

## CCL Products

### Performance Update

Y/E March (₹ cr)	Q3FY18	Q3FY17	% yoy	Q2FY18	% qoq
<b>Net sales</b>	<b>274</b>	<b>289</b>	<b>(5)</b>	<b>296</b>	<b>(8)</b>
EBITDA	65	77	(16)	58	11
EBITDA margin (%)	23.7	26.7	(300bp)	19.5	417bp
<b>Adjusted PAT</b>	<b>40</b>	<b>46</b>	<b>(11)</b>	<b>33</b>	<b>21</b>

Source: Company, Angel Research

For Q3FY18, CCL products (CCL) posted subdued set of results on a strong base of Q3FY17. The management expects a strong fourth quarter to achieve the yearly revenue growth guidance of 10%. Revenues degrew by ~5% yoy and while the operating margins were also lower on yearly basis.

**Revenue fell owing to fall in green prices:** The company's top-line fell by ~5% yoy to ₹274 cr due to a fall in green coffee prices while the volume growth was still robust. Its Vietnam facility is running at full capacity utilization and reported 16% growth in revenue.

**Margins were decent:** On the operating front, the company's margin were robust at 23.7% in spite of unfavourable base effect in Indian operations. Q3FY17 was an exceptional quarter as it had positive spillover effect from previous quarter.

**Outlook and Valuation:** We maintain our estimates in view of robust offtake expectations of its coffee in upcoming quarters. We expect CCL to report a revenue CAGR of ~18% over FY18-20E mainly due to (a) higher off take from upcoming facilities in India (b) higher B2C sales via Continental brand; and (c) better offtake in Vietnam facilities. On the bottom-line front, we expect a higher CAGR of ~26% to ₹229cr over the same period on the back of strong revenue and lower interest costs. Post the recent correction, the stock is trading very attractively at 19.3x its FY19E earnings. **Thus, we maintain our BUY rating with the Target Price of ₹360.**

### Key Financials

Y/E March (₹ cr)	FY2017	FY2018E	FY2019E	FY2020E
<b>Net Sales</b>	<b>976</b>	<b>1165</b>	<b>1408</b>	<b>1608</b>
% chg	4.8%	19.3%	20.9%	14.1%
<b>Net Profit</b>	<b>134</b>	<b>144</b>	<b>192</b>	<b>229</b>
% chg	10.0%	7.3%	33.0%	19.2%
OPM (%)	23.9%	21.0%	22.5%	23.0%
<b>EPS (Rs)</b>	<b>10.1</b>	<b>10.8</b>	<b>14.4</b>	<b>17.2</b>
P/E (x)	27.5	25.7	19.3	16.2
P/BV (x)	5.8	5.0	4.2	3.5
RoE (%)	21%	20%	22%	22%
RoCE (%)	28%	26%	30%	31%
EV/Sales (x)	3.9	3.3	2.7	2.3
EV/EBITDA (x)	16.4	15.5	11.9	10.1

## BUY

CMP	₹278
Target Price	₹360
Investment Period	12 month

### Stock Info

Sector	Coffee
Market Cap (Rs cr)	3,699
Net Debt	125
Beta	0.5
52 Week High / Low	371/ 250
Avg. Daily Volume	4,626
Face Value (Rs)	10
BSE Sensex	35,067
Nifty	10,760
Reuters Code	CCLP.BO
Bloomberg Code	CCLP IN

### Shareholding Pattern (%)

Promoters	45.0
MF / Banks / Indian Fls	16.3
FII / NRIs / OCBs	25.3
Indian Public / Others	13.5

Abs. (%)	3m	1yr	3yr
Sensex	4.5	24.3	19.0
CCL Products	(18.0)	(10.9)	45.0

### Historical share price chart



Source: Company, Angel Research

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**Exhibit 1: Q3FY2018 Performance**

	Q3FY18	Q3FY17	% yoy	Q2FY18	% qoq	M9FY18	M9FY17	YOY %
<b>Net Sales</b>	<b>274</b>	<b>289</b>	<b>-5</b>	<b>296</b>	<b>-7.6</b>	<b>817</b>	<b>684</b>	<b>19.5</b>
Other Income	0	0	116	0	57.7	3	1	235.4
Raw Material Consumed	156	150	4	208	-24.9	530	397	33.6
Stock Adjustments	-1	-1	-20	-23	-94.5	-37	-24	51.1
Employee Expenses	12	14	-13	11	7.5	34	29	13.9
Other Expenses	43	50	-14	43	0.1	122	114	7.7
<b>As a % of net sales</b>								
Raw Material Consumed	57%	52%		70%		65%	58%	
Stock Adjustments	0%	0%		-8%		-4%	-4%	
Employee Expenses	4%	5%		4%		4%	4%	
Other Expenses	16%	17%		14%		15%	17%	
Total expenditure	210	212	-1	239	-12.3	649	516	25.9
<b>Operating profit</b>	<b>65</b>	<b>77</b>	<b>-16</b>	<b>58</b>	<b>12.2</b>	<b>171</b>	<b>169</b>	<b>1.2</b>
OPM %	23.7%	26.7%		19.5%		20.9%	24.7%	
Interest	2	3	-27	2	-11.9	6	8	-23.9
Depreciation	8	9	-3	9	-2.2	25	26	-1.1
PBT	55	66	-17	47	15.9	140	136	3.0
Tax	14	19	-26	14	3.7	39	35	10.0
Tax rate %	26%	29%		29%		28%	26%	
<b>PAT</b>	<b>40</b>	<b>46</b>	<b>-11</b>	<b>33</b>	<b>20.9</b>	<b>101</b>	<b>99</b>	<b>2.0</b>
PAT margin %	14.8%	15.8%		11.3%		12.3%	14.5%	

Source: Company, Angel Research

## Outlook and Valuation

We maintain our estimates in view of robust offtake expectations of its coffee in upcoming quarters. We expect CCL to report a revenue CAGR of ~18% over FY18-20E mainly due to (a) higher off take from upcoming facilities in India (b) higher B2C sales via Continental brand; and (c) better offtake in Vietnam facilities. On the bottom-line front, we expect a CAGR of ~26% to ₹229cr over the same period on the back of strong revenue and lower interest costs. Post the recent correction, the stock is trading very attractively at 19.3x its FY19E earnings. **Thus, we maintain our Buy rating with the Target Price of ₹360.**

### Risks to our estimates

- 1) Inability to get break through with new clients as the volumes may get impacted
- 2) Abrupt fluctuations in coffee prices may adversely impact its profitability

## Company Background

CCL was founded in 1994 as an Export Oriented Unit (EOU) with the right to import green coffee from any part of the world and export processed coffee across the globe, devoid of any duties. The company's instant coffee manufacturing plant is located at Guntur District, Andhra Pradesh, with a current combined capacity of 20,000MT/PA. CCL also has a plant in Vietnam with a total capacity of 1,0000MT for instant coffee and 5000MT for liquid coffee. CCL's 3,000MT plant in Switzerland is facing issues on account of unfavorable European Union regulations.

### Major clientele and geographies

The major countries contributing to CCL's export revenue are Italy, Russia, Belgium, Japan Germany, China etc. A few private labels served by CCL include Mokate, Instanta, Food Empire, Strauss, DEK, Gold Roast, etc. Presently, the company provides over 200 varieties and blends of coffee to its customers in over 90 countries.

**Profit & Loss Statement**

Y/E March (₹ cr)	FY2017	FY2018E	FY2019E	FY2020E
<b>Total operating income</b>	<b>976</b>	<b>1165</b>	<b>1408</b>	<b>1608</b>
% chg	5	19	21	14
<b>Total Expenditure</b>	<b>743</b>	<b>920</b>	<b>1092</b>	<b>1238</b>
Raw Material	552	635	730	839
Personnel	28	31	34	37
Others Expenses	163	180	198	217
<b>EBITDA</b>	<b>233</b>	<b>245</b>	<b>317</b>	<b>370</b>
% chg	9	5	30	17
(% of Net Sales)	24	21	23	23
Depreciation & Amortisation	33	36	41	42
<b>EBIT</b>	<b>200</b>	<b>209</b>	<b>276</b>	<b>328</b>
% chg	7	4	32	19
(% of Net Sales)	20	18	20	20
Interest & other Charges	11	5	4	4
Other Income	-0.11	2.00	2.00	2.00
(% of PBT)	-0.1%	1.0%	0.7%	0.6%
Share in profit of Associates	-	-	-	-
<b>Recurring PBT</b>	<b>189</b>	<b>206</b>	<b>274</b>	<b>326</b>
Tax	55	62	82	98
(% of PBT)	28.9	30.0	30.0	30.0
<b>PAT (reported)</b>	<b>134</b>	<b>144</b>	<b>192</b>	<b>229</b>
% chg	10	7	33	19
(% of Net Sales)	14	12	14	14
<b>Basic EPS (Rs)</b>	<b>10.1</b>	<b>10.8</b>	<b>14.4</b>	<b>17.2</b>
<b>Fully Diluted EPS (Rs)</b>	<b>10.1</b>	<b>10.8</b>	<b>14.4</b>	<b>17.2</b>
% chg	10	7	33	19

**Balance Sheet**

Y/E March (₹ cr)	FY2017	FY2018E	FY2019E	FY2020E
<b>SOURCES OF FUNDS</b>				
Equity Share Capital	27	27	27	27
Reserves & Surplus	610	710	853	1028
<b>Shareholders Funds</b>	<b>636</b>	<b>736</b>	<b>880</b>	<b>1055</b>
Minority Interest				
Total Loans	142	142	122	102
<b>Total Liabilities</b>	<b>778</b>	<b>878</b>	<b>1002</b>	<b>1157</b>
<b>APPLICATION OF FUNDS</b>				
Gross Block	643	743	843	943
Less: Acc. Depreciation	250	286	327	368
Net Block	393	458	517	575
Capital Work-in-Progress	0	0	0	0
Investments	2	2	2	2
Current Assets	404	443	508	606
Inventories	183	201	221	243
Sundry Debtors	163	171	189	207
Cash and Bank	17	27	53	107
Loans and Advances	42	44	46	48
Current liabilities	39	43	45	48
<b>Net Current Assets</b>	<b>365</b>	<b>400</b>	<b>463</b>	<b>559</b>
Deferred Tax Asset	-31	-32	-34	-36
<b>Other Assets</b>	<b>49</b>	<b>52</b>	<b>55</b>	<b>57</b>
Mis. Exp. not written off	-	-	-	-
<b>Total Assets</b>	<b>779</b>	<b>879</b>	<b>1002</b>	<b>1157</b>

**Consolidated Cashflow Statement**

Y/E March (₹ cr)	FY2017	FY2018E	FY2019E	FY2020E
PBT	189	206	274	326
OCF before chg in WC and tax	226	244	317	370
Adjusted for:				
<b>Change in WC</b>	<b>(67)</b>	<b>(20)</b>	<b>(32)</b>	<b>(118)</b>
Taxes paid	(53)	(62)	(82)	(98)
Others	0	0	0	0
<b>Cash flow from operations</b>	<b>105</b>	<b>162</b>	<b>202</b>	<b>155</b>
Investment in assets	(20)	(100)	(100)	(20)
Other investments/sales	0			
<b>Investing Cash Flow</b>	<b>(20)</b>	<b>-100</b>	<b>-100</b>	<b>-20</b>
Borrowings	(68)	0	(20)	(20)
Equity issuances	0	0	0	0
Dividends paid	(13)	(44)	(48)	(53)
Interest paid	(4)	(5)	(4)	(4)
Others	(3)	(3)	(3)	(4)
<b>Financing Cash Flow</b>	<b>(87)</b>	<b>(52)</b>	<b>(76)</b>	<b>(80)</b>
Net Change in Cash	(2)	10	26	54
Opening Cash	19	17	27	53
Closing Cash	17	27	53	107
<b>Free cash flow</b>	<b>85</b>	<b>62</b>	<b>102</b>	<b>135</b>

**Key Ratios**

Y/E March	FY2017	FY2018E	FY2019E	FY2020E
<b>Valuation Ratio (x)</b>				
P/E (on FDEPS)	27.5	25.7	19.3	16.2
P/CEPS	22.1	20.6	15.9	13.7
P/BV	5.8	5.0	4.2	3.5
EV/Sales	3.9	3.3	2.7	2.3
EV/EBITDA	18.1	16.4	15.5	11.9
EV / Total Assets	9.7	8.3	7.3	6.5
<b>Per Share Data (Rs)</b>				
EPS (Basic)	10.1	10.8	14.4	17.2
EPS (fully diluted)	10.1	10.8	14.4	17.2
Cash EPS	12.6	13.5	17.5	20.3
DPS	2.5	2.8	3.0	3.3
Book Value	47.8	55.4	66.1	79.3
<b>Returns (%)</b>				
ROCE	27.5%	25.9%	30.1%	31.0%
Angel ROIC (Pre-tax)	26.3%	24.6%	29.1%	31.3%
ROE	21.1%	19.6%	21.8%	21.7%
<b>Turnover ratios (x)</b>				
Asset Turnover (Gross Block)	2.5	2.5	2.7	2.8
Inventory / Sales (days)	62	60	55	53
Receivables (days)	54	52	47	45
Payables (days)	22	16	15	14
Working capital cycle (ex-cash) (days)	94	96	87	84

Source: Company, Angel Research

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Disclosure of Interest Statement	CCL Products
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

*Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors*

<b>Ratings (Returns):</b>	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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