

CCL Products (India)

BUY

Q4 robust; strong expansion lined up

Summary

CCL Products Q4FY23 EBITDA was slightly ahead of our estimate. Its Q4FY23 sales jumped 38% YoY to Rs5,201 mn. EBITDA grew by 34% YoY to Rs1,131 mn in line with volume growth- indicating that the company was able to maintain absolute margins. Net profit jumped 62% YoY to Rs853 mn. The volume growth for FY23 exceeded 20% and the company targets 20% volume growth in FY24 on the back of expansions (mainly in Vietnam). We expect strong growth in its sales/net profit over FY23-25E given strong demand in the overseas markets. Broadly, we maintain our FY24-25 financial forecasts and now value the stock at a PER of 24x (earlier 20x) FY25E EPS to derive a target price of Rs759 (earlier Rs642) and maintain our BUY rating on the stock.

Key Highlights and Investment Rationale

- **Capacity expansion to facilitate volume growth:** The company has already utilized 85%-90% of its Vietnam capacity. In FY24, company plans to utilize 50% of the additional capacity (16,000 tonnes), which will drive a volume growth of 20% for the company.
- **Other updates:** In FY23, the overall turnover from the domestic business was Rs2.5 bn. Of these, turnover from the pure branded business was Rs1.5-1.6 bn, while private labels accounted for Rs0.8-0.9 bn. The company aims for a growth of 30%-40% in the retail business during FY24.
- **Outlook:** CCL plans to expand its capacity aggressively over FY23-25. With strong visibility, we expect its sales/ EBITDA/net profit to grow at a CAGR of 19%/22%/27% over FY23-25E. Moreover, Indian branded business continues to grow at a strong pace, indicating market share gains. Valuation at 19x FY25E EPS is inexpensive in our view. Hence, we have a positive view on the stock.

TP	Rs759			Key Stock Data	
CMP	Rs608			Bloomberg / Reuters CCLP IN / CCLP.BO	
Potential upside/downside	25%		Sector		Tea & Coffee
Previous Rating	BUY		Shares o/s (mn)		133
Price Performance (%)					Market cap. (Rs mn) 80,881
	-1m	-3m	-12m	3-m daily avg. trd. value (Rs mn)	
Absolute	8.6	10.8	86.1	52-week high / low	
Rel to Sensex	6.7	10.4	69.9	Rs620 / 331	
V/s Consensus					Sensex / Nifty 61,561 / 18,182
EPS (Rs)	FY24E	FY25E	Shareholding Pattern (%)		
IDBI Capital	24.8	31.6	Promoters	46.3	
Consensus	23.2	29.1	FII	7.8	
% difference	7.1	8.5	DII	20.0	
			Public	25.9	

Year	(Rs mn)				
	FY21	FY22	FY23	FY24E	FY25E
Revenue	12,425	14,620	20,712	25,223	29,511
Change (yoy, %)	9	18	42	22	17
EBITDA	3,085	2,683	3,998	4,922	6,005
Change (yoy, %)	8	(13)	49	23	22
EBITDA Margin(%)	24.8	18.4	19.3	19.5	20.3
Adj.PAT	1,930	1,416	2,688	3,293	4,205
EPS (Rs)	14.5	10.6	20.2	24.8	31.6
Change (yoy, %)	16.3	(26.6)	89.8	22.5	27.7
PE(x)	41.9	57.1	30.1	24.6	19.2
Dividend Yield (%)	0.3	0.7	0.9	1.2	1.6
EV/EBITDA (x)	27.4	32.0	22.3	17.6	14.4
RoE (%)	19.1	12.1	19.7	20.6	22.6
RoCE (%)	17.3	12.0	15.4	17.1	20.4

Source: IDBI Capital Research

Bhavesh Chauhan

bhavesh.chauhan@idbic平台

+91-22-2217 1849

Exhibit 1: Quarterly Snapshot (Consolidated)

(Rs mn)

Financial snapshot	Q4FY23	Q3FY23	QoQ (%)	Q4FY22	YoY (%)
Net sales	5,201	5,353	(2.8)	3,762	38.2
Gross profit	2,709	2,340	15.8	1,927	40.6
<i>Gross margin (%)</i>	<i>52.1%</i>	<i>43.7%</i>	<i>837bps</i>	<i>51.2%</i>	<i>87bps</i>
Total expenditure	4,070	4,346	(6.3)	2,919	39.4
EBITDA	1,131	1,007	12.3	843	34.2
<i>EBITDA margin (%)</i>	21.7	18.8	292bps	22.4	-66bps
Interest	106	115	(7.7)	37	183.0
Depreciation	102	190	(46.7)	156	(35.1)
PBT	947	705	34.3	681	39.0
Tax	94	-25	(474.3)	154	(39.0)
PAT	853	731	16.7	527	61.8
Diluted EPS (Rs)	6.41	5.49	16.7	3.96	61.8

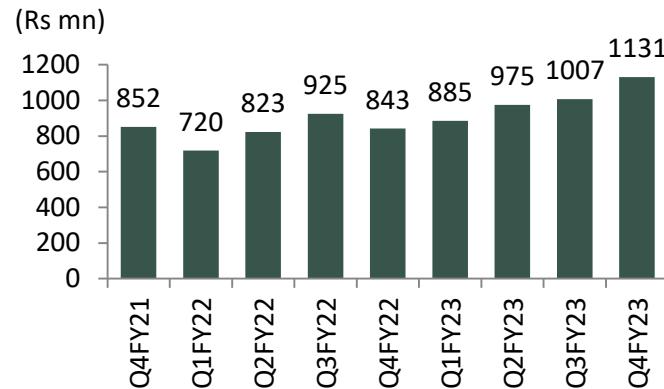
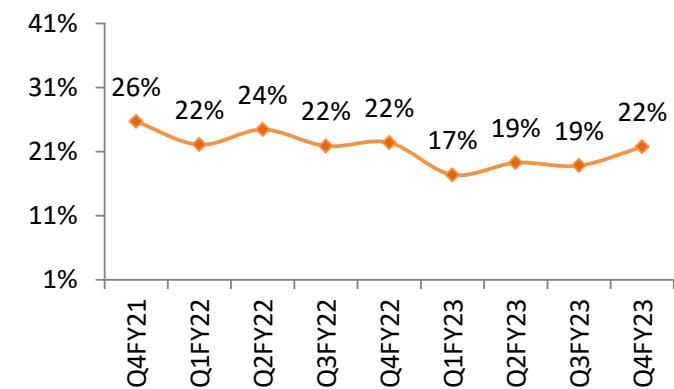
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. Estimates

(Rs mn)

	Q4FY23E	Q4FY23A	Variance (%)
Net sales	5,487	5,201	(5.2)
EBTIDA	1,081	1,131	4.6
<i>EBITDA margin (%)</i>	<i>19.7</i>	<i>21.7</i>	<i>204bps</i>
PAT	654	853	30.4
Adj. diluted EPS (Rs)	4.92	6.41	30.4

Source: Company; IDBI Capital Research

Exhibit 3: Consolidated EBIDTA grew 12% QoQ

Source: Company; IDBI Capital Research
Exhibit 4: EBIDTA margin marginally up QoQ

Source: Company; IDBI Capital Research

Conference call highlights

- The company mentioned that approximately 50%-60% of the volumes come from existing customers, while the remaining volumes comes from new customers or adding new volumes to existing customers.
- CIS countries contributed around 20%-25% of sales; Europe contributed 12%-15%, and North America contributed 12%-15%.
- The volume growth for FY23 exceeded 20%, and the company expects to maintain the same volume growth rate of 20% for FY24.
- The company stated that it will utilize 50% of the new capacity of the Vietnam plant this year. By Q2FY25, the company aims to have a freeze-dried capacity in Vietnam of 5,500 metric tonnes.
- The company has already utilized 85%-90% of the previous capacity in Vietnam, and in FY24, they plan to utilize 50% of the additional capacity (16,000 tonnes), which will drive a volume growth of 20%.
- In FY23, the overall turnover from the domestic business was Rs2.5 bn. The company aims for a growth of 30%-40% in the retail business for FY24.
- The new expansion in India plant is scheduled to be implemented by FY24 and will be commercialized in Q1FY25.
- The new freeze-dried capacity is expected to be completed in Q2FY25 and will be commercialized in Q4FY25.
- The company expects an effective tax rate of 22%-25% for FY24.
- In FY23, 40% of the total revenue came from the Vietnam operations.
- Premium products contribute 5%-10% to the volumes and 10%-15% in value terms.
- The instant coffee market share in India is Rs25 bn, and the company holds a 5% market share, equivalent to Rs1-1.5 bn.

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Net sales	11,392	12,425	14,620	20,712	25,223	29,511
<i>Change (yoY, %)</i>	5	9	18	42	22	17
Operating expenses	(8,533)	(9,340)	(11,937)	(16,714)	(20,301)	(23,506)
EBITDA	2,859	3,085	2,683	3,998	4,922	6,005
<i>Change (yoY, %)</i>	16	8	-13	49	23	22
<i>Margin (%)</i>	25.1	24.8	18.4	19.3	19.5	20.3
Depreciation	(471)	(494)	(575)	(637)	(669)	(702)
EBIT	2,388	2,590	2,109	3,361	4,253	5,303
Interest paid	(180)	(170)	(164)	(344)	(172)	(86)
Other income	45	34	41	33	36	39
Pre-tax profit	2,253	2,455	1,986	3,050	4,117	5,256
Tax	(594)	(525)	(570)	(361)	(823)	(1,051)
<i>Effective tax rate (%)</i>	26	21	29	12	20	20
Minority Interest	-	-	-	-	-	-
Net profit	1,659	1,930	1,416	2,688	3,293	4,205
Exceptional items	-	-	-	-	-	-
Adjusted net profit	1,659	1,930	1,416	2,688	3,293	4,205
<i>Change (yoY, %)</i>	7	16	(27)	90	23	28
EPS	12.5	14.5	10.6	20.2	24.8	31.6
Dividend per sh	3	2	4	6	8	10
<i>Dividend Payout (%)</i>	24	14	38	27	30	30

Balance Sheet							(Rs mn)
Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E	
Shareholders' funds	9,284	10,873	12,507	14,822	17,118	20,059	
Share capital	266	266	266	266	266	266	266
Reserves & surplus	9,018	10,607	12,241	14,556	16,852	19,793	
Total Debt	3,922	4,746	5,609	9,161	7,161	6,161	
Other liabilities	553	553	774	777	777	777	
Curr Liab & prov	1,335	1,710	1,809	1,209	3,946	4,608	
Current liabilities	1,335	1,707	1,747	1,159	3,896	4,558	
Provisions	-	3	62	50	50	50	
Total liabilities	5,810	7,009	8,192	11,147	11,884	11,546	
Total equity & liabilities	15,094	17,882	20,700	25,969	29,002	31,605	
Net fixed assets	8,734	9,971	10,787	13,497	14,828	16,126	
Investments	-	-	-	-	-	-	
Other non-curr assets	-	-	-	-	-	-	
Current assets	6,360	7,911	9,913	12,472	14,174	15,479	
Inventories	2,604	3,197	5,191	5,783	5,356	6,320	
Sundry Debtors	2,681	2,986	3,196	4,414	5,513	6,450	
Cash and Bank	387	1,204	563	834	1,643	765	
Other current assets	688	525	963	1,441	1,662	1,944	
Total assets	15,094	17,882	20,700	25,969	29,002	31,605	

Cash Flow Statement							(Rs mn)
Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E	
Pre-tax profit	2,253	2,455	1,986	3,050	4,117	5,256	
Depreciation	471	494	575	637	669	702	
Tax paid	(527)	(498)	(334)	(360)	(823)	(1,051)	
Chg in working capital	(1,216)	(522)	(2,106)	(2,410)	2,065	(1,239)	
Other operating activities	(622)	61	(412)	(317)	(112)	-	
Cash flow from operations (a)	358	1,990	(290)	600	5,915	3,669	
Capital expenditure	(698)	(1,732)	(1,390)	(3,348)	(2,000)	(2,000)	
Chg in investments	-	-	-	-	-	-	
Other investing activities	-	-	-	-	-	-	
Cash flow from investing (b)	(698)	(1,732)	(1,390)	(3,348)	(2,000)	(2,000)	
Equity raised/(repaid)	-	-	-	-	-	-	
Debt raised/(repaid)	1,995	824	863	3,552	(2,000)	(1,000)	
Dividend (incl. tax)	(2,234)	(633)	(898)	(732)	(998)	(1,264)	
Chg in minorities	-	-	-	-	-	-	
Other financing activities	-	-	-	-	-	-	
Cash flow from financing (c)	(239)	558	331	2,820	(2,998)	(2,264)	
Net chg in cash (a+b+c)	(578)	817	(1,349)	72	918	(595)	

Financial Ratios

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
Book Value (Rs)	69.8	81.7	94.0	111.4	128.7	150.8
Adj EPS (Rs)	12.5	14.5	10.6	20.2	24.8	31.6
Adj EPS growth (%)	7.1	16.3	(26.6)	89.8	22.5	27.7
EBITDA margin (%)	25.1	24.8	18.4	19.3	19.5	20.3
Pre-tax margin (%)	19.8	19.8	13.6	14.7	16.3	17.8
Net Debt/Equity (x)	0.4	0.3	0.4	0.6	0.3	0.3
ROCE (%)	19.5	17.3	12.0	15.4	17.1	20.4
ROE (%)	18.8	19.1	12.1	19.7	20.6	22.6
DuPont Analysis						
Asset turnover (x)	0.8	0.8	0.8	0.9	0.9	1.0
Leverage factor (x)	1.7	1.6	1.7	1.7	1.7	1.6
Net margin (%)	14.6	15.5	9.7	13.0	13.1	14.2
Working Capital & Liquidity ratio						
Inventory days	83	94	130	102	78	78
Receivable days	86	88	80	78	80	80
Payable days	11	8	14	16	18	19

Valuations

Year-end: March	FY20	FY21	FY22	FY23	FY24E	FY25E
PER (x)	48.7	41.9	57.1	30.1	24.6	19.2
Price/Book value (x)	8.7	7.4	6.5	5.5	4.7	4.0
EV/Net sales (x)	7.4	6.8	5.9	4.3	3.4	2.9
EV/EBITDA (x)	29.5	27.4	32.0	22.3	17.6	14.4
Dividend Yield (%)	0.5	0.3	0.7	0.9	1.2	1.6

Source: Company; IDBI Capital Research



Notes

Dealing

(91-22) 6836 1111

dealing@idbic平.资本.com

Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

IDBI Capital Markets & Securities Ltd.**Equity Research Desk**

6th Floor, IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai – 400 005. Phones: (91-22) 2217 1700; Fax: (91-22) 2215 1787; Email: info@idbic平.资本.com

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Compliance Officer: Christina D'souza; Email: compliance@idbic平.资本.com; Telephone: (91-22) 2217 1907

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