CCL PRODUCTS (INDIA) LIMITED

Strong Brew of Growth & Margins Amid Volatility

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- CCL Products delivered a strong Q4FY25 with revenue up 15.1% YoY to ₹8.4bn and EBITDA rising 38% YoY to ₹1.6bn. Margins improved sharply, with EBITDA margin at 19.5% and PAT up 56% YoY to ₹1.0bn, supported by a better product mix and operating leverage.
- Management reaffirmed 15–20% EBITDA and 10–20% volume growth guidance. The branded business grew 20% YoY to ₹2.10 bn, now 10% of revenue, with strong traction from the "Continental Coffee" brand. Domestic sales rose 13% to ₹5.03 bn, driven by B2C expansion and wider distribution beyond South India.
- CCL remains well-positioned for double-digit volume growth, backed by ramp-up in Vietnam, rising specialty coffee share (~5% of sales), and a cost-efficient model. Despite near-term raw material volatility, coffee prices are expected to stabilize in FY26, easing working capital pressure. We expect debt to peak at ₹18.6 Bn, with margins supported by a resilient cost-plus model. We revise our TP to ₹844 (from ₹780), valuing at 25x FY27E EPS of ₹34, and maintain our 'BUY' rating with FY24–27E Revenue/EBITDA/PAT CAGR of 19%/20%/19%.

Volumes remain strong in Q4; EBITDA per kg improves

CCL reported a 15.1% YoY growth (+10.2% QoQ) in revenues, reaching ₹8.4 bn in Q4FY25 compared to ₹7.3 bn in Q4FY24. Gross margin expanded by 133 bps YoY (+421 bps QoQ) to 44.4%, the highest in the last eight quarters. Consolidated EBITDA rose sharply by 38% YoY (+31% QoQ) to ₹1.6 bn, supported by a favorable mix of volume and pricing. EBITDA margin improved by 328 bps YoY (+313 bps QoQ) to 19.5%, up from 16.3% in Q4FY24. PAT grew 56% YoY to ₹1.0 bn from ₹0.65 bn, with PAT margin reaching 12.2%—the highest in the last seven quarters—versus 9% in Q4FY24.

The company posted strong results despite continued high coffee prices, the management reaffirmed its 15-20% EBITDA growth and 10-20% volume growth guidance, citing stable demand despite the customers still deferring longer term contracts. The company navigated a volatile raw material environment with agility. Management highlighted that green coffee prices remained elevated throughout the quarter due to supply-side challenges in Brazil and other producing nations. However, CCL was able to maintain its margins by leveraging long-term supplier relationships, forward contracts, and inventory management strategies. Additionally, the branded business under the "Continental Coffee" label continues to gain traction, contributing about 10% of revenues in FY25 with a target to reach 15% in the next two to three years. Branded sales typically offer 1.5x to 2x higher margins than bulk B2B exports, offering a natural lever to enhance EBITDA per kg.

Key Financials	FY23	FY24	FY25	FY26E	FY27E
Total Income (₹ mn)	20,712	26,537	31,057	38,045	44,894
EBITDA margins (%)	19.3%	16.8%	17.9%	16.9%	17.0%
PAT margins (%)	11.8%	10.0%	10.0%	9.8%	10.0%
EPS (₹)	22.1	17.7	23.3	27.9	33.8
P/E	31.4	39.3	27.9	23.3	19.2
P/BV	6.2	5.5	4.4	3.8	3.3
EV/EBITDA	25.2	24.0	18.7	16.4	13.7
Adj ROE%	19.6%	14.1%	15.8%	16.3%	16.9%
Adj ROCE%	11.3%	6.7%	7.3%	8.2%	9.5%

BUY		
Current Market Price (₹)	:	694
12M Price Target (₹)	:	844
Potential Return (%)	:	22

Stock Data	
Sector :	Tea & Coffee
Face Value (₹)	2
Total MCap (₹ bn)	92
Free Float MCap (₹ bn)	49
52-Week High / Low (₹)	855 / 525
BSE Code / NSE Symbol	519600 / CCL
Bloomberg	CCLP IN
Sensex / Nifty:	80,641 / 24,380

Shareholding Pattern

(%)	Mar-25	Dec-24	Sep-24	Jun-24
Promoter	46.09	46.09	46.09	46.09
MF's	18.38	19.00	18.99	18.84
FPIs	10.20	10.13	10.17	9.76
AIF's	2.41	1.89	1.76	1.59
Others	22.92	22.89	22.99	23.72

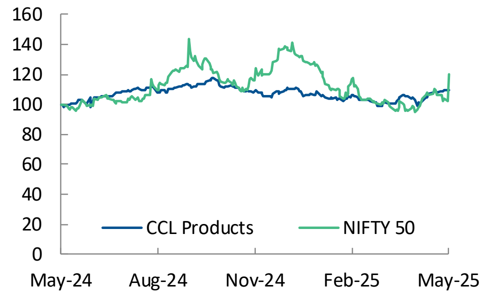
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
CCL Products	6.4%	3.3%	-0.4%	9.3%
Nifty 50	26.1%	6.9%	-3.5%	20.0%

** To date / current date : May 6, 2025*

CCL Products vs Nifty 50



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Domestic & B2C continues its robust growth

In FY25, CCL Products' domestic business generated revenue of ₹5.03 bn, reflecting a 13% growth over the previous year's ₹4.45 bn. A significant portion of this growth was driven by the branded segment, which contributed ₹2.10 bn—accounting for approximately 42% of domestic sales and around 6.8% of the company's total consolidated revenue of ₹31.1 bn. The branded business, which includes the "Continental Coffee" line and other consumer-facing products, grew at a robust 20% year-on-year, supported by wider distribution, new product launches, and increased consumer engagement across urban and semi-urban markets. This strong performance underscores the company's strategic pivot towards higher-margin branded offerings within its domestic portfolio. 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. 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

CCL Products ended FY25 with a total consolidated debt of ₹181.3 bn, up from ₹162.1 bn in FY24. Of this, approximately ₹125.6 bn (or ~69%) is classified as short term borrowings, indicating its use largely for working capital needs. The surge in working capital debt is primarily attributed to the steep rise in green coffee prices, which moved from around $1,000 to over $5,000 per MT over the last decade (Global green coffee prices are up 25% in FY25), significantly increasing the cost of inventory. Management has clarified that the working capital borrowings are fully backed by confirmed customer contracts and are not speculative in nature. As volumes continue to grow, working capital requirements may remain elevated in the near term. However, with coffee prices showing signs of stabilization in recent months, the company expects this portion of the debt to gradually normalize, improving the overall debt profile. On the capex front, the company incurred ₹6.6 bn during FY25, largely toward the expansion of its Ngon Coffee subsidiary in Vietnam, where the new 3,500 MT freeze-dried coffee capacity is now operational (total capacity as of FY25 77,000 MT). This capacity is expected to support higher value-added product exports in FY26. Additionally, CCL has approved a hybrid power SPV investment of ₹150 mn, reinforcing its focus on operational efficiency and sustainability.

Outlook & Valuation

We anticipate continued volatility in global coffee prices; however, CCL's experienced management has demonstrated strong execution in navigating this environment. The company remains well-positioned to deliver double-digit volume growth, supported by: (a) the gradual ramp-up of its newly commissioned Vietnam freeze-dried facility, which operated at 15% capacity utilization in FY25; (b) an increasing share of high-margin specialty coffee, now contributing ~5% of sales; and (c) a structurally cost-efficient, asset-light business model. CCL is also aggressively scaling its B2B (7–8%) and B2C (3–4%) market shares, aiming to outpace industry growth by targeting under penetrated geographies over the next 4–5 years. While raw material volatility may persist in the near term, we expect coffee prices to stabilize in FY26, which should support normalization of working capital. We forecast total debt to peak around ₹18.6 Bn, with elevated depreciation likely to weigh on near-term margins. That said, the company's cost-plus pricing model ensures that EBITDA per kg remains resilient, even amid sharp fluctuations in green coffee prices. We revise our target price to ₹844 (from ₹780), valuing the stock at 25x FY27E EPS of ₹34, and maintain our '**BUY**' rating. Over FY24–27E, we estimate Revenue/EBITDA/PAT CAGR of 19%/20%/19%, underpinned by volume expansion, premiumization, and operational scale benefits.

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:

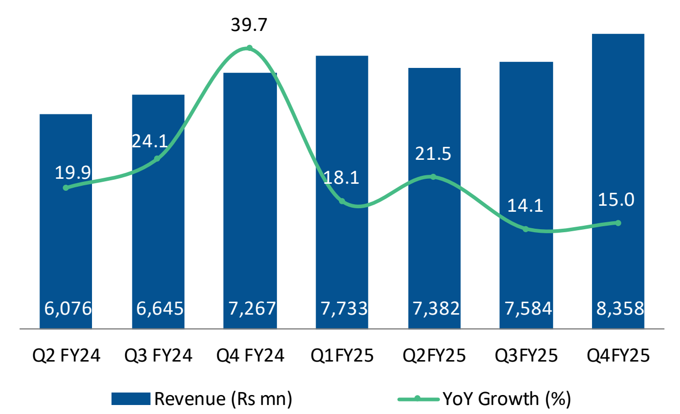
- Guidance & Growth Levers: Management maintained 15–20% long-term EBITDA CAGR. FY25 volumes grew ~10%; 10–15% growth expected ahead, driven by Vietnam ramp-up (15% utilized), specialty coffee (~5% of sales), and rising B2C share (+2–3% targeted).
- Coffee Prices & Working Capital: Green coffee costs up 5x; FY25 debt rose to ₹18.13 bn (vs ₹16.21 bn in FY24), with ₹12.56 bn in working capital. Debt is fully contract-backed. Normalization expected in FY26e as prices stabilize.
- Geographic Strategy: Flat growth in developed markets; focus on share gains via blends and innovation. High growth seen in India (₹4.3–4.4 bn), China, and Middle East. Expanding in Taiwan and Africa.
- Capacity & Inventory: Total capacity at 77,000 MT; target 100,000 MT by FY27. New 3,500 MT freeze-dried line in Vietnam now live. Plants near full utilization; green coffee inventory ~3 months, Finished Goods ~15–20 days.

Quarterly Financial Snapshot

YE Mar (₹ mn)	Q4FY25	Q4FY24	YoY(%)	Q3FY25	QoQ(%)
Sales	8358	7267	*15.0%*	7584	*10.2%*
Raw Material	4651	4141	*12.3%*	4540	*2.5%*
Employee Cost	491	463	*6.2%*	442	*11.2%*
Other expenses	1583	1482	*6.8%*	1358	*16.6%*
Total Operating expenses	6726	6086	*10.5%*	6340	*6.1%*
EBITDA	1633	1181	*38.2%*	1245	*31.2%*
EBITDA Margin (%)	19.5%	16%	*328 bps*	16.4%	*313 bps*
Depreciation	270	305	*-11.7%*	248	*8.7%*
EBIT	1363	876	*55.6%*	997	*36.8%*
Other Income	38	41	*-7.4%*	28	*37.4%*
Interest	343	213	*61%*	305	*12.1%*
Exceptional items	0	0	-	0	-
Profit Before Tax	1059	704	*50.4%*	719	*47.3%*
Tax	40	52	*-22.8%*	88	*-54.6%*
Tax rate (%)	4%	7%	*(359 bps)*	12%	*(850 bps)*
Profit after tax	1019	652	*56.2%*	630	*61.6%*
PAT Margin (%)	12%	9.0%	*321 bps*	8%	*387 bps*
EPS (₹)	8	5	*56%*	6	*37.8%*

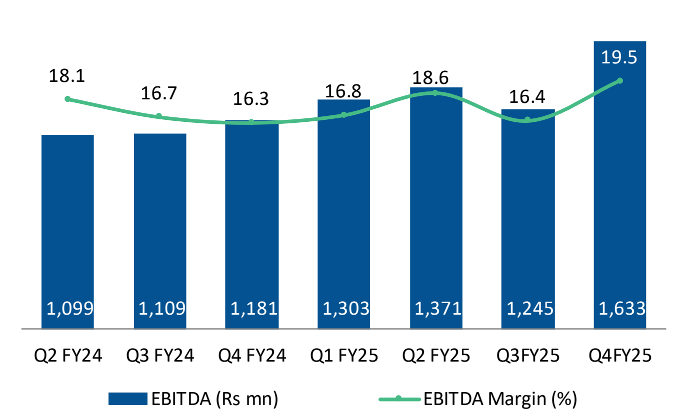
Source: Company, LKP Research

Double-digit revenue growth continues in Q4FY25



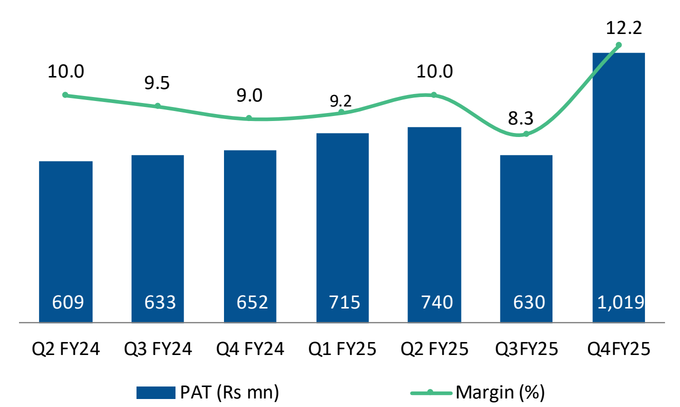
Source: Company, LKP Research

Smart Sourcing and Premium Mix Lift Margins



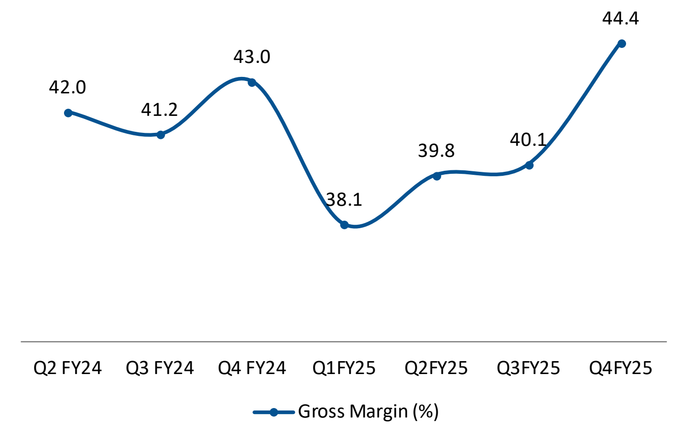
Source: Company, LKP Research

Profit Soars on Back of Tax-Free Vietnam Earnings



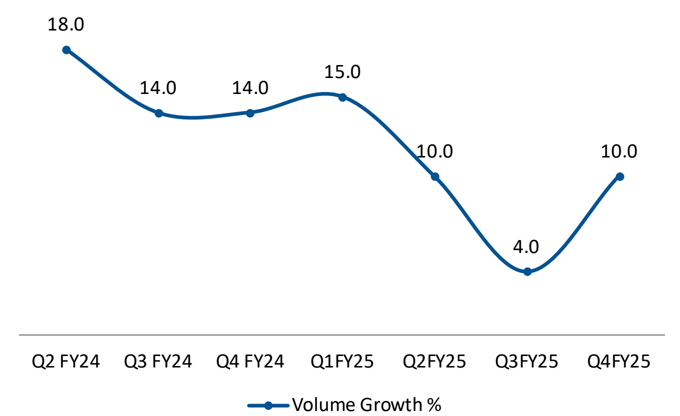
Source: Company, LKP Research

Gross Margins Expand on Premium Mix and Operational Efficiency



Source: Company, LKP Research

Resilient Demand Drives Steady 10% Volume Growth



Source: Company, LKP Research

Income Statement

(₹ mn)	FY24	FY25	FY26E	FY27E
Revenue from Operations	**26,537**	**31,057**	**38,045**	**44,894**
Raw Material Cost	15,520	18,426	22,827	26,712
Employee Cost	1,456	1,720	2,092	2,469
Other Exp	5,108	5,361	6,696	8,081
EBITDA	**4,453**	**5,551**	**6,430**	**7,632**
EBITDA Margin(%)	16.8%	17.9%	16.9%	17.0%
Depreciation	977	985	1,116	1,526
EBIT	**3,476**	**4,566**	**5,313**	**6,106**
EBIT Margin(%)	13.1%	14.7%	14.0%	13.6%
Other Income	63	85	106	127
Interest	777	1128	1024	914
Exceptional items	0	0	0	0
Reported PBT	**2,762**	**3,523**	**4,394**	**5,318**
RPBT Margin(%)	**10.4%**	**11.3%**	**11.6%**	**11.8%**
Tax	262	419	681	824
PAT	2,501	3,103	3,713	4,494
PAT Margins (%)	9.4%	10.0%	9.8%	10.0%
Other comprehensive income/(loss)	-146	0	0	0
Rep PAT	**2,647**	**3,103**	**3,713**	**4,494**
RPAT Margins (%)	10.0%	10.0%	9.8%	10.0%

Key Ratios

YE Mar	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
Adj. EPS	17.7	23.3	27.9	33.8
CEPS	25.0	30.7	36.3	45.2
BVPS	125.8	147.9	170.8	199.6
Growth Ratios(%)				
Revenue	28.1%	17.0%	22.5%	18.0%
EBITDA	11.4%	24.7%	15.8%	18.7%
EBIT	3.4%	31.4%	16.4%	14.9%
Adj.PAT	-19.9%	31.8%	19.7%	21.0%
Valuation Ratios (X)				
PE	39.3	27.9	23.3	19.2
P/CEPS	27.8	21.2	17.9	14.4
P/BV	5.5	4.4	3.8	3.3
EV/Sales	4.0	3.3	2.8	2.3
EV/EBITDA	24.0	18.7	16.4	13.7
Operating Ratios (Days)				
Inventory days	107.0	122.0	106.0	100.0
Receivable Days	67.4	80.0	57.0	55.0
Payables day	13.5	25.6	15.0	15.0
Debt to Equity (x)	0.97	0.92	0.82	0.63
Performance Ratios (%)				
AROA (%)	6.7%	7.3%	8.2%	9.5%
AROE (%)	14.1%	15.8%	16.3%	16.9%
AROCE (%)	15.4%	17.5%	18.3%	19.1%
Asset Turnover(x)	1.58	1.45	1.55	1.70
Inventory Turnover(x)	3.4	3.0	3.4	3.6

Balance Sheet

(₹ mn)	FY24	FY25	FY26E	FY27E
Equity and Liabilities				
Equity Share Capital	266	267	267	267
Reserves & Surplus	16,472	19,405	22,453	26,280
Total Networth	**16,738**	**19,672**	**22,720**	**26,547**
Long term Borrowings	5,186	5,563	5,563	4,563
Deferred tax liability	620	742	742	742
Other Non-Current liabilities	43	65	65	65
Total non-current liab and provs	**5,849**	**6,371**	**6,371**	**5,371**
Current Liabilities				
S T Borrowings & Provisions	11,076	12,944	13,149	12,155
Trade Payables	997	2,211	1,585	1,871
Other current liabilities	698	1,211	1,306	1,325
Total current liab and provs	**12,772**	**16,367**	**16,040**	**15,351**
Total Equity & Liabilities	**35,359**	**42,410**	**45,131**	**47,269**
Assets				
Gross block	**16,786**	**21,464**	**24,545**	**26,408**
Net block	12,502	16,196	19,145	20,598
Capital WIP	5,011	4,505	3,899	2,865
Other non current assets	436	834	950	1,021
Total fixed assets	**17,948**	**21,534**	**23,994**	**24,484**
Inventories	7,884	10,523	11,202	12,470
Trade receivables	4,968	6,903	6,024	6,859
Cash & Bank Balance	1,698	977	-201	-1,519
Other current assets	2,860	2,473	4,111	4,976
Total current Assets	**17,411**	**20,876**	**21,137**	**22,786**
Total Assets	**35,359**	**42,410**	**45,131**	**47,269**

Cash Flow

(₹ mn)	FY24	FY25	FY26E	FY27E
PBT	2,762	3,523	4,394	5,318
Depreciation	977	985	1,116	1,526
Interest	777	1,128	1,024	914
Other Adjustments	1,677	1,909	2,141	2,441
Operating CF before WC changes	6,193	7,545	8,676	10,199
Changes in working capital	-3,596	-2,283	-2,015	-2,690
Tax paid	-290	-253	-681	-824
Cash flow from operations (a)	**554**	**2,897**	**3,839**	**4,244**
Capital expenditure	-5,133	-4,180	-3,820	-1,983
Other investing activities	-4	20	-	-
Cash flow from investing (b)	**-5,136**	**-4,159**	**-3,820**	**-1,983**
Free cash flow (a+b)	**-4,583**	**-1,262**	**20**	**2,262**
Proceeds from L T borrowings	4,090	1,361	-	-1,000
Proceeds/Repayment of short term borrowings	2,957	556	500	-1,000
Other flows in financing activities	-1,462	-1,389	-1,690	-1,581
Cash flow from financing (c)	**5,585**	**529**	**-1,190**	**-3,581**
Net chng in cash (a+b+c)	**1,003**	**-733**	**-1,170**	**-1,319**
Closing cash & cash equivalents	**1,691**	**969**	**-201**	**-1,519**

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