

# CCL PRODUCTS (INDIA) LIMITED

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- CCL Products (India) Limited (CCL) posted a 14.1% YoY revenue growth to ₹7.6 bn in Q3FY25, with EBITDA rising 12.2% YoY to ₹1.2 bn, despite a 4% volume growth. EBITDA margins were flat YoY at 16.4%, while PAT stood at ₹630 mn, down 0.4% YoY. The company reaffirmed its 10-20% volume growth guidance, citing stable demand but caution around high coffee prices affecting long-term contracts.
- In Q3FY25, CCL's domestic business generated ₹1.3 bn in revenue, with the branded segment contributing ₹0.9 bn. The company is on track to achieve ₹4.3-4.4 bn in domestic revenue by FY25, with branded sales expected to reach ₹3 bn. Growth in quick commerce, e-commerce, and modern trade is outpacing general trade, and the South Indian market's share in overall sales has declined, reflecting successful geographical diversification.
- Despite coffee price volatility, CCL's experienced management is well-positioned for double-digit volume growth, supported by capacity expansion, higher-margin specialty coffee, and a cost-efficient model. The company is also expanding its B2B and B2C market share. We revise our target price to ₹780 (from ₹881) at 23x FY27 EPS of ₹34, while maintaining a **BUY** rating, with revised CAGR estimates of 19%/20%/19% for Revenue/EBITDA/PAT over FY24-27E.

## Volume growth remains muted in Q3; EBITDA per kg improves

CCL reported a 14.1% YoY growth (flat QoQ) in its revenues to ₹7.6 bn in Q3FY25 from ₹6.6 bn in Q3FY24. The company's gross margin declined by 104 bps YoY (+37 bps QoQ) in Q3FY25 to 40.1%. The company posted a decent growth in consolidated EBITDA, up 12.2% YoY (-9.2% QoQ) to ₹1.2 bn in Q3FY25, despite a tepid 4% volume growth. EBITDA margins were down 29bps YoY to 16.4% vs. 16.7% in the year-ago quarter. CCL's PAT stood at ₹630 mn, down 0.4% YoY, with PAT margins at 8.3% in Q3FY25 vs. 9.5% in the previous quarter.

Amid rising coffee prices, the management reaffirmed its 10-20% volume growth guidance, citing stable demand despite the increasing prevalence of short-term contracts. Management highlighted that clients remain "anxious" about persistently high coffee prices and are hesitant to commit to long-term contracts. Despite steady crops from Brazil & Vietnam during the quarter, coffee prices continued to surge. However, CCL improved its EBITDA per kg by executing higher-margin orders, primarily in the Premium and Low Unit Packs (LUPs) segments, while also benefiting from a favourable product mix

Key Financials	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total Income (₹ mn)	20,712	26,537	31,048	38,034	44,880
EBITDA margins (%)	19.3%	16.8%	16.9%	16.9%	17.0%
PAT margins (%)	11.8%	10.0%	9.0%	9.5%	10.0%
EPS (₹)	22.1	17.7	21.0	27.2	33.8
P/E (x)	29.4	36.7	31.0	23.9	19.2
P/BV (x)	5.8	5.2	4.4	3.7	3.1
EV/EBITDA (x)	23.7	22.7	19.6	16.3	13.4
Adj ROE (%)	19.6%	14.1%	14.3%	15.6%	16.3%
Adj ROCE (%)	11.3%	6.7%	6.7%	8.0%	9.1%

## BUY

Current Market Price (₹)	649
12M Price Target (₹)	780
Potential Return (%)	20

## Stock Data

Sector	:	Tea & Coffee
FV (₹)	:	2
Total Market Cap (₹ bn)	:	87
Free Float Market Cap (₹ bn)	:	46
52-Week High / Low (₹)	:	855 / 552
BSE Code / NSE Symbol	:	519600 / CCL
Bloomberg	:	CCLP IN

## Shareholding Pattern

(%)	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	46.09	46.09	46.09	46.26
MF's	19.00	18.99	18.84	20.79
FPIs	10.13	10.17	9.76	8.12
AIF's	1.89	1.76	1.59	0.72
Others	22.89	22.99	23.72	24.11

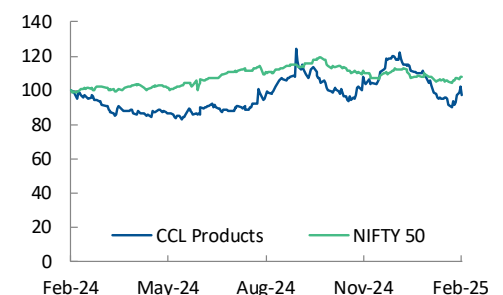
Source: BSE

## Price Performance

(%)	1M	3M	6M	12M
CCL Products	-7.0%	-9.8%	2.5%	-2.7%
Nifty 50	-0.1%	-3.6%	-1.6%	7.6%

\* To date / current date : February 6, 2025

## CCL Products vs Nifty 50



### Domestic & B2C continues to propel ahead

In Q3FY25, CCL Products domestic business generated revenue of ₹1.3 bn, with the branded segment contributing approximately ₹0.9 bn. The domestic business remains strong, achieving a gross turnover of ₹3.3 bn in 9MFY25, with branded sales growing 50% YoY to ₹2.2 bn. The company is on track to reach ₹4.3-4.4 bn in domestic revenue by FY25, with the branded segment expected to contribute ₹3 bn. The Continental brand holds a strong position in South India, expanding its direct distribution to 1,20,000 general trade outlets, 3,500 modern trade stores, and covering 90% of dark stores in quick commerce. Quick commerce, e-commerce, and modern trade are outpacing general trade in growth for the branded segment. Notably, the South Indian market's share in overall sales has declined from 80-85% to 65-70% in recent years, indicating successful geographical diversification.

**Capex & Debt Update:** The company's gross debt increased slightly to ₹20 bn in Q3FY25 from ₹19.7 bn in Q2FY25, as working capital levels remained stable at ₹13 bn, while the remaining debt was allocated towards capital expenditures. Management has guided for peak debt to reach ₹22 bn if coffee prices continue to rise. Working capital requirements are expected to increase in line with volume growth, though long-term debt is projected to decline post the commencement of repayments. Meanwhile, Vietnam's 6,000 MT freeze-dried coffee capacity remains on schedule and is expected to be operational by Q4FY25, bringing the company's total capacity to 77,000 MT from the current 71,000 MT.

### Quarterly Performance

(₹ mn)	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ
Sales	7,584	6,645	14.1%	7,382	2.7%
Raw Material	4,540	3,909	16.1%	4,446	2.1%
Employee Cost	442	359	23.1%	403	9.6%
Other expenses	1,358	1,268	7.1%	1,162	16.9%
Total Operating expenses	6,340	5,535	14.5%	6,011	5.5%
EBITDA	1,245	1,109	12.2%	1,371	-9.2%
EBITDA Margin (%)	16.4%	17%	(29 bps)	18.6%	(220 bps)
Depreciation	248	222	11.8%	237	4.6%
EBIT	997	888	12.3%	1,134	-12.1%
Other Income	28	11	145.0%	5	409.3%
Interest	305	232	32%	266	14.8%
Exceptional items	0	0	-	0	-
Profit Before Tax	719	667	7.8%	873	-17.7%
Tax	88	34	159.3%	134	-33.8%
Tax rate (%)	12%	5%	718 bps	15%	(300 bps)
Profit after tax	630	633	-0.4%	740	-14.8%
PAT Margin (%)	8%	9.5%	(121 bps)	10%	(171 bps)
EPS (₹)	6	5	21%	5	3.4%

Source: Company, LKP Research

## Outlook & Valuation

We see uncertainty in coffee prices, but CCL's experienced management has navigated this challenging environment well. The company is poised for double-digit volume growth, driven by a) capacity expansion from 38,500 MT in FY22 to ~77,000 MT by FY25 across Vietnam and India, b) increasing contribution from high-margin specialty coffee (5% of sales), and c) a cost-efficient business model. CCL is also aggressively expanding its B2B (7-8%) and B2C (3-4%) market share, aiming to outpace industry growth over the next 4-5 years. While coffee price volatility and a weaker-than-expected crop response in Brazil & Vietnam limit upside, we revise our EPS estimates and TP downward to ₹780 (from ₹881) at 23x FY27 EPS of ₹34, maintaining our **BUY** rating. We expect CCL to deliver a Revenue/EBITDA/PAT CAGR of 19%/20%/19% over FY24-27E vs 19%/25%/29% previously.

### Risks:

a) Severe weather conditions in India & Vietnam can impact production b) Volatility in prices of raw materials c) Climate change issues can affect the production of coffee.

### Con-Call KTA's

- **Volume growth:** Q3FY25 volume growth of 3-4% YoY was an aberration as the company was not too aggressive on chasing low-margin high volume contracts as the focus remained on high margin contracts which helped in clocking 12% EBITDA growth. It maintains 10-20% volume growth guidance in the long run.
- **Domestic Business:** The domestic business remains strong, achieving a gross turnover of ₹3.3 bn in 9MFY25, with branded sales growing 50% YoY to ₹2.2 bn. The company is on track to reach ₹4.3-4.4 bn in domestic revenue by FY25, with the branded segment expected to contribute ₹3 bn.
- **Pricing & Margins:** CCL raised prices by 30-40% in larger packs and cut LUPs grammage by 10-15%, yet a 10-15% gap vs. coffee costs remains. The company is securing long-term contracts and high-margin clients, which drove 20% YTD EBITDA growth in Q3.
- **B2C Sales mix:** CCL's sales mix is ~55% General Trade (GT), 25% Modern Trade (MT) and 20% E/Q-commerce, with MT and E/Q-commerce growing faster. South markets contribute 65-70% of sales (down from 80-85%), while expansion in North, West, and East is driven by MT and E/Q-commerce. CCL ranks No.3 in MT/E/Q-commerce, reaching 120,000 GT outlets, 3,500 MT stores and 90% of dark stores.

P/E(x) mean and standard deviation

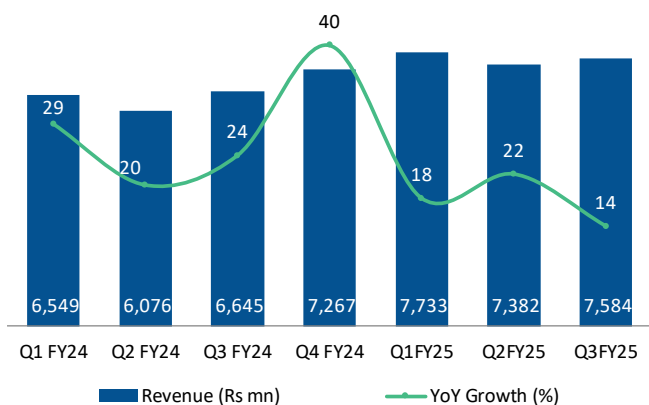


P/BV(x) mean and standard deviation

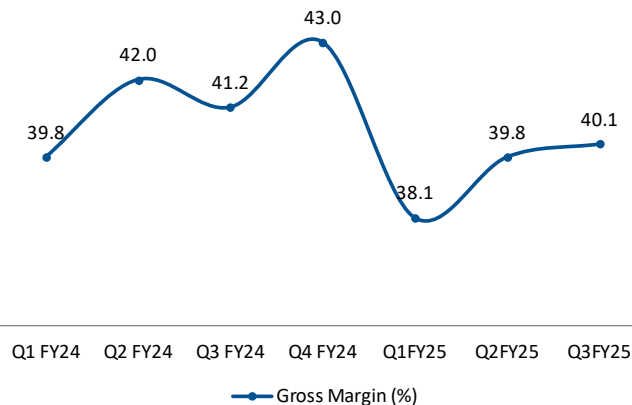


## Financial Charts

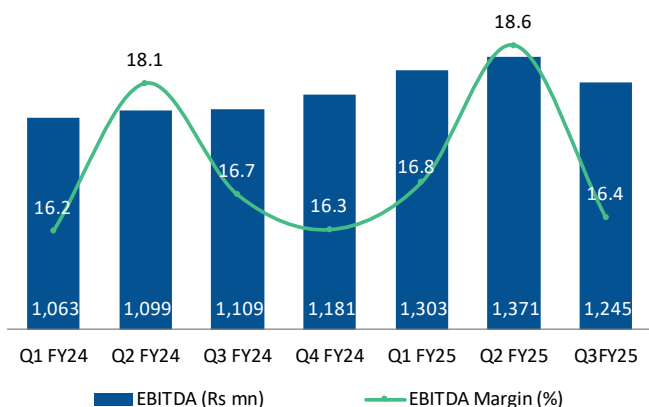
## Revenue growth remains steady even though volumes decline



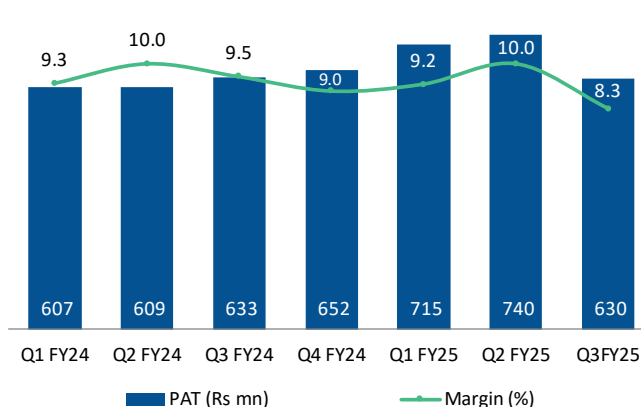
## Gross margin maintained amid high coffee price volatility



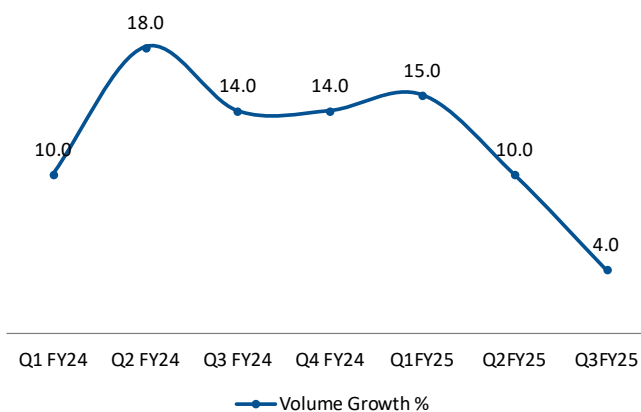
## EBITDA margin maintained at steady levels



## PAT margin declined 100bps due to high deferred tax



## Average volume growth still remains at 10% in 9MFY25



Source: Company, LKP Research

## Income Statement

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>20,712</b>	<b>26,537</b>	<b>31,048</b>	<b>38,034</b>	<b>44,880</b>
Raw Material Cost	11,296	15,520	18,629	22,821	26,704
Employee Cost	1,135	1,456	1,739	2,092	2,558
Other Exp	4,283	5,108	5,433	6,694	7,989
<b>EBITDA</b>	<b>3,999</b>	<b>4,453</b>	<b>5,247</b>	<b>6,428</b>	<b>7,630</b>
EBITDA Margin(%)	19.3%	16.8%	16.9%	16.9%	17.0%
Depreciation	637	977	923	1,179	1,409
<b>EBIT</b>	<b>3,361</b>	<b>3,476</b>	<b>4,324</b>	<b>5,249</b>	<b>6,221</b>
EBIT Margin(%)	16.2%	13.1%	13.9%	13.8%	13.9%
Other Income	33	63	76	91	109
Interest	344	777	1099	1062	1007
Exceptional items	0	0	0	0	0
<b>Reported PBT</b>	<b>3,050</b>	<b>2,762</b>	<b>3,301</b>	<b>4,278</b>	<b>5,323</b>
<b>RPBT Margin(%)</b>	<b>14.7%</b>	<b>10.4%</b>	<b>10.6%</b>	<b>11.2%</b>	<b>11.9%</b>
Tax	361	262	508	663	825
PAT	2,689	2,501	2,792	3,615	4,498
PAT Margins (%)	13.0%	9.4%	9.0%	9.5%	10.0%
Other comprehensive income/(loss)	252	-146	0	0	0
<b>Rep PAT</b>	<b>2,437</b>	<b>2,647</b>	<b>2,792</b>	<b>3,615</b>	<b>4,497</b>
RPAT Margins (%)	11.8%	10.0%	9.0%	9.5%	10.0%

## Key Ratios

YE Mar	FY23	FY24	FY25E	FY26E	FY27E
<b>Per Share Data (₹)</b>					
Adj. EPS	22.1	17.7	21.0	27.2	33.8
CEPS	26.9	25.0	27.9	36.0	44.4
BVPS	112.6	125.8	146.8	174.0	207.8
<b>Growth Ratios(%)</b>					
Revenue	41.7%	28.1%	17.0%	22.5%	18.0%
EBITDA	20.8%	11.4%	17.8%	22.5%	18.7%
EBIT	22.9%	3.4%	24.4%	21.4%	18.5%
Adj. PAT	31.8%	-19.9%	18.6%	29.5%	24.4%
<b>Valuation Ratios (X)</b>					
PE	29.4	36.7	31.0	23.9	19.2
P/CEPS	24.2	26.0	23.3	18.0	14.6
P/BV	5.8	5.2	4.4	3.7	3.1
EV/Sales	4.6	3.8	3.3	2.8	2.3
EV/EBITDA	23.7	22.7	19.6	16.3	13.4
<b>Operating Ratios (Days)</b>					
Inventory days	313.3	107.0	110.0	106.0	100.0
Receivable Days	239.1	67.4	60.0	57.0	55.0
Payables day	40.0	13.5	9.0	10.0	10.0
Debt to Equity (x)	0.61	0.97	1.01	0.83	0.66
<b>Performance Ratios (%)</b>					
AROA (%)	11.3%	6.7%	6.7%	8.0%	9.1%
AROE (%)	19.6%	14.1%	14.3%	15.6%	16.3%
AROCE (%)	19.1%	15.4%	16.1%	17.2%	17.7%
Asset Turnover(x)	0.42	1.57	1.40	1.50	1.70
Inventory Turnover(x)	3.6	3.4	3.3	3.4	3.6

## Balance Sheet

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Equity and Liabilities</b>					
Equity Share Capital	266	266	266	266	266
Reserves & Surplus	14,707	16,472	19,264	22,879	27,376
<b>Total Networkth</b>	<b>14,973</b>	<b>16,738</b>	<b>19,530</b>	<b>23,145</b>	<b>27,642</b>
Long term Borrowings	2,008	5,186	6,686	6,686	6,686
Deferred tax liability	588	620	628	684	775
Other Non-Current liabilities	50	43	43	43	43
<b>Total non-curr liab &amp; provs</b>	<b>2,647</b>	<b>5,849</b>	<b>7,357</b>	<b>7,413</b>	<b>7,504</b>
<b>Current Liabilities</b>					
Short term Borrow & Provs	7,194	11,076	13,198	12,711	11,715
Trade Payables	738	997	776	1,057	1,247
Other current liabilities	417	698	914	1,095	1,219
<b>Total current liab and provs</b>	<b>8,350</b>	<b>12,772</b>	<b>14,888</b>	<b>14,863</b>	<b>14,181</b>
<b>Total Equity &amp; Liabilities</b>	<b>25,969</b>	<b>35,359</b>	<b>41,775</b>	<b>45,421</b>	<b>49,327</b>
<b>Assets</b>					
<b>Gross block</b>	<b>15,959</b>	<b>16,902</b>	<b>22,177</b>	<b>25,356</b>	<b>26,400</b>
Net block	12,537	12,502	16,855	19,778	20,592
Capital WIP	540	5,011	3,234	2,628	1,594
Other non current assets	420	436	567	647	673
<b>Total fixed assets</b>	<b>13,497</b>	<b>17,948</b>	<b>20,656</b>	<b>23,052</b>	<b>22,859</b>
Inventories	5,783	7,884	9,487	11,199	12,467
Trade receivables	4,414	4,968	5,175	6,022	6,857
Cash & Bank Balance	834	1,698	3,362	1,038	2,171
Other current assets	1,441	2,860	3,096	4,110	4,974
<b>Total current Assets</b>	<b>12,472</b>	<b>17,411</b>	<b>21,120</b>	<b>22,368</b>	<b>26,468</b>
<b>Total Assets</b>	<b>25,969</b>	<b>35,359</b>	<b>41,775</b>	<b>45,421</b>	<b>49,327</b>

## Cash Flow

(₹ mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	3,050	2,762	3,301	4,278	5,323
Depreciation	637	977	923	1,179	1,409
Interest	344	777	1,099	1,062	1,007
Other Adjustments	907	1,677	2,022	2,241	2,416
Operating CF before WC changes	4,938	6,193	7,345	8,760	10,154
Changes in working capital	-1,874	-3,596	-2,136	-4,092	-3,300
Tax paid	-350	-290	-508	-663	-825
<b>Cash flow from operations (a)</b>	<b>1,733</b>	<b>554</b>	<b>2,679</b>	<b>1,764</b>	<b>3,614</b>
Capital expenditure	-3,323	-5,133	-4,352	-2,923	-814
Other investing activities	1	-4	-	-	-
<b>Cash flow from investing (b)</b>	<b>-3,321</b>	<b>-5,136</b>	<b>-4,352</b>	<b>-2,923</b>	<b>-814</b>
<b>Free cash flow (a+b)</b>	<b>-1,589</b>	<b>-4,583</b>	<b>-1,673</b>	<b>-1,159</b>	<b>2,799</b>
Proceeds from long term borrows	778	4,090	1,500	-	-
Proceeds/Repayment of short term borrowings	1,875	2,957	2,100	-500	-1,000
Other flows in financing activities	-1,017	-1,462	-255	-665	-666
<b>Cash flow from financing (c)</b>	<b>1,636</b>	<b>5,585</b>	<b>3,345</b>	<b>-1,165</b>	<b>-1,666</b>
<b>Net chng in cash (a+b+c)</b>	<b>48</b>	<b>1,003</b>	<b>1,671</b>	<b>-2,324</b>	<b>1,133</b>
<b>Closing cash &amp; cash equivalents</b>	<b>826</b>	<b>1,691</b>	<b>3,362</b>	<b>1,038</b>	<b>2,171</b>

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