



**“CCL Products (India) Limited
Q3 FY '26 Earnings Conference Call”**

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MODERATOR: **MR. DIPAK SAHA – NIRMAL BANG INSTITUTIONAL
EQUITIES**



Moderator:

Ladies and gentlemen, good day, and welcome to CCL Products (India) Limited Q3 FY '26 Earnings Call hosted by Nirmal Bang Institutional Equities. 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 touchtone screen. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dipak Saha from Nirmal Bang Institutional Equities. Thank you, and over to you, sir.

Dipak Saha:

Thank you, Iqra. Good morning, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to the 3Q FY '26 Earnings Call of CCL Products. The management is represented by Mr. Challa Srishant, MD; Mr. Praveen Jaipurkar, CEO; Mr. B. Mohan Krishna, ED; Mr. Chaithanya Agasthyaraju, CFO; and Ms. Sridevi Dasari, CS of the company.

So we also have Mr. Rajendra Challa with us on the call, and I'll request Mr. Praveen sir to start the call and give his opening remarks. Thank you.

Praveen Jaipurkar:

Thank you, Dipak, and thank you, Nirmal Bang for arranging this call. Good morning, everyone. I welcome you all to the third conference call of FY '25-'26. And now I'll give you a brief overview of the company's performance of the third quarter and also the 9 months period gone by.

As far as the group performance is concerned, the group has achieved a turnover of INR1,053 crores for the third quarter of '25-'26 as compared to INR761 crores for the corresponding quarter of the previous year, achieving a growth of 38%. The EBITDA stands at INR187.56 crores as against INR127.22 crores, which is a growth of 47%, while PBT is INR116.27 crores, growing at 62% and the net profit stands at INR100.26 crores with a growth of 59%.

As far as the 9 months figures are concerned, the group has achieved a turnover of INR3,239.41 crores for the 9-month period as compared to INR2,274.54 crores for the corresponding 9 months period, achieving a growth of 42%.

The EBITDA stands at INR547.6 crores as against INR396.46 crores, which is a growth of 38%, while PBT is INR337.55 crores, growing at 37% and the net profit stands at INR273.57 crores with a growth of 31%.

The domestic market continues its growth momentum with a gross sales of approximately INR180 crores for the third quarter and approximately INR480 crores for the 9 months period. Out of this, the branded sales contribute close to INR120 crores for the quarter and around INR330 crores for the 9 months period.

As far as the green, we have been speaking about this intermittently, but the green coffee prices, as far as they are concerned, they remain in the range of INR3,600 to INR4,000 levels. We'll have to wait and watch, post I told this before as well, post pet holidays, how things pan out, and that will determine the range of green coffee prices going forward. Additionally, the company

has declared an interim dividend of INR2.75 per equity share for FY25-26 That is a brief update from our side.

I would now open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shirish Pardeshi from Motilal Oswal.

Shirish Pardeshi: Praveen, if you can give the outlook on the coffee prices because the new crop has just come in. So I think what are the pressure which we see at this time? And my related question is that in the quarter of 38.5% revenue growth, what is the volume momentum we would have seen? And maybe number you can share?

Praveen Jaipurkar: Yes. Thanks, Shirish, for the question. As I told you, the green coffee prices, the outlook as of now looks much better than what it was a year ago. If you remember a year ago, this quarter was a most tough quarter in terms of prices that it -- where it had surged at the maximum levels and -- but however, this quarter, things are looking far more stable than the last year.

But having said so, we were still in a little wait-and-watch period, considering that Vietnam goes for pet holidays and there is a little bit of a selling off tendency before the pet holidays. So prices are at softer levels. But the real test would be after pet holidays, if the farmers decide to hold on to the stocks, then we could see some more volatility coming in, some more price increases coming in.

But as of now, things look the only guidance that I would give is that it looks far more stable. The Brazil news is good as of now. The crop looks good unless until there is some other bad news coming in. I think going forward, things are looking much, much better than what it was an year ago.

So that's on the green coffee prices. As far as the volume trajectory is concerned, Shirish, the -- out of this 38%, the volume is close to 20% or so. There is another 18% to 20% of value growth that we've got for this quarter. And therefore, the value growth was at 38%.

Shirish Pardeshi: So just to follow up with the volume, which is going to pick up, and that's my understanding, will this price stability will come down? And therefore, 2 follow-up, is the customer is now giving you a steady order or there is also a wait-and-watch mode? And second, how much price increase reduction on the account of all this situation now panning out, we will have to take or the price will remain elevated for some time?

Praveen Jaipurkar: So 2 things, Shirish, we have always maintained that it's actually not right to look at the price growth because that is determined on the green coffee prices considering we do cost-plus model. So the real marker would be to see the volume growth and the EBITDA growth. And that, as we have always maintained that the guidance remains stable. There is no fluctuation there.

**** So really, we are not so bothered on the prices that even if the prices drop, that's okay because that's not what we are guiding the market or we are looking at as a parameter. So that -- so the

guidance stays from our side that keep looking at the volume growth and the EBITDA growth from our side.

Shirish Pardeshi:

Okay. Just last question. the stability in the U.S. tariff and other thing, does that customer which was holding the inventory or maybe there were lower inventory, is that reflected in the month of January. So there is some spillover which would have happened in the quarter 4. Is that the understanding correct?

Praveen Jaipuria:

Not really. I don't think so people have been holding finished goods inventory across the globe. Yes, in green coffee, there are speculative holdings that happen with the green coffee farmers and the aggregators. But I don't think so this tariff impact is going to impact much of the trade and especially for us because we had the flexibility to supply from Vietnam.

So it did not affect us. So even if the lowering of tariff also is not going to help us or it did not adversely help us -- adversely affect us 2, 3 quarters ago, it's not going to give us undue advantage now also.

So our position remains stable as it was before going forward as well. And the customers are considering the green coffee prices are now -- the more stable they are, they are more assured they are. So the long-term contracts obviously start coming in. And this is evident in our volume growth also.

If you see last year, when the prices are so choppy, our volume growth were in the range of 10% to 15%, which goes to now 15% to 20%, considering long-term contracts have started to seep in -- the confidence has started to seep in amongst customers that the prices are much more stable than what it used to be last year.

Shirish Pardeshi:

I was just asking -- Praveen, I was just asking the price stability, is there expectation that quarter 4 volumes will be much more than 20% what you've delivered this quarter?

Praveen Jaipuria:

No, no, not really. Not really. See quarter 4, we have already -- for the next subsequent quarters, our contracts are almost done. We are kind of -- we know how it will be. So there won't be any undue advantage that we get in the project.

Challa Rajendra Prasad:

Shirish, this is Rajendra Prasad. Most important, I always maintain, we maintain CCL, it's a year-on-year company. Don't look at quarter-to-quarter. See it's been 30 years now. So there is nothing we have built the capacity slowly it will come. And everything falls in place. They will not -- nobody buys just like that and keep stock, especially in a volatile market like green coffee, what exactly is happening. Nobody knows, nobody can predict.

So what -- as far as CCL is concerned, we always look for long-term stable business. So there is no issue at all, okay? And all of you should only look CCL on a year-to-year basis. Just like Praveen just now explained, what we have done in the domestic also, slowly, no, it will take a little time. It doesn't matter, but we are very much there. Thank you.

Moderator:

The next question is from the line of Vivek Ganguly from TCG AMC.

Vivek Ganguly: I just wanted what would be the debt level as of the quarter end? And if you can give the debt level for the corresponding period and also the interest cost, rate of interest?

Chaithanya Agasthyaraju : Yes, Vivek, we continue to channelize our efforts to deleverage the balance sheet. There is a subtle shift in our finance strategy towards a more cash flow-oriented and working capital-oriented approach, which is actually helping us in terms of reducing the debt. The gross debt, which used to be around INR2,000 crores a year ago, has come down to INR1,448 crores as at 31st December '25. This is the gross debt. Net debt would be around INR1,248 crores.

Vivek Ganguly: And the interest rate would be?

Chaithanya Agasthyaraju : Interest rate would be around 7% on an average across the group. And our guidance was INR1,250 crores at the end of -- as at 31st March '26, we have given a guidance of INR1,250 crores. We can see we are almost a quarter ahead of the guidance, but we'll stick to that guidance.

Vivek Ganguly: Okay. That's all from my end.

Chaithanya Agasthyaraju : So one small aspect is basically in spite of the significant increase in the volumes, the debt has actually come down. With the increase in volumes, the working capital should have ideally gone up, but we have actually brought it in the opposite direction.

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

Kashyap Javeri: Really heartening to see Mr. Rajendra Prasad also being on the call. Thank you so much, sir, for being there. I have a question on our volume number and slightly longer term. So once we hit, let's say, the full capacity, which is to be about 77,000, 78,000 tons, when we do the peak utilization there, what would we be as a market share of the outsourced instant coffee globally?

And once we hit that number, then should one assume that post that, the growth will be in line with what the market would grow at because we would be fairly large market share? That's the question one. And second question is on our retail business in India, the branded coffee. If you can give some idea on how that business has progressed in third quarter this year?

Praveen Jaipurkar: Kashyap, so on your first question, when we are at peak capacity utilization, which is some time away from now, we probably will hit at 12%, 13% global market share of the outsourced market, right? Now that is -- there are 2 ways to look at it. One is to say that even 12% or 13% is -- there is still some way to grow. So we could be growing ahead of the market even there.

Kashyap Javeri: Sorry, Praveen, just to intersect here, when you say 12%, 13%, this is the total market or the outsourced market?

Praveen Jaipurkar: Outsourced market. I'm just talking about the outsourced market because see we can't compete in the branded and the captive consumption market. So that is -- I'm segregating that. So this is only the outsourced market, will be 12%, 13%, which means that we still have some headroom to grow.

And we'll continue to kind of strive for higher growth than the market. Even the market, we have seen that the instant coffee market, considering that the growing economies are growing the way

they are, and they are more likely to adopt to more instant coffee, we see a better growth of instant coffee than other coffees as well.

So I think both put together, the market growth and our ability to still gain market share, we should be growing at a little higher level. So that is the long-term guidance. But it is really long term, we'll see how things pan out going forward. So that's on your answer to your first question.

The second question, you talked about the branded retail sales. So as I told in my opening remarks that the branded retail sales continue to grow at a very good momentum. We are growing at almost 40%, 50% this year. And this year, we are likely to close at around INR430 crores, INR440 crores of only branded sales. And the India sales will be around INR650 crores.

And we have been gaining constant market share and expanding our distribution. We are now distributed -- directly distributed in 140,000 outlets. We are also expanding our networks beyond South, which is North, East and West markets.

On most of the e-commerce and the modern retail platforms, we are very strong number 3 and in some cases, even number 2 player. We are like kind of out-blown some of our more illustrious competitors. So that is the -- a little color on how the domestic market has fared, and we'll continue to grow aggressively in this market.

Kashyap Javeri: And just a clarification, when you say INR430 crores at MRP level, this would be what, about INR800 crores to INR1,000 crores?

Praveen Jaipuriar: No, no, we are not now at 50% discount. So you may add 30% in any retail loan approximately considering the retail margin and the schemes you give, 30% to 35% you can add at MRP levels.

Kashyap Javeri: Okay. And last question, on the Vietnam side, we have capitalized large blocks in this year, in fact, March last year as well as mid of this year. But if I look at the sales, we are not seeing that kind of growth which we are seeing in the gross block there. What could be the reason there? So we are at about similar number for now about, let's say, 2 or 3 quarters. but the new capitalization should have added top line growth in the third quarter also?

Praveen Jaipuriar: So if you -- if I read your question right, you're asking that are we getting commensurate growth in terms of volumes in NCL. I would say, yes, we are because a lot of, if you see even our margin profile improvement is because of the FD capacity utilization, which is now at much better levels than because last year, there was no FD capacity in Vietnam. So we are getting commensurate growth from Vietnam as well.

Kashyap Javeri: But utilization even today would be in the new capitalization would be less than 50%?

Praveen Jaipuriar: No. Yes, less than 50%. But considering that this is the first year of operation, utilization of 25%, 30% is, in fact, a very, very healthy utilization. And that's what we had planned, and that's what we are completely on target on that.

Kashyap Javeri: And again, Praveen and team, Mr. Srishant, Mr. Rajendra Prasad, fantastic show. Thank you so much for these numbers.

Moderator:

The next question is from the line of Abhishek Mathur from Systematix Group.

Abhishek Mathur:

My first question was on our EBITDA per kg, which is a key metric for us. If I'm not wrong, it would have been approaching about INR140 for the quarter, and you can correct me if that's not accurate. But the question here is that now with coffee prices probably on a downtrend on a Y-o-Y basis at least, what should we expect in terms of the response on the EBITDA per kg as we enter into a cycle of maybe declining coffee prices Y-o-Y?

Would this metric respond negatively? Would it come down? Or would it not be affected? Just trying to understand the dynamics between these 2, the coffee price and the EBITDA per kg here?

Praveen Jaipuria:

So I'll answer your second question first. Absolutely, there will be no impact on EBITDA because a lot of people ask these questions. We don't speculate on coffee prices. It's a cost-plus model, very sound in terms of how we build prices. So even if the coffee prices come down, our per kilo EBITDA will remain intact -- will remain intact.

So there is no impact there. Now coming to your first question, yes, you are right. We have now improved our EBITDA per kilo. It's now at INR135, INR140 levels, and we'll continue to maintain -- try and continue to maintain at these levels.

As Mr. Prasad right now just said that don't look at quarter-to-quarter, there will be some variations. A lot goes in EBITDA per kilo, what is the product mix, what is the type of SKUs you are selling, large packs, small packs, a lot of things come into play, freeze-dried versus spray-dried.

So long-term guidance has been that we'll keep improving, but INR135, INR140 levels we have achieved, and we'll try and maintain these levels going forward as well. And of course, there will be quarterly variations, don't look at quarters, maintain the long-term view on our EBITDA per kilo.

Abhishek Mathur:

Sure. Great, sir. Second question, sir, on -- just wanted to understand if there is any contribution or impact from the foreign exchange changes. So obviously, part of our business would be naturally hedged. But even so, if you can talk about whether we are seeing any impact of FX changes on our business? And if you can talk about any other kind of hedging that we follow?

Chaithanya Agasthyaraju :

See, Abhishek, we have a natural hedge sort of thing. Most of our imports -- most of our raw material procurement happens only from -- most of our imports -- most of our procurement is only through imports. And since you have exports and you have imports, it is supposed to get naturally hedged.

Having said that, when rupee depreciates, you will have a little bit of exchange impact because we are net exporter and we have a little bit of impact in the sense that there is an exchange gain, which will be there in that.

Abhishek Mathur:

Right, sir. But this is not material to call out?



Chaithanya Agasthyaraju : No, that's not material because the thing is that we are naturally hedged. We have imports, we have exports, which will automatically negate the exchange risk.

Abhishek Mathur: Understood, sir. And just one final quick one, if I can squeeze in. On the India branded business, our operating margins would be in the range of 5% to 8% or any other range that you want to specify?

Praveen Jaipurkar: Yes, that is there. And we'll keep going back to the business so that we can grow this business. This business has just started to kind of having green shoots, and it is important for us to keep investing into the business, so which we'll keep doing for the long periods of time. That is the guidance we have given that we'll maintain at these levels.

Abhishek Mathur: Yes. So is it -- if you can give a specific number, between 5% to 8% or any specific number?

Praveen Jaipurkar: I think this number because we don't kind of granularly kind of publish numbers. So let us stay with that. And it's not a very broad margin, 5% to 8% to my mind is quite a decent spectrum that we are giving.

Moderator: The next question is from the line of Lokesh Manik from Vallum Capital.

Lokesh Manik: Heartening to see the Chairman, sir, on the call, on this call today...

Moderator: Sorry to interrupt Mr. Manik. We are unable to hear you. Can you please speak a little louder?

Lokesh Manik: Yes. Is this better now?

Moderator: Yes, please go ahead.

Lokesh Manik: Heartening to see the Chairman sir on the call today. Praveen, my question is more from a portfolio diversification perspective. So how am I looking at it is core coffee business and then you have the B2C, which has grown fantastically, domestic market and then you have also in the U.K. market acquired a couple of brands.

And then the third piece is the new products that we keep experimenting with. We had cold brew coffee earlier. We are now doing plant-based snacks. So on these 3 areas, if you can give a sense how the portfolio is diversified or contribution from these segments can help us just understand how the diversification is progressing?

Praveen Jaipurkar: Absolutely, Lokesh. Let me give you some color. You know that -- and we have been speaking this for long that the whole foundation of the company is based on innovation, which means that we constantly offer new products to our clients understanding the market needs, understanding what the client needs.

And that's the reason we have been showing this kind of performance over the period of so many years that every time we have been a little ahead of the curve in terms of providing the products. We were the first ones to set up a freeze-dried plant in India when nobody thought of it, which clearly demonstrates our penchant to do newer products for our customers.

And that also helps us to diversify our portfolio and not be dependent on one product. And that's the reason we have been able to get a consistent growth over a period of time. We also diversified into creating our own brands, which also has done well for a period of now last 6, 7 years, which is also part of our diversification process because it helps us to kind of be a complete company in terms of our coffee, not only supplying good products and diversified products for our B2B consumers, but also to our B2C consumers.

Even in B2C, if you see our product range has been very, really vast. In fact, when we started, a lot of people have questioned us that as a start -- a company, which is only starting, why do you have so many ranges of coffee? Our very simple answer was that we understand the consumer pallet. We understand what consumers want.

For every region, we developed a new blend, for every type of consumers, we developed a new brand. And that's the reason we ended up creating a very good portfolio even in the branded segment in the domestic market.

The UK acquisition continues to grow. We are handsomely growing there. The business -- it is so tough to create and grow a brand in these kind of countries, which are very, very brand conscious, right? So there also, we have been doing extremely well.

As far as the question of plant-based meat is concerned, Lokesh, that category itself, if you see around you, has kind of -- has not done well. In fact, the whole category is almost on a shutdown basis. And we quickly took a call because we didn't want to further our losses in that category.

So we quickly cut down on the losses and we stopped that category because we didn't see the category, the way it was evolving is going to evolve well in the future. So we are now rethinking that is protein a good category and how we can participate in that category.

And while we are doing that, our thought of diversification doesn't end here. We said that can we see beyond coffee. And that's the reason we have started experimenting with some traditional snacks under the brand name Malgudi, which goes with traditional ethos of the country.

And we have started to launch very -- micro launch these products in some of the outlets in Hyderabad to see how the response is. If we get good responses and we get the product mix right, the pricing mix right, then we will expand this further.

So that's in all with the base (b) innovation, a color on how diversification has been the key for the company in any segment that we operate. So that probably completes your answer to your question. If you have anything in more detail to ask please.

Lokesh Manik:

Yes. Just one more on the success of 2-in-1 and 3-in-1 in Europe, especially they were quite well known and famous. India also, we tried to introduce. So on both these fronts, how are we doing on those product portfolios?

Praveen Jaipuriar:

Yes. So Lokesh, just a small correction. It was not very popular in Europe. It was very popular in Southeast Asia. Yes. It was very popular in markets like Vietnam, Singapore, Malaysia,

Indonesia. And the prime reason for this was that there was always a shortage of milk in these countries.

So for them, 3-in-1 and 2-in-1 became very popular choice, and they kind of grew up on such kind of coffee. Now coming to India and European markets, these categories are doing well because it's not as big as what Southeast Asia is because fundamentally, these countries are milk surplus countries. They have enough of milk. So 3-in-1, 2-in-1 will take its own time to develop.

But in certain segments, like, let's say, the student segment, the single office growing segment, these segments, it is catching up and growing. Europe, we are yet to see massive growth. Also in Europe, supplying of 3-in-1 is a challenge because they don't allow dairy from any other country. So we have to look at other options. So as and when things evolve, we'll keep you updated, but that's the update on these segments.

Lokesh Manik:

Praveen, just last one, just to add on this. If you see the growth in the future coming for coffee, mainly for emerging markets and mainly Southeast Asia, then 3-in-1 and 2-in-1 would be a good bet then that should I take this forward then?

Praveen Jaipuria:

No, it's already a good bet. We are not saying that it's not a good bet. But all these countries, Southeast Asian countries, they have very strong brands. In fact, a lot of brands we supply coffee to. So we are already, in a way, participating in that growth that is happening in 2-in-1 and 3-in-1 because a lot of brands, we are the suppliers of coffee.

Now the only question that remains is that do we participate in these markets with our own brands, that we'll check and see that is it fruitful to operate in already crowded market, which is unless and until we have a product innovation, some differentiator we would not like just to kind of go ahead and participate in the market.

So we'll see how things pan out in these markets. Right now, our focus is in India, and we'll start seeding some of our brands in some of the other markets, but that's been the focus right now.

Moderator:

The next question is from the line of Khushal from Asian Broking.

Khushal:

I just wanted to know new product segments the company is exploring like any new segments the company is planning to get into apart from...

Praveen Jaipuria:

Sorry, just to interject, are you asking about new segments within coffee or new segments outside coffee?

Khushal:

Overall business?

Praveen Jaipuria:

Overall business? Yes. So okay, let me answer you in 2 phases. One is within coffee also. I just now spoke about the new types of coffee that we have been experimenting with. I told you about how we were the first ones to introduce or get into freeze-dried coffee in India.

Then things like instant cold brew, which was like unheard of phenomena, we developed it and that is going handsomely for us. We are also now developing specialty coffee, which was only

restricted to roast and ground and green beans -- sorry, roasted beans. We are now kind of -- we are experimenting that can we bring these concepts into instant coffee.

So these are some of the innovations that we are doing, the microgrounds and things like that. So various innovations we are doing depending on which markets we want to operate in and which clients we are supplying to. So lots of innovation on B2B.

On the B2C front, as I just explained, we are also seeding or, let's say, experimenting with some of the categories which are outside coffee. Can we look at things like snacks, which go well with coffee and helps us with our distribution and kind of helps us penetrate the market better in the FMCG segment.

So these are some of the experiments. Already on the vending side, we are supplying tea to a lot of our clients because the vending business is not just about coffee, it is about coffee and tea as well. So these are the segments that we will be experimenting, seeding the seeds. We are not -- we have never been one company wherein we suddenly kind of do a market bombing.

We see the markets, we see how things are -- how responses are coming in, do some product changes as per the market, go step by step, and that's how we will grow the market. So that's what we will continue to do in the future. So these are some of the categories that we will try and experiment with.

Moderator:

The next question is from the line of Deepak from Sundaram Mutual Fund.

Deepak:

Sir, my first question is on small pack. Could you please highlight it? What is the small pack capacity we have right now? And what is the utilization level? And is there any expansion plan, let's say, in the next 12 months for that?

Praveen Jaipuria:

So the expansion plan, Deepak, will depend on how the future orders are. So let's say, for example, let me break it down into, let's say, small pack within small packs also you have different types of packaging, yes, right, from sticks and sachets to pouches to glass jars, tins. So all these kinds of packing are there. So let's take an example of small packs.

So we have seen a lot of demand for the real small pouches because these are unit price pouches and especially in economies like the growing economies, the demand for these kind of small packs or LUPs, as you popularly call them, is very high, and it is growing. So markets like Africa, India, they're responding very, very well to the small packs. So definitely, we are going to expand this capacity.

Right now, if I aggregate all the small packs, our capacity is 12,000 to 14,000 metric tons of small packs we can do. Already, we are running out of capacity in the small units like packing-sachets. So we are going to expand this in the near future. For glass jars and cans, we have enough of capacity as of now. But if we see that we are nearing full capacity, we'll expand that also.

Last time also, we had briefed that the unit -- our units are constructed in such a manner that you can kind of do modular expansion as well. So as of now, the small pack facility is such that by

just adding machines, we can add the capacities for the small pack. So that's where it is. So again, to reiterate sticks and pouches, we are almost running at full capacity. And in glass jars and cans, we are at 50% to 60% of capacity utilization. So there is some way to go, and this we are going to expand in the near future.

Deepak:

Okay. And my second question is on volume front. So if I look at our 9 months volume growth, we are almost doing 18% to 20% volume growth. So in Q4, is this kind of volume growth sustainable for us? I'm asking because, I guess, accretively, the base is higher versus last Q4 since that was a quarter where we also had double-digit volume growth. And to continue on this, would it be fair to assume that on a higher base of FY '26, at least 11% to 12% volume growth is possible for us, let's say, in '27 and '28?

Praveen Jaipuriar:

Definitely, this quarter, our volume growth should be as good as what we have seen in the first 9 months. Yes, you are right. Last year, the same quarter was a very high quarter for us. So we had also expected that the growth, at least, while we'll keep the momentum, the growth will be a little less, but we are confident that on a yearly basis, we will be growing at 18%, 20% volume growth.

So that remains intact. Next year, we will see because a lot of things are evolving. As I told in my opening call, post petholidays, we'll see how the prices kind of pan out. If they remain stable, we are likely to get more long-term contracts, and that will help us assess our volume growth better. So maybe by end of next quarter, we'll be able to give you better guidance for next year.

Deepak:

Okay. And sir, any particular areas where we are penetrating further? I just wanted to understand that since instant coffee market itself is growing at a lower single digit and we are growing at a higher double digit, then where exactly we are gaining more wallet share? And how much, let's say, client additions are we factoring in that for those kind of volume growth?

Praveen Jaipuriar:

So client addition, I can't quantify it, but it's an ongoing process. See, every day, we add clients, every day, there will be some clients also go away from us. It's a leaking bucket. It's not that everybody stays with us and nobody will come to us. So that's not the case. Every time we are adding new clients.

Yes, our ability to add new clients because of the product portfolio, our servicing levels, our cost structures is better. And that is the reason we have been growing a little ahead of the market, right? If the market -- you're right, the market is low single digits, that's the growth. But we have been maintaining better growth.

Now where are this growth coming from? I think this growth is well panned out. We are getting growth from all geographies. We are getting very good growth from Africa. We're getting good growth from the American markets as well as the European markets. Asia is growing for us. Our brand is growing for us very handsomely.

So we are getting very all-rounded growth and it is not skewed towards a geography or a client that is there. Even our client base is very well spread out. We have already spoken about this. Our top 20% of the clients contribute only 40% to 50%, which means that the diversification of

our clients is also very good. So yes, so that's the bottom line that the growth are coming from all quarters.

Deepak: Very helpful. If I may squeeze in one more. Just on the gross debt part. So earlier, sir, highlighted that our gross debt has come down despite such a high volume growth. Just wanted to understand, sir, how we are able to manage this? Is it because of change in sourcing mix? Or is it because of better inventory management? Just wanted to understand what is going right for us in terms of working capital management?

Chaithanya Agasthyaraju : See it's all about working capital management, bringing in operational efficiencies into the system. So if you bring down the DIO days, obviously, your working capital will get freed up, right? So the same is the case with DSO. If your realizations are faster, right? So it obviously generates free cash flow, which in turn will be utilized to service the debt.

So what we have been doing for the last few quarters is that we have been -- we have approached the customers and then renegotiated the contracts saying that we'll reduce the credit period. And that has helped us in terms of reducing the DSO days, which in turn helped us reduce the debt.

Praveen Jaipuria: Also just to add to this, one wouldn't deny that the softening of coffee prices, our ability to hold less of green coffee because in a higher rising coffee prices market, you tend to hold more inventories as well. So again, it's not a single factor that is helping us. It's a multiple of factors that is helping us to get to a better debt levels as we see today.

Moderator: The next question is from the line of Dipak Saha from Nirmal Bang Institutional Equities.

Dipak Saha: First of all, congratulations on this great execution, sir, and really pleasure to see Chairman sir, on the call. So just one question, Praveen, sir. First of all, see, I mean, given the kind of volume growth that we have seen and the working capital management that we have done.

So earlier, we had this sourcing issue given the geographical proximity from, say, Brazil and our dependence on Brazil and Vietnam. Now given the coffee prices have started coming down, so what would be the sourcing mix between, say, Brazil as far as green coffee is concerned on the Brazil side and Vietnam side?

Praveen Jaipuria: So Dipak, we never have a sourcing issue because see, we are an export-oriented unit. We have the flexibility to source from Brazil, Africa, Vietnam. Yes, the logistics time does increase when you import from Brazil. But having said so, if you do your planning well in advance, we have that flexibility to import wherever we can -- from wherever we can.

Now coming to the question, where we will do more sourcing from going forward, it will all depend on how prices pan out. Let's say, the prices stay very stable in Vietnam, definitely, we would love to source from Vietnam considering we have a factory there and its proximity to India as well.

But let's say, Brazil crop comes out good and there the prices soften, we also have the ability to source from there. So our sourcing will really -- also a lot also depends on what are the kind of

client profile you have, what is their demand, what kind of sourcing or type of product they want. So again, multiple factors will come into play.

The only thing that we would like to say is because considering the way we are structured, we have a massive flexibility and which helps our business to grow. So that wouldn't be a challenge going forward for us is the only point that I would like to say.

Dipak Saha:

Got it, sir. Sir, basically, what I was trying to highlight the fact that earlier when the prices were, say, on the elevated side and dependence on Brazil would have -- because of the geographic proximity would have increased our average inventory holding period, right? Now given prices have come down, we would not have that problem now and which is also a reason we are seeing a better inventory management, which is the biggest thing?

Praveen Jaipuria:

Yes, that's what I added to Chaithanya's comment that even the coffee prices has helped us, the price -- the fact that if Vietnam softens, we don't have to kind of hold much of stocks from Brazil. The third thing is that you see in a market when it is growing, there is always a tendency for small guys to falter also because today, you contracted let's say INR100, tomorrow the price at INR120, he may falter also.

So we would want to secure that green coffee and put it our godown, which increases your inventory, yes. So that also adds to the pressure of working capital. Now in an inverted market, as you say, when it is going down, it is more beneficial for that guy to hold the stock for me than me holding the stock. So definitely, all of these factors are helping us. And going forward, if things remain stable, it will further improve. So even our debt position will further improve going forward.

Dipak Saha:

Got it. That's really helpful. Sir, second question is, if I see 9 months this year, I mean, we have done, as earlier you mentioned, say, 18%, 20% kind of volume growth and EBITDA per kg has also improved. I mean earlier our guidance was, say, 15%, 20% kind of an EBITDA growth. We are at 9 months, 38% kind of an EBITDA growth Y-o-Y, right?

Now looking at next year, even on decent volume growth in alignment with what we did last year or the guidance that we gave earlier, even our EBITDA per kg is materially improving trajectory. So will it be fair to assume that, that 15%, 20% Y-o-Y EBITDA growth guidance that we had, that remains very much intact.

Praveen Jaipuria:

Not only impact this year, again, you have to see all year, we are already at 30%. So in fact, we -- you can take it from our side that the guidance gets revised for this year at approximately 25% or so. So that we are very definite about.

Now going forward, next year, as I told you, give us a couple of months' time because a lot will depend on how the prices and coffee prices are all pan up and how the contracts will evolve, if the contracts are going to be -- if the coffee prices remain soft, the contracts will be long term and our guidance of 15%, 20% will give an impact, but we will wait and watch for 1 or 2 months to -- before giving a guidance for next year.



- Dipak Saha:** Got it. Got it. Got it. So incrementally, we have that potential of, say, that 20% going to a little bit on the higher side. I mean, depending upon how things pan out, but that remains fundamentally intact. That is really helpful?
- Praveen Jaipurkar:** Absolutely. Dipak, last year when the coffee prices were very choppy, that is the reason we had broadened our guidance to 10% to 20%. But things panned out well for us. We will continue to strive for it. But if you ask me a guidance, I will wait for a month or 2 for the coffee prices to come in, then we will give a guidance for next year as well, yes.
- Dipak Saha:** No, fair enough. Fair enough. Sir, coming to the B2C side, so now as we're targeting, say, INR430 crores kind of a number this year. And what would be the number for 9 months so far that we have done?
- Praveen Jaipurkar:** So INR330 crores we have already done. We're going to add another INR100 crores, INR110 crores in the last quarter. Of course, these are primary numbers. We'll see the last month because only last month, we drive more of collection and less of pushing into the market. So that will determine. But yes, INR100 crores, INR110 crores is definitely. So that's not a problem at all.
- Dipak Saha:** Got it. So on this thread, just last 2 questions, sir. One is the kind of marketing measurements we have seen on the western side of the country is quite meaningful. And earlier, we had quite of a dominance in southern market, especially Andhra and Telangana, we increased our market share and almost replaced the number 2 player. So now what's the strategy?
- And more than that, what's the feedback or market response you're getting from Western side or other parts of the country because Southern market, we are already doing good. What do you think going ahead, what would be the growth levers for other parts of the country, especially Northern side and Western side of the country? If you can slightly give some color on this?
- Praveen Jaipurkar:** So Dipak, in spite of doing well in South, we continue to aggressively drive in South as well because some of the geographies, we feel that we still can drive a lot of penetration. especially in markets like Tamil Nadu and Karnataka. We have gained very handsome shares. We started our activity 8, 9 months ago to drive more penetration in Tamil Nadu that has reaped us very good benefits.
- We have gained good market share. The growth momentum has come out very good in these markets. So we will continue to drive penetration in these markets. In the other markets, we have a very different strategy where we are saying that we will cream the distribution there. What it means is that we will continue to drive very aggressively on e-commerce platform because that is not manpower heavy, and it now reaches to all in sundry in the North, East and West markets.
- Already in some of these platforms, we are double-digit market share, yes, which is very good news for us. And some of the activities that we have taken in the North, East and West markets have already started to reap very good results in platforms like Blinkit and all that, which are very, very concentrated in the North Indian markets, we have already gained very, very handsome market shares.

As I already told you, in most of these platforms, we are double-digit market share, including Amazon. So these are the kind of initiatives we will do in the non-South markets and continue to drive much more aggressively. Of course, because of the lower grades, they will grow at higher levels. And we will also do cream distribution, which means that, let's say, in the top 5% to 10% of the outlets.

Thankfully, coffee is not so well penetrated in the rest of these markets. So what we'll do is we'll say that, okay, direct distribution is 5% to 10% of the outlets, which has a lot of heavy weighted distribution and continue to drive from through e-commerce and the other quick commerce. Even in modern retail, we are doing extremely well.

Reliance, we have crossed double-digit market share, which is very good news because Reliance again is very strong in all the parts of the country. So there also, we are getting. So these are markers of the fact that the brand has started gaining traction in some of these markets and some of the initiatives that we have taken is giving us good results. And we'll continue to do that.

Dipak Saha:

Very heartening to see that the kind of response is there. I mean, really great to say. Last question to CFO, sir. On the cash flow from operations and free cash flow side, given debt has come down and overall, there's no meaningful capex going to happen, say, in FY '27 and subsequent year.

So what kind of -- and our working capital efficiencies have really kicked in, right? So congratulations on that part. So what kind of CFO and free cash flow that we are looking for, say, FY '27 and FY '28? Just some color on that.

Chaithanya Agasthyaraju:

So probably it may be too premature for me to comment on that. For the current year, we have generated close to -- on a TTM basis, we would have generated close to INR700 crores of free cash flows, right? So we continue the same momentum and probably now that we have higher operating profit and working capital efficiencies, both will lead to higher free cash flow. So we continue that momentum and probably it may be slightly ahead of INR700 crores is what we expect.

Moderator:

The next question is from the line of Samay Sabnis from Helios Capital.

Samay Sabnis:

Sir, in Q3, what would be the blended utilization levels?

Praveen Jaipurkar:

So at an overall level, we are around 65%. 65% to 70%, yes.

Samay Sabnis:

And so we are at 65%, 70% right now in Q3. Now could you just share some time line -- could you share a time line on how we are going to reach full capacity levels by what? So do we see 65% in the next -- maintain 65% in the next few quarters? And when should we start seeing an uptick? Like could you share some color on that?

Praveen Jaipurkar:

So let's say, at an annual level, next -- by the end of 2 years from now, let's say, we are looking at an 85%, 90% kind of a capacity utilization. And that's the time we'll see that going forward, how do we want to build capacity, which areas do we build it ourselves, get into strategic partnerships. So all that will start happening after 2 years.



Yes, we'll put our thinking hats maybe after 1.5 years to see that what directions we can -- we look forward to go. But next year will be really critical if, let's say, the volume growth are maintained in a similar trajectory of 15% to 20% then we definitely will be very close to 80%, 85% in 2 years, and that's the time we'll start thinking about adding fresh capacities.

Moderator: Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference over to the management for closing comments.

Praveen Jaipuriar: I thank you all for attending this conference. And thank you, Nirmal Bang for arranging this conference. We will look forward to meet all of you in the next quarter margin calls. I would just like Chairman to give a closing remark on the call.

Challa Rajendra Prasad: Thank you, everybody. Just have patience. That's all I can say. Everything will go as we had planned. Okay. Thank you, Nirmal Bang. Thank you, everybody. We are always open to any kind of questions. So there is no issue at all. Thank you.

Moderator: Thank you very much, sir. On behalf of Nirmal Bang Institutional Equities, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.