



**“CCL Products (India) Limited  
Q2 FY27 Earnings Conference Call”**

**October 16, 2026**



**MANAGEMENT: MR. PRAVEEN JAIPURIAR – CHIEF EXECUTIVE  
OFFICER – CCL PRODUCTS (INDIA) LIMITED  
MR. CHAITHANYA AGASTHYARAJU – CHIEF  
FINANCIAL OFFICER – CCL PRODUCTS (INDIA)  
LIMITED  
MS. SRIDEVI DASARI – COMPANY SECRETARY AND  
COMPLIANCE OFFICER – CCL PRODUCTS (INDIA)  
LIMITED**

**MODERATOR: MR. DIPAK SAHA – ASHIKA INSTITUTIONAL EQUITIES**



**Moderator:**

Ladies and gentlemen, good day, and welcome to the CCL Products (India) Limited Q2 FY27 Earnings Call hosted by Ashika 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 phone. Please note that this conference is being recorded.

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

**Dipak Saha:**

Thanks, Ikra. Good morning, everyone. On behalf of Ashika Institutional Equities, it is indeed a great pleasure to host the Q2 FY27 Earnings Call of CCL Products Limited. Joining us today to discuss the earnings call for the quarter ended 30th September 2026 are Mr. Praveen Jaipurkar, Chief Executive Officer; Mr. Chaithanya Agasthyaraju, Chief Financial Officer; Ms. Sridevi Dasari, Company Secretary and Compliance Officer. We thank the management for giving us the opportunity to host this call.

I would now like to hand over the call to Praveen sir for his opening remarks, post which we'll open the floor for Q&A. Thank you, and over to you, Praveen sir.

**Praveen Jaipurkar:**

Yes. Thank you, Dipak, and thanks for Ashika Securities team and Ikra for hosting us in this call. Good morning, everyone. I welcome you all to the second conference call of FY26-27.

Now let me give a brief overview of the company's performance for the second quarter and the half year ended September 30, 2026. The group has achieved a turnover of INR1,215.99 crores for the second quarter as compared to INR1,128.21 crores for the corresponding quarter of the previous year, achieving a value growth of 7.8% on the back of a double-digit volume growth.

The value growth because of the green coffee prices coming down, the value growth trails the volume growth, which stands at double-digit. The EBITDA stands at INR217.3 crores as against INR198.6 crores, which is a growth of 9.5%, while the profit before tax is INR150.86 crores, growing at 18.7% and the net profit stands at INR130 crores with a growth of almost 29%.

As far as H1 is concerned, the group has achieved a turnover of INR2,419.58 crores as compared to INR2,186.25 crores, which is a growth of approximately 11.6%. The EBITDA stands at INR414 crores as against INR360 crores, which is a growth of almost 15%. And the PBT, which is at INR279.88 crores is growing at 26.48% and the net profit, which is at INR246.96 crores for the first half is growing at 42%.

The domestic business has achieved a gross turnover of INR210 crores this quarter, out of which the brand sales is approximately INR140 crores. The good part is that the growth momentum for the branded business continues, and we are growing at 25%, and we look forward to maintain this kind of a growth momentum going forward as well.

As far as the green coffee prices are concerned, while it is still fluctuating, but has been range bound in the region of USD3,400 to USD3,800 per ton. And the Vietnam crop, which is slated

to come around November, December time is the time which will decide the future price trends for coffee.

But the good thing is that even before the crop, the prices have held on to these levels, which is a good sign. The order position for Q3 and Q4 looks robust, and we expect to end the year exactly as per the guidance that we had given at the start of the year, which was around 15% volume growth and a similar EBITDA growth as well.

That is a brief note from our side. Now I open the floor for questions.

**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Shirish Pardeshi from Motilal Oswal Financial Services Limited.

**Shirish Pardeshi:** Praveen, starting with the volume growth what you have stated, is it significantly higher than 15% or is it in the range of 10% to 15%?

**Praveen Jaipuriar:** No, it's in the range of 10% to 15%. Yes, it's in the range of 10% to 15%.

**Shirish Pardeshi:** Okay. Sir, one follow-up here. I think we have been seeing coffee prices declining and the customers were also not stocking up. So is the inventory level -- I would assume that inventory level would have normalized now. And hence, the order book growth looks very strong at this time because coffee prices might further decline or remain stable?

**Praveen Jaipuriar:** So Shirish, there are 2 views here. One is that the good thing was that every time before the crop, generally the coffee prices tend to increase because there is a lack of availability of coffee before the crop. But this time, as I was telling you in the opening remarks, it has been range bound.

So while it is fluctuating every day, we see some USD50, USD100 of ups and downs that happen on a daily basis. But the good thing is that it has not broken away from the USD3,700, USD3,800 levels. Now we are expecting the crop to come by end of November, December.

While there are news of El Nino and some pockets of floods as well. So there are conflicting reports that is coming from the market. But the fact that the pre-harvest prices are good, there is an expectation that there could be a further reduction. So during this time, what happens is that the customers also wait for that direction to evolve by November, December.

And every year, we see that November, December is the time we start getting more contracts into the order book generally, and same is the case during June and July when the Brazil crop comes in. So I think that's how the things are.

But as far as we are concerned, as I was telling that our quarter 3, quarter 4 order book looks robust, and we are well on track to get that 15% volume growth for the year. But let's say, some additions happen, then we'll keep updating you on that front as well.

**Shirish Pardeshi:** Okay. No, I was just trying to check, is there any distortion between FD and spray dried volume growth in coffee?



- Praveen Jaipuriar:** So FD, now what has -- of course, 2 things, Shirish. FD, our utilizations are much better. The FD demand in the world market has been better than the SD demand. But as far as our proportions are concerned, it is very much same as what we have seen in the last 2, 3 quarters, largely also because by this time last year, second quarter onwards, the full Vietnam FD capacity was in play.
- And therefore, a lot of these sales of FD is also built into the base itself. So we didn't see much of a proportion change. But having said so, we see that there is, as of now, at least a better demand for FD worldwide.
- Shirish Pardeshi:** Okay. And just last question. I could see there is a lot of spends across media channels. So is that -- if you can give me some color how it is impacting the revenue momentum in terms of our brand sales and the institution sales...
- Praveen Jaipuriar:** So brand, Shirish, as I was mentioning that we are growing at 25% last year because of a lot of price increases, we also got value growth, but this 25% is backed completely by volume growth in the domestic market. So we are going very well. And the best part is that the growth is coming from all channels, which is GT, MT, e-com, everything put together.
- So there has been an all-round effort. And in India, there is a little bit of a skew, especially in the non-strong coffee markets in the winter season and the festive seasons. So we are also gearing up for that, putting up a lot of efforts both in terms of ATL and BTL during this. So we hope to continue the momentum on the branded side as well.
- Shirish Pardeshi:** Okay. I was just more interested in knowing have we adjusted any prices?
- Praveen Jaipuriar:** Sorry, I didn't -- your voice is breaking a little. Have we adjusted any...
- Shirish Pardeshi:** Have we adjusted any prices because of lower coffee prices?
- Praveen Jaipuriar:** Yes, yes. In the domestic market, there are SKUs where we had to drop prices. But the good thing is that we did not have much of an impact because in some SKUs, we kept the prices at the similar levels also. Last year, if you remember, September, I think it was 20th September or so when the GST cuts were announced.
- So the whole category and the whole industry has taken price drops, so did we. But there are certain SKUs post that, we also -- because of intermittently coffee prices and the energy cost had increased, so we have taken some price increase. So it's a mixed bag wherein there were price drops and there was also cases where there were price increases as well.
- Moderator:** The next question is from the line of Vivek Ganguly from TCG AMC.
- Vivek Ganguly:** Can you just give an updated number on what the debt right now is and what is the rate of interest?
- Praveen Jaipuriar:** I'll just ask CFO to chip in here.
- Chaithanya Agasthyaraju:** The gross debt as at 30th September is INR1,192 crores. Net debt is around INR742 crores.



- Vivek Ganguly:** And what is the rate of interest?
- Chaithanya Agasthyaraju:** Sorry?
- Praveen Jaipurkar:** Rate of interest.
- Chaithanya Agasthyaraju:** Rate of interest. The rate of interest has slightly gone up over the last one quarter or so. The average rate would still hover between 7% to 7.5%.
- Vivek Ganguly:** Okay. About 7.25%.
- Chaithanya Agasthyaraju:** You can take it 7.25% as of now depending on where the loan is taken.
- Vivek Ganguly:** Right, right. And you had given an indication that by the year-end, your debt would be in this INR1,100-ish crores range. So given where you all are, are you likely to exceed that and get to 3-digit numbers?
- Chaithanya Agasthyaraju:** We still maintain the guidance that we have given. Our initial guidance was that we'll maintain debt between INR1,000 crores to INR1,200 crores of gross debt and net debt around INR800 crores.
- Given that what we have ahead is the procurement season because of the Vietnam -- what we have ahead is the Vietnam harvesting season. So there is a significant procurement and working capital may slightly go up. And therefore, we intend to maintain the guidance that we've already given.
- Moderator:** Next question is from the line of Abhishek Navalgund from Nirmal Bang Institutional Equities.
- Abhishek Navalgund:** Sir, the first question is on EBITDA growth. So I think after 9 quarters back to back wherein our EBITDA growth has been consistently ahead of gross profit growth as well as volume growth, we have seen 8% kind of a growth quarter. So first, is there any one-off in the other expenses, particularly in 2Q?
- Praveen Jaipurkar:** So Abhishek, not significantly. If you see the volume growth, as I was saying between 10% to 15%, but EBITDA is around 10%. So there is also, as I was explaining, all this while we also were getting a little benefit of our proportion change because freeze-dried demand was ahead of spray dried. There's a lot of noise coming, Abhishek, from your end that I think. Or I don't know from where. Are you able to hear me?
- Abhishek Navalgund:** Yes, yes. I can hear you, sir.
- Praveen Jaipurkar:** So what I was telling, Abhishek, is that -- so all this while we were also getting that benefit of a better proportion and all that, which now is in the base itself, so which meant that your EBITDA and the volumes will kind of move together.
- So yes, there is a little bit of a dip here and there, but these are -- as I've been always telling that in a quarter, you will see last quarter, we saw a little higher growth of EBITDA than the volume. This quarter, a little low, and therefore, it will all settle down to a long-term guidance that we

had given of 15% or so. And that is very much on the cards, and that is where we are headed towards.

**Abhishek Navalgund:** So my only question was basically last year, we have seen a significant increase in per kg EBITDA also. So the impression which was given was maybe we'll continue with that guidance, I mean, in terms of per kg. But this time, even in 1H, if I see our gross profit growth is significantly ahead of our volume growth.

So we were under the impression that at the gross profit level, our mix is still improving. So maybe that's why my question was basically whether the absolute EBITDA growth can be slightly ahead of volume growth or it will be exactly in line with like 15% like you're saying?

**Praveen Jaipurkar:** So mostly in line, Abhishek. There could be a little at the end of the year because there is not only one thing that will play in terms of how the EBITDA will pan out apart from proportion, there are many other aspects that will come into play. So it could be a couple of percentages higher also. I'm not denying that fact. But our guidance remains that both will move in tandem with each other.

And in fact, if you remember, I told this last time as well that once the bases are normalized of the same proportion of FD and SD, then the per kilo EBITDA, very unlikely that it will move significantly differently from the volume growth. And that's why we have said that this year will be 15% and 15% type of growth. And that is what we are likely to end the year at.

**Abhishek Navalgund:** Sure, sure. And last question is on debt part. We have already seen significant amount of debt reduction in the first half itself. So are we still on track in terms of the INR4 billion debt reduction or there can be -- or you want to bring the debt down further from the current level?

**Praveen Jaipurkar:** No. I think just now, Chaithanya just explained that we had given a guidance that the gross debt will be between INR1,000 crores to INR1,200 crores and the net around INR800 crores. We already have kind of got to that level. But as we explained right now, going forward, the Vietnam crops are going to come in, and that's the time there could be newer contracts that could come our way, and therefore, the buying could increase.

So we are not changing the guidance as of now. Maybe closer to the third -- when we are meeting again in the third quarter con call, we probably will be able to give you the exact number how the year-end will look like.

**Abhishek Navalgund:** Sure. Sure. So -- I'm sorry, sir, just one last one. Basically, you were saying that with the decline in coffee pricing, we might see demand for freeze-dried increasing even further maybe in the newer geographies. So are you seeing anything of that sort playing out?

**Praveen Jaipurkar:** Already, the demand for freeze-dried since last year has been much higher than the spray dried. And if the coffee prices kind of continue to kind of have this kind of a bearish trend, I have a belief that the freeze-dried demand will hold like it has been holding until now. So we will have to just wait and watch that how things pan out.

**Moderator:** The next question is from the line of Rahul Maheshwary from Ambit Investment Advisors.

- Rahul Maheshwary:** A couple of questions. First, can you give what is the capacity utilization for the domestic and the Vietnam as these 2 parts? And currently, how we should look for next 2, 3 years because the majority of the capex has been done for 75,000 tons. And also the spray dried capacity in the Tirupati region, how that has been fared? That is the first question on the capex utilization.
- Praveen Jaipurkar:** Yes. So Rahul, we are like -- at an aggregate level, I don't want to -- last time also I said that I'll not break it down very deep, but I'll give you a flavor. At an overall consol level, our capacity utilization is closer to 70%-odd with freeze-dried utilization higher than this. So the freeze-dried utilization is much faster.
- And at least for the spray dried part, we need not worry about the capacity for the next at least 2 to 3 years. Freeze-dried is something that we have to keep an eye on because maybe at best, we may have one more year of -- maybe in 1 year or 1.5 years, we could be very close to full utilization, which means that we'll have to see how do we augment the capacity.
- We have been looking at evaluating both that how do we kind of increase the capacity at our end. Also, we are seeing that is there any strategic partnership that we can do in the short run to make sure that the capacities are there to fuel the growth. So that's on the capacity side. And the question that you asked, again, not trying to break it up unit by unit, but there has been a similar sort of utilization even for the Tirupati unit.
- Rahul Maheshwary:** Just wanted -- as you had guided for 15% as a volume growth, not just near-term, but medium term also you want to maintain this trajectory. So at what optimum capacity utilization you would have to go for a further capacity expansion? Because generally, we have seen at 80%, 85%, you are just at capex?
- Praveen Jaipurkar:** Correct. Correct. So that stays true at 80%, 85%, you need to kind of go in for expansion because while we talk about rated capacity, a lot depends on how much of changes you are having, what kind of blends that you are taking out. So generally, at 80%, 85%, we would be kind of initiating capacity expansion.
- So that stays true. That is why I said for spray dried, we are good for another 2, 3 years. We need not worry. But for freeze-dried, we are keeping a close watch on how the demands are shaping up and how our capacity utilization are there so that we can take calls on the same.
- Rahul Maheshwary:** Just an adjacent question to this that before expanding the capacity, any debt levels you want to reduce it down so that it doesn't become balance sheet heavy? I'm not asking from near-term 6 months perspective, but from a strategic direction perspective.
- Praveen Jaipurkar:** No. So Rahul, I think today -- last time, as we said, we are in a very, very comfortable position. If you remember last time when we were doing expansion, our top line used to be INR2,000 crores and the bottom line was probably INR200 crores PAT. But with the current position of the PAT itself, which has doubled and the cash flows are very robust.
- Just now, Chaithanya told you that at INR1,100 crores gross debt, our net debt is around INR740 crores. So which means that there is a INR300 crores, INR400 crores of cash cushion that is

there. So if at all -- if required, a lot of our now capacity expansion can be taken -- a large part of it from internal accruals as well, right? So we are in a very comfortable position right now.

So we are not kind of thinking too much of putting that, okay, at this level, I'll go for capacity expansion or at that level, I'll go to capacity expansion. So we are good on that front, comfortable on that front. So if at all capacity has to be expanded, I don't think so funding the capex will be of any issue at all at this point. I think Chaithanya just wanted to add the point -- sorry. Sorry. Please go ahead.

**Rahul Maheshwary:**

Yes. The second question was regarding -- as the coffee prices have been declining, any shift in the consumers from a long-term contract perspective because from last 2 years, we were witnessing in your commentary that the customers are preferring short contracts. So are you witnessing some signs and any inquiry in pipeline, which has been built up.

**Praveen Jaipuriar:**

So yes, quite a bit of long-term contracts are coming back. But Rahul, as I was telling you that customers or the clients are a little on a wait and watch when the prices are rising. At the same breadth, I was saying that prices rising, stability of prices is more important than a higher level or a lower level. And what has happened is that even now the prices keep fluctuating.

And that is the reason sometimes the clients are a little -- still on a wait and watch that while the prices have fundamentally come down, the fluctuation still holds true. So in fact, the last 3 months, I have been seeing that every day, there is a fluctuation between USD50 to USD100 per day. So one day it goes up, one day it comes down.

So it keeps the clients still on their toes. But having said so, because the price table has come down at a broader level, we are seeing a lot many more medium and long-term contracts coming back.

**Rahul Maheshwary:**

Right. And any -- last question from my end. Any wallet share increase you're witnessing from your existing clients and any new client addition that has taken place? So any client run rate, if you can guide?

**Praveen Jaipuriar:**

So Rahul, again, these are continuous process. There are instances where we have seen wallet share increases. And there are clients where we have increased wallet share. And again, there are new clients that have been added.

We have been speaking about our initiatives in Far East, which 2 years ago when we were doing the con call, I said that we are seeding the market, and we are trying to kind of get new clients from that side because that has been not so strong geography for us. And we are seeing the results now. We are getting a lot of new clients from that market as well. So both the things are happening. There are wallet share increases and the new markets also are doing well for us.

**Rahul Maheshwary:**

Any client we have lost or any...

**Praveen Jaipuriar:**

There would have been. Yes, absolutely. See, this is a business. I cannot say that I haven't lost a client. It will be a scenario, but there is no significant loss. There is no big client loss. There is no significant loss. Yes, there are so many small clients who keep coming and going. It's --

business is always -- as I always say that it's a leaking bucket. So there will be -- we just need to make sure that a good proportion of your clients stay intact and your tap is bigger than your leak.

**Moderator:**

The next question is from the line of Akshay Chheda from Canara Robeco.

**Akshay Chheda:**

Just one question, sir. This is on the other expenses. So sir, is there any one-off in this quarter? Because typically, for the large part of FY26, we were at around INR140 crores, INR150 crores, but that has now gone to INR190 crores, INR200-odd crores.

So is it that the freight or the insurance fees that we are unable to pass on, on the export side? Or is it that higher A&P spends for the domestic business? So basically, just trying to understand these other expenses, why it is appearing a little on the higher side?

**Praveen Jaipuria:**

Yes. So I think what you mentioned, there is an increase in freight cost and insurance cost and all that is there, which is leading to this increase. But we are also able to pass. Yes, of course, once any CIF contract which you have done and the prices have increased, you have to take it up in your pocket. But most of it, as and when the price increases are happening, we are able to pass that through.

Now what happens is that when even if you convert, let's say, the FOB contracts to CIF contracts and you're passing on to the clients, your top line also goes up and the expense comes down and sits here. So optically, it looks like that it has gone up, but at an operational profit level, you will see that there is no impact of that.

**Moderator:**

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

**Abhishek Mathur:**

Just on the EBITDA again, sir, for the second quarter specifically, the EBITDA per kg, has it slipped below the INR130 level slightly. Is that correct to assume?

**Praveen Jaipuria:**

No, not really. Yes. Sorry, go on.

**Abhishek Mathur:**

Okay. So is it between INR130 to INR135? Is that the range that we should be looking at?

**Praveen Jaipuria:**

I think INR135 to INR140 we had said last time. That is where it stays.

**Abhishek Mathur:**

Even for the second quarter as well?

**Praveen Jaipuria:**

Yes, yes.

**Abhishek Mathur:**

Great. And I was asking, sir, you spoke about the mix, the proportion in terms of FDC, small fix, etcetera. Apart from the mix, any other factors that we should be watching out for when we think about the changes in EBITDA per kg?

**Praveen Jaipuria:**

No, not really. Because again, like I have been guiding for last 3, 4 quarters that because the proportions or, let's say, the product mix are now in the basis, I don't see much of it because a lot of people had asked that will the EBITDA per kilo still increase.

So to that, I have said that while we are making efforts, there are various things that goes into deciding EBITDA per kilo. And I don't see that changing either downwards or upwards. So it will kind of follow the volume growth profile. So there won't be any change there.

**Abhishek Mathur:**

Got it, sir. And secondly, sir, on the -- just going on to the international branded business. I think this is an area that we don't talk about much on our calls. But you have talked about Percol in the recent past. I think you indicated a revenue number of INR26 crores to INR27 crores, where it is at right now. And you have talked about expansion in the Middle East as a near-term area of growth.

So if you can just talk about the overall international branded business, how big is it? Are there other pieces apart from Percol? And for Percol itself, what is the growth and what kind of margins that we are talking about? And also any other pieces of the international branded business that we don't typically talk about much, if you can spend some time talking about these?

**Praveen Jaipuria:**

So on the Percol, Percol continues to grow. Again, it's a very different geography, U.K., wherein you have to keep doing the -- relisting the contracts with the chains. But we have got some good responses from there. As of now, we are looking at a similar kind of a number between INR25 crores, INR30 crores that we will end this year at.

Having said so, we had indicated that maybe 1, 2 years -- because we are investing behind the brands also, maybe INR1 crores or INR2 crores of loss at an annualized basis. Hopefully, by next year, we should start seeing some profits also coming from that front.

Now as far as expansion is concerned, yes, we have been kind of working with a lot of chains and distributors across many countries. So for example, now we probably have got -- if you remember, along with Percol, we had bought some another 3, 4 brands. And we had said that depending on the geography and depending on our strategy, we'll use these brands.

So Percol was a certified coffee, but there were a couple of other brands like London Blend, Perk Up that we had bought at that point of time. So 1 or 2 brands very soon, we have finalized the deals with a couple of chains in the U.S. market for 1 or 2 of these brands. They will be launched very soon. We have officially launched our brand in the Nepal market.

And in fact, we are doing some marketing activity as well, sponsoring one of their cricket leagues, which is going live on 26th of October this year. And Vietnam, again, we are trying to build the branded business. Hopefully, in a quarter or so, we will start seeding the market or at least test marketing some of the stuff there.

So lots of these things are happening. Even Middle East, in fact, our team is going next week to meet a couple of distributors to see what all things we can do there. So yes, so this is a little brief on our efforts on the international B2C front.

**Abhishek Mathur:**

Got it, sir. So apart from this INR25 crores to INR30 crores of Percol that you quantified, overall, what is the estimate of the...



- Praveen Jaipuriar:** So these are all negligible. These are all just seeding happening, maybe a couple of crores or INR1 crores or INR2 crores more of billing could come, but that we'll see. But not very worthwhile as of now because these are all seeding activities that we are doing.
- Abhishek Mathur:** So currently, if I say that probably the international branded business would be maybe INR30 crores, INR35 crores, would that be a correct assumption?
- Praveen Jaipuriar:** Yes, around INR30 crores, you can take that.
- Moderator:** Next question is from the line of Akhil Parekh from 360 ONE Capital.
- Akhil Parekh:** Congratulations to the entire team. I think it's fairly a resilient performance in tough times. Sir, my question is on the branded business. First half, I think...
- Moderator:** I'm so sorry to interrupt, Mr. Parekh. If you're using any external device to speak, can you please disconnect it and use your handset mode?
- Akhil Parekh:** Is it better now?
- Praveen Jaipuriar:** Somewhat better.
- Akhil Parekh:** Okay. So the branded business guided for INR550 crores, INR600-odd crores last quarter, right, for the full year '27. We maintain that for the first half was INR250 crores to INR260-odd crores.
- Praveen Jaipuriar:** How much did we -- what did -- we guided near to INR550 crores.
- Akhil Parekh:** Yes, yes, INR550 crores.
- Praveen Jaipuriar:** So that will remain because the sales increases, I told that in India, there is a bit of seasonality. So the sales will increase in the third and fourth quarter. So that guidance, we are maintaining that.
- Akhil Parekh:** And sir, anything on the market share gains, like quick commerce, you had highlighted we are closer to double digits, and I can see availability on quick commerce players, including Amazon. Any update on the market share gains, further market share gains on the quick commerce channel specifically?
- Praveen Jaipuriar:** Nothing significant, actually, last time when we spoke the kind of numbers that we had given. So there is a constant increase. So it's not that it's not there. But this quarter, I can't say that from last quarter, there has been a lot of increase. We continue to maintain that kind of momentum. And we are trying to see that in platforms where we still are weak or geographies where we are weak, how can we increase that.
- Moderator:** Next question is from the line of Soham Samanta from Motilal Oswal Financial Services Limited.
- Soham Samanta:** Yes. A couple of questions. One is that when we are saying that FDC expansion will be coming maybe next 1.5 years down the line. So is there anything we have thought? Is it more than

10,000-plus tons or I mean any thought over there? Or where do you think the third-party we can manage? So is it in Vietnam or any other country we're looking?

**Praveen Jaipuria:**

So we have not decided, so I can't give you a very definitive answer, but it won't be 10,000 tons. Generally, FD, if you would have noticed, we generally have added 6,000 tons every time we have expanded capacity. So most likely, if at all we were to add capacity, it will be in that range of 6,000 tons, right?

Now whether it will be in Vietnam or India, both places, we are -- we can do expansion because at both places, we can do brownfield expansion of another 6,000 tons. So let us see how things pan out. We haven't taken a call. As and when we do it, we will keep you informed.

**Soham Samanta:**

And second is that if you look last almost a year, coffee price has been stabilized or coming down. So is it the only reason that people are shifting from SDC to FDC or some actual combination is going on in the coffee market?

**Praveen Jaipuria:**

No, no. Actually, that's not the reason. It's not because of coffee prices. What is -- what I had told earlier is that what happens is that when the coffee prices come down, obviously, the end prices also come down, right? And especially when the prices come down for premium products, there is a tendency.

It's not just coffee, for any product if the premium segment pricing comes down, there is a tendency for people to upgrade, right, and premiumization happens. This is happening across categories, we are seeing that there is a trend of premiumization that is happening. So that is happening in coffee as well. So we are seeing that trend. And this trend got a little accentuated when the coffee prices started coming down.

So that was the correlation we were trying to kind of form. And as of now, the momentum for FDC is still there. So we are looking forward that this momentum could continue. And accordingly, we'll have to take calls on how do we kind of supplement our capacity on that front.

**Moderator:**

Next question is from the line of Bhavya Sonawala from Samaasa Capital.

**Bhavya Sonawala:**

Just one question. I think previously you mentioned that in terms of capacity or in terms of supply globally, we are high-single-digit, right, about 9%, 10% of capacity globally that we have. Just on a longer-term view, just trying to understand when do we see this coffee kind of maturing?

And when do we see another adjacency that you've spoken about previously come and kind of take hold of growth? Is it too early to think about that and we see enough growth coming from coffee itself? So can you kind of talk about that?

**Praveen Jaipuria:**

So Bhavya, I think, yes, it is too early because we are still single digit, as you rightly pointed out, single-digit market share in the B2B segment globally, right? So there is enough and ample scope to grow.

And we have been saying that we are seeding a lot of growth initiatives across the globe to make sure that this growth momentum, at least in the medium term, keeps growing at the rate that we have been guiding of around 15% or so. So that should stay intact.

But at the same time, the other initiatives that we are building like the B2C initiative or getting into some of the other categories in the FMCG space, hopefully, by that time, when we have kind of seen that, okay, the growth could kind of come down once we have attained maybe a 14%, 15% market share globally in the B2B side, then hopefully, these initiatives itself will become big enough to drive the growth for the overall company.

So again, we have been thinking both short, medium and long term to make sure that in the long term as well as, the growth momentum is intact.

**Moderator:** Next question is from the line of Akshay Chandak from ICICI Lombard.

**Akshay Chandak:** Yes. So as we are planning to add capacity in FDC maybe in 1 or 2 years when the capacities are utilized. So just generally wanted to understand what is the lead time in FDC machines?

**Praveen Jaipurkar:** Generally, it will take 9 to 12 months to put the project.

**Akshay Chandak:** Okay. And machines availability is not an issue in FDC?

**Praveen Jaipurkar:** That's not an issue. Yes. Machines availability is not the issue. So we source from many things. I've been telling you that when we put up a project, we don't take the full thing from just one supplier, so we take -- there are suppliers in Brazil, there are suppliers in Europe from where we could source the roasters.

And then we do a lot of work on the line, internal work also we do in terms of our extraction capabilities and all. So there are many source points and there is not one single supplier that we are dependent on.

**Moderator:** Next question is from the line of Mr. Dipak Saha from Ashika Institutional.

**Dipak Saha:** Congratulations on great numbers. On the capacity expansion side, if you can help us understand, for the FD capacity expansion to 6,000 tons or what's the number that we do, is there any meaningful difference on the capex cost compared to what we did earlier?

**Praveen Jaipurkar:** I don't think so. Maybe we can add some inflation cost to that, but it won't be very different from what we did around maybe INR500-odd crores we did last time, if I'm not wrong. So it will be around that range itself.

**Dipak Saha:** Got it. Got it. Fair enough. And second question is on the B2C side. So we were doing a lot of this Malgudi brand-related trials across the touch points. So what is the feedback that you're getting and anything incremental that you can share on the Malgudi or any additional trials that we are planning?

**Praveen Jaipurkar:** So 2 things, I think, Dipak, we have spoken about. One was Malgudi snacks. And while we are still in the test market stage, but we have added a couple of more products and we'll be adding -

- we added one more product, which is banana chips to the portfolio, and we're adding a couple of more by this quarter end as well.

And the response has been pretty encouraging. We have seen a decent amount of offtakes that have started coming in, although it is very small. So once we scale it up, that will be the real test. But on the test market front, we have got very encouraging response.

And on the Continental, if you remember, we had spoken about the tea segment that we are getting into. And from there also, we are getting pretty decent response, and we were very pleasantly surprised because there are some pockets where Continental now has got very good brand equity. And that brand equity and distribution that we have is rubbing on to some of these categories, and we are seeing good amount of offtake as well.

So hopefully, these look to be in good to expand from here on. We'll take a little more time to just make sure that everything is right in terms of one product and the offtake is happening and then we will kind of expand. So I think the responses have been pretty good.

**Moderator:**

Next question is from the line of Deepak from Sundaram Mutual Fund.

**Deepak:**

Sir, first of all, congratulations on once again delivering a double-digit sort of volume growth and continue to gain market share. So I had two questions. Sir, my first question is on, again, the other expenses front. So this quarter, we have seen a sharp increase in other expenses, let's say, at around INR200 crores in absolute terms.

Now if I have to further break it down, all this incremental other expenses spike is coming from our stand-alone entity. So just wanted to clarify, is it because that in this quarter, we have upped our marketing spend to grow our Continental brand business? And do we expect some sort of normalization in Q3 quarter onwards?

**Praveen Jaipuria:**

So 2 things, Deepak. I think one thing you mentioned, but let me start first with -- we anyways got 10% volume growth, right? So the 10% volume growth will mean that there will be 10% increase in the cost. So that is one reason why it increased. Second, you're right, we have been kind of increasing our marketing spend to make sure that we keep gaining market share and be aggressive in the domestic market. So that is also there.

And the third thing is that there has been a bit of increase in the freight and fuel cost that has also contributed to this. So if you add all of these 3 reasons, none of them very significant, but all of them 3 added, you will see the increase. And also, I had explained in one of my -- to answer one of the previous questions, which was similar to what you've asked is that even if you pass on the freight costs in terms of the CIF contracts, it gets added to the top line.

So ultimately, the profit on a per kilo basis remains intact. So that's the thing. So there is nothing -- I don't see -- I don't know whether I should say whether it will normalize or not normalize. To me, it is actually normalized now only. So what I'd say is that as we are guiding that 15% volume growth, we'll give you that similar kind of EBITDA growth also because our EBITDA per kilo will more or less remain intact.



- Deepak:** Got it. So we are confident that we'll be able to maintain that INR130 to INR140 per kg. Okay. And sir, second question, because since we are growing our volume in double digit, if I do a simple back calculation, by FY28, we'll be reaching a sort of optimal capacity utilization at 85%, 90%, right? And I'm pretty sure that CCL as a company, you would want to continue that double-digit growth rate beyond FY28 also, right?
- And given that we have a lead time of 9 to 12 months, be it FDC or SDC, would it be fair to assume that we should expect some kind of capacity expansion announcement, let's say, by Q4 of this fiscal year, provided that we have an aspiration to grow at double digit beyond FY28 and the lead time of 12 months?
- Praveen Jaipuriar:** So absolutely, you're right. But just a small caveat to this. Let's say, I also spoke about doing some strategic partnerships and all that. So you are right, by Q4 or Q1 of next year, either we decide upon the capacity expansion at least in the FDC front or we say that, okay, at least for another year or so, we probably will supplement the capacities with some strategic tie-up till we are very confident for the next expansion. So both those things are possible. So you're absolutely right. We should be hearing something at least end of Q4 or starting Q1 next year.
- Deepak:** Okay. And sir, when you talk about this strategic expansion, I presume that you will be more like in contract manufacturing arrangement rather than a JV route where you will be contributing equity. I just wanted to understand that.
- Praveen Jaipuriar:** Could be both. So I can't say what route we'll go because now in a position where we can at least evaluate. Maybe 4 years or 5 years down the line, an equity route, I would have said no upfront. But today, considering the strength of our balance sheet and the way things are going and the cash generation that is happening with the current business, I think whatever -- at least we are in a position to evaluate various options and take a call whichever suits us best at that point of time.
- Deepak:** Got it. Got it. But our aspiration stays intact that we want to grow our volume at double digit, even beyond that by FY28.
- Praveen Jaipuriar:** Absolutely, absolutely. That is the aspiration. And we want to make sure that we fuel that aspiration through whatever means and ways that we can, either through our own capacity or strategic tie-up, both by contract manufacturing or any joint venture or anything like that. So we'll keep our options open is what I'm trying to say.
- Deepak:** Okay. And sir, when we talk about strategic partnership, would it be fair to assume that because it's a strategic partnership there, our margins could be a little lower than what we are doing on our own stand-alone basis?
- Praveen Jaipuriar:** It could be, could be. But again, as I was telling for FDC, we make sure that at least there is a certain amount of confidence and an underwriting of the volumes before we go ahead and put a plant because these plants are expensive in the sense that you have to keep running this plant 24/7. So you can't keep at least -- right from the word go, you need to make sure that at least 30% to 50% of the capacity is underwritten. So that is why we keep a little more cautious step when it comes to FDC.

- Moderator:** Next question is from the line of Nitya from KamayaKya.
- Nitya:** I just wanted to know more about if there are any plans for any kind of acquisition considering our balance sheet is a lot stronger?
- Praveen Jaipurkar:** So we are evaluating. We are not saying that definitely we want to do an acquisition. But if something which is worthwhile and it is well priced and fits into our strategic thinking and the way forward that we have decided for ourselves. If something lucrative comes our way, we will definitely evaluate and be happy to do that.
- Nitya:** And is the priority more towards something that is non - coffee like adjacencies to your existing business. So that would be a more ideal fit for acquisitions? Or would it be something more along the coffee space internationally?
- Praveen Jaipurkar:** So both is possible. If there is some coffee -- like we did with Percol, if there is some other brand that is available, international valuations are generally quite lucrative. So if any coffee brand comes our way, which we think is kind of worthwhile taking it forward. So we will be open to that as well. And even in India, at least adjacencies are also something that we are keen to look at.
- Nitya:** So can we expect something in the current financial year itself? Or is there a while for it according to your broader idea?
- Praveen Jaipurkar:** So I don't think so, we'll be able to answer that because you never know what comes your way. These are -- acquisitions are very -- as a matter of a huge amount of not just strategic intent, but also requires a lot of due diligence and other aspects as well. So it would be difficult for me to comment whether something is coming this year or next year.
- Nitya:** Got it, sir. Congrats for another set of good numbers.
- Moderator:** Next question is from the line of Aashish Urganlawar from InvesQ PMS.
- Aashish Urganlawar:** Sir, just one question on the gross margins for this quarter. I don't know whether I missed a point on that, but when I calculate it for this quarter, it comes to like 62% and it's down by about 200 basis points or 300 basis points Y-o-Y or Q-o-Q. So in a declining coffee price or a stable coffee price environment, why should this happen is my question? Because you stated EBITDA on INR135 to INR140 per kg remains intact, right? So where am I missing a point?
- Praveen Jaipurkar:** So you're not missing a point. Very simply, one, don't look at gross margins because what happens is that a lot of our contracts are FOB, then it gets converted sometimes to CIF and things like that, which will make the gross margins look a little different from each other. What you should look at is the EBITDA.
- Yes, there is a little bit of a lesser -- if you were to track our performance for the last many, many quarters, you would have seen that our EBITDA has always grown higher than the volume growth for many, many quarters.

This quarter, there was a little maybe -- because the EBITDA grew by 9.5% and our volume growth was between 10% to 15%, which means that there is a little dip but that is explainable because a lot goes into deciding the EBITDA, the product mix, the kind of small pack, large packs proportions and things like that, the premium customers versus premium blend versus not so premium blends.

So there are many factors that can go. And a quarter, there could be a little ups and downs here. But the long-term guidance that we have given. And in the past also, if you were to see our guidance, we kind of stuck with that. And this year also, we are saying that we'll be 15% volume and a similar EBITDA growth will happen and that we are fully on track.

**Aashish Upganlawar:**

Okay. And sir, is there anything to judge on the near future of the coffee prices? Because I mean, historically, it's always been a guess, which may sometimes comes right, sometimes comes wrong given the complexities.

But from a production perspective or a crop perspective, is there anything fundamentally to take away how it could be for the next 6 months, 9 months? I understand the speculative part of it, but purely on the production and fundamentals of the availability of supply and demand basically.

**Praveen Jaipuria:**

So the exact picture, we'll know in December because as I was telling you a while earlier that there has been a mixed report. Of course, there have been reports of El Nino and that we are seeing in the Southeast Asian markets, the agri crops have taken a hit. And Vietnam is the next crop that is going to come for coffee and the El Nino danger is there as well. So that's on the bad news side part of it.

The good news is that there's also reports that the crop till now has been holding up reasonably good. There looks like there will be a good harvest. And the good point is that even preharvest, even at a speculative level, the prices haven't shot up to alarming levels.

So at least on a personal level, and that's my personal view that things look far more settled than what the news is coming around. So hopefully, we will see a settled price only after December. But again, these are my personal views. We'll have to wait and watch for December to see exact trends, how they are emerging.

**Aashish Upganlawar:**

Okay. So whatever you are collecting...

**Moderator:**

I'm so sorry to interrupt, Aashish. Please rejoin the queue for more questions. Thank you. We will take our next question from the line of Manish Mahawar from Antique Stock Broking Limited.

**Manish Mahawar:**

Yes. So just only one bookkeeping question. In the other expenditure, I think a couple of questions came, right? Just wanted to know what is the forex gain last year in the second quarter and this year second quarter?

See, why I'm asking is because cash flow, if I look at your cash flow, right, generally, in the first half of the last year in your cash flow, your forex gain was around INR40-odd crores, INR39-

odd crores and this year around INR11 crores was the number, right? So that is the same impact on the P&L, I think, so that could lead to some drop in your EBITDA per kg and the other expenditure increase?

**Praveen Jaipuriar:**

So you have spelt out the numbers, so I may not highlight any more on that. But you are right, of course, because last year, there was a little higher depreciation than what it has happened this year for rupee. So that little advantage was there in the last year built into the basis.

But if you remember, Manish, we have said that even beyond those advantages, what we had guided that we still will grow at 15%, and that is what we're kind of sticking into it without going into the nitty-gritties. Again, there are things which pull us down. There are things which push us up. But at 15% is what we are guiding. But your observations are right.

**Manish Mahawar:**

Okay. And secondly, the extension of this question, basically, EBITDA per ton, usually if you look at last maybe 5, 6 quarters, we're consistently hitting the INR130, INR140 per kg of EBITDA, right? Just wanted to know once we reach towards the 77,000 metric ton of capacity utilization, what could be the EBITDA per ton or per kg you expect?

**Praveen Jaipuriar:**

So Manish, I -- again, at the cost of repeating, I don't see significant change from here because if you see our FD utilization is better, which means that already in the base the proportion of FD is higher. So maybe the product mix advantage may not be there.

But at the same time, a betterment in terms of small pack volumes, betterment in terms of a better specialty coffee, the domestic incremental volumes are coming at a much better clip now. So all of that will help us better it. But again, product mix, I don't see much of an advantage coming from that front. And therefore, I don't see much of a change in EBITDA per kilo going forward from here.

**Moderator:**

Next question is from the line of Naveen Kaushik from iThought PMS.

**Naveen Kaushik:**

Yes. Congratulations on a good performance for the quarter. I just had one question regarding our comfort of tying up with third-party partners for FDC capacity. So my understanding is that the ramp-up or rather the traction we've been seeing with FDC has only been accelerating. So in an environment, let's just say where we are seeing interest rates also inch up slowly and like the Vietnam crop is still like uncertainty when it comes to like the next 1 year or so.

So in an environment where we'll have to make a very conscious decision about allocating capital towards working capital or debt reduction or like the potential M&A if you see a lucrative opportunity or capacity addition, how will we exactly make the decision? And how comfortable will we be when it comes to keeping the third-party stuff going on, how long will we be okay with that versus do we want to bring it back inside and manufacture on our own?

**Praveen Jaipuriar:**

So again, the third-party or, let's say, the contractual manufacturing or the strategic tie-up, whatever is there -- strategic tie-up -- if it is about a joint venture or something, of course, that becomes long term. But apart from that, the other things will obviously be short term. It won't be very long term.

It's only to make sure that we don't fall short of capacity if there are growth opportunities. So that will be very, very opportunistic in nature. The only reason why we do that is that because that helps us get that confidence that the new capacity that we may end up putting, there is a certain underwriting of the capacity that happens. And therefore, we are confident that the new capacity is worth putting.

Now capital allocation, yes, you're right that we require capital allocation for, let's say, if the coffee prices were to increase, to make sure that working capital is intact. And at the same time, if we were to put it on the capex, then that also throws up a challenge. But considering the kind of balance sheet position that we are in, I think that shouldn't be a problem at least in terms of deciding one versus the other, right?

So there could be a scenario wherein both the things are happening in terms of coffee prices also increasing and therefore, we require more of working capital. At the same time, we want to put capex. I think both are possible, and we will be able to do that.

You are seeing that already there is enough cash flow in the system. There is enough cushion of cash in the system. So none of the things will be either or and therefore, capital allocation will not be a problem or will not come in our way of fueling growth.

**Moderator:**

Thank you, sir. Ladies and gentlemen, we will take that as the last question for today. I now hand it back to the management team for closing comments.

**Praveen Jaipuria:**

Thank you all for joining the call. Wishing you all very happy festivities, and we will look forward to connect with you after the third quarter results. And thank you, Team Ashika, for holding this call. Thank you.

**Moderator:**

Thank you. On behalf of Ashika Institutional Equities, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.