

CCL Products (India) (CCLP)

Beverages | Company Update

BUY

CMP: Rs576 | Target Price (TP): Rs820 | Upside: 42%

March 21, 2024

Coffee prices at historic high; Demand situation intact

Key Points

- Robusta prices YTD CY2024 are trading ~30% higher than CY23 average, which itself was ~30% higher than 10-yr average. Investors are concerned about the working capital requirements associated with it for CCLP.
- While we believe that the management's debt guidance largely factors in the anticipated price increase, our stress test suggests EPS downside in the 'worst case scenario' to be 9%/7% in FY25E/FY26E.
- Despite supply side challenges, demand continues to be solid and CCLP has commissioned India capacity during 4QFY24. Maintain Buy (25x PE) post roll-forward of valuation to FY26E earnings.

Stress test suggests maximum EPS downside of high single digits:

During FY24, the management has guided for working capital requirement of Rs11bn for FY25 (FY23 base was Rs7bn). We believe that the management has already factored in a large part of the anticipated price increase in Robusta in its guidance. However, considering the magnitude of increase in prices post Nov'23, we did a stress test wherein we assumed three scenarios (refer table below) of increase in short term debt (20%/30%/40%). EPS impact in the first two scenarios is in low single digit and mid-single digit, respectively. Our 'worst case scenario' can lead to EPS downgrades by 9%/7% in FY25E/FY26E from our current estimates.

Scenario analysis with short-term debt as the variable

Particulars (Rsmn)	Current estimates		STD higher by 20%		STD higher by 30%		STD higher by 40%	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Long-term debt (LTD)	6,000	4,500	6,000	4,500	6,000	4,500	6,000	4,500
Short-term debt (STD)	11,000	11,000	13,200	13,200	14,300	14,300	15,400	15,400
Total debt	17,000	15,500	19,200	17,700	20,300	18,800	21,400	19,900
Interest costs	1,115	1,044	1,259	1,192	1,331	1,266	1,404	1,340
PAT	3,245	4,348	3,101	4,200	3,029	4,126	2,957	4,052
EPS	24.4	32.7	23.3	31.6	22.8	31.0	22.2	30.5
Potential downside in EPS			-4%	-3%	-7%	-5%	-9%	-7%
TP at 25x on FY26E		820		790		780		760
TP at 22x on FY26E		720		690		680		670
TP at 20x on FY26E		650		630		620		610
Upside from CMP @25x		42%		37%		35%		32%
Upside from CMP @22x		25%		20%		18%		16%
Upside from CMP @20x		13%		9%		8%		6%

Source: Nirmal Bang Institutional Equities Research

Expansion plans on track: The management believes that there is no sign of demand slowdown and the underlying demand continues to be robust. CCLP has commissioned its India SDC facility during 4QFY24 at the right time while expansion in Vietnam is also on track.

Outlook & Valuation: We remain positive on CCLP, backed by 20%+ volume & EBITDA CAGR over FY24E-FY26E. Supply side challenges would impact smaller players disproportionately, in our view. Maintain BUY with a revised TP of Rs820 (25x PE on FY26E earnings).

Est Change	Downward
TP Change	Upward
Rating Change	No change

Company Data and Valuation Summary

Reuters:	CCLP.BO
Bloomberg:	CCLP IN Equity
Mkt Cap (Rsbn/US\$bn):	76.6 / 923.9
52 Wk H / L (Rs):	750 / 542
ADTV-3M (mn) (Rs/US\$):	98.9 / 1.2
Stock performance (%) 1M/6M/1yr:	(11.5) / (8.4) / 3.0
Nifty 50 performance (%) 1M/6M/1yr:	(0.9) / 2.3 / 27.7

Shareholding	1QFY24	2QFY24	3QFY24
Promoters	46.3	46.3	46.3
DII's	21.0	21.4	21.4
FII's	7.7	7.8	7.8
Others	25.0	24.6	24.5
Pro pledge	0.0	0.0	0.0

Financial and Valuation Summary

Particulars (Rsmn)	FY23	FY24E	FY25E	FY26E
Net Sales	20,712	25,989	32,698	39,905
Growth YoY%	41.7	25.5	25.8	22.0
Gross margin %	45.5	46.9	47.6	48.9
EBITDA	3,999	4,691	5,900	7,170
EBITDA margin %	19.3	18.0	18.0	18.0
Adj PAT	2,840	2,717	3,245	4,348
Growth YoY%	39.0	-4.3	19.4	34.0
Adj EPS	21.3	20.4	24.4	32.7
RoCE (pre-tax)	15.6	13.7	13.8	15.6
RoCE	14.5	12.2	12.1	13.5
RoE	20.7	17.1	18.0	21.0
P/E	27.0	28.2	23.6	17.6
EV/EBITDA	21.2	19.2	15.7	12.8
P/BV	5.1	4.5	4.0	3.5

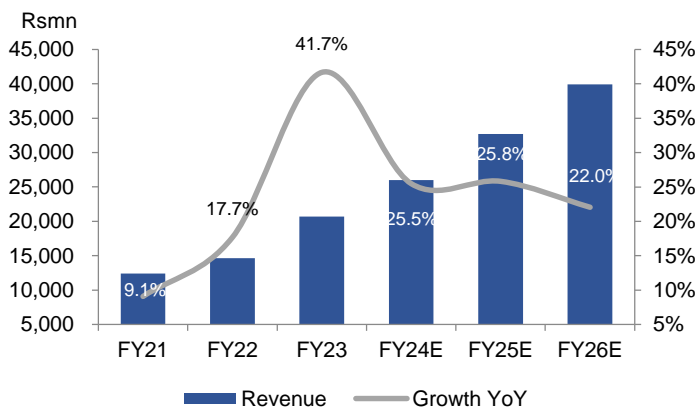
Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

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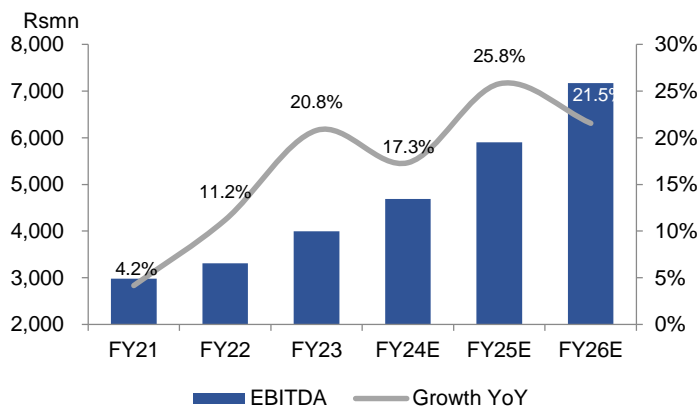
Exhibit 1: Robusta prices continue to trade at historic high

US Cents/lb	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas	ICO Composite	Colombian Milds	Other Milds	Brazilian Naturals	Robustas
2005	89	116	115	102	51					
2006	96	117	114	104	68	7%	1%	0%	2%	34%
2007	108	126	124	112	87	12%	8%	8%	8%	28%
2008	124	144	140	127	105	15%	15%	13%	13%	22%
2009	116	177	144	115	75	-7%	23%	3%	-9%	-29%
2010	147	225	196	154	79	27%	27%	36%	33%	6%
2011	210	284	271	248	109	43%	26%	38%	61%	39%
2012	156	202	186	175	103	-26%	-29%	-31%	-29%	-6%
2013	120	148	140	122	94	-24%	-27%	-25%	-30%	-8%
2014	155	198	200	172	100	30%	34%	44%	40%	7%
2015	125	152	160	132	88	-20%	-23%	-20%	-23%	-12%
2016	127	155	164	138	89	2%	2%	2%	4%	1%
2017	127	152	151	132	101	0%	-2%	-8%	-4%	14%
2018	109	137	133	114	85	-14%	-10%	-12%	-14%	-16%
2019	101	134	131	102	74	-8%	-2%	-2%	-11%	-13%
2020	106	154	148	105	69	6%	16%	13%	3%	-7%
2021	152	221	206	163	90	43%	43%	39%	55%	31%
2022	191	279	255	213	104	25%	27%	24%	31%	15%
2023	165	209	206	174	119	-13%	-25%	-19%	-18%	15%
YTD2024	181	208	207	184	155	10%	0%	1%	6%	30%

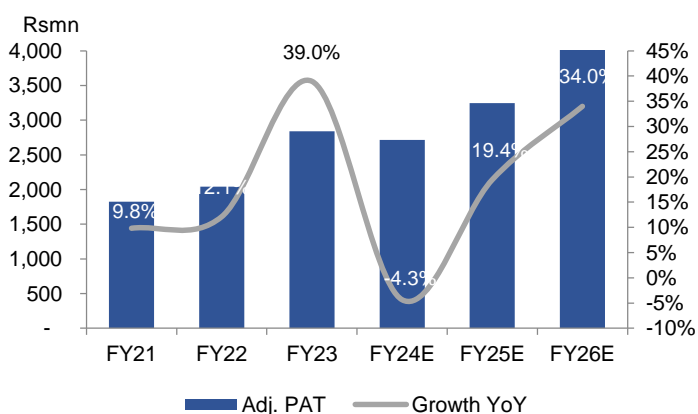
Source: ICO, Nirmal Bang Institutional Equities Research

Exhibit 2: Revenue CAGR at 24% for FY24-FY26E


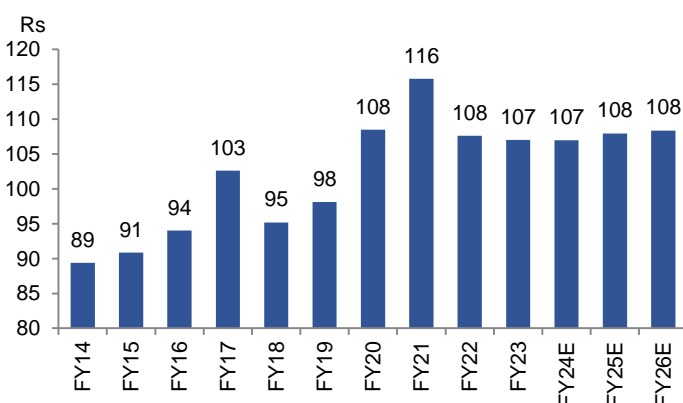
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: EBITDA CAGR at 24% for FY24-FY26E


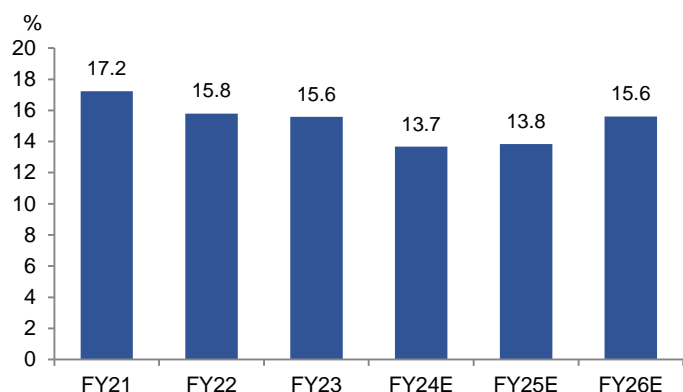
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Adj. PAT CAGR at 27% for FY24-FY26E


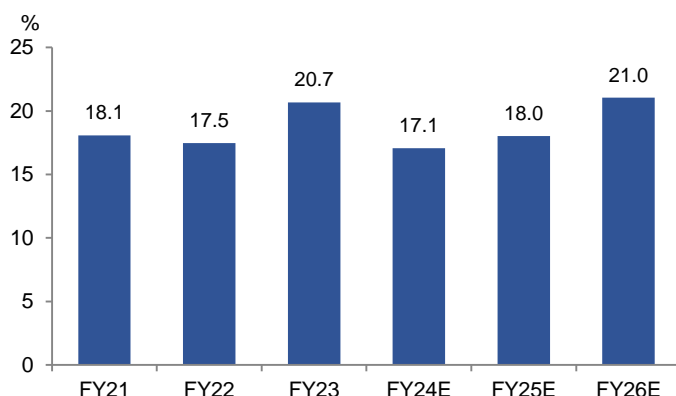
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: EBITDA/kg trend


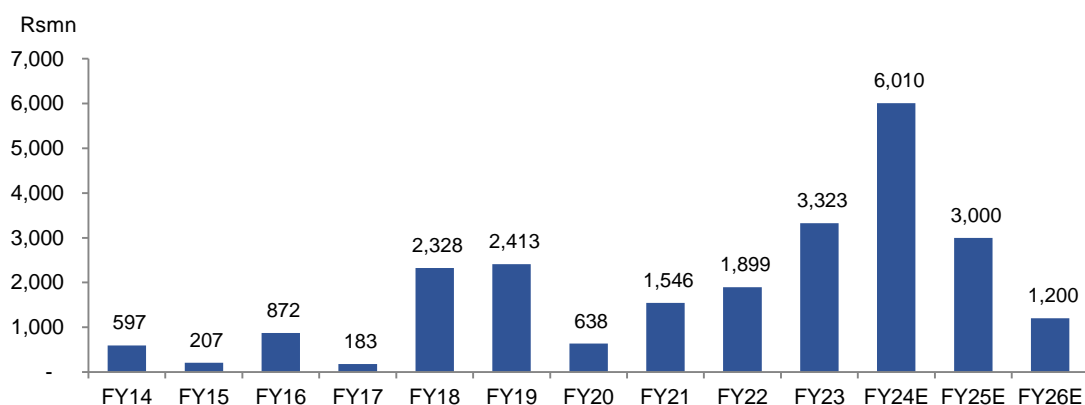
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: ROCE (pre-tax) trend


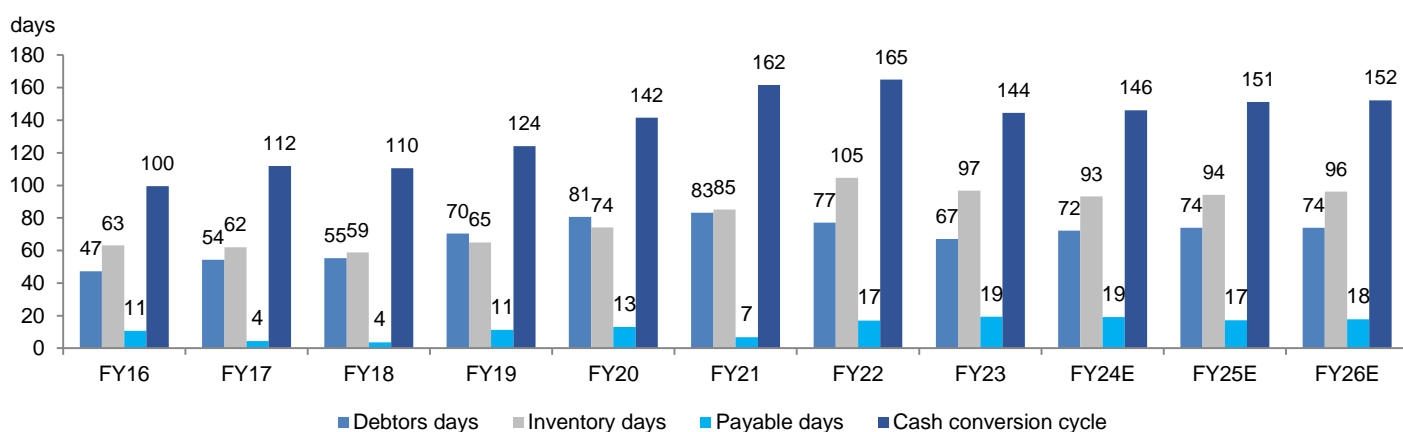
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: ROE trend


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: CCLP's above average capex momentum to continue over FY24E-FY26E


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 9: Working Capital Cycle


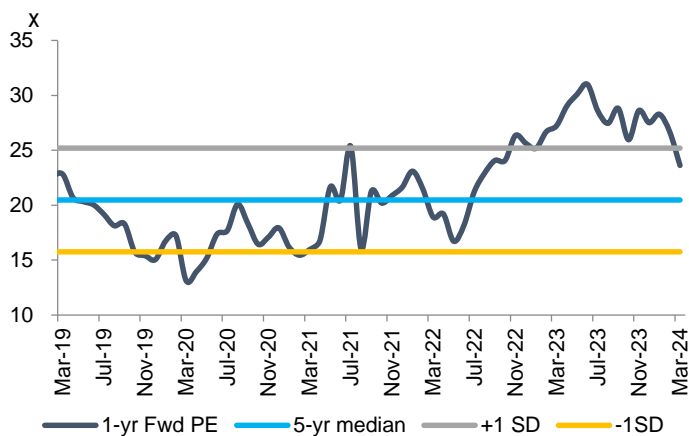
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Change in earnings estimates

Consolidated (Rsmn)	Old Estimates			New estimates			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	25,989	32,698	39,905	25,989	32,698	39,905	-	-	-
EBITDA	4,691	6,144	7,375	4,691	5,900	7,170	-	-4%	-3%
EBITDA %	18.0%	18.8%	18.5%	18.0%	18.0%	18.0%	-	-76bps	-53bps
APAT	2,717	3,459	4,531	2,717	3,245	4,348	-	-6%	-4%

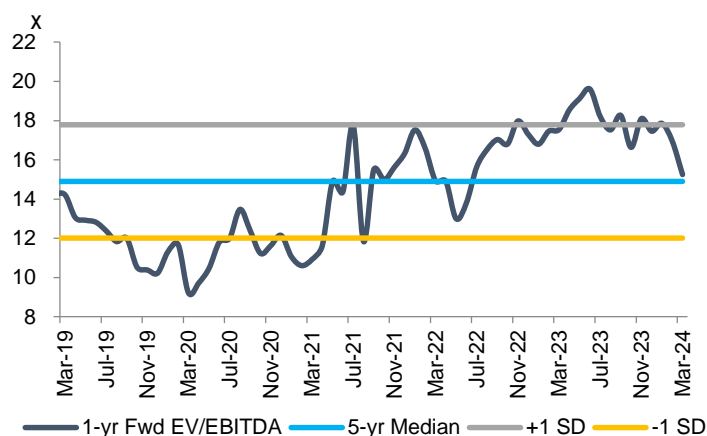
Source: Nirmal Bang Institutional Equities Research

Exhibit 11: 1-year forward PE trend



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 12: 1-year forward EV/EBITDA trend



Source: Bloomberg, Nirmal Bang Institutional Equities Research

Financials

Exhibit 13: Income statement

Y/E March (Rsmn)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	14,620	20,712	25,989	32,698	39,905
Growth YoY%	17.7	41.7	25.5	25.8	22.0
COGS	7,229	11,296	13,800	17,134	20,408
Gross margin %	50.6	45.5	46.9	47.6	48.9
Staff costs	977	1,135	1,624	1,962	2,431
Other expenses	3,104	4,283	5,874	7,702	9,897
EBITDA	3,311	3,999	4,691	5,900	7,170
Growth YoY%	11.2	20.8	17.3	25.8	21.5
EBITDA margin %	22.6	19.3	18.0	18.0	18.0
Depreciation	575	637	931	1,264	1,408
EBIT	2,736	3,361	3,760	4,635	5,762
Interest	164	344	805	1,115	1,044
Other income	41	33	87	184	301
PBT (bei)	2,613	3,050	3,042	3,705	5,019
PBT	2,613	3,050	3,042	3,705	5,019
ETR	21.8	6.9	10.7	12.4	13.4
PAT	2,044	2,840	2,717	3,245	4,348
Adj PAT	2,044	2,840	2,717	3,245	4,348
Growth YoY%	12.1	39.0	-4.3	19.4	34.0

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Balance sheet

Y/E March (Rsmn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	266	266	266	266	266
Reserves	12,241	14,707	16,609	18,880	21,924
Net worth	12,507	14,973	16,875	19,146	22,190
Long term debt	1,117	2,008	5,500	6,000	4,500
Short term debt	5,390	7,153	8,500	11,000	11,000
Total debt	6,508	9,161	14,000	17,000	15,500
Other non-current liabilities	774	638	1,021	1,327	1,726
Total Equity & Liabilities	19,789	24,772	31,896	37,474	39,416
Gross block	11,461	16,006	22,506	25,506	26,706
Accumulated depreciation	2,638	3,436	4,367	5,631	7,040
Net Block	8,822	12,570	18,139	19,875	19,666
CWIP	1,600	540	50	50	50
Intangible and others	-	-	-	-	-
Other non-current assets	364	388	310	248	310
Investments	0	0	-	-	-
Trade receivables	3,196	4,414	5,863	7,398	8,755
Inventories	5,191	5,783	7,482	9,402	11,624
Cash & Cash equivalents	537	834	673	1,087	217
Other current assets	989	1,441	1,009	1,412	988
Total current assets	9,913	12,472	15,027	19,299	21,584
Trade payables	457	738	712	896	1,093
Other current liabilities	454	459	918	1,101	1,101
Total current liabilities	911	1,197	1,630	1,997	2,195
Total Assets	19,789	24,772	31,896	37,474	39,416

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Cash flow

Y/E March (Rsmn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	2,613	3,050	3,042	3,705	5,019
Depreciation	575	637	931	1,264	1,408
Interest	164	344	805	1,115	1,044
Other adjustments	199	176	-87	-184	-301
Change in Working capital	-1,998	-1,874	-2,284	-3,491	-2,958
Tax paid	-390	-350	-325	-460	-671
Operating cash flow	1,162	1,983	2,082	1,949	3,541
Capex	-1,899	-3,323	-6,010	-3,000	-1,200
Free cash flow	-737	-1,339	-3,928	-1,051	2,341
Other investing activities	-17	1	165	246	239
Investing cash flow	-1,917	-3,321	-5,845	-2,754	-961
Issuance of share capital	-	-	-	-	-
Movement of Debt	916	2,646	4,839	3,000	-1,500
Dividend paid (incl DDT)	-665	-665	-815	-974	-1,304
Other financing activities	-164	-344	-422	-809	-646
Financing cash flow	87	1,636	3,602	1,218	-3,450
Net change in cash flow	-667	298	-161	414	-870
Opening C&CE	1,195	528	835	673	1,087
Closing C&CE	528	835	673	1,087	217

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: Key ratios

Y/E March	FY22	FY23	FY24E	FY25E	FY26E
Per share (Rs)					
Adj EPS	15.4	21.3	20.4	24.4	32.7
Book value	94.0	112.6	126.8	143.9	166.8
DPS	5.0	5.5	6.1	7.3	9.8
Valuation (x)					
P/Sales	5.2	3.7	2.9	2.3	1.9
EV/sales	5.6	4.1	3.5	2.8	2.3
EV/EBITDA	24.9	21.2	19.2	15.7	12.8
P/E	37.5	27.0	28.2	23.6	17.6
P/BV	6.1	5.1	4.5	4.0	3.5
Return ratios (%)					
RoCE	12.4	14.5	12.2	12.1	13.5
RoCE (pre-tax)	15.8	15.6	13.7	13.8	15.6
RoE	17.5	20.7	17.1	18.0	21.0
Profitability ratios (%)					
Gross margin	50.6	45.5	46.9	47.6	48.9
EBITDA margin	22.6	19.3	18.0	18.0	18.0
PAT margin	13.9	13.7	10.4	9.9	10.8
Liquidity ratios (%)					
Current ratio	1.6	1.5	1.5	1.5	1.6
Quick ratio	0.7	0.8	0.7	0.8	0.8
Solvency ratio (%)					
Debt to Equity ratio	0.5	0.6	0.8	0.9	0.7
Net Debt to Equity ratio	0.5	0.6	0.8	0.8	0.7
Turnover ratios					
Fixed asset turnover ratio (x)	1.4	1.5	1.3	1.4	1.5
Debtor days	77	67	72	74	74
Inventory days	105	97	93	94	96
Creditor days	17	19	19	17	18
Net Working capital days	165	144	146	151	152

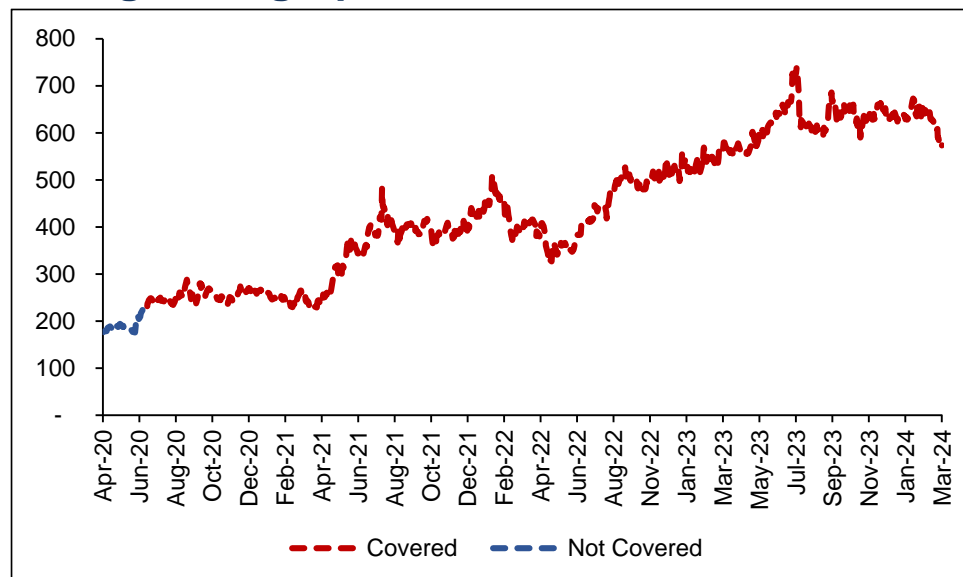
Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
27August 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
21February 2023	Buy	543	650
14 March 2023	Buy	556	700
17May 2023	Buy	593	700
6 June 2023	Buy	638	750
17 July 2023	Accumulate	680	700
25 July 2023	Accumulate	622	700
24 August 2023	Accumulate	613	700
07 November 2023	Buy	636	750
06 February 2024	Buy	632	800
21 March 2024	Buy	676	820

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

Rating track graph



DISCLOSURES

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Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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