278.6</b>	<b>348.2</b>	<b>435.3</b>
<b>Current Liabilities</b>				
Trade payables	45.7	73.8	92.3	115.4
Short term provisions	-	5.0	6.3	7.8
Other current liabilities	45.4	42.1	52.6	65.7
<b>Total</b>	<b>630.1</b>	<b>836.1</b>	<b>979.6</b>	<b>1,095.0</b>
<b>Total liabilities</b>	<b>2,069.9</b>	<b>2,596.9</b>	<b>3,095.9</b>	<b>3,696.6</b>
<b>Application of Assets</b>				
Net Block	882.3	1,253.7	1,434.9	1,661.5
Current work in process	160.0	54.0	54.0	54.0
Other non-current assets	40.7	42.0	52.6	65.7
Total	1,082.9	1,349.7	1,541.5	1,781.1
<b>Current Assets</b>				
Inventories	519.1	578.3	716.4	895.5
Trade receivables	319.6	441.4	553.3	691.6
Cash balance	55.9	85.7	106.9	105.5
Bank balance	(6.5)	(2.3)	(2.3)	(2.3)
Other current assets	98.9	144.1	180.1	225.1
<b>Total</b>	<b>987.0</b>	<b>1,247.2</b>	<b>1,554.4</b>	<b>1,915.5</b>
<b>Total assets</b>	<b>2,069.9</b>	<b>2,596.9</b>	<b>3,095.9</b>	<b>3,696.6</b>

Source : RBL Research

**Cashflow – consolidated**

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	261.3	305.0	399.7	527.2
Add: Depreciation	57.5	63.7	77.7	97.1
Add: Interest cost	-	34.4	40.5	45.8
Others	27.0	17.8	-	-
<b>Operating profit before working capital changes</b>	<b>345.8</b>	<b>420.9</b>	<b>517.9</b>	<b>670.1</b>
Changes in working capital	(206.1)	(187.6)	(246.9)	(313.5)
Cash from Operations	139.7	233.3	271.1	356.5
Less: Taxes	(39.0)	(35.0)	(47.3)	(62.4)
<b>Cash flow from Operations</b>	<b>100.7</b>	<b>198.3</b>	<b>223.7</b>	<b>294.1</b>
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(189.9)	(332.1)	(258.9)	(323.6)
<b>Cash flow from investing</b>	<b>(189.9)</b>	<b>(332.1)</b>	<b>(258.9)</b>	<b>(323.6)</b>
<b>Cash flow from Financing</b>				
Proceeds of borrowings	-	187.5	163.4	140.4
Sales of borrowings	(59.9)	77.8	-	-
Dividend (Incl dividend tax)	(66.5)	(66.5)	(66.5)	(66.5)
Interest cost	-	(34.4)	(40.5)	(45.8)
Others	151.5	(0.8)	-	-
<b>Cash flow from Financing</b>	<b>25.1</b>	<b>163.6</b>	<b>56.4</b>	<b>28.1</b>
<b>Net cash Inflow/Outflow</b>	<b>(64.1)</b>	<b>29.8</b>	<b>21.2</b>	<b>(1.4)</b>
Opening cash	120.0	55.9	85.7	106.9
<b>Closing Cash</b>	<b>55.9</b>	<b>85.7</b>	<b>106.9</b>	<b>105.5</b>

Source : RBL Research

**Key ratios – consolidated**

Particulars	FY22	FY23	FY24E	FY25E
<b>Per share Data</b>				
EPS (Rs)	15.4	20.2	26.5	34.9
Book value per share (Rs)	94.0	111.4	132.9	162.8
Dividend per share (Rs)	5.0	5.0	5.0	5.0
Dividend Payout (%)	32.5	24.7	18.9	14.3
Dividend Yield (%)	0.8	0.8	0.8	0.8
<b>Profitability Ratios</b>				
EBITDAM(%)	22.6	19.3	19.8	20.5
PBTM (%)	17.9	14.7	15.4	16.3
NPM (%)	14.0	13.0	13.6	14.4
RoE (%)	16.3	18.1	19.9	21.5
RoCE (%)	14.4	14.0	15.3	16.8
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.5	0.6	0.6	0.6
Interest Cover Ratio	16.7	9.8	10.8	12.4
Fixed Asset Ratio	0.6	0.6	0.6	0.5
Debtors (Days)	79.8	77.8	78.0	78.0
Inventory (Days)	129.6	101.9	101.0	101.0
Payable (Days)	11.4	13.0	13.0	13.0
WC (Days)	198.0	166.7	166.0	166.0
<b>Valuation</b>				
P/E (x)	41.2	31.3	23.9	18.1
P/BV (x)	6.7	5.7	4.8	3.9
EV/EBITDA (x)	27.2	23.1	18.3	14.3
EV/Sales (x)	6.2	4.5	3.6	2.9

Source : RBL Research

## Research Team

Name	Email ID
Siddarth Bhamre	<a href="mailto:siddarth.bhamre@religare.com">siddarth.bhamre@religare.com</a>
Ajit Mishra	<a href="mailto:ajit.mishra@religare.com">ajit.mishra@religare.com</a>
Manoj Vayalar	<a href="mailto:manoj.vayalar@religare.com">manoj.vayalar@religare.com</a>
Nirvi Ashar	<a href="mailto:nirvi.ashar@religare.com">nirvi.ashar@religare.com</a>
Gaurav Arora	<a href="mailto:gaurav.arora3@religare.com">gaurav.arora3@religare.com</a>
Akshay Tiwari	<a href="mailto:akshay.tiwari@religare.com">akshay.tiwari@religare.com</a>
Abhijeet Banerjee	<a href="mailto:abhijeet.banerjee@religare.com">abhijeet.banerjee@religare.com</a>
Gaurav Sharma	<a href="mailto:gauravsharma2@religare.com">gauravsharma2@religare.com</a>
Rohan Shah	<a href="mailto:rohan.shah@religare.com">rohan.shah@religare.com</a>
Riddhika Mirajkar	<a href="mailto:riddhika.mirajkar@religare.com">riddhika.mirajkar@religare.com</a>
Ashwani Harit	<a href="mailto:ashwani.harit@religare.com">ashwani.harit@religare.com</a>

Before you use this research report, please ensure to go through the disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 and Research Disclaimer at the following link: <https://www.religareonline.com/disclaimer>

Specific analyst(s) specific disclosure(s) inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014 is/are as under:

**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

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
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	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
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	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.

Copyright in this document vests exclusively with RBL. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from RBL. We do not guarantee the integrity of any emails or attached files and are not responsible for any changes made to them by any other person.

Research Disclaimer: <https://www.religareonline.com/disclaimer>