



“CCL Products India Limited Q3 FY2022 Results Conference Call”

January 20, 2022



ANALYST: MR. ABHISHEK NAVALGUND – RESEARCH ANALYST - NIRMAL BANG EQUITIES PRIVATE LIMITED

MANAGEMENT: MR. CHALLA SRISHANT – MANAGING DIRECTOR – CCL PRODUCTS INDIA LIMITED
MR. PRAVEEN JAIPURIAR –CHIEF EXECUTIVE OFFICER - CCL PRODUCTS INDIA LIMITED
MR. V. LAKSHMI NARAYANA – CHIEF FINANCIAL OFFICER - CCL PRODUCTS INDIA LIMITED
MS. SRIDEVI DASARI – COMPANY SECRETARY – CCL PRODUCTS INDIA LIMITED
MR. P.S. RAO – CONSULTANT COMPANY SECRETARY - CCL PRODUCTS INDIA LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the CCL Products India Limited Q3 FY2022 Results Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Equities. Thank you and over to you Sir!

Abhishek Navalgund: Thank you Stanford. Good morning everyone. On behalf of Nirmal Bang Institutional Equities, I welcome all the participants to CCL Products' Q3 FY2022 earnings conference call. From the management side, we have with us Mr. Challa Srishant – Managing Director; Mr. Praveen Jaipurkar – CEO, Mr. V. Lakshmi Narayana – CFO, Ms. Sridevi Dasari – Company Secretary, and Mr. P.S. Rao – Consultant Company Secretary on the call. Without further ado I would like to hand over the call to Mr. Srishant for his opening comments and then we will open the floor for Q&A. Thank you and over to you Sir!

Challa Srishant: Thank you for this and good morning everyone. The group has achieved a turnover of 423.59 Crores for third quarter of 2021-2022 as compared to 299.85 Crores for the corresponding quarter of the previous year and the net profit is 58.57 Crores as against 47.11 Crores for the corresponding quarter of the previous year. The EBITDA is 93.04 Crores and the profit before tax is 74.68 Crores. For the nine months period the Group has achieved a turnover of 1086.65 Crores as compared to 911.32 Crores for the corresponding period of the previous year and the net profit is 151.65 Crores as against 133.06 Crores for the corresponding period of the previous year. The EBITDA is 247.62 Crores and the profit before tax is 193.20 Crores. I should mention that we will be having a growth of more than 15% on a consolidated basis and we are on track for the same. We can open up the floor for questions.

Moderator: Thank you Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Jignesh Kamani from GMO & Co. Please go ahead.

Jignesh Kamani: Hi Srishant and team, congratulations for good set of numbers. On the gross margin part if you take the revenue has been pretty good; however, gross margin front partly corrected both Y-O-Y and Q-o-Q is purely because coffee price has increased and per ton remains



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because of the higher franchise early reaction, margin looks lower or the mix of the sales price and the small pack was lower this quarter?

Challa Srishant: No, it is only specific to coffee this time.

Jignesh Kamani: How was the mix of freeze dried and sprayed dried compared to earlier quarter?

Challa Srishant: Compared to Q2 it is very similar actually.

Jignesh Kamani: Any update on the expansion plan and the utilization level?

Challa Srishant: Yes the previous expansion in Vietnam was first completed in last quarter and that is one of the reasons for the enhanced capacity utilization also in last quarter itself. The doubling of capacity plans have already started and by Q3 of next financial year we should be up and running.

Jignesh Kamani: Expanded capacity at Vietnam is running at optimum level?

Challa Srishant: Yes, more or less at optimum level because there was a lot of backlog that was there earlier also. We are running at more or less full capacity and it will take some time for us to actually get higher volume out of the plant because for some customers we still have to get their approvals for the revised blends that we have to submit to them so that process will usually take one or two months.

Jignesh Kamani: We have increased our capacity of small pack also right close to around 12,000 tons, can you colour in the second half what kind of small pack volume we can do?

Challa Srishant: Small packs and all yes we have increased but most of the equipment is already existing equipment that is there, though a couple of new equipments that we have added. In fact we will be adding some more in this quarter, so that 12000 expansion will be completed in this quarter actually.

Jignesh Kamani: Understood thanks a lot.

Moderator: Thank you. The next question is from the line of Vivek Ganguli from Nine Rivers Capital. Please go ahead.



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- Vivek Ganguli:** Thank you for the opportunity. I had one quick question on the domestic branded coffee business that was launched about two-and-a-half years ago can you all share some details of the same, how it is spanning, what is the market share, we have tried out this coffee we really like it, but from a company perspective if you all can give some detail it would be very helpful.
- Praveen Jaipurjar:** In domestic market the branded business continues to do well. If you remember the last year figures that we had quoted was 150 Crores out of which 100 was branded retail business, so in three years time we could achieve that milestone of 100 Crores these were last year numbers, this year also we continued to do well and both on a total level and on the branded side we continue to grow at around 40%. So that has been the nine months performance till now.
- Vivek Ganguli:** Would it be fair to assume that you are far away from a breakeven it is not just because you want to breakeven or anything but the business is growing and a developing business, what kind of spends you will do, what kind of support, what is the thought process if you can also share from a product standpoint that could be very helpful?
- Praveen Jaipurjar:** Your second part is right. We want to invest back into the business and keep building the brand, but the first part you said that we are far away from breakeven, that probably is not correct. We probably will break even this year itself so that is a heartening thing and we will continue to support the business both ATL and BTL. I had said this multiple times that both from a brand building perspective as well as making the consumers interact with our product, you yourselves said that you like the product so we want to do a lot of consumer interaction and sampling so they are able to taste our product. It is a very high inertia category where people do not want to easily change, so that is the strategy we will keep on adapting and investing back into the business.
- Vivek Ganguli:** So this year both from the branded and the non branded in the domestic market you will end up at around 200 plus Crores would that be a fair assumption?
- Praveen Jaipurjar:** Yes around that number, plus or minus 5, 10 Crores here or there.
- Vivek Ganguli:** How much of that would be the branded category?
- Praveen Jaipurjar:** Almost 70% to 75% will be branded.



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Vivek Ganguli: In the branded category what could you all now be having as a market share from the domestic market?

Praveen Jaipuriar: As per Nielsen we still are very small because our reach is very less, so the sampling becomes much more difficult for small brands, but in spite of that, Nielsen now reports us as the number three brand and we have got a 3.1% market share in the south of India which is the southern part of the country, which almost accounts for 70% of coffee consumption, so there we have already reached a 3.1% market share and we continue to grow. This was like every quarter we keep on adding to the market share.

Vivek Ganguli: Sir 3.5% of south India instant coffee market?

Praveen Jaipuriar: Yes.

Vivek Ganguli: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Mayur Patel from IIFL Asset Management. Please go ahead.

Mayur Patel: Hi gentlemen congratulation for good set of performance. Just one question, Srishant is it possible to share with us the overall volume numbers and breakup between different territories and geographies and also the EBITDA per kg because like you have always assured us that percentage margin is not the right way of looking at it as far as we are maintaining the spread per unit is it lower than the normalized level EBITDA per kg and how much price hikes or how that will normalize going forward?

Challa Srishant: Volume numbers and the EBITDA per kg this data is something that we have consciously mentioned that we will not be sharing because it is going to be detrimental for us for multiple reasons, I am sure you will understand and as far as volume is concerned and the percentage basis I can mention that around 17% or so was the volume growth that we had this time.

Mayur Patel: How is the EBITDA per unit and spread per unit from the normal levels?

Challa Srishant: From the normal levels it is almost the same, actually there is not much of a change. We work on cost plus basis so that is why if there is any change in raw material prices, based on the extent of raw material prices only we pass on to the customer. Based on the blend that we are supplying to that particular customer the per kg base realization will always be



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the same so that is one of the main reasons why the same customers have been with us for so many years, because if there is any fluctuation in prices also it is not like we use that as an opportunity to increase prices or anything like that.

Mayur Patel: Are we maintaining the 15% to 20% growth guidance for this year?

Challa Srishant: Yes.

Mayur Patel: That is on revenue or that is on volume?

Challa Srishant: That is on the volume growth. See we normally give our guidance based on volume growth; revenue becomes a little misleading because revenue will definitely be more than 20% maybe even 25% so that is why we usually give only on the volume numbers.

Mayur Patel: What is the current status of the capacity expansion timelines if you can just read that it would be helpful?

Challa Srishant: Right now in Vietnam we have completed the previous round of expansion so we have 13500 ton capacity over there right now and we are in the process of doubling capacity by Q3 of next financial year.

Mayur Patel: That would be the commissioning of doubling up capacity?

Challa Srishant: Yes.

Mayur Patel: The related new capacities are those things commissioned already?

Challa Srishant: Yes, that will be completed in this quarter. Actually the plant is already up and running. We are using the facility but all the equipment shifting has not taken place because we have back-to-back orders right now and we are not able to transfer the equipment unless we get a small window so we are doing it in a very phased manner so that will be completed by this quarter.

Moderator: The next question is from the line of Mitesh Jain from Birla Mutual Fund. Please go ahead.

Mitesh Jain: Thank you gentlemen for the opportunity. So Srishant I have two questions, number one is on the India business so if the domestic B2C business picks up well as Praveen



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mentioned would the unit dedicated to supply to India branded business because I believe some of those old will get benefit will be less and will require capacity so if we can confirm that this is question number one and secondly what is the plan on the new unit, the HSZ unit in India do we have any plan to double up capacity of freeze dried also in this point in time or you will wait?

Challa Srishant: As far as domestic market is concerned yes our thinking process from day one was that once we reach a certain minimum threshold level that is when we will initiate the process of setting up a new factory at DTA unit which is dedicated for the domestic market so that process also will be starting by maybe end of this year itself and what was the second question?

Mitesh Jain: Second question is on the FDC expansion.

Challa Srishant: FD expansion we are not really looking at that at this point in time because based on the market information that we have, there are a couple of new plants that are coming online. One in Brazil, the other in Vietnam by next year. So there is going to be a lot of pressure on FD going forward so we were thinking that it is better for us to delay this process a little bit. When we have a little bit more confidence about whether it is worth going in for the FD expansion, at that point of time we will go for that expansion. That is normally like a cycle that the market follows for SD and FD. Today the gap between SD and FD has come down drastically. With the green coffee prices going up the way that they are, people are looking at cheaper options and SD is the only option that they can transition to. In SD also you have really good qualities which are possible which are still cheaper than FD. So that is why there is more of a movement towards FD that we are seeing and we foresee that the green coffee prices are likely to be higher for the next two years at least, so that is one of the reasons why we are more confident about SD expansion rather than FD at this point in time.

Mitesh Jain: My last question is that you mentioned that overall you have 3.5% market share in south India if you were to look at some of the micro market, coffee consuming market in south India, for example let us talk about Andhra, Telangana or smaller region what is our market share in those micro markets, in any of those markets have we crossed like 7% or 8% market share also in some of the pockets basically I am going one step down what you have mentioned?



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Praveen Jaipuria: We are doing extremely well especially like say whole of AP and Telangana we probably are at 6% to 7% market share so that is pretty heartening. Even in Karnataka we are now very close to 5%. Tamil Nadu is a market which we have to develop more. So yes there are pockets where we have done well and now we know that what works in the market and these micro markets and we just have to try and replicate more of what we have done in these markets into other markets.

Mitesh Jain: In coffee vending machine business how we are growing this business?

Praveen Jaipuria: Coffee vending machine business for last two years has been a little on a roller coaster because of COVID because large part of coffee vending is out of home consumption and we all know that time and again this has been hampered, but we are quite bullish on this segment that sooner or later when the COVID thing goes away and when people are back to office this segment is going to grow because out of home coffee consumption is set to rise and considering the India's workforce which is going to consume that much amount of coffee this segment is going to grow big, so we are just waiting for this right opportunity where we can mount up our pressure on this business.

Mitesh Jain: Fair enough. Thank you very much. I appreciate your response. That is all from my side.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal from Ashmore Investment Management. Please go ahead.

Ashwini Agarwal: Good morning Srishant and team and good numbers congratulations. One of the things I was wondering is that if you look at the next two or three years how should we think about margins on per kg or per ton basis because multiple drivers, then there is cold brew and then you have hopefully operating leverage from larger capacities at Vietnam in terms of spreading the overhead over a larger volume and you have the consumer business going from a loss to profit so how should we think about this, I mean is this going to be a significant driver of margins over the next two or three years on a rupee per kg basis, if we were to prop some.

Lakshmi Narayana: Can you repeat the question please if you do not mind?

Ashwini Agarwal: The question I had posed was that on a strategic basis if you think about it over the next three years or so there are lot of efforts that from what I understand the company has made over the last three years which includes during the consumer foray which is now turning around as explained earlier on the call then there is the consumer PAT, then there



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is larger capacity in Vietnam which would hopefully see some operating leverage and you have the cold brew, putting all this together what kind of relationship to operating margins on a per kg or per ton basis should we think about over the next two or three years?

Lakshmi Narayana: We have certain limitations to state the details about the margins per kg but we can say that by introducing different kind of products and with capacity expansion in force as when the enhanced installed capacity comes into operation at Vietnam there is a possibility to increase the margins but the same is limited based on our cost plus model we keep following .

Challa Srishant: So in other words when we are adding premium products as well as small packs going forward on an average basis the per kg margins also will improve slightly.

Ashwini Agarwal: So it is going to be a small improvement is what you are suggesting not a significant improvement?

Challa Srishant: Yes, because our volume base is already so high. Whatever new products that we introduced that volume will be initially small, it will take some time for that base to increase substantially more.

Ashwini Agarwal: The second question I had was that over the last four quarters shipping costs and container availability have been challenges what we are hearing is a lot of that has now normalized what are you seeing on the ground?

Challa Srishant: Actually things really have not normalized, it is not as bad as it was before because we are getting containers but we are still being forced to pay the higher premiums and all that which is impacting everything for us. In fact as a country as a whole if you have to supply from India we are not able to compete with Vietnam, in Vietnam the raw material is available locally so there is no transport cost. Earlier the gap between India and Vietnam was only marginal so we could supply to customers from either options. Today customers are saying that they will buy from Vietnam because there is a huge cost variation that is coming about, so there is an impact of transport and it looks like for the next one year it is going to be the same. Fortunately for us for the domestic market we are using the India plant more so that is actually a big saving grace for us.

Ashwini Agarwal: Alright thank you and all the best.



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Moderator: The next question is from the line of Vineet Mehta from Sameeksha Capital. Please go ahead.

Vineet Mehta: My first question was on the broader picture. What I wanted to know was in terms of world level coffee and geographies like Europe and US, the big developers what is our market share and what kind of opportunities are we seeing in that segment?

Challa Srishant: Market share in each geography will be in the range of maybe 5% or so in most of these places. It will be almost 7% in the US; Europe will be a little lesser because of the much bigger market and in Russia we will be more or less at around 15% or so approximately. In Asia and other markets it keeps varying depending on the region that we are looking at.

Vineet Mehta: Where are we seeing the growth opportunities in these markets?

Challa Srishant: We have actually across the board, it is not restricted to any one area, and there are a lot of new territories that we keep going to as well. New markets also where we are seeing good growth potential.

Vineet Mehta: My second question was regarding the working capital. The working capital requirement for us has increased in the last two or three years, last two years actually, what will be the case going forward or it is going to get normalized back to FY2019, FY2019 levels?

Challa Srishant: No, actually I think the working capital will see further enhancement going forward because of the volumes that are increasing. You would have noticed that there is a good amount of volume growth compared to last year same quarter and in addition to that the green coffee prices also have gone up substantially, so keeping these two main factors in mind the working capital utilization also will increase proportionately.

Vineet Mehta: But as a percentage of sales would it increase or would it normalize at these levels?

Challa Srishant: It is more or less normalized for these levels. On a percentage basis also because of the raw material price increase it is increasing a little bit more. We are expecting the normalization to take place in the next two quarters at least.

Vineet Mehta: Thank you. That is it.

Moderator: The next question is from the line of Dixit Mittal from LIC Mutual Fund. Please go ahead.



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Dixit Mittal: You mentioned that logistic cost has still not normalized so can you give a sense like how much the container costs on a normalized level?

Challa Srishant: Earlier we used to have \$4000 as a container cost from India to US, now India to US is costing around \$12,000 and even from Vietnam for instance what used to be same \$4500 is now around \$19,000 so that is the kind of price increases that we have seen today. Whether the contract is FOB or CIF does not matter because either we bear the cost or the customer bears the cost eventually the cost has to be borne, so customers today are actually deciding which origin to buy from based on the transport more than anything else. So for us to import raw materials also because the prices have gone up it is becoming much more expensive to buy the raw materials as well.

Dixit Mittal: As you mentioned that basically most of the costs are passed through but I think logistic will be borne by you?

Challa Srishant: So if it is green coffee logistics that gets added and then only we go to the customer, in fact that is one of the reasons I mentioned earlier also that Vietnam is becoming much more attractive for customers because we have certain products which have been approved from those factories and we usually give both options to customers. Earlier the situation was that either factory that they select from, the landed cost for the customer was more or less the same, so based on that they used to take a decision. Today the gap has increased between India and Vietnam which is why the customers would prefer to buy from Vietnam more than from India.

Dixit Mittal: But on the finished product side that is borne by you?

Challa Srishant: Finished product side mostly we do FOB contracts so because of that the freight is usually borne by the customers only. In some instances, yes, we do CIF contracts as well. In those cases it is borne by us.

Dixit Mittal: Lastly you mentioned from India manufacturing you are servicing only Indian customers so how much is out of total for example 30,000 tons how much is sold in India currently and how much is exports?

Challa Srishant: So in India we are doing around maybe 5000 tons or so. Rest of it is exports.

Dixit Mittal: Thank you Sir!



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Moderator: Thank you. The next question is from the line of Nakshata Mehta from Credent Asset Management. Please go ahead.

Nakshata Mehta: Thank you for giving me this opportunity and congratulations on a good set of numbers. I have a couple of questions; one is on the capacity what we are doing with our existing capacity and how much is the capacity utilization at this level?

Challa Srishant: Our existing capacity is around 38500 tons and utilization we are at around 80% to 85% utilization as of now.

Nakshata Mehta: Are we expecting to be utilized at the full capacity anytime soon?

Challa Srishant: Again utilization will definitely improve going forward, but equipment typically you should take only around 90% as maximum utilization you would not be able to really get 100% at any point in time because you have to plan for planned shutdowns, maintenance shutdowns and all those as well.

Nakshata Mehta: The sense we are expanding in Vietnam can I know the export and import breakup as well and how much is the exports from Vietnam and how much is from India?

Lakshmi Narayana: As against a revenue of 1086 Crores, 322 Crores we did it from Vietnam and the balance 764 Crores we did it from India and out of this I can say that around 85% is export and the 15% is domestic.

Nakshata Mehta: Coming to the next question since you said the container cost has risen and there is an inflation effect also so could you just give us a little colour on that as what do you think is inflation effect and what is it going forward what do we expect and how do you expect to deal with it is it a pass through cost or can you just throw some light on that?

Challa Srishant: Yes, so far as container costs are concerned, it depends on the type of contracts that we have with the customer whether it is a CIF contract or FOB contract. For all the CIF contracts we end up bearing that cost. To the maximum extent possible we usually do FOB contracts only from the company and we usually tell the customers also if they want a conversion also to CIF we do it at the cost in that particular point in time.

Nakshata Mehta: What about inflation even on your raw materials and also since coffee is a premium product right now because of inflation and those things what is the demand?



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Challa Srishant: Inflation really does not have too much of an impact for us so globally coffee is bought in dollars, it is created in dollars so our raw material purchases is in dollars as well as our finished product sales is also in dollars. So that is why there is not much of an impact of inflation or currency fluctuation on our business. There is a natural hedge that is there.

Nakshata Mehta: How is your distribution channel, can you just tell a little bit about how you distribute your products and what is your channel basically?

Challa Srishant: You are talking for exports or for domestic?

Nakshata Mehta: For both.

Challa Srishant: For exports actually we end up supplying the coffee to our customers who take care of the distribution from their side. We have partners in different regions who take care of their local distribution. For instance in the US we have this company called Ground Up we have been working with them for more than 25 years and we supply to them based on whichever port they asked us to supply and they do the warehousing internally and the supply to customers after that. So we have similar partnerships in Europe as well and other parts and several other customers we just supply to them directly to whichever warehouse that they ask us to and they take care of the distribution after that. In India we have a distribution network that has been built up by Praveen and team and we are using that for the domestic market.

Nakshata Mehta: Great so that is it from my side and good luck for your future.

Moderator: The next question is from the line of Akhil Parekh from Centrum Group. Please go ahead.

Akhil Parekh: Good morning team and congratulations on a very good set of numbers. My first question is for Praveen, if domestic Indian market is roughly around 1500 odd Crores you mentioned that 70% is south India which roughly converts into 1000 Crores and if we take 3.5% of 1000 Crores it comes only at 30 to 35 Crores of branded business why are we at a run rate of around 140 Crores I kind of did not get this math actually?

Praveen Jaipuriar: Akhil the first point that you mentioned the market is not 1500 Crores it is 2300 to 2400 Crores, so if you do the mathematics from there then you will see that 3.5% falls in place and secondly there will always be a gap between Nielsen picking us and our sales because we are very small brand so you know the larger the brand is, the sampling becomes that much more robust because Nielsen also works on a sampling basis to record. So that is



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where the gap would come, little bit of gap, but this is what you mentioned because your starting point is different. It is 2200 to 2300 Crores into 70% if you take it will be almost 1500 Crores into 3.5% if you take it will be around 55, 60 Crores, so that is what Nielsen is picking and there is a little bit of this gap because of sampling.

Akhil Parekh: The second question is you mentioned that we will be reaching around 70% to 75% of 200 Crores this year basically in the branded business which roughly is around 140 odd Crores is that number correct?

Praveen Jaipuria: Yes absolutely.

Akhil Parekh: Will the PAT be profitable this year?

Praveen Jaipuria: See break even, generally that was the target we had put that we will break even whatever we are earning we are trying to invest back into business because brand building does require a lot of continuous effort so we will not be looking forward to pulling back our efforts in the next one or two years or so.

Akhil Parekh: Last question in the branded business have we increased our marketing spends because it is heartening to see TV commercials across multiple channels on prime time basically if you can just guide us in terms of how much we are spending?

Praveen Jaipuria: We have not increased our marketing spends. Generally every year we have been spending around 13 to 15 Crores on marketing spends. The reason you would have seen is that the first time we advertised on a non-south channel, you would have seen the freeze dried ad on various new channels and things like that in prime time because we are now expanding our distribution in other cities as well like Delhi. All the 10 lakh plus towns in India we are expanding our network so therefore we thought that it will be good for us to build some brand awareness across and therefore we had done a little bit of advertising but there was not any additional spends on that. We are within that range of 13 to 15 Crores of advertising.

Akhil Parekh: But will we stick with this target for next year as well or are we planning to see ads during IPL matches?

Praveen Jaipuria: I do not think we can afford to be on IPL but we are making our plans this quarter is when we will make our plan and definitely we will add two awareness building exercises now whether it is in a niche way to do it on news channels or whether we do it more of a



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digital medium advertising we will figure out a plan but the bottomline is that we look forward to building awareness in the non-south areas as well.

Akhil Parekh: Sure okay got it and just one book keeping question to Srishant, did you mention that we are going to add capacity for freeze dried as well is India starting or end of this year?

Challa Srishant: I said that yes we should be looking at that option. Once the domestic volumes increase the idea right from day one was that today it is 100% export oriented unit and anyways 50% of whatever we are exporting we can sell in the domestic markets as of now there is no problem. With 14,000 tons straight out capacity if we are crossing 7000 tons that is when we will start having problems because we will be exceeding the limit so that is one of the reasons why we thought we will start the process by the end of the year so that we can then create a DTA unit for the domestic market exclusively.

Akhil Parekh: Thanks a lot and best luck for coming quarters.

Moderator: The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Thank you very much Sir for the opportunity. Starting with some book keeping questions when you say doubling the capacity in Vietnam this will be additional 13500 or 10000 tons?

Challa Srishant: About 14,000 tons.

Kashyap Javeri: So on the expanded capacity we are doubling the number?

Challa Srishant: Yes, on the expanded capacity maybe with the line balancing it may go up to 15,000 tons. It will be a little bit more than double.

Kashyap Javeri: So the total capacity in Vietnam will be approximately slightly upwards of 28,000 tons.

Challa Srishant: Yes, around 28,000 tons.

Kashyap Javeri: What was the FDC to FDC proportion in the ratio in FY2022 and on the expanded capacity available in FY2024 what would be the ratio on the production capacity basis?

Challa Srishant: I did not get you what ratio are you asking about?



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Kashyap Javeri: Freeze dried to spray dried what was the ratio in line of FY2022 and on the expanded capacity with Vietnam on the consolidated basis what could be that ratio on the expanded capacity which will be available for full year in FY2024?

Challa Srishant: 38500 is where we are at right now and freeze dried is at 11000 so the 11000 will remain constant and we are adding 15000 to spray dried. Everything else is spray dried apart from the 11000 everything else is spray dried.

Kashyap Javeri: Second question is on the US operations the market share that you mentioned is only on the outsource business or including whatever likes of Nestle do in house?

Challa Srishant: What outsource business are you referring to?

Kashyap Javeri: You mentioned about market share in geographies right earlier?

Challa Srishant: Market share I was talking about like overall consumption which was taking place in the US.

Kashyap Javeri: That is including whatever some of the brands do in house also manufacturers.

Challa Srishant: All the bulk and brand supply everything that we are supplying to that market.

Kashyap Javeri: In the last conference call we had mentioned about another large US retailer besides one large brand that we are working with who has approached us for sourcing those conversations have they progressed any further?

Challa Srishant: Yes they have asked us for available capacity and they are saying that once we have that extra square capacity they can transfer to us, before that it does not make sense for them to undertake the entire exercise, so we need to complete our expansion and then only we will be able to approach them again.

Kashyap Javeri: The blend or the type of coffee and all those approvals or let us say those conversations have been done or once the capacity comes it will just start from there?

Challa Srishant: That is the easiest part for us. We have already submitted samples in the past and in principle they are interested but it is just that they do not want to have too many vendors, they want to have only two vendors two different territories and they want to have simplified procurement so that is the reason why they are saying unless that spare



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capacity is there for us it does not make sense if we are giving small volume like 1000 to 2000 tons it does not make sense for the business.

Kashyap Javeri: Last question from my side Vietnam operations can you give separate numbers in terms of what was the revenue and EBITDA for the quarter?

Lakshmi Narayana: The top line at Vietnam operation was 322 Crores and EBITDA is 105.27 Crores.

Kashyap Javeri: So just one last question from my side again just a clarification. If I look at our EBITDA number in Vietnam and in Indian operations it is sort of materially different numbers, so the EBITDA number in Vietnam was about 27% for the quarter versus that Indian operation just did about 16%, 17%, why would such a large difference would be there between the two operations?

Challa Srishant: Transport cost.

Kashyap Javeri: Sure that is it from my side.

Challa Srishant: We have to import coffee from Vietnam and other origins to India. In Vietnam we are able to procure locally, this is one of the points I had mentioned earlier.

Kashyap Javeri: The difference in this particular quarter is like the widest that we have seen in many quarters which is why I am asking the question.

Challa Srishant: Because transport costs have increased to the maximum extent in this quarter. In Q3 if you look at the transport cost on a per ton basis we used to pay around \$80 per ton for green coffee to transport it now we are paying \$300 plus per ton, so there is a huge increase in transport cost itself that is having a direct impact.

Kashyap Javeri: Okay sure Sir. Thank you so much Sir. That is it from my side.

Moderator: The next question is from the line of Mohit Khanna from Banyan Capital. Please go ahead.

Mohit Khanna: Sir my question is regarding the distribution network that we have could you quantify the number of distributors or the retail point of sales that we are reaching currently as compared to six months ago or any targets that you have for next year or so?



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Praveen Jaipuria: Six months ago or let us say last year March we are distributing our products to approximately 70000 to 75,000 outlets and today as we speak we are distributing directly to almost one lakh plus outlets, these are all the retail outlets that I am talking about, so that is the distribution that we have created and this is distributed through almost 300 to 350 distributors across the geographies so those are the numbers as far as distribution is concerned. Going forward obviously we will have to expand our network. Network expanding is a tricky thing because you must be very confident that the cost of reaching that additional outlet should be less than what inputs that you get from that outlet, so as we go along we will take it up in a step wise manner, but our whole idea is to get to a distribution level where the weighted distribution crosses the 50% level, right now it is at 30%, 35% level so we need to cross over 50% to 60% level so that is what we are looking for.

Mohit Khanna: If you could just also give a quick overview of how this network is divided among the geographies north, west, south and east?

Praveen Jaipuria: See largely but till six months ago all of this 70,000 90% was in south and the rest was little bit in east and west. Today as we speak out of this 1 lakh outlet almost 75% is in south and the rest 25% we have started building in the east, west, and north. So east, west, and north are relatively small right now, what has happened is that every time we had kind of started to expand the distribution network unfortunately COVID has stuck us and that leads to a little bit of a block for us, but thankfully this time it is not so severe and our efforts have started seeing lights of the day. So almost now we are present minus south, the non-south areas into 25,000 outlets. For example in Mumbai we are now almost in 3000 outlets, in Delhi almost 2000 outlets, in Kolkata 1500 outlets so similarly step-by-step we are taking our distribution ahead in these zones as well and this will continue going forward because the more we expand the more sales we will be able to generate.

Mohit Khanna: What is the salesforce that you have currently on the ground to expand this network and what are the internal targets on the salesforce expansion, hiring more personal to reach out or cover the territories?

Praveen Jaipuria: As I told you we will be expanding in a calibrated manner because cost is an important factor but as we stand today we have got around 215 people on the street and we will be looking to add another 20% to 30% this year and building through more efficiency with the current exports we have we are looking to expand approximately another 50% of outlets by the end of next year.



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- Mohit Khanna:** Thank you so much.
- Moderator:** The next question is from the line of Ritu Modi from IIFL Asset Management. Please go ahead.
- Ritu Modi:** Good morning Sir and congratulations on good numbers. I think I missed in the beginning of the call if you can just help me understand how is the mix of FDC and small pack currently?
- Challa Srishant:** So freeze dried you are talking about capacities or you are talking about..
- Ritu Modi:** Volume mix and the revenue mix that is something that you would want to share.
- Challa Srishant:** FDC one of the things that we have mentioned is around 80% to 85% capacity utilization is being there so that stands across the board. The capacity size I have already mentioned that 11000 is FDC and balance is all spray dried what we have out of the 38,500 tons, 11,000 tons is freeze dried and the rest is spray dried, so you can take 80% - 85% of that across the board.
- Ritu Modi:** In regards to the small pack what sort of volume contribution are we getting from small packs currently?
- Challa Srishant:** So small packs include both our domestic market as well as our exports, so around 25% of our capacity is in small packs right now.
- Ritu Modi:** So the expanded capacity which is going to be somewhere close to 12,000 tons for the small packs even going forward it will be used for indigenous consumption like the domestic packet business would be close to 25% or is it likely to increase more?
- Challa Srishant:** It will definitely increase because domestic volume is also increasing and our export volume is also increasing. We are starting with this 12,000 ton capacity, but we have the ability to expand up to 20,000 tons in the same facility.
- Ritu Modi:** If you could just also help me understand for our other clients what could be somewhat delta between bulk orders and small pack orders that we get in terms of profitability?
- Challa Srishant:** I cannot really comment about anything else because we do not have the data. From our side I can say that the small packs are definitely more profitable than the bulk packs. That



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is one of the main reasons why we were focusing on the small pack business because if you have given the final finished product to the customer, the customer is willing to pay that extra premium as well.

Ritu Modi: If there have been any new client additions or recently anything worth highlighting?

Challa Srishant: Adding new customers is something that we do on a constant basis. Exact customer names and all that is something that we do not reveal because of customer contracts NDA on that, so every year we do this, every year, every quarter we keep adding new customers, new areas, new territories, we keep expanding to new geographies that we have not gone before as well and this is a constant ongoing process for us.

Ritu Modi: For the orders which we currently have at the capacity which we are currently expanding in building that will cater to all the orders that we currently have in the pipeline or the near additional capacity expansion even at Vietnam and in India?

Challa Srishant: We will be creating additional capacity in both locations which is by Q3 the additional capacity in Vietnam will come on line, we have already initiated the process, we have ordered the equipment and everything so that will be completed by Q3 of next financial year and in India once this expansion has completed we will be able to free up a little bit more of the India capacity for the domestic market so there would not be any immediate need for expansion in India, but we would be initiating the process of expansion in India now, so that in the next year or two it will be completed.

Ritu Modi: What sort of capex would be required for this expansion in, Vietnam was indicated earlier but for the newer India plant what is the capex requirement that we require?

Challa Srishant: It is too early for me to say this right now, so I could not have to. After the next two quarters or something was that you can get into these details.

Ritu Modi: Just lastly on the domestic run rate of business we are currently at from 150 we gone up to 200, so over the next probably three to four years how are we looking at this entire business shaping up in terms of our contribution to the overall business at a consolidated level?

Praveen Jaipuria: As we have been growing we would like to keep the growth momentum, I think that our endeavour of brand building should continue and we are looking to grow and obviously the bases are growing, so we will not be able to grow at the kind of basis we are growing, but in terms of adding absolute values we are looking to grow, we are not putting any numbers



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right now, but putting the same kind of aggression that we have been putting in the last couple of years. As far as the contribution is concerned, today we are almost 10% of the total value business of the parent company of course lot of times people have asked this question that what is the branded business contribution will be. That is a tough one to answer because for both the segments we are looking to grow aggressively, so we are not putting percent of the buy as a target, but what we are saying is that how can both businesses have kind of a growth that aggression in the growth that we have seen earlier can that be maintained or not, so similar to what we have been doing for the last couple of years we want to be in a 30%, 40% growth in the domestic business and as we have given guidance as Srishant has also spoken a number of times we are looking at least in the next couple of years to grow both topline and bottomline for the parent company anywhere close to 15%, 16%, 17% so that is the kind of momentum we are looking to maintain over a period of time.

Ritu Modi: Great, that is helpful and all the best.

Moderator: Thank you. The next question is from the line of Jignesh Kamani from GMO & Co. Please go ahead.

Jignesh Kamani: We aggressively started focusing in US market in the last two, three years particular in specialized coffee, so how is the progress currently right now and what kind of volume we are targeting this year in the US and I need to get earlier interest in what is the scale in that e in the receivable days, which we want to develop the partner, how is the current status in the working capital in the US business?

Challa Srishant: The response in the US has been quite good and volumes also are increasing, in fact one of the biggest challenges we have been facing right now is there is a lot of backlogs that is there that is a good problem to have, so what are all US business is trade, but I cannot get in to any specifics about any particular client over there.

Jignesh Kamani: What it will be in excess of 2000, 3000 tonne this year in US?

Challa Srishant: More than that.

Jignesh Kamani: Earlier on the working capital cycle because our receivable days in US was slightly higher than the other markets because we were supporting the client?



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Challa Srishant: The volume is increasing beyond that so that is the same these recent days and will continue. US have to pass on credit to the customers that are part of the normal course.

Jignesh Kamani: Understood, second thing on the Vietnam like in India we had we can check fungible capacity so we can produce small, small packs more variety of instant coffee while Vietnam we need to have bulk production and large production which you can say doubling up capacity will we show interest in producing small quantity, small variety, multiple varieties Vietnam also just like in India or it will be more in the bulk or large client market for Vietnam?

Challa Srishant: Vietnam the expansion that we are doing now we are going in for increasing flexibility in bulk production only, right now we have maximum flexibility in India and that is one of the reasons, but it is more of small packs on specialized products from India as of now but going forward we want to offer premium products and specialized products from Vietnam as well, so we are building that. We do have the ability to do a little bit of small packs in Vietnam also, so right now we are not really focusing too much on that because there is a lot of bulk coffee demand that is already there, we are just trying to cater to that on Vietnam as of now.

Jignesh Kamani: Understood, so it is more doubling the capacity not towards the bulk demand customer compared to India?

Challa Srishant: In the bulk demand, but we are getting some enquiries especially from the Asian regions saying that they want small packs also from Vietnam so for those customers we are considering starting up a couple of small packing lines in Vietnam itself, we already made a provision on day one for this option, so we will start building a little bit of small pack capacity, it is not what is getting into more details for small packs in Vietnam and states.

Jignesh Kamani: Thanks a lot.

Moderator: Thank you. The next question is from the line of Richard D'Souza from SBI MF. Please go ahead.

Richard D'Souza: Good morning Sir. Congratulations on a good performance. I had just couple of questions. One is, when we noted the gross margins at standalone level, so is that the function of the logistic cost and do you think it is something which is more prominent future growing and what would be your view on that Sir?



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Challa Srishant: As of now yes it is primarily because of logistics especially in the import logistics for green coffee that we are seeing the impact because all the contracts that we are currently getting, these are contracts that have been entered into long back. That is what we are coming in now and going forward also as of now the indications we are getting is things are going to remain more or less the same for the next one year at least this is what indications we have got until now, after one year we will have to see how things shape up.

Richard D'Souza: The second aspect of this is if you look at your subsidiaries, I think those have grown faster than what they have been in international growth, so anything on that?

Challa Srishant: Yes, all the units are growing well fortunately because one as far as Vietnam is concerned I have already mentioned, a couple of things which are running in favor of Vietnam. As far as the Swiss unit is concerned also thanks to our Managing Director over there, he has also been able to grow some volumes to a little bit more of supermarket business in Europe, which has enabled us to grow faster there and domestic as you are seeing what Praveen has mentioned we are seeing about 40% increase in volumes year-on-year so the product acceptance has been excellent and demand has been very good and our main constraints right now with respect to meeting supplies, so that is the main issue that we are facing at this point in time.

Richard D'Souza: Couple of questions on the international market basically the value added products what percentage we are picking from it currently, I believe last year or something it is probably about 5% or about 6%?

Challa Srishant: Value added products the instant coffee itself is a value added product, so you are talking about specialty products versus instant coffee?

Richard D'Souza: Yes, specialty products.

Challa Srishant: Speciality coffee will be around may be 5% or so.

Richard D'Souza: Okay, that does not grow?

Challa Srishant: No, because of volume base is also growing right, so the fact that 5% means this is also growing at the same pace.

Richard D'Souza: This is growing as a percentage of turnover or percentage of volumes?



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- Challa Srishant:** Percentage of volumes.
- Richard D'Souza:** So turnover could be...
- Challa Srishant:** Yes, when it comes to turnover it will be a little bit more.
- Richard D'Souza:** Any update on the markets in US and Europe, how they are shaping up, how can they spread with and how do you see going ahead?
- Challa Srishant:** Demand as such there is no real negative impact, the demand is more or less the same. It is constant and for them also institutional business got converted into from home business so that is one change in trend that we have across the world just the way we have seen it in India, same thing is applicable in other country as well. If now the offices are opening up the institutional segment is slowly increasing again.
- Richard D'Souza:** Are we seeing any corresponding dip in the home business?
- Challa Srishant:** There could be a slight decrease in the home business once the offices open up, but one good thing is that because of the consumption pattern that got created in the last one year, people are getting used to consuming instant coffee in the house.
- Richard D'Souza:** Okay, one last question in the domestic market, this instant coffee which we are enforcing going ahead the pricing, which is going to be for the newer contracts, earlier logistic cost which is there?
- Challa Srishant:** Yes of course, all the current contracts we have to factor in the existing logistics cost and then when finalizing the quotes, that is what we are doing. That is also one of the reasons why most of the customers are preferring to go to Vietnam rather than India.
- Richard D'Souza:** Couple of questions for Praveen Sir. In the domestic market the competition seems to be reaching up we are seeing lot of aggression by ITC and even Nestle has started launching in sachets so how do you envisage this going ahead?
- Praveen Jaipuria:** The competition is there, there is no doubt about it and the competition is coming from both the fronts, one is that we have got larger players like Nestle and Unilever putting the pressure and we have got players like ITC trying to enter the play and then these are the new players, the D2C players who are also trying to launch coffee, but this is the part of a larger trend and we are actually happy about all of this thing that is happening in coffee



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market, because it is expanding the coffee, India is largely being a tea drinking nation and all the innovations and all the things that are being launched in coffee is only going to expand the market and will help us grow as well, so yes, there is competition, we are looking it in a more positive way that it is going to increase the pie itself.

Richard D'Souza: On the online initiatives how is that?

Praveen Jaipuria: We are doing pretty well on online as well and if you go to sites like Amazon and Flipkart you will see the amount of reviews and the amount of ratings that we are getting, it is actually indication of the fact that we are doing pretty well in online business. Today the online business is almost 10% of the total retail business, so that is good news and we are kind of keeping the growth momentum on and growing. We are not only selling at portals like Amazon and Flipkart, but we also now have created our own online shop and will try and expand as much as possible on that front as well.

Richard D'Souza: Thanks Praveen Sir. Coming back to Srishant Sir, any new customer sign ups or anything which has happened over last quarter?

Challa Srishant: Yes, there will always be some new customers that keep getting added every year that is a normal ongoing process for us.

Richard D'Souza: This is corollary case something which I have asked earlier, when we look at the overall product mix the way we are shaping up and the way we are expanding the customers, so would it be fair to say that these are the margins we target which we have said Rs.130 per kg, have you would exceed that over the next three, four years?

Challa Srishant: For the domestic market?

Richard D'Souza: I think at a consolidated level the target of about Rs.130 per kg.

Challa Srishant: I did not get the question, you are saying Rs.130 per kg or what is Rs.130 per kg?

Richard D'Souza: Rs.130 per kg on your expanded capacity let us say three to four years down the line?

Lakshmi Narayana: We are hopeful of maintaining that.

Richard D'Souza: Thanks a lot Sir!



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Moderator: Thank you. The next question is from the line of Lokesh Maru from Nippon India Asset Management. Please go ahead.

Lokesh Maru: Thank you. Congratulations on amazing results. I just have one or two questions on understanding the business side which is like regarding the order book for how long is the visibility that we usually have in terms of order book let us say just to maintain or reveal the order book which you already had and another is what is the percentage of short term contracts that you sign and what is the proportion of long term contracts may be which you sign and how do you maintain that the show balance or what is your view on or visibility on that part?

Challa Srishant: Usually most of our customers around 70% or 75% of our customers do long term contracts which is one year plus contracts, out of this 75% there are about 15% of the customers will do after two years as well and as far as visibility of the order book is concerned, usually we will have with around six months to one year visibility of the order book at any point in time.

Lokesh Maru: Okay, got that. Thank you.

Moderator: Thank you. The next question is from the line of Dhiral Shah from PhillipCapital. Please go ahead.

Dhiral Shah: Thank you for the opportunity. Sir, as we know that Brazil is facing a severe drought like situation which has taken a toll on the coffee production also, so are we seeing any market share gain because of that impact?

Challa Srishant: The extent of market share gain is because of that as well, now Brazil has become very expensive, they are not able to supply to several other countries because of increase in prices. So that gives us an advantage during this financial year.

Dhiral Shah: So we are seeing that possible instance right?

Challa Srishant: Yes.

Dhiral Shah: Since we are at the start of this New Year and many annual contracts gets renewed, so looking at the current order book do we expect in 15% to 20% kind of a volume growth even for FY2023 or even higher since we are also doubling the Vietnam capacity?



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Challa Srishant: Actually we already have that one year contracts and all, typically the customers will come more towards the middle of the calendar year that is when we will get more 100% clarity for next year. As of now our internal target is the same, we should be targeting around 15% volume growth, but we will be able to confirm once the year starts, the next financial year starts.

Dhiral Shah: Our spray dried mix is higher and as you said green coffee prices would remain elevated at least for the next two years, so because of the higher spray dried mix our EBITDA margin would remain in the range of 21% to 23% or you believe we would be delivering even higher on EBITDA margin?

Challa Srishant: EBITDA margins in a per kg basis will remain the same; we are not expecting any significant change over there.

Dhiral Shah: Whatever current EBITDA per kg is there we would like to maintain it for the next one to two years?

Challa Srishant: Yes.

Dhiral Shah: Thank you.

Moderator: Thank you. The next question is from the line of Suvarna Joshi from Axis Securities. Please go ahead.

Suvarna Joshi: Most of my questions have been answered, just one question may be on the product launch side like we have seen in the domestic business few of products that we have launched a couple of years back and we are kind of building onto that, in the wake of these higher coffee prices that we are seeing do we expect to launch any new products in the coming year or how are we planning on that front?

Praveen Jaipuria: We are not looking to launch immediately a lot of products, because we already launched three segments, the Instant, the Filter Coffee, which is Roast & Ground, these three mixes. So, we look to rebuild on these segments. Within these segments of course there will be a little bit of product extensions, but not really new products that we are looking to launch at this point of time.

Suvarna Joshi: Sure. Thank you. Also on the export side, I mean, the last new product that we have actually introduced was the Cold Brew Coffee, anything working on that side as well?



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Challa Srishant: Cold Brew is one product that we had launched. We do have other products as Microground coffee and all that. This Cold Brew is a new product category by itself. So that is why it stands out. It is not just new product; it is a new product category. So, similarly as an increasing product category is not an easy task as in we will have really very limited product categories which are there in the coffee market. So, that is why we are present in all those product categories.

Suvarna Joshi: That is all from my end. Thank you and wish you all the best for the coming quarters. Stay safe.

Moderator: Thank you. The next question is from the line of Vivek Tulsian from NewMark Capital. Please go ahead.

Vivek Tulsian: Thanks for taking my question. Just on this divergence on the margins on standalone and subsidiary, you mentioned that the transport cost is the biggest factor. Could you tell me how much on a percentage of cost basis, how much does the transport cost has come about to for our green coffee procurement?

Challa Srishant: I can give you the actual number if you want. So, earlier it was around \$80 a kilo and now it is around \$300 plus. So that translates to around \$230 x 2.4, it will be around the 60 cents or so approximately. So, 60 cents would be the extra cost that is going to be there. If you take \$6 as your average selling price, so 10%...

Vivek Tulsian: About 10% in fact.

Challa Srishant: Yes.

Vivek Tulsian: This you think is going to remain because the freight cost will continue to remain elevated for the next few years?

Challa Srishant: Yes. Unfortunately for us creditors are concerned, almost 50% of the capacity has been utilized for the domestic market itself. So that is actually a positive sign for us.

Vivek Tulsian: Understood. Was there any MIES incentive that we received during this quarter?

Challa Srishant: Yes we did. Lakshmi Narayana, it is 7.5 or something, no?

Lakshmi Narayana: We have received 7.5 Crores during the quarter.



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Vivek Tulsian: You mentioned for this quarter, we did about 17% of volume growth which is very encouraging YoY, would you have the same number for nine months, how much was it in terms of volume growth?

Challa Srishant: Volume growth for nine months it was 18.7%.

Vivek Tulsian: Just one last question, on the domestic branded side, how much would we have done on absolute revenue basis?

Challa Srishant: So, domestic business total was approximately 145 Crores for nine months out of which 100 Crores will be from the retail branded business.

Vivek Tulsian: This was very helpful. Thank you and all the best for the coming quarters.

Challa Srishant: Thank you.

Moderator: Thank you. The next question is from the line of Amit Zade from Antique Stock Broking. Please go ahead.

Amit Zade: Thank you for the opportunity. Sir my question is regarding the treatment of price increase which we have seen in the last three months, four months in green coffee prices. Sir, do we see any risk to the volume guidance given because last year or earlier part of the last year we had only one impact of logistics or freight cost, which has increased to highest levels in the third quarter and maybe going ahead there would be even higher pressure from the green coffee inflation. So, is there any risk for us or for the industry in terms of volume?

Challa Srishant: Whatever is applicable to us is applicable to the rest of the industry. So, whatever problems we are facing every prices have got dropped. So whatever risks that we are currently facing the same risk is being faced by the rest of the industry as well. So, the competition everything remains more or less the same. Now it is more or less become country versus country rather than competition within the country. If you look at Brazil on a whole today with the raw material prices becoming extremely higher in Brazil because of the shortage of supplies, Brazil has become much more expensive than even India or Vietnam even after factoring in the increase in transport cost. If you compare India versus Vietnam, Vietnam is definitely much more economical than India again because of the logistics cost. Everything else is more or less the same. So if you look at it at a broad level, all the manufacturers in each country are facing the same issues. So,



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there is no change as such in competition, which is why the volumes and all that as far as customer's decision making and all that is concerned also it is not very difficult for us to guess that we are aiming for that 15% at least volume growth growing higher.

Amit Zade: Thank you.

Moderator: Thank you. Ladies and gentlemen we will take the last question from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Thank you very much for another opportunity. Beyond this Vietnam, which is another about 14000 which will be completed middle of next year, what are our plans for capacity expansion after that, also in India probably in Duggirala or in Chittoor where we have excess land available? Have we thought at least some initial thoughts on that at this point in time?

Challa Srishant: Yes actually we have mentioned this earlier in the call that after the Vietnam expansion by the end of this current calendar year, we will be looking at expansion in India for setting up a sprayed dried unit for the domestic market. Now with the volumes in the domestic market are increasing, we will have to go out for expansion currently.

Kashyap Javeri: Any particular reason why at this point in time there is no expansion plans on freeze dried because one, it is the size is small and two, you know the EBITDA per kg you know, you have already highlighted earlier in some of the calls as meeting that it is higher, is that the particular market is not finding favor at this point in time with the consumers?

Challa Srishant: Yes. So, normally what we see is there is a cycle that takes place and today with the Green coffee prices growing up to the extent that they are, people are not willing to pay that extra premium for freeze dried and they are looking for more economical products under so that is why the demand for spray has been increasing and considering that the green coffee prices are expected to remain high for the next couple of years for multiple reasons we are expecting that the sprayed dried demand is going to keep going up and on top of that last year itself before the change in prices there are several manufacturers who have already initiated the process of setting up freeze drying units in different parts of the world including Brazil and Vietnam. So, there will be additional competition coming in that is going to put more pressure on this market and the thing is in freeze dried at the end of the day we were running a cold room with minus 60 degrees temperature so there is a



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minimum level of operational efficiency that one has to achieve. So, you need to have minimum amount of orders also. If you do not have that minimum number of orders, it is not going to be viable to run the plant. So whoever is setting up these plants are anyway going to be under tremendous pressure to desperately sell in the market. So that is one of the reasons why we do not think it is right time for us to consider getting into freeze dried expansion, pretty small.

Kashyap Javeri: That is all from my side. Thank you very much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Abhishek Navalgund for closing comments.

Abhishek Navalgund: Thank you. Basically I would like to thank the management to patiently answering all the questions and also thanks to the participants for joining in. Now I would like to handover the call to Srishant Sir for his closing comments. Over to you Sir!

Challa Srishant: Thank you all for organizing this conference. Thank you all for participating. I just wanted to add a point to what Praveen has mentioned earlier that we have launched our own online portal for buying our products. The website is shop.continental.coffee. So since we have a lot of loyal customers on this call, I hope all of you will take this opportunity to visit the site and buy from it. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Nirmal Bang Equities that concludes this conference. We thank you all for joining us. You may now disconnect your lines.