

## CCL Products (India) Ltd.

No. of shares (m)	133.5
Mkt cap (Rs crs/\$m)	8002/925.9
Current price (Rs/\$)	602/7.0
Price target (Rs/\$)	681/7.9
52 W H/L (Rs.)	855/552
Book Value (Rs/\$)	136/1.6
Beta	0.7
Daily volume (avg. monthly NSE)	157690
P/BV (FY25e/26e)	4.2/3.6
EV/EBITDA (FY25e/26e)	17.2/14.8
P/E (FY25e/26e)	26.1/22.1
EPS growth (FY24/25e/26e)	-11.9/22.4/18.4
OPM (FY24/25e/26e)	16.8/17.7/17.6
ROE (FY24/25e/26e)	16.1/17.3/17.7
ROCE (FY24/25e/26e)	11.3/11.2/11.9
D/E ratio FY24/25e/26e)	1.0/0.9/0.7
BSE Code	519600
NSE Code	CCL
Bloomberg	CCLP IN
Reuters	CCLP.NS

## Shareholding pattern

	%
Promoters	46.1
MFs / Banks / FIs/Others	21.1
FPIs	10.1
Govt. Holding	0.0
Public & Others	22.7
<b>Total</b>	<b>100.0</b>

As on Dec 31, 2024

## Recommendation

**ACCUMULATE**

## Analyst

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## Company Brief

CCL Products produces several varieties and blends of coffee including spray dried coffee powder, spray dried agglomerated, freeze dried coffee etc

## Quarterly Highlights

- Unwavering momentum in domestic sales - driven by sales of branded products - partly explains all but 20% growth in revenues in the first half of the current fiscal when higher realizations of coffee ruled the roost. Rise in green coffee accentuated by lower outputs in Vietnam and elsewhere triggered barely robust of take.
- If it were not for CCLP's enhanced focus on small packs and search for brand owners, its margins would not have advanced - 17.7% vs 17.1% in H1 of previous year. Yet surge in interest expense by nearly 45% which prevented rise in post-tax earnings by 19.6% to Rs 145.42 crs when compared to Rs 121.57 crs a year ago. As new capacities start commercial production in H2 of current fiscal, depreciation expense would start to rise; estimated to rise to some Rs 123 crs by FY26 from some Rs 98 crs in FY24.
- For Q2, 10% volume growth underlines the revenue growth of some 21.5%. With green coffee prices expected to barely remain subdued, CCLP expects its full year volumes to rise by 10-20%. Some Rs 727 crs of capital WIP sitting in the books at the end of Q2 underscores the potential capitalization of fixed assets over the next couple of quarters as plants in Vietnam and India commence commercial production.
- The stock currently trades at 26.1x FY25e EPS of Rs 23.01 and 22.1 x FY26e EPS of Rs 27.24. Post tax earnings are estimated to rise by 20.4% on an average during two years FY26 driven by barely downcast revenues. CCLP's seemingly deep-rooted focus on value addition will not come to rescue at a time when buoyant finished product prices and increasing competition have made business scaling all the more difficult. Weighing odds, we assign "accumulate" rating on the stock with revised target of Rs 681 (previous target: Rs 645) based on 25x FY26e earnings over a period of 6-9 months.

(Figures in Rs crs)	FY22	FY23	FY24	FY25e	FY26e
Income from operations	1462.03	2071.22	2653.70	3180.93	3721.69
Other Income	4.09	3.26	6.32	6.61	6.92
EBITDA (other income included)	335.16	403.11	451.62	570.30	661.93
Profit after EO	204.35	283.96	250.08	306.11	362.36
EPS (Rs)	15.36	21.35	18.80	23.01	27.24
EPS growth (%)	12.1	39.0	-11.9	22.4	18.4

## Outlook & Recommendation

### Global instant coffee industry outlook

According to a report by IMARC, the global instant coffee market is estimated to grow at a CAGR of 4.5% during 2025-2033 period. Some of the factors, which the report contends, which would drive the market include increasing demand for enhanced convenience among people with busy lifestyles, rising focus on health and wellness and wide availability of products via several distribution channels.

The industry has seen greater demand for coffee products that contain ingredients like green tea extract, ginseng, and guarana on account of their health benefits. Further, rising cases of obesity and diabetes among individuals worldwide is catalyzing demand for green coffee owing to its ability to enhance metabolism and support weight management. The report further states that to tap larger audience and gain greater market revenues, top instant coffee producers are launching goods with natural and healthful components.



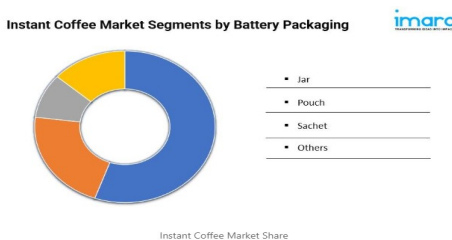
Source: IMARC

Expansion of online distribution channels such as supermarkets, convenience stores and general stores is presenting profitable growth opportunities. The instant coffee market is also getting a push from burgeoning e-commerce industry. In addition, the instant coffee demand has seen a catalyzing effect from diverse range of products, exciting deals and discounts and free home delivery services offered by online retail players.

### Arabica Coffee futures



Source: tradingeconomics.com



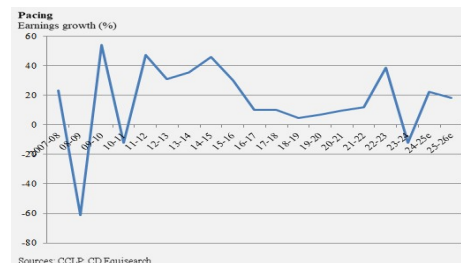
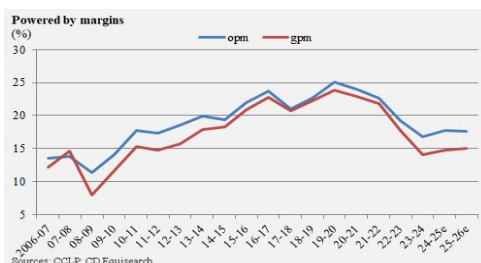
Source: IMARC

India has seen much higher rates when compared to global average as by some estimate the Indian coffee market is growing by at least 10%. But rising green coffee prices driven by sharp decline in crop outputs from Vietnam and Indonesia has slowed down market demand. Volatile coffee prices have also put off buyers from undertaking longer term contracts, thereby obscuring demand visibility.

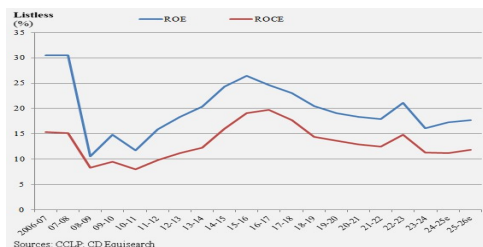
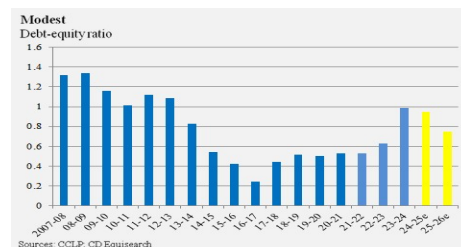
## Financials & Valuation

Multitudes of factors which range from fears over supply disruptions in top-producing nations like Brazil and Vietnam to anticipation of EU Deforestation Directive (EUDR) explain the surge in coffee prices over the last one year or so. As per media reports, this rapid rise in prices have put immense strain on traders and the broader supply chain. Vietnam, the top Robusta producer, has not been without challenging climatic conditions which has exacerbated the supply crunch. Further, compounding the problem are reports of dangerously low stockpiles. USDA estimates that Brazil coffee reserves are 26.4% below last season for 2024-25.

Production in Vietnam may get a boost from commencement of new freeze dried capacity in Vietnam. Commissioning of new plants in India and Vietnam would deter CCLP to undertake any more expansion projects over the new few years. Expansion in non-South markets has gained momentum which would help the Indian operations expand its EBITDA margin. Yet much of the profitable growth over the next few years would continue to accrue from the existing businesses and markets. Volatility in green coffee prices would likely restrict expansion in margins despite CCLP's focus on newer and value added products.



With customers opting for shorter term contracts, volumes expansion would barely be a trivial task. Mix of immodest volumes and firm coffee prices may propel revenue growth to well-nigh 20% this fiscal and 17% next fiscal. Though margins may somewhat expand when compared to last year's dismal reading, CCLP's competitive edge in distribution and coffee blending would scarcely be of much help at a time when consumers are increasingly opting for cheaper options. Firm green coffee has had a distressing impact on inventory for it abysmally swelled by over 36% last fiscal.



The stock currently trades at 26.1x FY25e EPS of Rs 23.01 and 22.1 x FY26e EPS of Rs 27.24. With higher than estimated revenues, post tax earning for the current year has been revised upwards by some 7%. With weather condition barely supporting good crop season for Brazil, coffee prices are hardly expected to soften, thus keeping CCLP's earnings growth barely subdued. Impact of subdued capacity utilization (with new capacities in Vietnam and India hardly expected to run at full hog) would rub off on return on capital - ROE estimated to marginally rise to 17.3% in FY25 from 16.1% last fiscal. Balancing odds, we assign "accumulate" rating on the stock with revised target of Rs 681 (previous target: Rs 645) based on 25x FY26e earnings. For more info refer to our March report.

## Financials

### Quarterly Results

Figures in Rs crs

	Q2FY25	Q2FY24	% chg.	H1FY25	H1FY24	% chg.
<b>Income from operations</b>	<b>738.20</b>	<b>607.57</b>	<b>21.5</b>	<b>1511.49</b>	<b>1262.50</b>	<b>19.7</b>
Other Income	0.54	0.73	-25.5	1.88	1.08	74.5
<b>Total Income</b>	<b>738.74</b>	<b>608.30</b>	<b>21.4</b>	<b>1513.37</b>	<b>1263.58</b>	<b>19.8</b>
Total Expenditure	601.12	497.66	20.8	1244.13	1046.26	18.9
<b>EBIDTA (other income included)</b>	<b>137.62</b>	<b>110.64</b>	<b>24.4</b>	<b>269.24</b>	<b>217.31</b>	<b>23.9</b>
Interest	26.61	18.36	44.9	48.04	33.23	44.6
Depreciation	23.70	22.58	5.0	46.71	44.96	3.9
<b>PBT</b>	<b>87.31</b>	<b>69.70</b>	<b>25.3</b>	<b>174.49</b>	<b>139.13</b>	<b>25.4</b>
Tax	13.35	8.84	51.0	29.07	17.56	65.6
<b>Net profit</b>	<b>73.95</b>	<b>60.86</b>	<b>21.5</b>	<b>145.42</b>	<b>121.57</b>	<b>19.6</b>
Minority interest	-	-	-	-	-	-
<b>Net profit after MI</b>	<b>73.95</b>	<b>60.86</b>	<b>21.5</b>	<b>145.42</b>	<b>121.57</b>	<b>19.6</b>
Extraordinary Item	-	-	-	-	-	-
<b>Adjusted Net Profit</b>	<b>73.95</b>	<b>60.86</b>	<b>21.5</b>	<b>145.42</b>	<b>121.57</b>	<b>19.6</b>
EPS (F.V. 2)	5.55	4.57	21.4	10.93	9.14	19.6

### Consolidated Income Statement

Figures in Rs crs

	FY22	FY23	FY24	FY25e	FY26e
<b>Income from operations</b>	<b>1462.03</b>	<b>2071.22</b>	<b>2653.70</b>	<b>3180.93</b>	<b>3721.69</b>
Growth (%)	17.7	41.7	28.1	19.9	17.00
Other Income	4.09	3.26	6.32	6.61	6.92
<b>Total Income</b>	<b>1466.12</b>	<b>2074.47</b>	<b>2660.02</b>	<b>3187.54</b>	<b>3728.60</b>
Total Expenditure	1130.97	1671.36	2208.39	2617.24	3066.67
<b>EBITDA (other income included)</b>	<b>335.16</b>	<b>403.11</b>	<b>451.62</b>	<b>570.30</b>	<b>661.93</b>
Interest	16.36	34.40	77.71	101.59	102.15
<b>EBDT</b>	<b>318.80</b>	<b>368.71</b>	<b>373.91</b>	<b>468.71</b>	<b>559.79</b>
Depreciation	57.46	63.70	97.67	102.11	123.21
Tax	56.98	21.04	26.16	60.49	74.22
<b>Net profit</b>	<b>204.35</b>	<b>283.96</b>	<b>250.08</b>	<b>306.11</b>	<b>362.36</b>
Minority interest	-	-	-	-	-
<b>Net profit after MI</b>	<b>204.35</b>	<b>283.96</b>	<b>250.08</b>	<b>306.11</b>	<b>362.36</b>
Extraordinary item	-	-	-	-	-
<b>Adjusted Net Profit</b>	<b>204.35</b>	<b>283.96</b>	<b>250.08</b>	<b>306.11</b>	<b>362.36</b>
EPS (Rs.)	15.36	21.35	18.80	23.01	27.24

**Consolidated Balance Sheet**

Figures in Rs crs

	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25e</b>	<b>FY26e</b>
<b>SOURCES OF FUNDS</b>					
Share Capital	26.61	26.61	26.61	26.61	26.61
Reserves	1224.09	1470.69	1647.21	1893.46	2195.95
<b>Total Shareholders Funds</b>	<b>1250.69</b>	<b>1497.29</b>	<b>1673.81</b>	<b>1920.06</b>	<b>2222.56</b>
Minority Interest	0.00	0.00	0.00	0.00	0.00
Long term debt	111.72	200.84	518.63	650.00	750.00
<b>Total Liabilities</b>	<b>1362.41</b>	<b>1698.13</b>	<b>2192.44</b>	<b>2570.06</b>	<b>2972.56</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	1146.32	1600.60	1683.24	2410.78	2510.78
Less: Accumulated Depreciation	264.08	343.65	431.71	533.82	657.02
<b>Net Block</b>	<b>882.24</b>	<b>1256.95</b>	<b>1251.53</b>	<b>1876.96</b>	<b>1853.75</b>
Capital Work in Progress	159.99	54.01	501.05	50.00	50.00
Investments	0.00	0.00	0.00	0.00	0.00
<b>Current Assets, Loans &amp; Advances</b>					
Inventory	519.14	578.29	788.42	946.11	1040.72
Sundry Debtors	319.55	441.41	496.81	447.13	480.66
Cash and Bank	53.70	83.43	169.81	213.58	211.75
Other Assets	98.8833	144.08	286.04	380.72	446.06
<b>Total CA &amp; LA</b>	<b>991.27</b>	<b>1247.20</b>	<b>1741.07</b>	<b>1987.53</b>	<b>2179.19</b>
Current liabilities	623.86	830.81	1271.79	1307.22	1073.17
Provisions	6.23	4.17	5.42	9.00	10.00
<b>Total Current Liabilities</b>	<b>630.09</b>	<b>834.98</b>	<b>1277.21</b>	<b>1316.22</b>	<b>1083.17</b>
Net Current Assets	361.18	412.22	463.87	671.31	1096.02
Net Deferred Tax (net of liability)	-72.61	-58.81	-61.96	-68.78	-68.78
Other Assets (Net of liabilities)	31.61	33.75	37.95	40.56	41.56
<b>Total Assets</b>	<b>1362.41</b>	<b>1698.13</b>	<b>2192.44</b>	<b>2570.06</b>	<b>2972.56</b>

**Key Financial Ratios**

	FY22	FY23	FY24	FY25e	FY26e
<b>Growth Ratios</b>					
Revenue (%)	17.7	41.7	28.1	19.9	17.0
EBIDTA (%)	11.3	20.3	12.0	26.3	16.1
Net Profit (%)	12.1	39.0	-11.9	22.4	18.4
EPS (%)	12.1	39.0	-11.9	22.4	18.4
<b>Margins</b>					
Operating Profit Margin (%)	22.6	19.3	16.8	17.7	17.6
Gross Profit Margin (%)	21.8	17.8	14.1	14.7	15.0
Net Profit Margin (%)	14.0	13.7	9.4	9.6	9.7
<b>Return</b>					
ROCE (%)	12.4	14.9	11.3	11.2	11.9
ROE (%)	17.9	21.1	16.1	17.3	17.7
<b>Valuations</b>					
Market Cap / Sales	3.7	3.6	3.0	2.5	2.2
EV/EBIDTA	17.8	20.8	20.5	17.2	14.8
P/E	26.3	26.6	31.2	26.1	22.1
P/BV	4.4	5.2	4.7	4.2	3.6
<b>Other Ratios</b>					
Interest Coverage	17.0	9.9	4.6	4.6	5.3
Debt-Equity Ratio	0.5	0.6	1.0	0.9	0.7
Current Ratio	1.5	1.4	1.3	1.5	2.0
<b>Turnover Ratios</b>					
Fixed Asset Turnover	1.7	1.9	2.1	2.0	2.0
Total Asset Turnover	1.1	1.4	1.4	1.4	1.4
Debtors Turnover	4.7	5.4	5.7	6.7	8.0
Inventory Turnover	2.7	3.0	3.2	3.0	3.1
Creditors Turnover	33.6	28.0	25.4	26.9	30.7
<b>WC Ratios</b>					
Debtor Days	77.2	67.1	64.5	54.2	45.5
Inventory Days	135.4	119.8	112.9	120.9	118.2
Creditor Days	10.9	13.0	14.3	13.6	11.9
Cash Conversion Cycle	201.6	173.8	163.1	161.5	151.9

**Cumulative Financial Data**

Figures in Rs crs	FY15-17	FY18-20	FY21-23	FY24-26e
Income from operations	2789	3357	4776	9556
Operating profit	608	770	1029	1664
EBIT	525	670	869	1361
PBT	489	636	801	1079
PAT after MI	351	469	671	919
Dividends	104	176	193	180
OPM (%)	21.8	22.9	21.5	17.4
NPM (%)	12.6	14.0	14.0	9.6
Interest coverage	14.7	19.6	12.8	4.8
ROE (%)	24.8	20.6	18.7	16.7
ROCE (%)	18.2	15.5	12.9	12.4
Fixed asset turnover	2.5	2.0	1.6	2.0
Debtors turnover	6.9	5.2	4.5	6.9
Inventory turnover	4.5	3.9	3.0	3.2
Debtors days	52.9	70.3	81.3	52.8
Inventory days	80.5	93.8	122.5	112.3
Dividend payout ratio (%)	29.7	37.6	28.8	19.6

FY15-17 implies three years ending fiscal 17

Unprecedented surge in green coffee prices had debilitating impact on consumer demand for CCLP's clients have been opting for shorter term contracts. As finished product prices are barely showing signs of abating, so timely execution of contracts is now no more for the faint hearted. Backed by relentless rise in coffee prices, cumulative income from operations during FY24-26 period would all but double when compared to that in the previous three year period (see table).

CCLP's seemingly entrenched focus on value addition (read: customization) and small packs would scarcely resonate in the print for its OPMs are projected to decline to 17.4% during FY24-26 period from 21.5%. Thanks to not sluggish revenue growth, cumulative post tax earnings would still to rise by more than a third during FY24-26 period. With asset utilization hardly firming up, ROE would decline by some 200 bps to 16.7%, barely splendid for a company which banks on enhanced value addition and premiumization. Surge in green coffee prices is estimated to swell inventory levels in the coming period (see table).

**Financial Summary – US dollar denominated**

million \$	FY22	FY23	FY24	FY25e	FY26e
Equity capital	3.5	3.2	3.2	3.1	3.1
Shareholders funds	161.5	178.1	197.6	220.2	255.3
Total debt	85.8	111.4	194.4	208.1	190.7
Net fixed assets (incl CWIP)	137.5	48.4	210.2	224.1	221.4
Investments	0.0	0.0	0.0	0.0	0.0
Net current assets	44.1	46.1	52.4	75.0	124.4
Total assets	176.2	202.5	259.8	295.8	342.6
Revenues	196.2	257.6	320.5	369.9	432.8
EBITDA	45.0	50.1	54.5	66.3	77.0
EBDT	42.8	45.9	45.2	54.5	65.1
PBT	35.1	37.9	33.4	42.6	50.8
Profit after MI	27.4	35.3	30.2	35.6	42.1
EPS(\$)	0.21	0.27	0.23	0.27	0.32
Book value (\$)	1.21	1.34	1.49	1.66	1.92

income statement figures translated at average rates; balance sheet and cash flow at year end rates; FY25 & FY26 projections at current rates (\$86.4175/\$)



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buy: >20%    accumulate: >10% to ≤20%    hold: ≥-10% to ≤10%    reduce: ≥-20% to <-10%    sell: <-20%

Exchange Rates Used- Indicative

Rs/\$	FY20	FY21	FY22	FY23	FY24
Average	70.88	74.20	74.51	80.39	82.79
Year end	75.39	73.50	75.81	82.22	83.37

All \$ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.