



**“CCL Products (India) Limited  
Q1 FY ‘24 Earnings Conference Call”  
July 17, 2023**



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



**Moderator:** Ladies and gentlemen, good day and welcome to the CCL Products (India) Limited Q1 FY '24 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 star then zero on your touch-tone 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, Ryan. Hello, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome all the participants to CCL Products India Limited 1Q FY '24 Earnings Conference Call. The management is represented by Mr. Challa Srishant, Managing Director; Mr. Praveen Jaipurkar, CEO; Mr. B. Mohan Krishna, Executive Director; Mr. V. Lakshmi Narayana, CFO; Ms. Sri Devi Dasari, Company Secretary; Mr. P.S. Rao, Consultant Company Secretary.

Without further ado, I would like to hand over the call to Praveen sir for his opening comments and then we'll open the floor for questions-and-answers. Thank you and over to you, sir.

**Praveen Jaipurkar:** Thank you, Abhishek. I welcome you all to this call. Just to give you a small snapshot of the performance in Q1, if you look at the group, the group has achieved a turnover of INR654.93 crores, which is almost 28.5% growth over last year for the first quarter as compared to INR509.28 crores for the corresponding quarter of the previous year.

And the net profit stands at around 60.71 as against 52.74, which is the growth of 15.1%. And the EBITDA is at INR106.6 crores, which is also an increase of 20%. And profit before tax is 69.42 for this quarter. So this is a small snapshot of the performance and I welcome you and I open the floor for questions.

**Moderator:** Thank you. We will now begin the question-and-answer session. Our first question comes from the line of Mustafa Arif with Nine Rivers Capital. Please go ahead.

**Mustafa Arif:** Hi, congratulations on your results and thank you for the opportunity. I would just like to know, could you please provide us the capacity and the timeline for your execution on your projects in Krishnampalem and in Tirupati?

**Praveen Jaipurkar:** Okay. So, just to add a couple of things here. If you know, last year, March, we added the NCL capacity. So from 37,000, 38,000 metric ton annual capacity, we moved to around 55,000 tons. That plant is fully operational now.

Now the next project, which will be spray dried at Tirupati, that is, we are slated to start next year, March, which is like the end of this year. So another 16,000 metric tons will be added at that point of time. And that will take us to around 70,000-71,000 metric tons.



And subsequently, next financial year, quarter two, which is July-September quarter, we are looking to add another 6,000 metric tons of freeze-dried capacity in Vietnam. And that will probably, at a group level, will take us to around 76,000-77,000 metric tons of capacity, both spray-dried and freeze-dried included.

**Mustafa Arif:** Thank you. And also, could you clarify the cost?

**Praveen Jaipuria:** So cost, at India, it is around INR400 crores, Yes, the spray-dried cost. And at Vietnam, it will also be a very similar cost, around USD50 million for the freeze-dried capacity.

**Moderator:** Thank you. Our next question comes from the

line of Rakesh Wadhvani with Monarch. Please go ahead.

**Rakesh Wadhvani:** I just wanted to know the thought process behind the acquisition that we have done. How we are planning to expand the business? What will be the working capital involved or the techniques that the firm will be doing for that business? That is first of all from myself.

**Praveen Jaipuria:** Okay. Your voice was actually breaking in between. But if I have understood right, you ask me about the thought process behind the acquisition. So if you kind of followed us what we did was five, six years ago we started to build our own brand and we launch Continental Coffee in India.

After 5 years of operation, we saw that we have been able to reasonably create a brand turnover for us in India invented in our name, and that is when we kind of said that we need to take this forward into our B2C foray, which meant that either we build brands further strengthen our brands in India and launch our brands in other parts of the world, or see if there is some, valuable acquisition that is available. And if that is there, it will help us, strengthen our B2C portfolio and our vision to create brands for ourselves.

And that is when this, acquisition came our way, Percol and Rocket Fuel. So these are brands actually we helped Brian Chapman, who originally started this brand, helped him to create the product profile and launch these brands in the UK market. So there was already a connect from our side as far as these brands were concerned.

And we thought that it will be a very good opportunity for us to enter into a UK market because this brand is already, already present there, it has got certain equity there. So it will be much easier for us to build this brand, rather than, start from the scratch. And that's why we kind of, acquired these brands.

And as of now, we are working with our partners in UK, which is Sucafina, to resurrect this brand, relaunch it. And in another, three to four years time, we are looking to create, probably a INR100 crores portfolio from these brands in UK. So that's the thought process behind the acquisition.

**Rakesh Wadhvani:** Sir, just wanted to know the revenue from the brand in the last one, two years, what was the revenue and trade they were doing?



- Praveen Jaipuria:** So actually, when we bought, the revenue is close to around INR18 crores to INR20 crores. So that is the revenue that they are doing right now. And as I was telling you, in another three to five years, probably we are looking to scale it up to close to INR100 crores. Let's see how things, pan out for us in the future.
- Rakesh Wadhvani:** Okay. Just last question from my side, any reason for not taking the Continental Coffee brand that is we sell in domestic market to the international market, because we have already good purchasing here, good advertising, good brand, makes a reason for not taking the Continental brand there?
- Praveen Jaipuria:** So, Yes, there's no specific reason, we will take Continental brand to other parts of the world as well. But there are certain markets, the very mature markets, especially the European market, the American markets, their brand building is a very, very tough exercise. You know, it's very, very resource consuming, you have to spend a lot to build a brand from the scratch.
- So, we made our options there that how do we take it forward. And, in the long term, probably we could integrate some of these brands into our own brand architecture of Continental. But these are all thought processes that will evolve as we go along, as we see how brands are evolving. But not to say that we don't want to take Continental, we will definitely take Continental as well to a few places outside India as well.
- Moderator:** Thank you. Our next question comes from the line of Vidit Shah with IIFL Securities. Please go ahead.
- Vidit Shah:** Hi, thanks for taking my question. My first one was around, the margin profile. We saw about 22% console margins, that's fallen to about 16% in one queue. What's been the key driver? I see that the standalone margins have been somewhat stable of the stand-alone business. So what happened in the substituent that has, sort of driven the margins down?
- Praveen Jaipuria:** Nothing much, Vidit. Actually, if you see that we still, like it happened last year also, there was, it looks like the margins have dipped because we are comparing EBITDA to the, as a percentage of top line. But what is happening is in both the years, the coffee prices, they are on a rise and we are getting around 10% to 15% higher value for a like-to-like volume. So we still are growing volume at around 18%, 20%, which means if you were to see our EBITDA margins per kg of coffee sold remains intact.
- However, optically, because the coffee prices have gone up and we work on cost-plus model, it looks like the EBITDA margins as a percentage to top line is coming down. But that's nothing to worry about because what will happen is that when the coffee prices soften or when they go down, you will see opposite trends. You will see that the EBITDA margins to top line will start increasing as well. So it is more because of the coffee price, bean price increasing rather than any efficiency in the operating margins.
- Vidit Shah:** Got it. And the recently commissioned capacity in Vietnam, what's the utilization that we are currently operating at?



- Praveen Jaipurjar:** So I'll just break it down into two parts, Vidit. One is the earlier capacity, which was 13,500 tons to 14,000 tons. That we are operating at optimum. And when I say optimum, it always means around close to 90%, 85% to 95%, let's say, depending on the kind of product that you are doing. And the new capacity, which is 16,000 tons, that we are operating at 50% capacity as of now.
- Vidit Shah:** Okay. Got it. And this is likely to go up as the year passes, right?
- Praveen Jaipurjar:** So, this year we have given a guidance that probably, we will -- for the full year, we'll get to see 50% utilization of the new capacity, Yes. So overall, if you add all of them together, probably we'll be at around, because full of the same, so around 70%-odd of the total capacity at Vietnam, 70% to 75%.
- Vidit Shah:** Okay. Got it. And the branded business that we have in India, the B2C business, that is about INR 250 crores of revenue in F '23. With the new acquisitions in UK, does the focus shift towards building that business and this growth profile is likely to slow down in the domestic market? Are we likely to see 30% to 40% growth going forward as well in the domestic business?
- Praveen Jaipurjar:** Yes. So Vidit, actually, what you said in the second half is right. We are not going to shift any of the focus from one business to the other. So therefore, if you see for the UK business, we have partnered with our long-time partner, Sucafina, who is taking care of a lot of execution for us there. So it's only at a strategic level that we are giving our inputs as of now from here and none, no let up in, push in the domestic business. So that will continue to grow at 30% to 40%. We'll keep driving it as aggressively as we have been.
- Vidit Shah:** Okay. Any pushback that we've seen from customers, our B2B customers in the UK, given that now we are venturing out in the B2C space out there?
- Praveen Jaipurjar:** Not really. We are actually making sure that we don't kind of overlap into either product profiles or territory. So that is something we are taking care of. And until now, we haven't seen any pushback.
- Vidit Shah:** Okay. I will get back to in queue for more. But thanks a lot for these.
- Praveen Jaipurjar:** Yes. Sure. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Amar Maurya with AlfAccurate Advisors Private Limited. Please go ahead.
- Amar Maurya:** So can you help me understand what was the volume growth at the overall level in this quarter?
- Praveen Jaipurjar:** It's around 18% to 20%.
- Amar Maurya:** Okay. 18% to 20% volume growth. So that means that your EBITDA per ton would have gone down, right, in that case?
- Praveen Jaipurjar:** No, not really. Not really. If you see EBITDA growth is also 20% at an overall level. Yes.
- Amar Maurya:** No, I'm talking sequential EBITDA. EBITDA per ton.



**Praveen Jaipurjar:** No, sequential -- don't see sequential, because there will be variations in quarter-to-quarter. So there would have been certain things in the last quarter, a type of profile send and all that. So that is not really a good thing to see. I would advise that you see it in a little long periods of time because the way the contracts are.

What happens is that sometimes your higher margin contracts are skewed towards the quarter. Sometimes your signal effect makes it getting skewed to certain other quarter. So keeping all that in mind, I think, it's better to see at a long term perspective. And therefore, to negate the seasonal impact and these quarterly impacts, we generally see it Y-on-Y. And if you see that, I think, both volume growth and EBITDA are perfectly in line.

**Amar Maurya:** Okay. Got that. And secondly, sir, is it like your second quarter in terms of your EBITDA per ton is the best quarter?

**Praveen Jaipurjar:** No, we can't say that. Again, as I was telling you just a while away, it will really depend on how the orders are scheduled, which quarter, which kind of in some quarters, suppose I get more of the small pack orders, my EBITDA per kg improves in that quarter or some quarter your freeze diet gets a little more loaded than the other one. So all these things will play a role. So difficult to comment. But generally, because of seasonal impact, quarter 3 and quarter 4 are generally the little bigger quarter than the other quarters.

**Amar Maurya:** Got that. Thank you, sir. Thank you.

**Praveen Jaipurjar:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Bhavya Sonawala with Samaasa Capital. Please go ahead.

**Bhavya Sonawala:** Thank you for the opportunity, sir. So just one question. I just want to understand going forward, what kind of opportunity do we have in innovation of new products? I mean, is there some scope for us going forward? Just want to understand on those lines.

**Praveen Jaipurjar:** So, Yes, Bhavya, we keep on working on a lot of product innovations, a lot of product development. Yes. And we try and keep gauging the market, the trends that are developing in the market. So whether it was freeze diet at some point of time, whether it was instant cold brew that we developed. And now we are looking to kind of see if we can do something in specialty coffee. There is a lot of interest around the globe around specialty coffee, specialty instant coffee.

So we are working on a lot of projects with a few clients of ours to develop the specialty coffee. And that is one of the reasons why we had set up the mini plant, the pilot plant in our premises. And that was precisely for this reason that we could do some premium and specialty coffee in small quantities. And as and when the market demands. So a lot of these innovations have been going around. We are doing a lot of work, a lot of details I can't share with you right now. But yes, there is ample and enough work going around all of these.

**Bhavya Sonawala:** Okay, that was really helpful. Just I remember three years ago, you had mentioned that cold brew can be a decent opportunity. So any thoughts on that?



**Praveen Jaipuria:** Yes, it has been. We have seen a lot of success in instant cold brew. So we developed for one client. Now we are getting orders from many others as well. So that's picking up nice. And as I was mentioning to you right now, we are getting a lot of queries on specialty coffee because all the time in any product category, there is a certain trend of moving up the up the chain. And there's a lot of interest around these kind of coffees.

So we are doing a lot of work on that front as well. Cold brew happens to be that that innovation has already happened. It's now more about us trying to push the products, sell the products, create those success stories for a couple of clients and then demonstrate to others that this could be a good product for them as well. So, Yes, for cold brew, instant cold brew, we will be trying to penetrate the market. And at the same time, yes, there are product innovations that are going on.

**Bhavya Sonawala:** Okay. Understood, sir. Just last question, if I may squeeze in. In the domestic market, we have seen a lot of startups and new age brands come in with in the coffee segment. So trying to understand how do we work with them? Is it kind of that we go to them with special mixes or do they come to us having something in mind and we build something for them? So how does the business development work at an issue stage?

**Praveen Jaipuria:** So it happens, both ways. Sometimes what happens is that they will come to us and they would say that they want a certain profile of coffee or they want to do this. They have identified certain segments which they want to work on. So there are times when they will come back to us. And then there are times when sometimes people will come to us and say, they want to launch something. Can we share some product profiles with them or some market understanding? So work both ways. And that's the reason if you see for most of these startup guys, we have been supplying coffee to them and have been the exclusive suppliers to them. So work both ways.

**Bhavya Sonawala:** Okay, got it, sir. Thank you so much and all the best for the future.

**Praveen Jaipuria:** Thank you.

**Moderator:** Thank you. Our next question comes from the line of Lokesh Maru with Nippon India Mutual Fund. Please go ahead.

**Lokesh Maru:** Hi. Thank you for the opportunity. Congratulations on a healthy set of volumes growth, sir. Just wanted one thing on what would be our expected depreciation and interest cost for the year? It was like, let's say, depreciation was INR22 crores. So you're assuming INR88 crores for the year and assuming INR60 crores interest cost, is that the right way or may it change?

**Lakshmi Narayana:** This is Lakshmi Narayana here. The interest cost will be in line with the cost that we incurred for this Q1. It's going to be in a similar way for the remaining three quarters as well.

**Lokesh Maru:** And the same goes for depreciation?

**Lakshmi Narayana:** Yes.

**Lokesh Maru:** Okay. Thank you. That's all from my side.



- Moderator:** Thank you. Our next question comes from the line of Kashyap Javeri with Emkay Investment Managers. Please go ahead.
- Kashyap Javeri:** Yes. Good morning, sir, and congratulations for a great set of numbers. Two questions from my side. One, in the brand acquisitions that we have done, what additional investments are we going to do in terms of any working capital? That's question number one.
- And second is, what was the gross debt at the end of 30th of June in light of the fact that our interest cost quarter-on-quarter has also jumped up by about almost 50%?
- Praveen Jaipurkar:** So I'll just take up the first one and I'll just ask CFO to give you the details for your second part. So on the first part, as far as the investment required, we really won't be requiring any additional working capital investments per se, on the acquisitions because we are looking to -- it's already a running brand. The sales are at around INR18 crores, INR20 crores. So we are looking to kind of break even on that business. At best, maybe a INR1 crore here or there probably could be required, which is insignificant really. So there won't be any additional investment that we'll put into that business. And Yes, I'll ask CFO.
- Kashyap Javeri:** In a question over there, as we go forward and we look at this inorganic route for the brand business, what's the strategy there? How much is the cap on what we are going to continue to invest there, if there is any?
- Praveen Jaipurkar:** So, difficult to kind of give you a gap or something like that. But as we have been telling you that we entered into brand building business five, six years ago. And what we believe is that we need to develop this segment, grow aggressively on segment, not only in India, but international markets as well. Now, international market, we had two choices. One is to launch our own brand. And one is to see if there are some valuable acquisitions that is there because in some of the mature markets, brand building is an expensive exercise.
- So keeping all this in mind, when this acquisition came our way, we thought it's a good buy for us to start building a brand in the UK market. And that's the reason we went ahead and bought this brand. So that is the whole thought process. We haven't put a number to it that, okay, these are the number of these many acquisitions we'll do or this is the value of acquisitions we'll do. Fundamentally, we were looking to grow organically itself, but since this was a good opportunity that came our way, we thought that it would be a good acquisition that will fit into our scheme of things.
- Kashyap Javeri:** But can this meaningfully add to our debt? Because, see, we are generating about INR200 crores kind of cash flow here. And our own manufacturing capex requirements are roughly about INR400 crores kind of a number each. So in light of that what could be the strategy?
- Praveen Jaipurkar:** Very difficult to say that whether I would do an acquisition which will add to a debt right now or not. Because, yes, we will look at the balance sheet, the health of the balance sheet and everything before doing any big acquisition. But I cannot say no to this also because, you know, this debt will be there for, let's say, next three, four years. But let's say next three, four years later if something very worthwhile comes in and our debt positions are eased out by that point of time, there could be a strategy of, you know, doing an acquisition.





But these are all, you know, these are all things that may come up in the future, difficult to comment right now. Unless and until because, you know, six months or a year ago we didn't even think that we would acquire a brand, but because the value was good and it was not disturbing the balance sheet, it was in line with our vision and therefore we went ahead and bought the brand.

- Kashyap Javeri:** Sure. And the gross debt number?
- Praveen Jaipurjar:** Yes. CFO will give you that number. Hello Mr. Lakshmi Narayana, are you able to hear us. Yes you can give the number.
- Lakshmi Narayana:** Yes, I can hear you now. Coming to the debt issue and at the console level we will be having a working capital debt of almost around INR1000 crores. Around INR600 crores it is going to be in India and INR400 crores it is going to be in subsidiaries that is the working capital side. And coming to the debt component, at the console level it is going to be at INR600 crores. This is what it is going to be on 31st March '24.
- Kashyap Javeri:** Sorry, this is as of?
- Lakshmi Narayana:** 31st March '24 end of this financial year.
- Kashyap Javeri:** But as of today?
- Lakshmi Narayana:** As of today it will be – we have only INR160 crores is a long-term debt. Around INR200 crores is the long-term debt and around INR750 crores is the working capital.
- Kashyap Javeri:** Okay. And what would be the inventory number as at the end of the quarter versus about 570...?
- Lakshmi Narayana:** Yes, inventory number we have almost around INR550 crores.
- Kashyap Javeri:** Okay. So it's like stable quarter-on-quarter?
- Lakshmi Narayana:** Yes.
- Kashyap Javeri:** Okay. Yes, that's it from my side. Thank you so much, sir.
- Moderator:** Thank you. Our next question comes from the line of Manoj Gori with Equirus Securities. Please go ahead.
- Manoj Gori:** So, sir, my question here would be if you look at the healthy volumes that we have been reporting for a while now. So, in the current quarter probably or probably in FY23 as well what would have been the volume mix with regards to higher wallet share from the older clients? So here when I say older clients probably clients which are associated before 'FY21 and probably what would be the volume mix or probably volume driver by the new client acquisitions?
- Praveen Jaipurjar:** So, Yes, you know, it's actually a bit of both. So, there has been volume increase because of the fact that we have been able to sell more to our older clients also and probably increase our wallet share in their wallet and we also got new clients. Now, it will be, you know, difficult for me to

kind of put an exact number to them. But yes, there is a mix of both that has been happening. There is also, you know, what happens is that it's a continuous process. So, there are lot of new clients that we probably would have developed over the last three, four, five years. So even the volumes with them have grown. So it's kind of, you know, combination of all these three factors that has led to consistent volume growth over the past few quarters.

**Manoj Gori:**

Right. Sir, qualitatively on a softer note, a softer aspect probably that I look at the company. So, obviously when we are saying about like high teens kind of volume guidance probably for a few years now. So, what would be the driver? So, like what's the pipeline with regards to new client acquisitions and probably if you look at what is the scope left from the older clients with regards to higher wallet share because when you look at obviously the coffee market is not growing at such an exponential pace. So, I just want to understand on the softer aspect like the quality of volume that we would be driving in the coming years?

**Praveen Jaipurjar:**

So, okay I'll give you a little broad perspective. If you see the, you're absolutely right the coffee market is growing at a low single digit. And considering the fact that we are growing at a healthy double digit volume growth it really means that we are actually gaining shares in the market. Now, qualitatively what is helping us gain shares in the market as I told you, it's like there is a constant acquisition of new clients. There is a constant ability for us to keep supplying more to our old clients and therefore increase shares.

Now, new clients are also two types. One is that we develop, you know, just let's say within a period of a year, then there are new clients which probably we have developed over the last three, four years. So, all of them add to the volume, but let's say qualitatively one would ask that what is helping us to do this? There are two, three factors which is helping us, you know, gain shares in the market.

One is, of course, because as we have, you know, growing big and as we are adding volumes, of course, you know, economies of scale work in our advantage and therefore, our ability to be very efficient in terms of our cost, that becomes one of the driving factors. The second driving factor is our ability to innovate and be able to give different kinds of products to our clients. So, that is one more ability you would have kind of, you know, followed our policy always maintain that, we construct our factories in such a way.

We have got our R&D, you know, very strong R&D as our backup. So, all these help us to, you know, gain shares in the market. Just to give you a small, you know, this thing set up. Suppose our old clients now obviously a lot of our clients are big into coffee and they do various kinds of coffee products. Now, if they want a new coffee product to be developed for them, for a new market, let's say, CCL becomes a very obvious choice because of our ability to be able to give the kind of product they want, Yes.

So that's why these are some of the reasons and, of course, our network of our setups across the globe our marketing associates, all of these, you know, at a combined level play a role, very difficult to say how much percentage one adds to each of these pillars. But yes, as a consolidated thing when all of these things work, it helps you to get that kind of a working role.



**Manoj Gori:**

Right, sir. So that was very helpful. My second question would be, so if you look at probably few years back, we were very clear that we don't want to get into international market for branded business. So, probably what led to change of our stance over there and to get into branded business into UK market as of now? And probably would we evaluate other markets as well in the coming years?

**Praveen Jaipuria:**

So, just to kind of correct the context, we never said that we'll never go into the international market. The reason was that at that point of time we were just beginning to start our own B2C setup. Yes. And, you know, the whole DNA of a B2C setup, the way the brands are to be, you know, handled and the way brand building happens, it's a completely different ballgame. So, we were not sure of ourselves that whether we'll be able to do that thing or not.

So, that is why we were not very clear at that point of time that what route our B2C segment will be. But, you know, five years of operation in the Indian market and we have seen that in these five years, we have become the number three player and we have created a sustainable business here. So that, you know, that led to this thought that if we are doing it in India, why not build our own brands across the globe, considering that we have a fair bit of knowledge what's happening across the globe as far as coffee is concerned.

And that's when we said that okay whether it is our brand that we may launch in some of the countries across the globe or if some good acquisitions that come our way, which Percol came our way and we acquired that, we will take that route. So, Percol came our way and we bought that brand and we thought that UK is a good market where we can create our own brand. Now, coming to your last part of the question that do we have plans to go to other markets? Yes, we are evaluating as of now that which are the other markets that we can go into.

A lot of thought is being put in which are good lucrative markets, which segments we can go. Somebody had asked that, you know, whether it is in conflict with our B2B clients. So, that also we do evaluate that we don't kind of, you know, create an overlap with them, with the already existing brands whom we supply to. So, keeping all of that in mind, we are, you know, evaluating and very soon you'll be seeing that we will be kind of, you know, entering some of the markets across the globe with our brands as well.

**Manoj Gori:**

Sure, sir. One more question, if I may. So on the domestic market, obviously we have done extremely well. Probably we have, like there are n number of efforts that we have taken. So where do we stand currently and probably what are the areas where we need to focus on going forward and probably what would be the target, aspirational target for the branded is probably from FY26, FY27 perspective with regards to sales and EBITDA markets?

**Praveen Jaipuria:**

You loaded a lot many things into one, but I'll try and answer them quickly. Domestic market, we continue to apply the pressure. So obviously once we have created a small base for ourselves, the next set of things is to penetrate the market even further. So like, for example, today we are presenting in a lakh outlet. We are going to probably go to increase it by 30%-40%, so go to around 1,30,000 to 1,50,000 outlets this year. So that will be, a penetration driving exercise for us.

We are looking to go into many more markets. We have been fairly strong in South, but the other zones are still not as strong. So we kind of build the brand in the other zones as well. And as far as, going forward, what it looks like, of course, we are looking to kind of, double this in the next 2-3 years. So let's see how things pan out because, this is such a dynamic situation we are growing.

There are a lot of things that are involved in, brand building right from not only building the brand, but also from a distribution perspective and things like that. So a lot of work is going on. And as we speak, every time we speak something, something new comes up. So there's a lot of action there. We keep updating on that. And as far as EBITDA margins are concerned, we have broken even last year, next 2-3 years because the kind of aggression that we want to build on and the kind of resources that we want to deploy.

We are saying that next 2-3 years also we will keep breaking on the EBITDA and probably not look to milk it right now, but keep investing in brand building. And probably at a later stage when the brand itself is, Rs. 300 to 350 crores, that is when we'll start to re-evaluate saying that now do we start, building EBITDA or we need to, keep investing even more to get aggressive top lines. So all this is that much more dynamic right now. And we'll take it as we go along.

**Manoj Gori:**

Thanks, sir. So this was very helpful. Thanks a lot and wish you all the best.

**Moderator:**

Thank you. Our next question comes from the line of Akshay Chheda with Canara Robeco Mutual Fund. Please go ahead.

**Akshay Chheda:**

Yes, sir. So thank you for the opportunity. So two questions. So first is that how do you look to ramp up the new facilities that you are going to set up? I mean, the first one is in the Vietnam and the second one in the India. Would it be at the similar pace the ones you have done in the past or would it be a little faster considering the demand drivers and the demand drivers that you spoke in some previous questions? That is the first question. And second is, sir, how is the visibility for the same? So Yes, these are the two questions. Thank you.

**Praveen Jaipuria:**

So very simple. So first part. So we are not looking at, how fast or how slow we did it in the past. Forward going, we have given the guidance that for next two to three years we are looking to drive volumes by, 18% to 20%. So if you are going to drive volume by 18% to 20%, that means that these capacities will be required. In the next three to four years' time, you will see that these capacities will be probably operating at between 80% to 100%. So that is the whole growth objective. And because of that growth objective, we have put the capacities. So that's our guidance and that is why the backup for the capacities that have come up.

**Akshay Chheda:**

Okay. And so order book visibility, if you can put some light, how are you booked?

**Praveen Jaipuria:**

Order book visibility was like this. Let's say for, let's say, freeze-dried. Freeze-dried next almost one year or let's say one and a half years. We almost sold out. We are booked fully. Spray-dried, we generally will have varying degrees of visibility. So if you look at next three months, we have 100% visibility. Next six months, we are approximately at 75% visibility.



And next one year, we are probably at 50% visibility. So that's how on a rolling basis it keeps happening. And that's the kind of visibility we generally see. Sometimes, like when there is a higher demand for a certain product type like a freeze-dried, so we have a better visibility for next one and a half years. But at an overall level, we follow this kind of, we have seen this kind of visibility for ourselves.

**Akshay Chheda:** So when you say this visibility, so is it a confirmed thing?

**Praveen Jaipuria:** Yes. When I say visibility, it is confirmed.

**Akshay Chheda:** But what happens if the customer doesn't honor it, sir?

**Praveen Jaipuria:** No. So it's all contracted volumes. It is not, casual. These are all well-contracted, documented, and these are not verbal things or something like that. Soft communication. So I don't account for any soft communication when I say my next three months visibility is 100%.

**Akshay Chheda:** Okay, sir. Thank you, sir. This was helpful.

**Moderator:** Thank you. Our next question comes from the line of Rohan Gupta with Nuvama. Please go ahead.

**Rohan Gupta:** Hi, sir. Thank you for the opportunity. Sir, a couple of questions. First is on our volume growth guidance. We are still confident about almost double digit it as much as 18% to 20% volume growth over the next three to four years. And for that, we are adequately building the capacities as well. In the last two to three years, we have seen that definitely in the post-pandemic environment and geopolitical issues with Russia and Brazil losing the market share, all these things have helped in the last two years to three years to gain the volume growth.

But, sir, now the world is normalizing and coming back to the earlier level, to the normalcy with almost the supply chain getting back to the previous level. But we are still building a very solid volume growth. If we look at historically, we have never seen such a volume growth for a longer period of five to six years in a row. So, I just want to understand what has changed in the global environment that is giving us the confidence that we will be continuously able to grow and gain market share globally significantly as far as the volume growth is concerned.

**Praveen Jaipuria:** So, just on the first part, probably the geopolitical thing, the COVID thing probably provided some triggers, but they were not the pillars for our volume growth. So, the pillars of the volume growth remains the same as I've been mentioning. It's our economies of scale that work in our favor. So, therefore, it helps you to be competitive in the market. If you see our current volumes, we probably are 8% of the total B2B coffee market.

So, when you are at a single percent market share, you know that and with the kind of abilities that we have, which is about the strength of volume that we have, which builds a lot of economies of scale, the R&D and our ability to give a differentiated coffee and therefore, get that competitive edge in the market, our network that we have built over the past so many years.

So, all of this put together gave us the confidence that we probably from an 8% market share could easily go to 15% market share. And to fulfill those volume demands of going from 8 to 15, backed on the fact that our competitive edge in the market, which are multifold, we were very confident that we will be able to drive this kind of volume growth in the next at least two to three years.

**Rohan Gupta:**

Sir, we did benefit from the supply restriction from the European market to Russia and gain market there. We also benefited from the Brazil market losing market share because of the unavailability of coffee and lower experience of their coffee in last two years, two and a half years. That has really helped us in India as a country and we do have a sizable market share, 8% also, that makes us among the leading players globally in this supply chain for the coffee market. So, I mean, definitely we are aiming 15% market share.

That is a very ambitious target according to me, but we are not a small player as far as the global market is concerned and market dynamics are concerned. So, that's what I wanted to understand. Is it the customer confidence, customers relying more on us or we getting to offer them a small complete back-to-back supply chain where we are offering them even small pack solutions and all and everything? Is that something changing the business model, which is giving the confidence of also coming from the customer also that is going to drive this volume growth? That actually was my question.

**Praveen Jaipurjar:**

Yes, so absolutely. When I said that our ability to be competitive in the market, the edge that we get, it all actually leads to customer confidence. So, let's say during COVID or during geopolitical tension, that was a trigger, but not everybody who was situated in the safer geographies benefited. Last year, you know that we kind of bought coffee from outside and sold it. So, which means that the other players were having excess capacity, isn't it? In spite of the fact that they were in a similar situation like us because they were in a situation where they could have gained clients. But all of that didn't happen so easily because of the fact that we are able to.

Why is the customer confidence very high? The customer confidence is very high because the customer knows that if they have a certain demand, CCL is well poised to commit to that demand and fulfill their demand. So, all these things and why CCL is able to fulfill their demand? Because they are very competitive in the market, because they will be able to provide the kind of coffee they want. They will be able to provide small pack, large pack in whatever formats you want. So, our ability to deliver anything and everything under the sun gives us that competitive advantage to be able to gain more and more market share.

**Rohan Gupta:**

So, you want to say that definitely COVID and geopolitical tension did trigger some increase in volume growth. But now, because the world and the customers have known our capabilities, the advantage will continue even in the next three to four years in terms of gaining market share?

**Praveen Jaipurjar:**

Yes.

**Rohan Gupta:**

And sir, irrespective of that, we are now getting vocal about getting into global retail markets as well, where I think that definitely we will be having a conflict of interest. You did touch upon on this part a little bit, but definitely there will be conflicts of interest in terms of when we have



a retail ambition. So, despite that, you see that there won't be any re-dialogues or any complaints from our clients because we are getting into the business model of retail as well as globally, not only just in India?

- Praveen Jaipuria:** No, I don't think so. I don't think so because I told you that we will be very careful on that front as well. It's not that we are going to tread on somebody's foot or step on them. But Yes, we have our ambition to build our own brands to go into retail and that will continue to focus in a manner that it doesn't conflict with most of our clients.
- Rohan Gupta:** Sir, just one more thing...
- Moderator:** Sir, the participant has disconnected his line or has left the question queue. We move on to our next question, which is from the line of Rohan Gupta. Please go ahead. Rohan, are you there? Since there is no response, we move on to our next question, which is from the line of Vivek Ganguly with Nine Rivers Capital. Please go ahead.
- Vivek Ganguly:** Thank you for the opportunity. This is regarding the interest and the balance sheet. Historically, you all had an interest rate of about 3%, 3.5%. So what is the interest rate that you all are paying now on the outstanding debt, one? And secondly, what is the total outstanding debt as we speak, Q1? And what will it peak at when the other two new facilities come online? That's all from my side.
- Lakshmi Narayana:** Gentlemen, regarding the rate of interest, as against the earlier rate of 3%, now we are witnessing that the rate of interest is going up. Presently, we are paying around 8% 6% is the rate of interest we are paying.
- Vivek Ganguly:** 6%, okay.
- Lakshmi Narayana:** Yes. And coming to the debt, as of now, we have a total debt of working capital as well as the compound at the group level, which is around INR1,150 crores. And when we, INR1,150. And when we complete two facilities, one is in India, which is under WOS and as well, FD facility in Vietnam. The total debt is likely to be around INR2,000 crores.
- Vivek Ganguly:** 2,000?
- Lakshmi Narayana:** Yes. Which includes the working capital, INR1,050 crores, and the term loan INR1,000 crores.
- Moderator:** Thank you. Our next question comes from the line of VP Rajesh with Banyan Capital Advisors. Please go ahead.
- VP Rajesh:** Hi, thanks for the opportunity. Just a quick follow-up on the INR2,000 crores debt number you mentioned. Is it likely to peak out in fiscal year '25 or even later?
- Lakshmi Narayana:** Sorry, not able to hear you properly.
- VP Rajesh:** My question was that just INR2,000 crores of debt, when do you plan to be having this kind of debt? Will it be in fiscal '25 or in fiscal '26?



- Lakshmi Narayana:** Yes. In fiscal '24, March '24, it is likely to be working capital plus term loan. It is likely to be around INR1,750 crores. And the year March '25, it will come down with the additional borrowing to our non-profit Vietnam. It is another INR 300 crores. So what I would like to convey is that the 31st March '24, it is around INR1,700 crores. And March '25, it is around INR 2,000 crores.
- VP Rajesh:** Okay, March '25, it will get to INR2,000 crores. And that would be the peak level of debt that you have indicated to us?
- Lakshmi Narayana:** That's right.
- VP Rajesh:** Okay, understood. And then my other question was when both of these capacities are online, let's say 3-4 years down the road, when you have to re-ramp them up, what will be our percentage of retail revenue in the total revenue?
- Praveen Jaipuria:** You know, that's a little tight one because we are kind of taking it both separately. On the retail side, we are saying that we are continuing to grow at 30%-40%. Considering that the coffee prices have also been growing and we are aggressively growing on the B2B side as well, the resultant percentage is something difficult to kind of gauge at this point of time.
- And also probably not a right matrix at this point of time because it will all depend on how things go forward from here. So that's not a matrix that we are actually internally looking at. What we are looking at is that in both the segments, how can we grow aggressively.
- VP Rajesh:** Right. But I'm seeing this ballpark. For example, if let's say it was 2013...
- Praveen Jaipuria:** You know, if the retail -- suppose in the next three years the coffee prices are on the boil and your B2B itself becomes INR3,000 crores, INR4,000 crores and the retail is INR600 crores, INR700 crores, maybe INR800 crores. So it's still, at let's say 15%-20%. But really will depend, if the coffee prices soften and that 4,000 becomes 3,000 and the retail is at 800.
- Because retail is not led by coffee prices. There the pricing is very different. It is more, benchmarked with the competition, your price elasticity in the market and things like that. Whereas the B2B is completely, dependent on the coffee prices because of the cost-plus model. So, the resultants could be very different in both the scenarios.
- VP Rajesh:** Understood. Thank you. That was very helpful. My other question was that you were talking about your market share being around 8% or so. So has it been the case that some competitors have, gone bankrupt or moved out of the space? And that's why you are seeing this kind of support growth over the last few years. Can you give a sense of the structure of the industry a bit on the B2B side that will be helpful?
- Praveen Jaipuria:** So, Yes. So I think that's not the right thing. The competitors haven't gone bankrupt. But what happens is that we'll have two sets of competitors, isn't it? There are small competitors and the large ones. So small competitors obviously lose out on their ability to service large quantities, their ability to service competitively and their ability to service on a variety of products.





So that is one thing that helps us give that competitive advantage. And as far as the large competitors are concerned, again, a couple of other things like, our ability to do different types of products. You know, we have told you quite a number of times that when we construct our facility, we make sure that, a single machine or a single unit can give me many kinds of blends.

And therefore, our ability to innovate becomes that much more higher. See, a client comes to us with a need saying that I want a certain type of coffee. If you aren't able to deliver that kind of a blend or that kind of a product to him, his confidence in you will go down. So that is what CCL builds over a period of time, that confidence and trust amongst large customers and even the smaller ones.

Saying that, okay, if I were to go to CCL, these guys are going to help me out with the product. They will be certainly competitive when the pricing is concerned. And of course, to add to it, the kind of network that we have built over the past 25 years does help us in getting new clients or adding more volumes with the already existing clients. So all of them combined together, kind of helps us give that competitive advantage.

**VP Rajesh:** Understood. Thank you so much. That was all.

**Moderator:** Thank you. Our next question comes from the line of Akhil Parekh with Centrum Broking. Please go ahead.

**Akhil Parekh:** Hi. Thanks for the opportunity. I just have one question or rather clarification on the debt part. If I look at last quarter's con call transcripts, right, we have categorically mentioned that our debt position at peak level would be INR1,200 crores. And now we are guiding it for INR 2,000 crores. So what has changed sequentially or on a quarter-on-quarter basis that is leading us to higher debt guidance? That's all from my side.

**Praveen Jaipurjar:** Yes, is Lakshmi Narayana online? He messaged me saying that he got disconnected. Just can you reconnect with him?

**Moderator:** I'm trying to call him. Number is not going through. Just give me a moment, sir. For this question, we'll get back to you. I think, Lakshmi Narayana is not able to connect. But we will separately ask Sridevi to connect, separately with him and address your query.

**Akhil Parekh:** Sure. No worries. Thank you.

**Moderator:** Ladies and gentlemen, we have the line of Mr. Lakshmi Narayana connected.

**Management:** Okay. Akhil, you can go ahead.

**Akhil Parekh:** Yes. No, my question is on the gross debt position, right? Till last quarter, we mentioned that our peak debt levels would be at INR1,200 crores because of the two capacity expansions which we're doing in India and Vietnam. But now, we are guiding for a much higher debt guidance of INR2,000 crores. So, what has changed sequentially in the last three months? That's my question.

**Lakshmi Narayana:** Actually, if you look at it, 45 million which we are intending to avail funding for our Vietnam operations, which is equivalent to almost INR 300 crores. And the second is that increasing the



working capital. At the new plant and because of the increase in the capacity from up to 30,000 tons, which calls for additional working capital, and also the increase in the working capital in Indian operations, which counts to by March '25, the total debt is likely to reach INR 2,000 crores. That is the reason.

One is almost around INR 400 crores to INR 450 crores is towards working capital. And INR 300 crores is the term loan that is going to be coming in place in 2024-'25, which makes the total debt to reach to INR 2,000 crores.

- Akhil Parekh:** Okay. But these are the same assumptions we had, right, if last quarter as well. So, it's quite perplexing, actually, why the debt position.
- Lakshmi Narayana:** No, working capital, we need to count on the working capital increase, and which is coming up now almost around INR500 crores.
- Akhil Parekh:** Okay. So, when we reach INR 2,000 crores of debt, what would be the working capital debt and what would be the long-term debt?
- Lakshmi Narayana:** Yes, it is around INR 1,050 crores. INR 1,000 crores is going to be the long-term debt, and INR 1,000 crores is going to be the working capital at the group level.
- Akhil Parekh:** Okay. That's all from my side. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Dhiral with Phillip Capital. Please go ahead.
- Dhiral:** Yes. Good afternoon, sir. Thanks for the opportunity. So, what was the branded revenue business that we did in Q1 FY '24?
- Praveen Jaipurjar:** So, in Q1 this year, we did a total business of around INR65 crores, out of which around INR40 crores will be branded business.
- Dhiral:** Okay. And so, what was the utilization of the domestic facility? Spray-dried and freeze-dried in Q1?
- Praveen Jaipurjar:** Full.
- Dhiral:** Okay. So, 85% to 90%.
- Praveen Jaipurjar:** Yes. When we say fully, actually, close to 90%.
- Dhiral:** Okay. And sir, lastly, again on the debt part, so at INR 2,000 crores kind of debt, what kind of interest outflow we can consider?
- Lakshmi Narayana:** On an average, we can take it at 6%.
- Dhiral:** Okay. So, around INR120 crores.
- Lakshmi Narayana:** Yes. That's March '25, if you look at it, financial year '25.



- Dhiral:** Okay. Got your point, sir. Thank you so much, sir.
- Moderator:** Thank you. Our next question comes from the line of Nirav Ssavai with Abakkus AMC. Please go ahead.
- Nirav Ssavai:** Thanks for the opportunity, sir. My question is regarding this gross margin contraction, which we have seen in subsidiary companies. So, what has led to it and how do we see this going forward, particularly on the Vietnam side?
- Praveen Jaipurkar:** So, again, at the cost of repeating, this is actually not contraction because when we do costless model with around 10% to 15% or so, higher coffee prices leads to higher top line. So, if you see our volume growth is, let's say, 18% to 20%, our top line is 28%. Yes. So, there is at an overall level. So, what happens is that optically as a percentage to top line, your EBITDA margin seems to have dropped.
- But if you look at your per kg EBITDA, which is top line growth over EBITDA growth, if you see, both are in line. So, both are close to 20%, which means that EBITDA per kg is the same that we have been getting over the previous periods.
- Nirav Ssavai:** Okay. But then Indian operations, we don't see a big change. It is more on the Vietnam operations where not gross margin contraction more?
- Praveen Jaipurkar:** So, again, there will be variations because of the kind of products that you did in a quarter or a kind of sales that you did in a quarter. So, a lot of things goes into it. Very difficult to thread that decode it in the sense that did it happen because of lack of efficiencies or did it happen because of lack of the kind of products that you sold and things like that. But what I would say, and therefore, is that at a consolidated level, at a longer period level, if you were to see our volume growth and our EBITDA growth will be in line, meaning that the efficiencies are on track.
- Nirav Ssavai:** Got it. That's it from my side. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, that was the last question. I would now like to hand the conference over to the management for closing comments.
- Praveen Jaipurkar:** Thank you, everyone, for joining the call. And thank you, Nirmal Bang, for organizing the call. I look forward to meeting you all after the second quarter. Thank you.
- Lakshmi Narayana:** Thank you.
- Praveen Jaipurkar:** And if at all there is any other questions, please, you can reach directly to us, send an email and we'll be happy to address your queries.
- Moderator:** Thank you. On behalf of Nirmal Bang Equities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.