

CCL Products (India) (CCLP)

Beverages | Company Update

BUY
CMP: Rs572 | Target Price (TP): Rs690 | Upside: 21%
April 17, 2024

Rationalizing valuation multiple in a VUCA world

Key Points

- We cut our target PE multiple for CCLP to 21x i.e. 5-yr median (from 25x) on FY26E earnings to factor in the potential uncertainties with respect to all-time high coffee prices (refer our [note](#)) and demand over next 1 year.
- While the near-term performance should be a function of contracts entered into by CCLP last year, future contracts' durations could be lower, say 3-6 months as against 1 year considering the price movement in Robusta on a daily basis.
- We don't see a scenario wherein coffee demand goes down materially and continue to believe that CCLP should further gain market share in tough times. While we remain positive, relatively lower demand visibility and working capital debt overhang might offer a better entry point to investors in the near term, in our view.

Elevated pricing could lead to lesser comfort on order book: We highlight that a reasonable share of orders serviced in a year are pre-booked and this offers some comfort to the coffee processors in terms of demand visibility. However, in the current scenario, wherein Robusta prices are going up on a daily basis (refer Exhibit 1), we believe duration of future orders could be lower, say 3-6 months, thereby indicating lesser visibility than in the past. Similarly, mismatch in contract duration with customers and suppliers can also have an earnings impact. Therefore, even if demand does not witness a meaningful downturn, quarterly fluctuations cannot be ruled out, in our view.

Update on Global Robusta prices: Robusta coffee prices continue to make new highs on a daily basis, wherein CYTD prices are 56%/36% higher than CY22/CY23 average. Key producing countries such as Vietnam and Indonesia have already reported 7%/5% 2-year CAGR decline in production, respectively. Despite the favourable base, production outlook for these two countries for the upcoming season is not favourable, causing Robusta prices to trade in uncharted territories.

Expansion plans on track: Expansion plans for future have not been altered by the management despite the current uncertainties. CCLP has timely commissioned its India SDC facility during 4QFY24 and expansion in Vietnam is also on track. Recent announcement of Appointment of CEO for Vietnam Entity should take care of the potential bandwidth challenges of the management, in our view.

Outlook & Valuation: We remain positive on CCLP with a revised TP of Rs690, backed by 20%+ volume & EBITDA CAGR over FY24E-FY26E. However, relatively lower demand visibility and working capital debt overhang could offer a better entry point to investors in the near-term, in our view. We cut our target PE multiple to 21x (from 25x) on FY26E earnings.

Est Change	No change
TP Change	Downward
Rating Change	No change

Company Data and Valuation Summary

Reuters:	CCLP.BO
Bloomberg:	CCLP IN Equity
Mkt Cap (Rsbn/US\$bn):	76.4 / 916.7
52 Wk H / L (Rs):	750 / 548
ADTV-3M (mn) (Rs/US\$):	97.7 / 1.2
Stock performance (%) 1M/6M/1yr:	(1.6) / (11.1) / 2.1
Nifty 50 performance (%) 1M/6M/1yr:	(0.8) / 0.5 / 25.4

Shareholding	2QFY24	3QFY24	4QFY24
Promoters	46.3	46.3	46.3
DIIs	21.4	21.4	21.7
FIIIs	7.8	7.8	8.1
Others	24.6	24.5	23.9
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

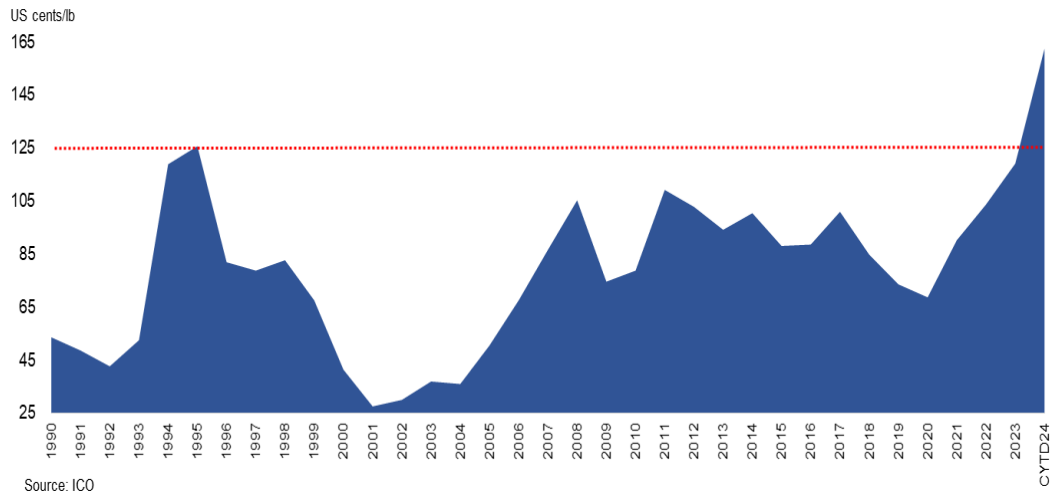
Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

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 Research Analyst

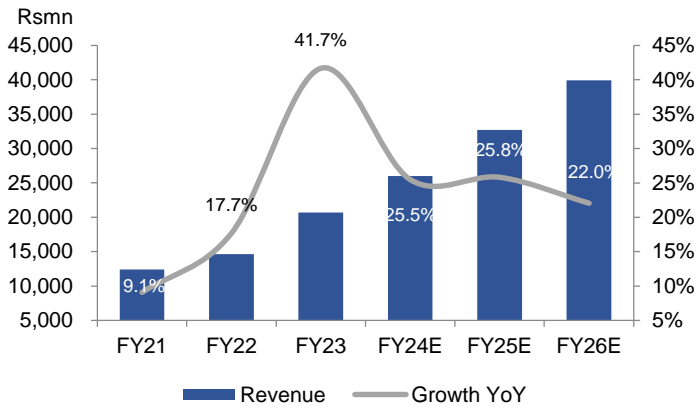
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Exhibit 1: Robusta prices continue to trade at historic high



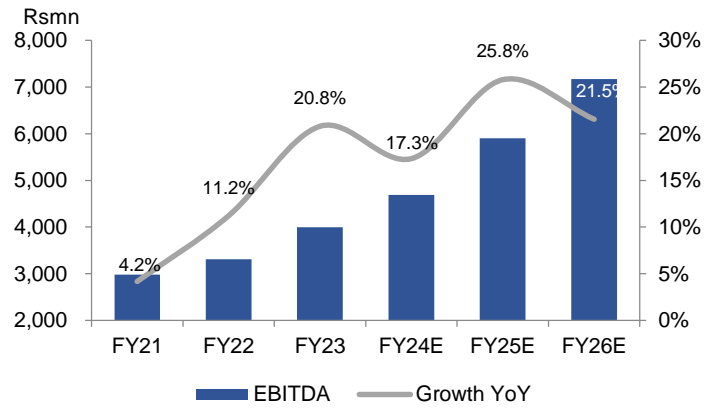
Source: ICO, Nirmal Bang Institutional Equities Research

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



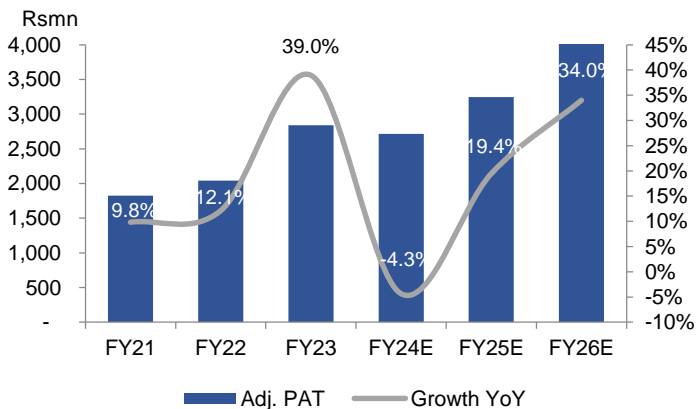
Source: Company, Nirmal Bang Institutional Equities Research

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



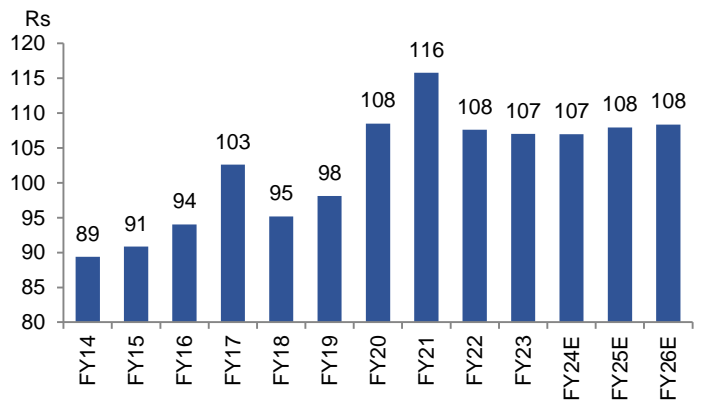
Source: Company, Nirmal Bang Institutional Equities Research

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



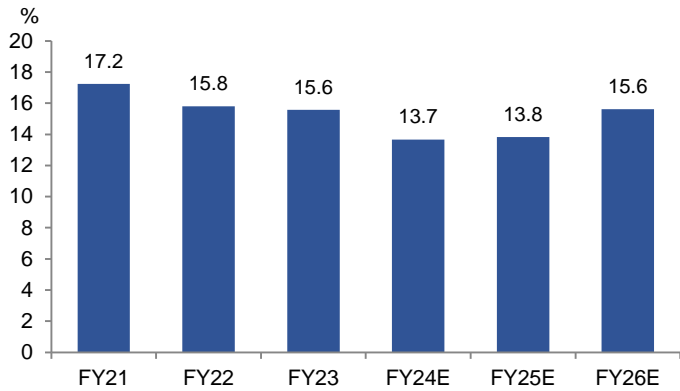
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 5: EBITDA/kg trend



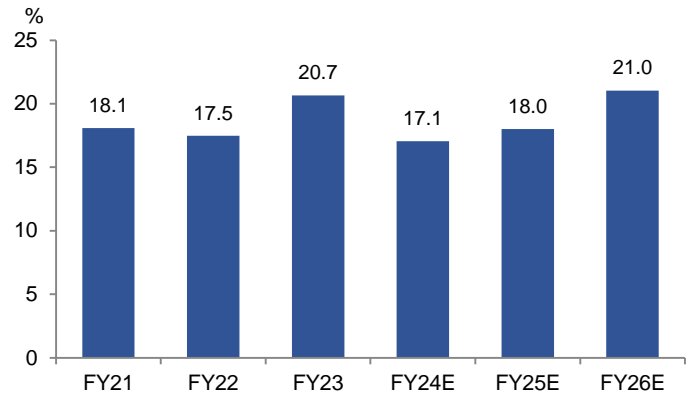
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 6: ROCE (pre-tax) trend



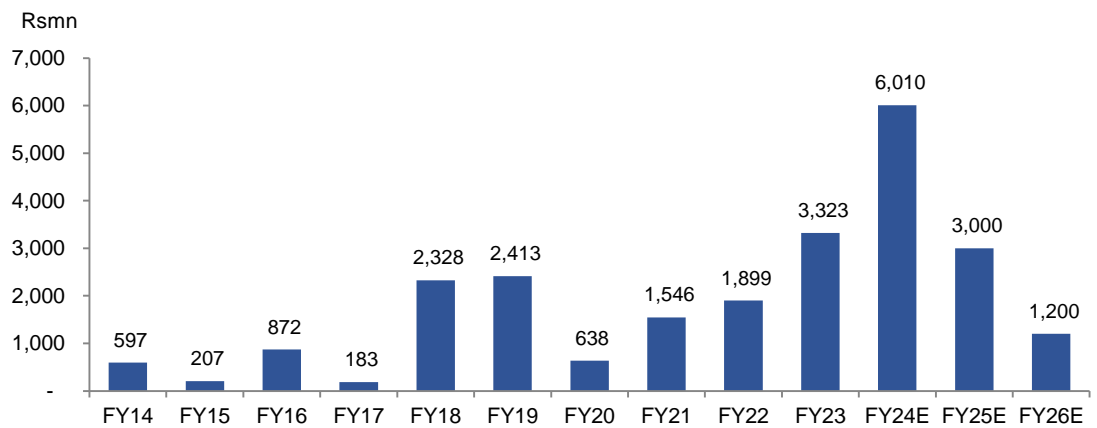
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 7: ROE trend



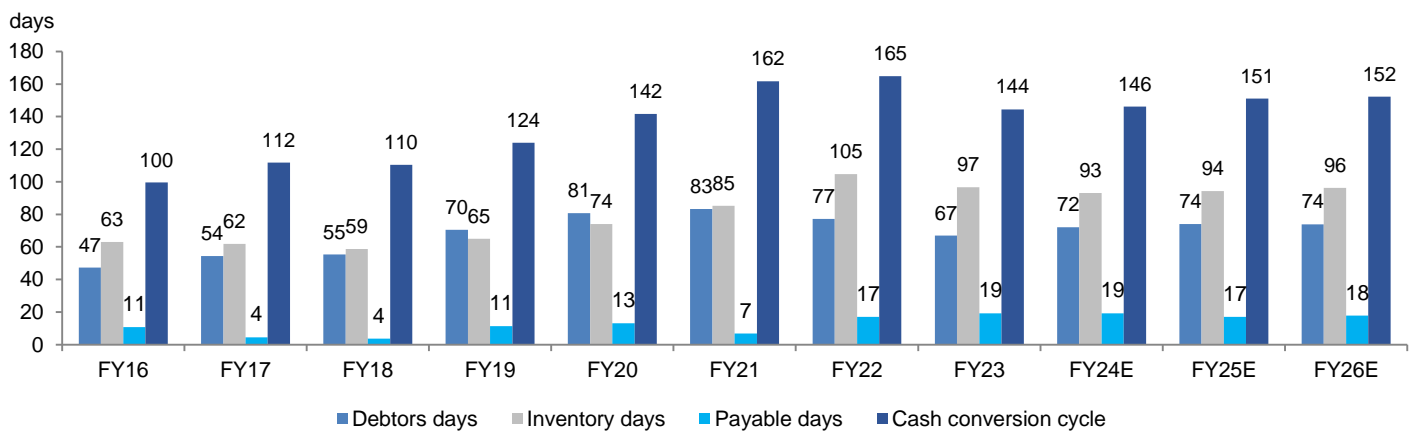
Source: Company, Nirmal Bang Institutional Equities Research

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

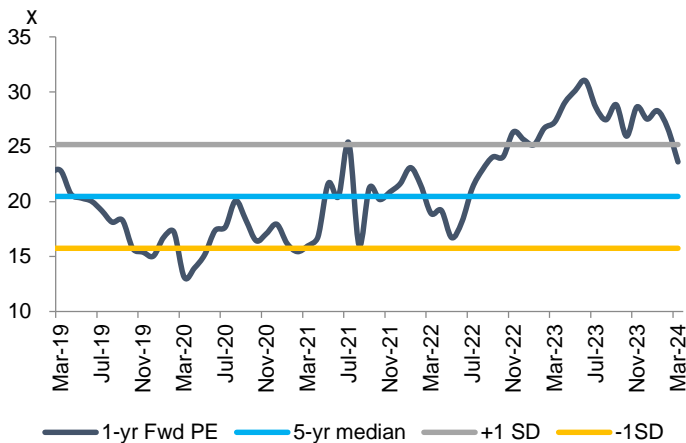


Source: Company, Nirmal Bang Institutional Equities Research

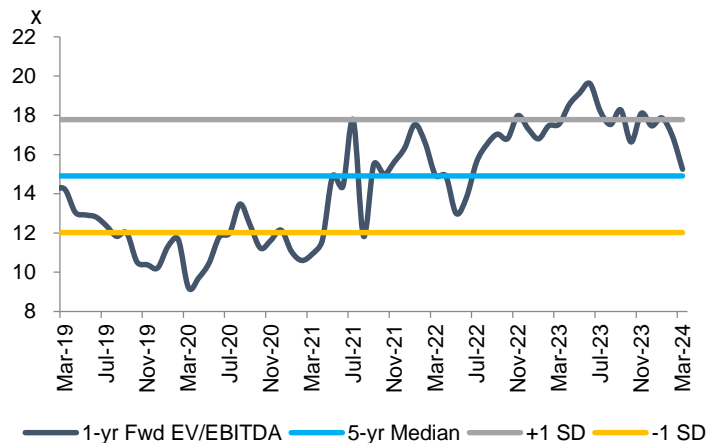
Exhibit 10: Change in earnings estimates

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	5,900	7,170	4,691	5,900	7,170	-	-	-
EBITDA %	18.0%	18.0%	18.0%	18.0%	18.0%	18.0%	-	-	-
APAT	2,717	3,245	4,348	2,717	3,245	4,348	-	-	-

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

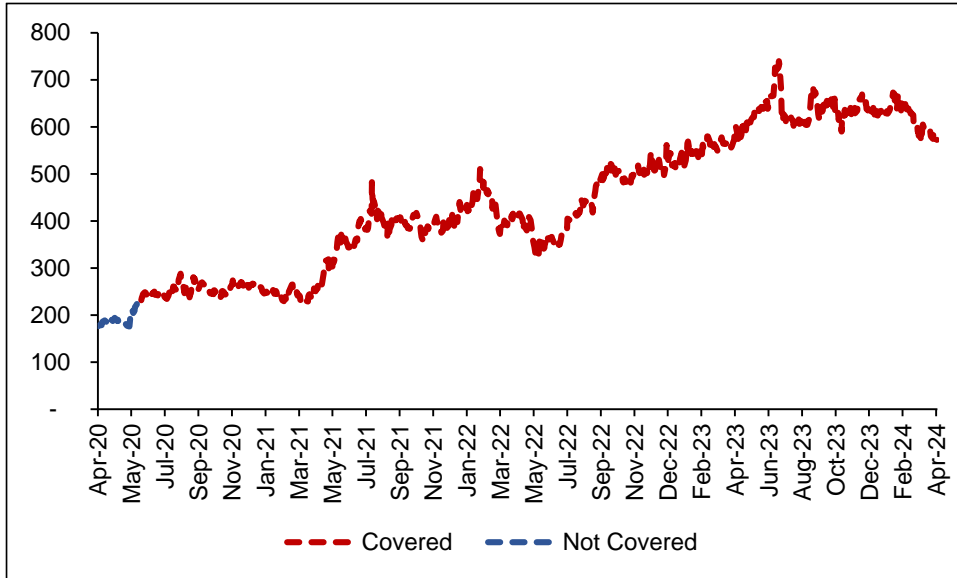
Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
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
14 March 2023	Buy	556	700
17 May 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	576	820
17 April 2024	Buy	572	690

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

Rating track graph



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ACCUMULATE -5% to 15%

SELL < -5%

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