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BSE Code: 519600 NSE Code: CCL Reuters Code: CCLP.NS Bloomberg Code: CCLP:IN

CCL Products Ltd (CCL) is one of the India's largest manufacturer and exporter of instant coffee. It supplies to branded coffee marketers in more than 90 countries around the globe. CCL operates through three plants in India, Vietnam, and Switzerland with an annual aggregate capacity of 35,000 metric tonnes (MT).

Key Developments

Niche business model with stable operating margins:

With a total capacity of 35,000 MT, CCL is one of the largest instant coffee producer and exporter from India. It manufactures over 200 varieties and blends of coffee. It operates on fixed margins without getting impacted by the volatility in green coffee prices. CCL's operating margins have been around 18-22% over the years despite volatility in coffee prices.

Better product mix & cost-efficient Vietnam operations:

EBITDA margin of CCL has consistently expanded from 18% in FY11 to 22% in FY16. The Vietnam plant is located in coffee production zone which provides CCL with logistics advantage. The transportation cost from Vietnam (\$1200-1600/container) is much lower than that from India (\$3000-3600/container). Further, the Dak Lak province (in which CCL's plant is situated) is a green coffee production hub & hence the lead time reduces to a great extent (1-1.5 months) when compared to Indian plant (~4 months).

Continental brand gaining traction:

In FY14, CCL forayed into the lucrative domestic branded coffee segment through Continental brand (Spéciale, Premium and Supreme). After receiving overwhelming response in Andhra Pradesh, CCL is now doing a state-wise launch with a bouquet of products. It is currently present in nearly seven states and plans to expand to three new states every year. In Q2FY17, CCL witnessed ~150% YoY growth in the branded business & it has started undertaking more marketing activities, sampling & activations.

Balance sheet remains healthy:

Over the years, CCL has funded the expansion plans primarily through internal accruals. Importantly, no fresh equity has been issued since 1995. Since FY13, CCL has been generating strong operating cash flows (OCF) over the years.

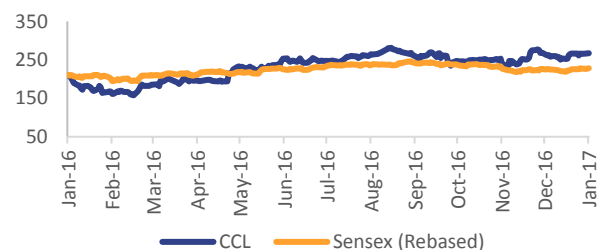
Market Data

CMP (Rs.)	357
Face Value	2.0
52 week H/L (Rs.)	372/172
Adj. all time High (Rs.)	372
Decline from 52WH (%)	3.9
Rise from 52WL (%)	107.8
Beta	0.8
Mkt. Cap (Rs. Cr)	4,754
Enterprise Value(Rs. Cr)	4,947

Fiscal Year Ended

	FY14	FY15	FY16
Total revenue (Rs. cr)	717	881	932
Adj. PAT (Rs. cr)	64	94	122
Share Capital (Rs. Cr)	27	27	27
EPS (Rs.)	4.8	7.1	9.2
P/E (x)	73.8	50.6	38.9
P/BV (x)	13.5	11.3	9.3
ROE (%)	20.4	24.3	26.2

One year Price Chart



Shareholding	Dec-16	Sep-16	Diff.
Promoters (%)	44.8	44.8	0.1
Public (%)	55.2	55.3	(0.1)
Others (%)	-	-	-

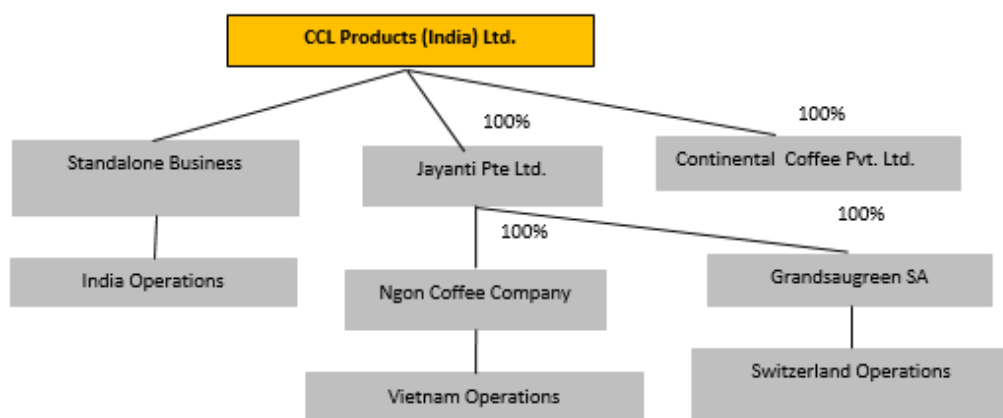
CCL Products Ltd (CCL) is one of the India's largest manufacturer and exporter of instant coffee.

CCL Products (India) Ltd: Business Overview

CCL Products Ltd (CCL) is one of the India's largest manufacturer and exporter of instant coffee. It supplies to branded coffee marketers in more than 90 countries around the globe. It manufactures over 200 varieties and blends of coffee for its customers. CCL operates through three plants in India, Vietnam, and Switzerland with an annual aggregate capacity of 35,000 metric tonnes (MT). Notably, export markets account for ~95% of its total revenues.

The domestic plant at Guntur (A.P., India) is an EOU (Export Oriented Unit) plant with capacity of 20,000 MT to manufacture Spray dried, Agglomerated and Freeze Dried capacities. Likewise, Vietnam Plant has an installed capacity of 12,000 MT. It also owns agglomeration plant in Switzerland with capacity of 3,000 MT. In India, it procures green coffee beans by importing ~ 65% of its requirements from global markets such as Vietnam, Indonesia, Africa and the balance 35% is procured domestically. Its greatest strength lies in the technology which enables it to convert even low grade green coffee (raw material) to high quality instant coffee.

CCL's Structure



Installed capacity

Country	Installed Capacity (tonnes)
India	20,000
Vietnam	12,000
Switzerland	3,000
Total	35,000

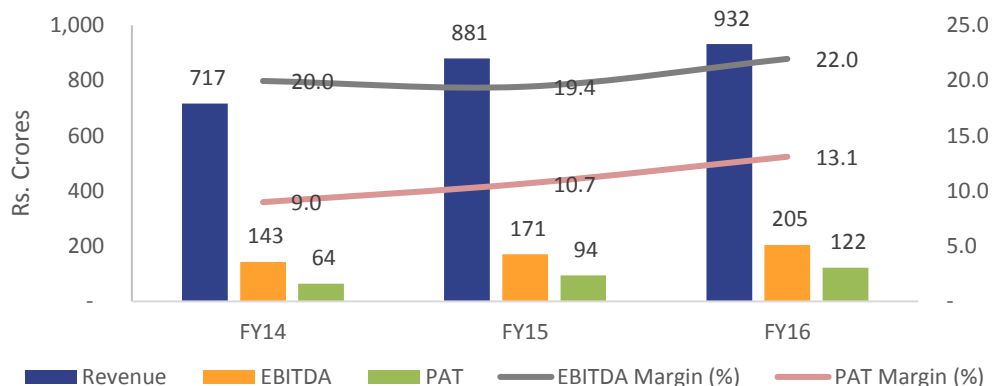
Impressive client base



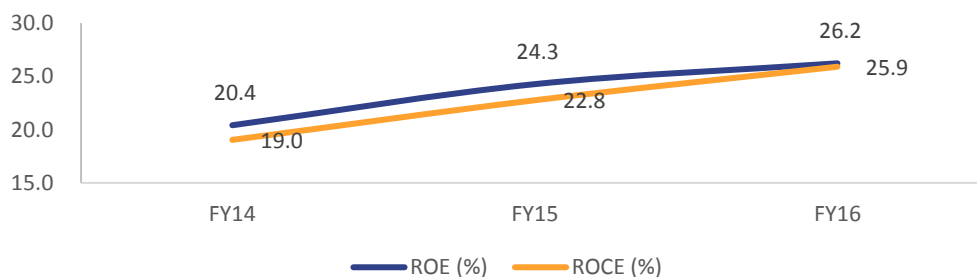
Source: Company, In-house research

CCL supplies to branded coffee marketers in more than 90 countries around the globe.

Financial snapshot of CCL Products



Return ratios trend

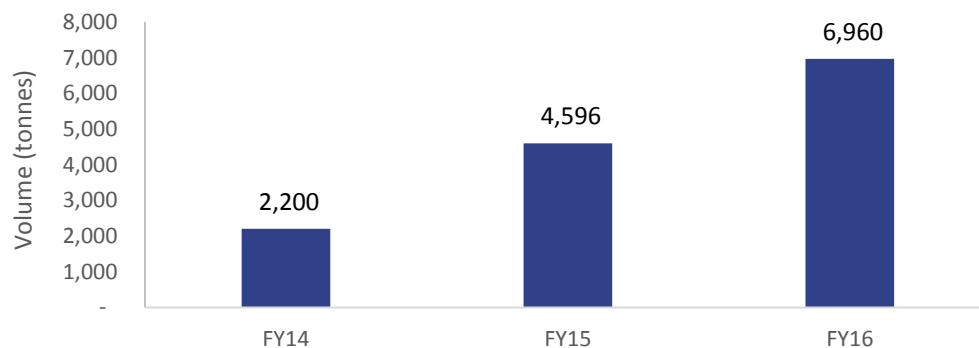


Source: Company, In-house research

Increased capacity utilisation in Vietnam

In FY13, CCL commissioned its Vietnam plant at a cost of ~USD 50 million. With the ramp up of Vietnam plant, capacity utilisation has shown remarkable improvement since FY15. While in FY14 the plant operated at mere 22% utilisation level, in FY15 & FY16 the utilisation level improved to 38% & 58% respectively. Moreover, apart from volume growth, the Vietnam plant is also strategically located and has four distinct advantages: 1) savings on freight costs (~\$125/tonne) due to proximity to coffee-growing zone, 2) ample and faster access to raw materials leading to a lower lead time, 3) a favorable duty structure (Vietnam enjoys the 'most favoured nation' status with many countries), and 4) no income-tax for first 4 years followed by tax exemption of 50% over next nine years.

Sales volume momentum at Vietnam plant



Source: Company, In-house research

Continental brand gaining traction

In FY14, CCL forayed into the lucrative domestic branded coffee segment through Continental brand (Spéciale, Premium and Supreme). After receiving overwhelming response in Andhra Pradesh, CCL is now doing a state-wise launch with a bouquet of products. It is currently present in nearly seven states and plans to expand to three new states every year. In Q2FY17, CCL witnessed ~150% YoY growth in the branded business & it has started undertaking more marketing activities, sampling & activations. CCL is increasing the headcount in its team as well as at distributor end. Interestingly, CCL is consistently appointing new C&F agents in new states. CCL also sells its coffee to private labels, mostly through tie-ups with modern trade entities including Reliance, Spencer & Big Bazaar.

Balance sheet remains healthy

Over the years, CCL has funded the expansion plans primarily through internal accruals. Importantly, no fresh equity has been issued since 1995. Since FY13, CCL has been generating strong operating cash flows (OCF) over the years. During FY13-16, OCF has grown at a CAGR of 36%. Despite the expansion, CCL has been able to bring down its D/E ratio from 1.1 in FY13 to 0.4 at the end of FY16. The working capital position witnessed healthy improvement with inventory days declining from 111 in FY13 to 79 in FY16. Likewise, working capital as a percentage of sales fell from ~35% in FY13 to ~29% in FY16.

Balance Sheet (Consolidated)

(Rs. Cr)	FY14	FY15	FY16
Share Capital	27	27	27
Reserve and surplus	326	395	483
Net Worth	353	422	510
Minority Interest	-	-	-
Total Debt	292	229	210
Other non-current liabilities	-	-	1
Total Equity & Liabilities	645	651	721
Net Fixed Assets	361	340	417
Capital WIP	39	53	1
Goodwill	-	-	-
Investments	1	1	1
Net current assets	263	273	290
Deferred tax assets (net)	(23)	(24)	(28)
Other non-current assets	4	7	40
Total Assets	645	651	721

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
Net profit/loss before tax & extraordinary items	100	134	167
Net cashflow from operating activities	91	114	161
Net cash used in investing activities	(58)	(19)	(87)
Net cash used from financing activities	(42)	(93)	(82)
Net inc/dec in cash and cash equivalents	(9)	1	(8)

Financial performance snapshot

Net sales of the company stood at Rs. 932 Crores in FY16, a growth of 5.9% as compared to Rs. 881 Crores in FY15. The operating expenses of the company increased by 2.5% YoY to Rs. 727 Crores from Rs. 709 Crores during the year. The company's EBITDA grew by 19.6% YoY to Rs. 205 Crores in FY16 from Rs. 171 Crores in FY15. EBITDA margin expanded by 252 bps to 22.0% in FY16 from 19.4% in FY15. Net profit increased by 29.9% to Rs. 122 Crores in FY16 from Rs. 94 Crores in FY15. PAT Margin expanded by 243 bps to 13.1% from 10.7% during the period under review.

Profit & Loss Account (Consolidated)

(Rs. Cr)	FY14	FY15	FY16
Net revenue	717	881	932
Expenses	574	709	727
EBITDA	143	171	205
Depreciation	29	27	28
EBIT	114	144	176
Interest cost	17	14	11
Other Income	3	3	1
Profit Before Tax	100	134	167
Tax	35	40	45
Profit After Tax	64	94	122
Minority Interest	-	-	-
P/L from Associates	-	-	-
Adjusted PAT	64	94	122
E/o expense / (income)	-	-	-
Reported Profit	64	94	122

Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	20.0	19.4	22.0
EBIT Margin (%)	15.9	16.4	18.9
NPM (%)	9.0	10.7	13.1
ROCE (%)	19.0	22.8	25.9
ROE (%)	20.4	24.3	26.2
EPS (Rs.)	4.8	7.1	9.2
P/E (x)	73.8	50.6	38.9
BVPS(Rs.)	26.5	31.7	38.3
P/BVPS (x)	13.5	11.3	9.3
EV/EBITDA (x)	35.0	28.9	24.2



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