CCL PRODUCTS (INDIA) LIMITED

Growth momentum intact in Q1FY26; Margins dip, Valuation reflective

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- CCL Products Ltd (CCL) reported a strong 36.5% YoY revenue growth in Q1FY26, crossing ₹10.6 bn for the first time, driven by steady volumes and branded sales. Quarterly revenues have grown at a 27% CAGR over the last two years, supported by capacity expansion and global demand. Gross margin declined to 32.6% due to mix change and coffee price volatility, though gross profit still rose 17% YoY.
- Its EBITDA rose 22% YoY to ₹1.59 bn, but PAT was flat YoY and down 29% QoQ due to peak depreciation and interest costs, both expected to ease from Q3. Branded and domestic businesses remained strong, with 20% YoY growth and improved margins; management reaffirmed 10–20% volume and 15–20% EBITDA growth guidance for FY26. Net debt declined to ₹16.7 bn, with working capital likely to ease as coffee prices stabilize; depreciation and interest burden are expected to gradually reduce.
- CCL is well-positioned for double-digit volume growth, backed by ramp-up of new capacities, higher mix of specialty coffee & small packs, and strong customer relationships. Branded revenues are expected to rise from ₹3 bn in FY25 to ₹5 bn by FY27, with improving EBITDA/kg and normalization in working capital as coffee prices stabilize. We revise our rating to 'NEUTRAL' with a target price of ₹938, as near-term positives appear priced in; we estimate 22%/19%/22% CAGR in Revenue/EBITDA/PAT over FY24–27.

Strong revenue momentum continues; Gross margin impacted by mix and price volatility

CCL reported a 36.5% YoY growth (+26.3% QoQ) in consolidated revenues, reaching ₹10.6 bn in Q1FY26, compared to ₹7.7 bn in Q1FY25 and ₹8.4 bn in Q4FY25. This is the first time the company has crossed ₹10 bn in quarterly revenue, driven by steady volume growth, strong performance in the branded business, and higher demand from export markets like China, the Middle East, and Europe. Over the last two years, the company's quarterly revenues have grown at a 27% CAGR, supported by capacity expansion, product diversification, and deeper market penetration.

Gross margin came in at 32.6%, down 543 bps YoY and 1,172 bps QoQ (Although Gross Profit up 17% YoY), mainly due to changes in product and customer mix. The quarter saw a higher share of lower-margin bulk orders and a slight dip in freeze-dried coffee volumes. While green coffee prices corrected by nearly 30% during the quarter, the company highlighted that stable pricing helps more than volatile movements, as volatility creates temporary mismatches in pass-through pricing and can affect margins in the short-term.

Key Financials	FY23	FY24	FY25	FY26E	FY27E
Total Income (₹ mn)	20,712	26,537	31,057	37,783	45,832
EBITDA margins (%)	19.3%	16.8%	17.9%	16.9%	17.0%
PAT margins (%)	11.8%	10.0%	10.0%	9.6%	10.1%
EPS (₹)	22.1	17.7	23.3	27.3	34.8
P/E (x)	31.0	38.7	29.4	25.1	19.7
P/BV (x)	6.1	5.4	4.6	4.0	3.4
EV/EBITDA (x)	24.9	23.7	19.5	16.6	13.3
Adj ROE (%)	19.6%	14.1%	15.8%	16.0%	17.4%
Adj ROCE (%)	11.3%	6.7%	7.3%	8.2%	9.7%

NEUTRAL

Current Market Price (₹)	863
12M Price Target (₹)	938
Potential Return (%)	9

Stock Data		
Sector :	:	Tea & Coffee
Face Value (₹)	:	2
Total MCap (₹ bn)	:	116
Free Float MCap (₹ bn)	:	61
52-Week High / Low (₹)	:	937 / 525
BSE Code / NSE Symbol	:	519600 / CCL
Bloomberg	:	CCLP IN
Sensex / Nifty	:	80,623 /24,596

Shareholding Pattern

(%)	Jun-25	Mar-25	Dec-24	Sep-24
Promoter	46.09	46.09	46.09	46.09
MF's	18.91	18.38	19.00	18.99
FPIs	10.65	10.20	10.13	10.17
AIF's	2.27	2.41	1.89	1.76
Others	22.08	22.92	22.89	22.99

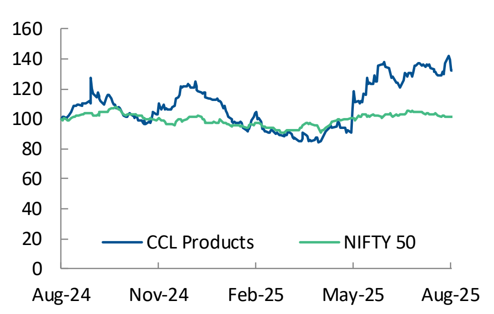
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
CCL Products	-3.2	11.7	31.8	32.4
Nifty 50	-3.4	0.7	4.4	1.2

** To date / current date : August 7, 2025*

CCL Products vs Nifty 50



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EBITDA growth steady; PAT impacted by high depreciation and interest cost

Consolidated EBITDA rose 22% YoY to ₹1.59 bn (from ₹1.30 bn in Q1FY25), though it declined 2.6% QoQ, mainly due to higher depreciation and interest expenses. EBITDA margin (excluding other income) stood at 15.1%, lower by 178 bps YoY and 447 bps QoQ, reflecting the impact of product mix, capacity ramp-up, and delayed price resets in some contracts. PAT came in at ₹724 mn, up just 1% YoY but down 29% QoQ. The sequential decline was driven by a sharp increase in depreciation (up 46% YoY) and interest costs of around ₹340 mn. Management indicated that both interest and depreciation are now at peak levels and should start reducing from Q3FY26. Despite margin pressures, EBITDA per kg stayed firm at ₹125–135, in line with historical trends and the company's cost-plus pricing model.

Branded and Domestic segments shine; Volume growth guidance intact

The branded business under the 'Continental Coffee' label contributed ₹1.0 bn in Q1, forming 9.5% of total consolidated revenues, with continued momentum in modern trade and D2C channels. The domestic business clocked ₹1.5 bn, up 20% YoY, driven by branded portfolio expansion and improving product mix. The company targets ₹4.5–5.0 bn branded revenue in FY26, with profitability also rising – the segment reported EBITDA margins of 5–10% in Q1, compared to ~4–5% last year. The company is reinvesting branded profits aggressively in brand-building and product innovation (e.g. premium line 'Percol' in India and UK).

Consolidated volume growth was in double digits (~15% as per our est.), slightly below the 23% EBITDA growth due to product mix skewed towards higher value-added freeze-dried coffee (FDC). Management reiterated its FY26 guidance of 10–20% volume growth and 15–20% EBITDA growth, backed by capacity availability, strong pipeline visibility (50–60% already booked), and rising traction in China, Middle East, and India. B2C volumes are growing faster than B2B, with retail SKUs gaining shelf space across modern trade, quick commerce and international outlets.

Debt moderates; inventory cycle to ease as prices stabilize

Total net debt reduced to ₹16.7 bn in Q1FY26 (vs ₹18.1 bn in Q4FY25 and ₹19.7 bn in Q3FY25), with a targeted reduction to ₹12.0 bn by Mar'26. Of this, a large portion is working capital debt, fully backed by committed customer contracts. With green coffee prices down 30% in recent months, working capital intensity is expected to ease significantly. Management maintains that debt levels have peaked, and interest cost should taper from Q3FY26. Depreciation also reflects full commissioning of India and Vietnam units and will now stabilize.

Inventory holding remains at 2–3 months, all of which is contract-backed. As a result, price fluctuations do not impact EBITDA materially, reaffirming the effectiveness of CCL's cost-plus pricing model. Capex for Q1 was negligible, with the major Vietnam freeze-dried expansion (3,500 MT) already commissioned in FY25. Total capacity now stands at 77,000 MT. A ₹150 mn investment in hybrid power SPV also remains on track to enhance operational efficiency and sustainability.

Quarterly Financial Snapshot

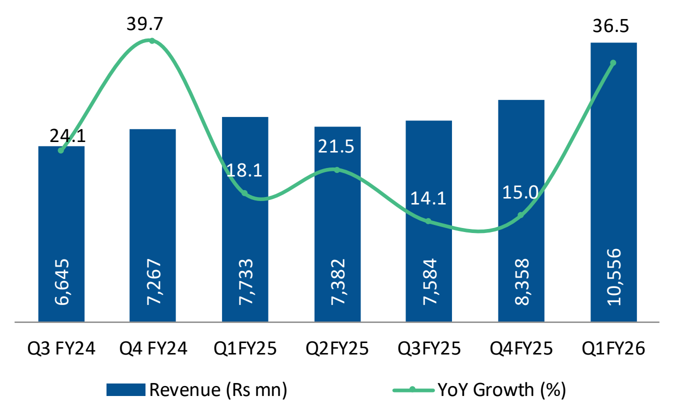
YE Mar (₹ mn)	Q1FY26	Q4FY25	QoQ	Q1FY25	YoY
Sales	**10,556**	**8,358**	***26.3%***	**7,733**	***36.5%***
Raw Material	7,111	4,651	*52.9%*	4,789	*48.5%*
Employee Cost	418	491	*-14.8%*	384	*9.0%*
Other expenses	1,436	1,583	*-9.3%*	1,257	*14.3%*
Total Operating expenses	8,966	6,726	*33.3%*	6,430	*39.4%*
EBITDA	**1,590**	**1,633**	***-2.6%***	**1,303**	***22.1%***
EBITDA Margin (%)	15.1%	20%	*-447 bps*	16.8%	*-178 bps*
Depreciation	336	270	*24.5%*	230	*45.8%*
EBIT	**1,255**	**1,363**	***-8.0%***	**1,073**	***17.0%***
Other Income	24	38	*-36.9%*	13	*79.9%*
Interest	337	343	*-2%*	214	*57.3%*
Exceptional items	-	-	-	-	-
Profit Before Tax	**942**	**1,059**	***-11.0%***	**872**	***8.0%***
Tax	217	40	*441.6%*	157	*38.4%*
Tax rate (%)	23%	4%	*1929 bps*	18%	*506 bps*
Profit after tax	**724**	**1,019**	***-28.9%***	**715**	***1.4%***
PAT Margin (%)	7%	12.2%	*(532) bps*	9%	*(238) bps*
EPS (₹)	5.4	7.7	*-30%*	5.4	*0.0%*

Source: Company, LKP Research

Outlook & Valuation

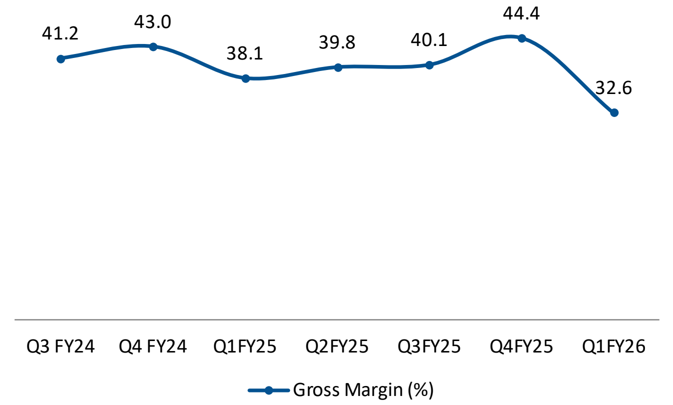
We anticipate continued volatility in global coffee prices; however, CCL's experienced management has consistently demonstrated strong execution in managing such environments. The company remains well-positioned to deliver double-digit volume growth, supported by: (a) the gradual ramp-up of its newly commissioned freeze-dried capacities (~38ktpa across India and Vietnam), which operated at just 15% utilization in FY25 and are expected to drive a 17% volume CAGR over the next three years; (b) an increasing share of high-margin specialty coffee and small packs, which improve product mix and help offset cost pressures; (c) a cost-efficient, asset-light business model that ensures margin resilience; and (d) strong customer relationships that aid wallet share gains and new client onboarding across global markets. Branded revenues (₹3 bn in FY25) are expected to cross ₹5 bn by FY27, supported by deeper B2C penetration in South India, expansion into non-South regions, and growth in international brands like Percol. While some short-term uncertainties remain around volume pickup, client contract cycles, and green coffee volatility, the recent 30% correction in raw coffee prices and improving demand visibility should support stable realizations, higher capacity utilization, and EBITDA/kg expansion (currently ₹120–125). Working capital, which rose to ₹14.5 bn in FY25 due to elevated input costs, is expected to normalize gradually over FY26–FY27, easing pressure on interest costs and supporting overall profitability. We revise our rating from 'BUY' to 'NEUTRAL' with a target price to ₹938 (from ₹844), valuing the stock at 27x FY27E EPS of ₹34.8 as the positives seems to be have been priced-in. Over FY24–27E, we estimate Revenue/ EBITDA/PAT CAGR of 22%/19%/22%, underpinned by volume expansion, premiumization, and operational scale benefits.

Strong Revenue Growth Continues;Last 2 Yr quarterly CAGR 27%



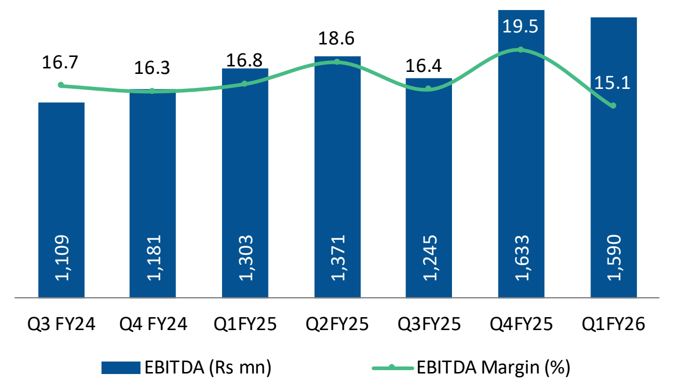
Source: Company, LKP Research

Gross margin hit by higher bulk sales and unstable coffee prices



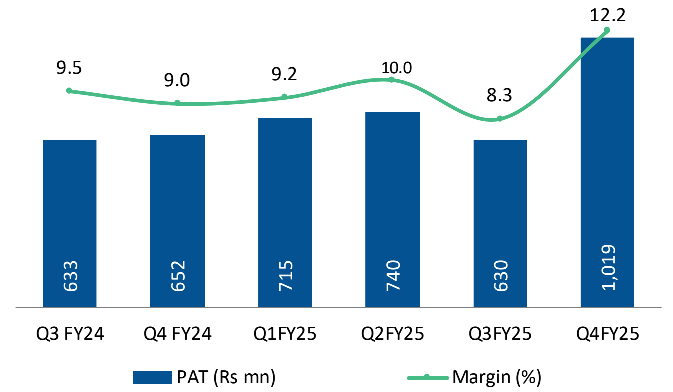
Source: Company, LKP Research

EBITDA Margin impacted by peak costs; gradual recovery expected



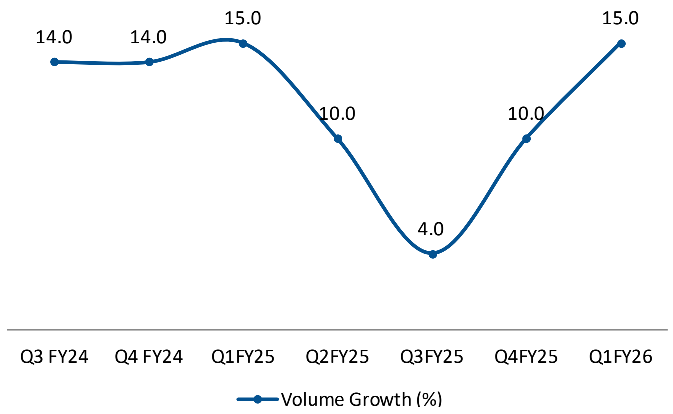
Source: Company, LKP Research

PAT Growth muted despite strong operating performance



Source: Company, LKP Research

Volume Growth in Double Digits; Guidance Maintained at 10–20%



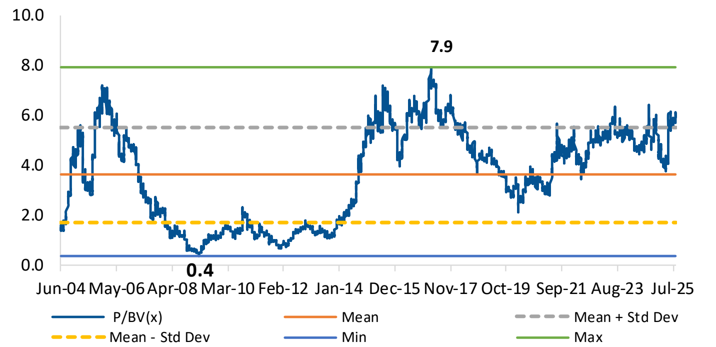
Source: Company, LKP Research

Con-Call KTA's:

- **Guidance maintained:** 10–20% volume growth and 15–20% EBITDA growth remains intact. FY26 branded revenues expected at ₹4.5–5.0 bn.
- **Inventory strategy**: 100% inventory held is already sold/contracted; no speculative buying.
- **Capacity utilization:** Legacy units running near full; new capacity (India + Vietnam) currently at ~10–15% utilization. Room for further ramp-up.
- **Geographic growth:** Export share is broad-based – 10% from Americas, 35–40% from Europe/CIS, and 35–40% from Asia.
- **Product mix evolution**: Share of freeze-dried (FDC) coffee is rising – higher margins vs. spray-dried coffee (SDC).
- **New Product launches:** It has piloted entry into the snacks category through third-party manufacturing and is seeing healthy demand for single-serve coffee (SBC), with the recently doubled capacity now operating at ~60% utilization. Brand launches in India and the UK are underway, focused on premium and niche segments.
- **Branded outlook**: UK "Percol" and Indian premium SKUs gaining traction. B2C contributes significantly to incremental margin expansion.
- **EBITDA per kg:** Maintained in the ₹120–125/kg range. Quarterly margin volatility not a concern under cost-plus model.

P/E(x) mean and standard deviation

P/BV(x) mean and standard deviation



Source: ACE Equity, LKP Research

Income Statement

(₹ mn)	FY24	FY25	FY26E	FY27E
Revenue	**26,537**	**31,057**	**37,783**	**45,832**
Raw Material Cost	15,520	18,426	22,670	27,270
Employee Cost	1,456	1,720	2,078	2,521
Other Exp	5,108	5,361	6,650	8,250
EBITDA	**4,453**	**5,551**	**6,385**	**7,791**
EBITDA Margin(%)	*16.8%*	*17.9%*	*16.9%*	*17.0%*
Depreciation	977	985	1,327	1,687
EBIT	**3,476**	**4,566**	**5,059**	**6,104**
EBIT Margin(%)	*13.1%*	*14.7%*	*13.4%*	*13.3%*
Other Income	63	85	106	127
Interest	777	1128	865	756
Exceptional items	0	0	0	0
Reported PBT	2,762	**3,523**	**4,300**	**5,475**
RPBT Margin(%)	*10.4%*	*11.3%*	*11.4%*	*11.9%*
Tax	262	419	666	849
PAT	**2,501**	**3,103**	**3,633**	**4,626**
PAT Margins (%)	*9.4%*	*10.0%*	*9.6%*	*10.1%*
Other comprehensive income/(loss)	-146	0	0	0
Rep PAT	**2,647**	**3,103**	**3,633**	**4,626**
RPAT Margins (%)	*10.0%*	*10.0%*	*9.6%*	*10.1%*

Key Ratios

YE Mar	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
Adj. EPS	17.7	23.3	27.3	34.8
CEPS	25.0	30.7	37.3	47.5
BVPS	125.8	147.9	170.2	200.0
Growth Ratios(%)				
Revenue	28.1%	17.0%	21.7%	21.3%
EBITDA	11.4%	24.7%	15.0%	22.0%
EBIT	3.4%	31.4%	10.8%	20.7%
Adj.PAT	-19.9%	31.8%	17.1%	27.3%
Valuation Ratios (X)				
PE	38.7	29.4	25.1	19.7
P/CEPS	27.4	22.3	18.4	14.4
P/BV	5.4	4.6	4.0	3.4
EV/Sales	4.0	3.5	2.8	2.3
EV/EBITDA	23.7	19.5	16.6	13.3
Operating Ratios (Days)				
Inventory days	107.0	122.0	106.0	100.0
Receivable Days	67.4	80.0	60.0	50.0
Payables day	13.5	25.6	26.0	24.0
Debt to Equity (x)	0.97	0.92	0.73	0.57
Performance Ratios (%)				
AROA (%)	6.7%	7.3%	8.2%	9.7%
AROE (%)	14.1%	15.8%	16.0%	17.4%
AROCE (%)	15.4%	17.5%	17.4%	18.6%
Asset Turnover(x)	1.58	1.45	1.65	1.85
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	22,373	26,333
Total Networth	**16,738**	**19,672**	**22,640**	**26,600**
Long term Borrowings	5,186	5,563	5,563	5,063
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**	**5,871**
Current Liabilities				
Short term Borrowings & Provisions	11,076	12,944	11,478	10,502
Trade Payables	997	2,211	2,729	3,055
Other current liabilities	698	1,211	1,219	1,244
Total current liab and provs	**12,772**	**16,367**	**15,425**	**14,801**
Total Equity & Liabilities	**35,359**	**42,410**	**44,436**	**47,271**
Assets				
Gross block	**16,786**	**21,464**	**22,899**	**24,774**
Net block	12,502	16,196	17,289	18,803
Capital WIP	5,011	4,505	3,899	2,865
Other non current assets	436	834	628	678
Total fixed assets	**17,948**	**21,534**	**21,816**	**22,346**
Inventories	7,884	10,523	11,125	12,731
Trade receivables	4,968	6,903	6,297	6,366
Cash & Bank Balance	1,698	977	1,856	2,298
Other current assets	2,860	2,473	3,342	3,530
Total current Assets	**17,411**	**20,876**	**22,620**	**24,924**
Total Assets	**35,359**	**42,410**	**44,436**	**47,271**

Cash Flow

(₹ mn)	FY24	FY25	FY26E	FY27E
PBT	**2,762**	**3,523**	**4,300**	**5,475**
Depreciation	977	985	1,327	1,687
Interest	777	1,128	865	756
Other Adjustments	1,677	1,909	2,191	2,443
Operating CF before WC changes	6,193	7,545	8,682	10,362
Changes in working capital	-3,596	-2,283	-473	-1,831
Tax paid	-290	-253	-666	-849
Cash flow from operations (a)	**554**	**2,897**	**5,352**	**5,239**
Capital expenditure	-5,133	-4,180	-1,435	-1,875
Other investing activities	-4	20	-	-
Cash flow from investing (b)	**-5,136**	**-4,159**	**-1,435**	**-1,875**
Free cash flow (a+b)	**-4,583**	**-1,262**	**3,916**	**3,364**
Proceeds from long term borrowings	4,090	1,361	-	-500
Proceeds/Repayment of short term borrowings	2,957	556	-1,500	-1,000
Other flows in financing activities	-1,462	-1,389	-1,530	-1,422
Cash flow from financing (c)	**5,585**	**529**	**-3,030**	**-2,922**
Net chng in cash (a+b+c)	**1,003**	**-733**	**887**	**442**
Closing cash & cash equivalents	**1,691**	**969**	**1,856**	**2,298**

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