

CCL Products (India)

21 February, 2023

Reuters: CCLP.NS; Bloomberg: CCLP IN

Strong demand outlook; capacity expansion on track

We recently interacted with the management of CCL Products (India) Ltd (CCLP) in order to get updates on demand outlook, commissioning of new capacities, order visibility and B2C operations. Following are the KTAs from the interaction. We believe that underlying demand for Spray Dried (SD) coffee continues to be strong across geographies and CCLP is in a position to clock 60,000 tonnes volume by FY26-end, which should translate into ~Rs7.2bn EBITDA, implying a 4-year CAGR of ~22%. Earnings CAGR over the same period could be ~25% on account of lower ETR. CCLP continues to be our top idea and we maintain BUY on it with an unchanged target price (TP) of Rs650.

- The management believes that coffee demand has witnessed a surge post Covid-19, wherein newer geographies are opening up while demand from developed countries remains in low single digit. CCLP is gaining market share in the developed countries by replacing other processors and also by expanding its portfolio. As a part of their strategy of territorial de-risking, customers want to diversify their supplies. The management indicated that customers are considering CCLP as the first preference because of its capacity addition plans, consistent track record and manufacturing operations in both India as well as Vietnam. Hence, select customers are willing to sign multi-year contracts as well.
- Due to capacity constraints in India, CCLP has been actively outsourcing plain vanilla blends for select clients. The management informed that out of the >1,000 blends, ~45% should be generic in nature. Demand from the domestic business remains strong. EBITDA/kg from the blends getting outsourced is broadly similar to the overall India spray dried margin.
- The management indicated very strong volume growth in 4QFY23 on account of additional capacity coming on stream in Vietnam and overall positive outlook across key geographies. Supplies from the incremental Vietnam capacity have begun from Jan'23. The management expects ~50% utilization from the same in FY24, which in turn implies ~15% overall volume growth in FY24 keeping everything constant.
- The entire freeze dried capacity is booked till FY24. Since Vietnam FD capacity is expected to be commissioned by the end of 3QFY25, growth in the next two years should be largely driven by spray-dried coffee.
- While the management reiterated that EBITDA/kg to remain constant for the next two years, internal efficiencies and higher share of small packs volume should support mix improvement. Small packs volume share is ~20%, wherein the major markets are Africa and USA.
- In terms of business with retail chains in Europe, the management indicated that CCLP has added two more (earlier six) big retail chains over the last six months.
- On the B2C business, the management reiterated its plans to double revenue in the next three years. CCLP is looking to further penetrate in South India and expand its distribution reach in North India, especially in premium outlets. The B2C business achieved operational break-even in FY22. CCLP announced its foray into plant-based meat business, which is a niche category, but it is witnessing a lot of traction. CCLP has expanded its presence from three towns to six towns, wherein Delhi, Chennai and Mumbai were added. The company is on the verge of adding Bengaluru as the 7th town for plant-based meat business. The management indicated that CCLP is also assessing a few more categories, which need not be coffee adjacencies.

BUY

Sector: Beverages

CMP: Rs543

Target Price: Rs650

Upside: 20%

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Key Data

Current Shares O/S (mn)	133.0
Mkt Cap (Rsbn/US\$mn)	71.7/865.9
52 Wk H / L (Rs)	579/315
Daily Vol. (3M NSE Avg.)	219,716

Price Performance (%)

	1 M	6 M	1 Yr
CCL Products	1.3	29.1	17.4
Nifty Index	(1.1)	0.4	3.6

Source: Bloomberg

Exhibit 1: Financial summary

Particulars (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	12,425	14,620	21,015	25,606	31,905
Growth YoY%	9.1	17.7	43.7	21.8	24.6
Gross margin %	52.5	50.6	49.9	49.7	50.3
EBITDA	2,978	3,311	4,059	4,960	6,291
EBITDA margin %	24.0	22.6	19.3	19.4	19.7
Adj PAT	1,823	2,044	2,636	3,471	4,437
Growth YoY%	9.8	12.1	29.0	31.7	27.9
Adj EPS	13.7	15.4	19.8	26.1	33.4
RoCE	17.2	16.2	16.4	16.6	17.6
RoE	18.1	17.5	19.6	22.3	24.2
P/E	39.6	35.4	27.4	20.8	16.3
EV/EBITDA	25.5	23.3	19.4	16.1	12.9
P/BV	6.6	5.8	5.0	4.3	3.6

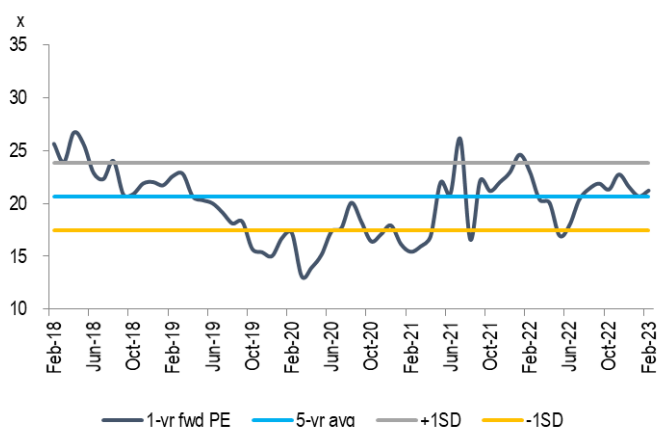
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Change in earnings estimates

Consolidated (Rsmn)	Old Estimates			New estimates			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	21,015	25,606	31,905	21,015	25,606	31,905	-	-	-
EBITDA	4,059	4,960	6,291	4,059	4,960	6,291	-	-	-
EBITDA margin %	19.3%	19.4%	19.7%	19.3%	19.4%	19.7%	-	-	-
APAT	2,636	3,471	4,437	2,636	3,471	4,437	-	-	-

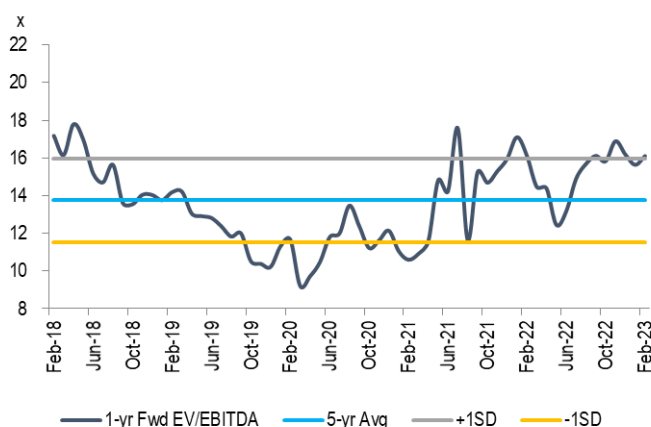
Source: Nirmal Bang Institutional Equities Research

Exhibit 3: 1-year forward PE trend



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 4: 1-year forward EV/EBITDA trend



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials (Consolidated)

Exhibit 5: Income statement

Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	12,425	14,620	21,015	25,606	31,905
Growth YoY%	9.1	17.7	43.7	21.8	24.6
COGS	5,902	7,229	10,532	12,879	15,853
Gross margin %	52.5	50.6	49.9	49.7	50.3
Staff costs	795	977	1,367	1,601	1,914
Other expenses	2,750	3,104	5,058	6,166	7,846
EBITDA	2,978	3,311	4,059	4,960	6,291
Growth YoY%	4.2	11.2	22.6	22.2	26.8
EBITDA margin %	24.0	22.6	19.3	19.4	19.7
Depreciation	494	575	839	966	1,216
EBIT	2,483	2,736	3,220	3,994	5,075
Interest	170	164	201	226	236
Other income	34	41	50	178	235
PBT (bei)	2,348	2,613	3,069	3,945	5,075
PBT	2,348	2,613	3,069	3,945	5,075
ETR	22.4	21.8	14.1	12.0	12.6
PAT	1,823	2,044	2,636	3,471	4,437
Adj PAT	1,823	2,044	2,636	3,471	4,437
Growth YoY%	9.8	12.1	29.0	31.7	27.9

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: Cash flow

Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
PBT	2,348	2,613	3,069	3,945	5,075
Depreciation	494	575	839	966	1,216
Interest	-	-	201	226	236
Other adjustments	41	270	-50	-178	-235
Change in Working capital	-915	-2,061	-1,745	-1,209	-2,210
Tax paid	-259	-390	-433	-474	-637
Operating cash flow	1,709	1,007	1,881	3,276	3,444
Capex	-1,546	-1,899	-2,550	-3,850	-4,000
Free cash flow	163	-892	-669	-574	-556
Other investing activities	19	-	122	236	282
Investing cash flow	-1,527	-1,899	-2,428	-3,614	-3,718
Issuance of share capital	-	-	-	-	-
Movement of Debt	902	916	1,229	3,362	600
Dividend paid (incl DDT)	-266	-665	-791	-1,041	-1,331
Other financing activities	-	-	-201	160	345
Financing cash flow	636	251	238	2,481	-386
Net change in cash flow	818	-641	-309	2,143	-660
Opening C&CE	387	1,204	563	254	2,397
Closing C&CE	1,204	563	254	2,397	1,737

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: Balance sheet

Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Share capital	266	266	266	266	266
Reserves	10,607	12,241	14,086	16,516	19,622
Net worth	10,873	12,507	14,352	16,782	19,888
Long term debt	1,769	1,117	2,040	4,500	4,500
Short term debt	2,977	4,492	4,798	5,700	6,300
Total debt	4,746	5,609	6,838	10,200	10,800
Other non-current liabilities	553	774	774	1,161	1,742
Total Equity & Liabilities	16,172	18,890	21,965	28,143	32,430
Gross block	9,962	11,461	15,411	19,411	23,411
Accumulated depreciation	1,978	2,638	3,477	4,443	5,659
Net Block	7,984	8,822	11,934	14,968	17,752
CWIP	1,489	1,600	200	50	50
Intangible and others	-	-	-	-	-
Other non-current assets	498	364	291	233	186
Investments	0	0	-	-	-
Trade receivables	2,986	3,196	5,379	5,992	6,866
Inventories	3,197	5,191	4,668	5,244	6,651
Cash & Cash equivalents	1,204	563	254	2,397	1,737
Other current assets	525	963	867	780	702
Total current assets	7,911	9,913	11,167	14,413	15,956
Trade payables	217	457	546	656	822
Other current liabilities	1,493	1,352	1,082	866	692
Total current liabilities	1,710	1,809	1,627	1,521	1,514
Total Assets	16,172	18,890	21,965	28,143	32,430

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Key ratios

Y/E March (Rsm)	FY21	FY22	FY23E	FY24E	FY25E
Per share (Rs)					
Adj EPS	13.7	15.4	19.8	26.1	33.4
Book value	81.7	94.0	107.9	126.2	149.5
DPS	4.0	5.0	5.9	7.8	10.0
Valuation (x)					
P/Sales	5.8	4.9	3.4	2.8	2.3
EV/sales	6.1	5.3	3.8	3.1	2.5
EV/EBITDA	25.5	23.3	19.4	16.1	12.9
P/E	39.6	35.4	27.4	20.8	16.3
P/BV	6.6	5.8	5.0	4.3	3.6
Return ratios (%)					
RoCE	17.2	16.2	16.4	16.6	17.6
RoE	18.1	17.5	19.6	22.3	24.2
Profitability ratios (%)					
Gross margin	52.5	50.6	49.9	49.7	50.3
EBITDA margin	24.0	22.6	19.3	19.4	19.7
PAT margin	14.6	13.9	12.5	13.5	13.8
Liquidity ratios (%)					
Current ratio	1.7	1.6	1.7	2.0	2.0
Quick ratio	1.0	0.7	1.0	1.3	1.2
Solvency ratio (%)					
Debt to Equity ratio	0.3	0.4	0.5	0.5	0.5
Turnover ratios					
Fixed asset turnover ratio (x)	1.3	1.4	1.6	1.5	1.5
Debtor days	83	77	74	81	74
Inventory days	85	105	86	71	68
Creditor days	7	17	17	17	17
Net Working capital days	162	165	143	135	125

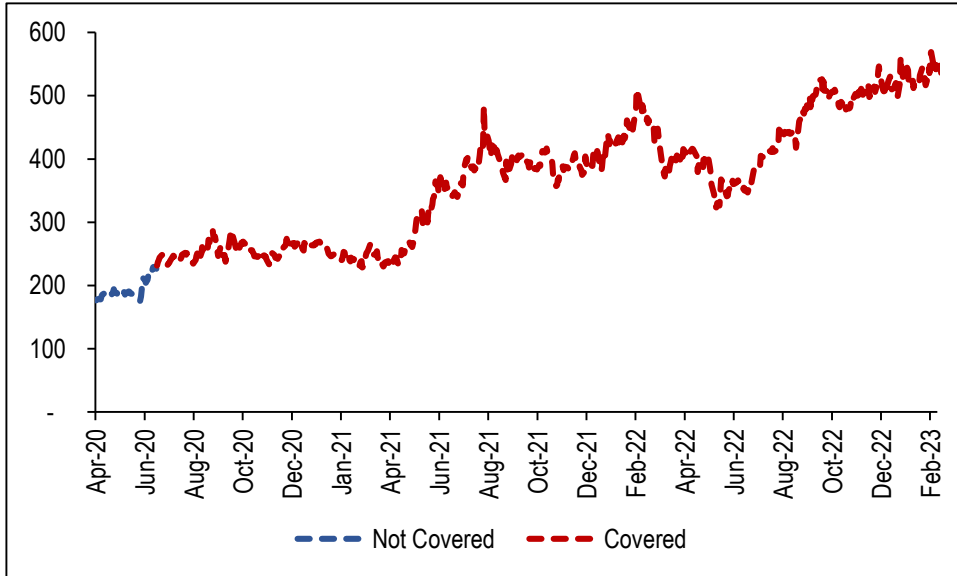
Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
27 August 2014	Buy	90	140
10 October 2014	Buy	123	140
30 October 2014	Buy	134	183
20 January 2015	Buy	174	245
13 April 2015	Buy	214	245
28 May 2015	Buy	187	272
10 July 2015	Buy	185	272
22 July 2015	Buy	207	272
13 October 2015	UR	241	-
16 October 2015	Buy	224	272
4 February 2016	Buy	180	250
17 February 2016	Buy	167	250
2 March 2016	Buy	172	219
3 May 2016	Buy	194	238
2 August 2016	Buy	259	307
5 October 2016	Buy	246	328
5 January 2017	Buy	262	329
3 February 2017	Buy	311	363
24 May 2017	Buy	310	374
13 July 2017	Buy	280	326
3 November 2017	Accumulate	337	349
5 February 2018	Buy	276	346
22 May 2018	Accumulate	299	330
17 July 2018	Accumulate	272	300
23 October 2018	Buy	242	310
15 February 2019	Buy	278	310
16 June 2020	Buy	228	340
25 June 2020	Buy	244	340
27 July 2020	Buy	243	340
20 October 2020	Buy	252	340
19 November 2020	Buy	253	340
7 January 2021	Buy	261	360
28 January 2021	Buy	243	360
3 March 2021	Buy	245	420
23 May 2021	Buy	312	420
29 June 2021	Buy	362	480
29 July 2021	Buy	437	500
25 August 2021	Buy	386	450
27 September 2021	Buy	388	520
28 September 2021	Buy	385	520
28 October 2021	Buy	366	520
20 January 2022	Buy	443	520
21 February 2022	Buy	457	600
6 March 2022	Buy	406	600
28 May 2022	Buy	349	600
6 August 2022	Buy	444	600
12 September 2022	Buy	500	700
31 October 2022	Buy	493	700
24 November 2022	Buy	502	700
19 January 2023	Buy	518	650
21 February 2023	Buy	543	650

Coverage was transferred to Abhishek Navalgund with effect from 16th June 2020

Rating track graph



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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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