



05<sup>th</sup> February, 2020

To

The Corporate Relations Department  
Bombay Stock Exchange  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai – 400 001

Dear Sir,

**Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**  
**Sub: Transcript of the conference call held on 29th January, 2020**  
**Scrip Code: 519600**

With reference to our intimation dated 23<sup>rd</sup> January, 2020, informing about the conference call with Analysts/Investors to be held on Wednesday, 29<sup>th</sup> January, 2020, please find enclosed herewith the transcript of the aforesaid conference call.

This is for your information and necessary records.

Regards

For **CCL Products (India) Limited**

A handwritten signature in blue ink, appearing to read "Sridevi Dasari".

Sridevi Dasari  
Company Secretary & Compliance Officer

Encl: as above

**CCL PRODUCTS (INDIA) LIMITED**

CORPORATE OFFICE  
7-1-24/2/D, "Greendale", Ameerpet, Hyderabad - 500016, T.S., India.  
☎ +91 40 2373 0855

REGISTERED OFFICE  
Duggirala, Guntur Dist. 522330, A.P., India. | CIN L15110AP1961PLC000874  
☎ +91 8644 277294 | ✉ info@continental.coffee | 🌐 www.cclproducts.com 🌐 www.continental.coffee



“CCL Products (India) Limited  
Q3 FY2020 Earnings Conference Call”

January 29, 2020



**ANALYST:**

**MR. VISHAL PUNMIYA - NIRMAL BANG EQUITIES  
PRIVATE LIMITED**



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**MANAGEMENT: MR. CHALLA SRISHANT– MD - CCL PRODUCTS (INDIA) LIMITED**  
**MR. KVLN SARMA – COO - CCL PRODUCTS (INDIA) LIMITED**  
**MR. PRAVEEN JAIPURIAR – CEO – CONTINENTAL COFFEE PVT LIMITED**  
**MR. V. LAKSHMI NARAYANA – CFO – CCL PRODUCTS (INDIA) LIMITED**  
**MR. P. S. RAO – CONSULTANT COMPANY SECRETARY – CCL PRODUCTS (INDIA) LIMITED**  
**MS. SRIDEVI DASARI - CS – CCL PRODUCTS (INDIA) LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to CCL Products India Limited Q3 FY2020 Results Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “\*” then “0” on your keypad. Please note that this conference is being recorded. I now hand the conference over to Mr. Vishal Punmiya from Nirmal Bang Equities. Thank you and over to you Sir!

**Vishal Punmiya:** Thanks Ayesha. On behalf of Nirmal Bang Equities I would like to welcome you all to the 3Q FY2020 Results Conference Call of CCL Products (India) Limited. The management is represented by Mr. Challa Srishant, Managing Director; Mr. KVLN Sarma, COO; Mr. V. Lakshmi Narayana, CFO; Mr. Praveen Jaipurkar, CEO; Ms. Sridevi Dasari, Company Secretary and Mr. P.S. Rao, Consultant Company Secretary. I would now hand over the floor to Challa Srishant for his opening remarks which will be followed by a Q&A session. Thank you and over to you Sir!

**Challa Srishant:** Thank you Vishal for the introduction. The group has achieved a turnover of 302.72 Crores for the third quarter of 2019-2020 as compared to 234.07 Crores for the corresponding quarter of the previous year and the net profit is 47 Crores as against 32.60 Crores. The EBITDA is 84.83 Crores and profit before tax is 68.71 Crores.

For the nine months ended, the group has achieved a turnover of 874.57 Crores as compared to 819.28 Crores for the corresponding period of the previous year, and the net profit is 123.74 Crores as against 119.25 Crores. The EBITDA is 216.67 Crores and the profit before tax is 167.64 Crores. The guidance that we had given for the beginning of the year, we are still maintaining the same guidance and the MEIS clarification is something that we have received at least until this financial year end, so there is a 5% incentive that is going to continue until 31st March as opposed to the earlier 7%.

We can go for the questions now.

**Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Jignesh Kamani from GMO. Please go ahead.

**Jignesh Kamani:** Just want to check on the Indian operation, we have reported very healthy margins, is it purely because of the ramping up of the new freeze dried unit or at the existing unit in



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Duggirala also we have seen better products mix and which may not be just sustainable throughout the year?

**Challa Srishant:** No, it is mainly because of the new freeze dried unit coming in.

**Jignesh Kamani:** So as the ramp up in the freeze dry unit continues, the current margins will be sustainable or can be increased?

**Challa Srishant:** No, it will be sustainable.

**Jignesh Kamani:** Second thing on the Vietnam, there has been not much ramp up on the profitability of Vietnam, so are we continuing to face any challenges in terms of your customer ramp up there?

**Challa Srishant:** No, currently we are operating at an optimal capacity over there and that is also one of the reasons why we are going in for expansion next year. Currently the product mix that we have, has resulted in a slight reduction in our production output, I mean there is growth and there will be a growth this year compared to the previous year, but from next year onwards if we have to meet the demand that is constantly increasing we have to go in for expansion which is what we are hoping should be completed by quarter one of next financial year.

**Jignesh Kamani:** And second thing on the freeze dried capacity, two or three new supply has come in freeze dried in last one year and you already mentioned that it might put some pressure on the pricing, how is the current scenario on the pricing and the profitability of freeze dried versus one year ago?

**Challa Srishant:** Compared to three years ago there has been a reduction, but compared to one year ago it is a very slight reduction, in fact there are other plants that have come online as well and, in the market, there are enough suppliers of freeze dried, which is why that pressure is likely to continue in the future as well.

**Jignesh Kamani:** Thanks a lot. I will come back and ask more questions.

**Moderator:** Thank you. The next question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

**Sudarsan Padmanabhan:** Sir my question is on the revenue growth of 29%, I mean, if you can talk a bit more on how much of this has been contributed by volumes and is there a pricing angle to it and given that we have added capacity recently in the India operations and planning to add capacities



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in Vietnam, how do we see the demand environment to absorb these capacities, so if you can throw some color on that?

**Challa Srishant:** This year whatever volumes that we are seeing now are part of our normal standardized operations and it is what we had projected at the beginning of the year based on the order book and we have done our contracts and everything also well in advance, typically most of our bigger customers sign contracts about 6 months to 12 months in advance and we are doing the same thing which is why we were able to project this earlier as well.

**Sudarsan Padmanabhan:** So, this volume growth will also continue going forward. So, the capacity drop could not be a problem?

**Challa Srishant:** Yes, it is right.

**Sudarsan Padmanabhan:** On the capacity expansion that we are going to see in Vietnam, one I think is that the growth has been more moderate compared to the Indian operations as you had told earlier. can you give some color on how do we see the operations over there, probably having new capacity comes in next year, how much of capacity is going to be put and what is the kind of Capex requirement expected there?

**Challa Srishant:** We are investing about \$8 million to enhance the capacity by an additional 3500 tones and this would be completed towards the end of first quarter. So, the balance three quarters we will start using this additional capacity as well for executing orders and we are expecting to reach about 75% utilisation with the enhanced capacity in the next financial year.

**Sudarsan Padmanabhan:** Sir finally from my side about the brand that is Continental Coffee, I mean currently what is the size of the brand, where do we see the footprints across and going forward what is the kind of scale that we see here and how much of the investments would you continue to pursue on the brand expansion?

**Challa Srishant:** Yes, I will just hand over to Praveen, he can answer the question.

**Praveen Jaipuria:** Hi Praveen this side. On the branded business like we had detailed out last time, we started our operations in the southern part of India which is the predominant coffee market. Since last year we started building the distribution networks started building the business. This year we started to work on creating brand awareness and creating offtakes. So, on the domestic business, I am just giving you a broad guideline so that you get an idea how this is fairing and where is this moving towards, In totality we will be ending the year with close



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to 100 Crores in revenues which was the guidance given for in the earlier conversations and out of which more than half will be contributed by the in-house brand business alone. So, we will cross a figure of around 50 Crores this year for just the branded business. Just to give you a perspective this number last year was around 30 crores and a year before was just 8 or 9 Crores. We will have this number this year, and going forward we are pretty excited about the whole business because last year was a year when we had filled a lot of pipeline in the market in terms of creating the infrastructure. Now this year when we got this business we are seeing a lot of off takes happening in the markets, where there is a lot of confidence that going forward this business will do good.

**Sudarsan Padmanabhan:** No, I just wanted apart from that, can you throw some color on how much amount are we spending on an annual basis, whether that should increase what could be the cost on this side?

**Praveen Jaipuria:** So as far as spends are concerned, obviously as the business grows, the spends will also will increase. so this year in terms of our ATL budget we spent close to around 14, 15 Crores and in the same proportion as the business is growing we will keep investing that kind of money.

**Sudarsan Padmanabhan:** Thanks a lot. I will join back the queue, thanks.

**Moderator:** Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.

**Nisarg Vakharia:** Can you please explain the economics of the investment of \$8 million that we are making?

**Challa Srishant:** The economics of the investment, we already have the infrastructure in place to expand capacities, we are just installing the necessary equipment in order to increase the output.

**Nisarg Vakharia:** No what I am trying to understand is that, typically when we make some extra investment in infrastructure if we invest 100 Crores in to a plant gross block, what is the peak turnover that we can achieve on that 100 Crores?

**Challa Srishant:** Around 135 Crores is what we can achieve, which is about \$15 million so far.

**Nisarg Vakharia:** Okay 135 Crores and we make about 22% to 25% EBITDA margins and we need about 100 days of working capital is that right?

**Challa Srishant:** Yes.



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**Nisarg Vakharia:** Thank you so much Sir.

**Moderator:** Thank you. The next question is from the line of Nihil Parekh from Dhanki Securities. Please go ahead.

**Nihil Parekh:** Sir we have posted super results for Q3, if you can give some more granularity on the numbers, so what has been the impact of the volume growth? We had also seen some price rise in coffee in the last quarters, so what has been the impact of price realization if any, that was my first question. The second is for the nine months what has been our MEIS benefit that we have accounted for. Third question was on the Vietnam operation. So, one of our peers has stabilized their plant in Vietnam and they are running at good capacity utilization now. So, going forward what is our outlook? are we anticipating any possible higher competition as that plant also ramps up? So, your thoughts on that?

**KVLN Sarma:** First on the quarter results, honestly if you see the segment the denominator was slightly favorable to us. Last year during Q3 there was a slight dip in the performance so obviously this is looking much bigger. If you compare it with the second quarter which has been uniform, still we have achieved better, but the substantial growth that is being seen is on two accounts, one is we are recouping our volumes to the normal levels in the first place and secondly because of the additional freeze drying capacity coming into full scale operations. First two quarters we were stuck in the process of getting the certifications done and the clients audit getting done, so the utilization levels were slightly lower and third quarter as we mentioned to you last time also, third and fourth quarter we will be using freeze drying capacity at optimum utilizations so these two factors contributed to the additional growth vis-à-vis last year similar quarter and we will also see EBITDA results to be better than the last quarter itself.

In Vietnam particularly, if you have seen last year first two quarters were substantially better and subsequently there was a dip in the performance, but this year we have recouped on the volumes and almost were on breakeven level corresponding to the last year on the EBITDA margins and we are seeing the larger potential for better margin business in Vietnam in the fourth quarter. We are also expecting a substantially better order for which we are gearing up by enhancing our capacity. Earlier as you are aware we were saying that we have a 10000 tonne capacity and we have infrastructure available for 20000 tonne capacity. The additional capacity will remain, out of the first 10000 capacity itself, we are doing some line balancing part and enhancing it to 13000. Out of this 13000 we are anticipating that we should start with an order size of about 1000 tons or 1500 tons in the





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first year that is later part of the next year. So, we will be geared up for the increased volumes for the next two three years in Vietnam.

MEIS this year we have booked about 30 Crores as of now, not booked, actually realized the 30 Crores. As you are aware we are accounting MEIS on a cash basis and not on an accrual basis. So thus far we have realized about, 30 Crores of MEIS.

**Nihil Parekh:** So that is 30 Crores, right?

**KVLN Sarma:** 30 Crores yes for the year.

**Nihil Parekh:** Yes, for nine months?

**KVLN Sarma:** Right.

**Nihil Parekh:** Sir in the initial remarks I think Srishant Sir mentioned that we are targeting for a 75% capacity utilization in Vietnam so that will be on the enhanced operations and that was for the next financial year?

**KVLN Sarma:** The enhanced operation will come into commercial availability only towards the third quarter of the next year.

**Nihil Parekh:** Correct, so what level of capacity utilization should be...

**KVLN Sarma:** 10000 tonne capacity we will do a 75% capacity utilization this year and as you are aware that in Vietnam we have certain products which have lower productivity. So effectively machine utilization will be little more than that 75% than the figures are indicating. In India, particularly in freeze dried capacity considering the seasonality aspect also, we need to have an additional capacity available for us. So, 75% to 80% capacity in exclusive freeze drying plant should be the optimum utilization at those levels, that is the reason why we have gone in for line balancing and improving our ability to produce more.

**Nihil Parekh:** Sir just one last question on the India operations, now that this FDC plant has stabilized and it is doing well, what will be the likely utilization level that we should build in for the next financial year 2020-2021?

**KVLN Sarma:** Next year we should be utilizing this facility up to about 80% capacity utilization, but we are planning to do a small refurbishment in the base plant, which will enable better productivity and perhaps be able to give another 500 tons additional productivity also, for



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which we are planning in the first quarter or second quarter to take up a small maintenance activity there. So overall, both FDC units put together it will be an optimum utilization next year to the extent of 75-80%..

**Nihil Parekh:** Thank you so much Sir.

**Moderator:** Thank you. The next question is from the line of Chirag Lodaya from Value Quest. Please go ahead.

**Chirag Lodaya:** Sir my first question is on margins in standalone business, when I look at your quarterly numbers, large part of margin expansion has come through gross margins, so how sustainable are these gross margins?

**KVLN Sarma:** I cannot explain in detail on this aspect, we do various cost optimization efforts continuously, while you spoke about gross margin that is factory cost and input cost being lower this time we have taken specific efforts for material substitution and better productivity efforts whereby the gross margin levels are better and this is the permanent feature now since we have already done the required R&D and then enabled a transition to a better gross margin levels, so this is sustainable. Last year we have advertisement expenses, but last quarter there are no advertisement expenditure and coming to MEIS, we have less realization last quarter compared to last year, this year we were able to get the average. If you average out we have got the required amount for the current quarter so all these things enabled a better EBITDA levels as well and on the product mix also you see the FD component of the product mix has increased.

**Chirag Lodaya:** Can you just help me with MEIS number for the quarter vis-à-vis last year same quarter, that would be helpful?

**KVLN Sarma:** Last year corresponding quarter we received around 19 crores and this quarter it is about 12 Crores.

**Chirag Lodaya:** Sir in the beginning of the year you have mentioned in Q3, Q4 we will see substantial ramp up in our freeze dried capacity in India but when I look at your quarterly numbers your absolute sales mix is in the same range for Q2 and Q3. so just trying to understand what kind of ramp up have we seen in new freeze dried capacity?

**KVLN Sarma:** See the topline is one thing that will not directly reflect the operations. as you know there has been a reduction in green coffee prices to a certain extent, so obviously the topline



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would have got affected by that, so a better basis for evaluation of the company's performance is on the EBITDA level.

**Chirag Lodaya:** And just lastly what is the Capex for this year and next year?

**KVLN Sarma:** As you are aware we are implementing that packing cum granulation plant in India through a subsidiary with a Capex plan of about \$15 million. that figure remains the same, but will be spread over this year and the next year.

**Chirag Lodaya:** So, 15 plus 8, 23 million spread over between this year and next year?

**KVLN Sarma:** Correct.

**Chirag Lodaya:** And how much of it would be already spent in first nine months?

**KVLN Sarma:** Miniscule amount, perhaps 3, 4 million, only advances were given so to that extent only spend was there.

**Chirag Lodaya:** Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Himanshu Nayyar from Systematix Shares & Stocks. Please go ahead.

**Himanshu Nayyar:** Congratulations on a good quarter. So firstly, on the revenue side it seems that we have not got any benefit of recovery in coffee prices because we have seen both the Arabica and Robusta prices rise over the last quarter I believe we have certain longer-term contract so when do we see the benefit on our realizations of this rise in prices if this were to sustain?

**Challa Srishant:** Normally with coffee prices, immediate impact is not going to be there when the coffee prices go up or down. We sign contracts with our customers at that point in time for a period of sometime six months or a year also. So if you are buying green coffee now we have already done the contract, which has to be executed say six months later. So that impact will come in at a later point in time. So immediately that impact will never be there in the company.

**Himanshu Nayyar:** So, for the next couple of quarters we believe whatever growth we get would predominantly be volume driven right?

**Challa Srishant:** Yes.



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**Himanshu Nayyar:** Secondly Srishant on the working capital side, last year we had seen some increase in receivables because in a bid to drive our business in a few markets we were going a bit liberal with our credit terms. So just wanted to understand whether that situation still sustains or whether we have been able to tighten the working capital cycle a bit?

**V. Lakshmi Narayana:** The working capital cycle has been increased due to the additional market that we have taken up at the US end and also due to the enhanced operations at our subsidiary from Switzerland. So, at this level of credit cycle also we could be able to sustain without any additional cost.

**Himanshu Nayyar:** So, what should be the receivables and inventory period we should be looking at right now?

**V. Lakshmi Narayana:** Inventory is at 60 days, and receivables are running at 75 days.

**Himanshu Nayyar:** With no change in the payables period I believe so?

**V. Lakshmi Narayana:** No.

**Himanshu Nayyar:** Final question is on our packing Capex when do we expect that packing unit to get complete and in terms of numbers how much do you think we can reach in terms of small pack sales once that unit is up and running?

**V. Lakshmi Narayana:** The new facility, we have already taken up the implementation and required advances are being paid. we are expected to complete this facility in all aspects by end of the 2021 financial year and next financial year we could see the revenue part as contribution.

**Himanshu Nayyar:** No but any specific number you would want to give out by which it could increase your proportion of small pack sales once you start packing at that facility?

**V. Lakshmi Narayana:** I think it is too early, we have to look at the current financial year because the domestic season is also going to take a shape in all respects, 2021 is going to be a deciding factor on how the proportion between the small packs and the other packing is going to happen.

**Challa Srishant:** See normally the guidance is given only at the end of the fourth quarter, just one thing which we can clarify is that the volume of small packs is definitely growing at our end both in the domestic sector as well as for exports. We are expecting that growth to continue in the subsequent years as well and it is not just limited to one year. We are adding a lot of final brand owners as our customers so that is helping us grow this volume.



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- Himanshu Nayyar:** That is all from my side, thanks and all the best guys.
- Moderator:** Thank you. The next question is from the line of Ashwini Agarwal from Ashmore India LLP. Please go ahead.
- Ashwini Agarwal:** I had a question on the India retail business or the branded business more appropriately. So, from what I understand your budget for this year is about a 100 Crores of revenue with about 50 Crores or thereabouts as branded business. So where does the rest of the 50 Crores go?
- Praveen Jaipuria :** As far as rest of the 50 Crores is concerned, we do private label for most of the retail chains so that is one part of the business and we also do some bulk selling, bulk coffee to some of our clients, big clients for example clients like Amul who use our coffee for making their milkshakes and coffee shakes and Lotte and confectionary companies. so these are the companies who buy in bulk from us, so that is also a part of the business, the domestic business.
- Ashwini Agarwal:** Would it be fair for me to assume that the India subsidiary is loss making at this point in time?
- Praveen Jaipuria:** Next year we will breakeven, this year there is a slight loss because of the spends that we are doing to build the brand so that is how it is.
- Ashwini Agarwal:** But the ad spend happens in the standalone entity right, the parent?
- Praveen Jaipuria:** No, so that is the larger part of the ad spends, but we also do a lot of brand building activities which is below the line and some of the smaller ad spends that we do. That is the little negative that we will fall into this year, but next year we will break even on most of the accounts.
- Ashwini Agarwal:** So, what is happening in market shares, I mean, Nescafe and Bru are the sort of dominant market share but I also see ID coffee packs now on shop shelves, etc. So where do you stand in terms of market share where do you think this business can grow over the next five years, how do you think about it internally?
- Praveen Jaipuria:** So, internally our thought process is like this, today, in terms of market share we are the number three brand in the country, after Nescafe, Bru. While you can see some of the liquid coffee in the shelves but mostly you are seeing it in the modern retail outlets. But a bulk of the coffee is sold in general stores and the biggest business of coffee is in the instant coffee



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business. These are very new segments that have emerged and yet to prove their sustainability in the market. So that is how the market stands right now. So in one and a half years or two years of operation we are already number three and there are some cities where we have done extremely well where we have already reached close to 5% market share like Hyderabad and Vizag so we are going pretty good on that front. We are now getting picked up by Nielson that as a fact tells us that the off takes are happening in a positive direction. That is how we are looking at but going forward we are very confident that we will be growing further because in couple of cities we already have achieved a 5% market share. our target is to achieve that kind of a market share in the balance of the geographies. We are confident of, expanding our outlet network, we are creating more awareness for the brand and we are also launching a lot of new products into the market. So, all of that put together that is the outlook we are looking for the next couple of years that we should reach a 5% market share.

**Ashwini Agarwal:** And bulk of this would be instant granulated coffee?

**Praveen Jaipurjar:** Yes, bulk of it is instant because that is the largest segment consumer segment in India, granulated instant coffee.

**Ashwini Agarwal:** And these premixes or filter coffee decoction etc., that is going to be a very small niche presence?

**Praveen Jaipurjar:** Yes, right now they have niche presence, but couple of segments we think are going to do well in the coming times because of the convenience that it offers. premix is one of them so that is the reason we are pretty excited about this segment and we have launched an array of products in this segment so right now we are focusing a lot more on the large stores and the e-commerce space, but we are very confident that this space with this whole convenience thing will grow much larger in the years to come and that is the reason we are betting big on it.

**Ashwini Agarwal:** And there are no manufacturing assets in the Indian subsidiary that looks at the retail business?

**Praveen Jaipurjar:** No, there are no manufacturing assets.

**Ashwini Agarwal:** Thank you all the best.



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- Moderator:** Thank you. The next question is from the line of Kawalpreet Singh from Ambit Capital. Please go ahead.
- Kawalpreet Singh:** If you can give me some guidance on what the utilization level was for the freeze dried unit in this quarter?
- KVLN Sarma:** This quarter it has reached about 75% utilization, overall year-on-year basis we are expecting that we should do between 50% and 60%.
- Kawalpreet Singh:** 75% utilization is the freeze dried capacity the new one which is commenced?
- KVLN Sarma:** This is the freeze dried capacity in SEZ.
- Kawalpreet Singh:** Sorry sir I did not catch that last point.
- KVLN Sarma:** In SEZ facility in this quarter we reached the 75% capacity utilization and overall on a yearly basis, we will be reaching a capacity utilization between 50% and 60%.
- Kawalpreet Singh:** For the full year you are saying?
- KVLN Sarma:** For the full year.
- Kawalpreet Singh:** Sir, so the margins which we have seen in this quarter do you think with increased utilization you said the utilization in freeze dried SEZ can go up to 80% next year. So, could we expect...
- KVLN Sarma:** Within the product mix the freeze drying product has increased so there is a better margin effect.
- Kawalpreet Singh:** So, is it reasonable to expect similar margins or do you think there is still further scope at greater utilization of freeze dried across next year?
- KVLN Sarma:** On an overall basis we may be able to improve our capacity utilization from 60% to 80% so there will be that much improvement in the operations in total.
- Kawalpreet Singh:** So, margin should improve little bit from here also, would that be fair to say?
- KVLN Sarma:** Yes, that is true.



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**Kawalpreet Singh:** Sir the second question I had, we had referred to this in the last con call about our trade negotiation within Brazil and Europe in terms of reduction in import duty, if you can give us some sense on where that stands presently?

**KVLN Sarma:** The Europe flow between Brazil and Vietnam is that what you are referring to?

**Kawalpreet Singh:** Yes, Brazil and Europe there were some talk about a reduction in import duty.

**Challa Srishant:** Yes, Brazil and Europe they entered into this agreement about a year ago, but the same was not ratified by the EU countries so that did not get passed. So, the 9% is going to continue as of now.

**Kawalpreet Singh:** Sir and am I right in my understanding that this does not apply only to coffee it is broad based to many other agriculture commodities?

**Challa Srishant:** Yes, exactly and in fact several of the European countries were very apprehensive that Brazil could start dumping its products into their markets, it could create more chaos which is also one of the reasons why it was not approved, it is not specific only to coffee.

**Kawalpreet Singh:** Sir the third question I had was, you referred to this in the past that we already have a sizable market share in the B2B business that it is very heartening to see that we are growing and we are expanding in Vietnam also. So just want to understand has the picture changed in some sense because certain geographies are doing better now maybe like you said the US is opening up, is there a shift, is there a scope for increasing our market share gain for the next five years?

**Challa Srishant:** Yes, so there is a significant change that has undertaken within the company that is earlier we use to be focused only on the B2B bulk business, so which means that our customers were always repackers and resellers and these repackers and resellers they had multiple options to choose from and if we offer a lower price then they buy from us otherwise they shift to someone else. So almost 40% of our business was people like this and what we are consciously doing is we are now expanding our capabilities to do more of small packs and specialized products and we are not offering the specialized products to the repackers and resellers, offering them directly to the brand owners and as well as incentivizing the brand owners to come to us directly now and they come to us with larger volumes, that is one of the reason why we are quite confident that we can grow the market even further. If you actually look at it, though we are the largest player in the market for instant coffee and private label our overall percentage of market share is less than 5% today. So, we still have





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a large scope of growth which is possible in multiple territories, there are lot of big brands that we can also start focusing on which we will be doing from now onwards, we have actually started doing from last year it is going to show results from this year onwards.

**Kawalpreet Singh:** Sir my question like what you said I understand that is more of our internal efforts to increase, moving away from bulk products, but in terms of the external environment the macro environment do you see certain geographies opening up or is it the same it was two, three years back.

**Challa Srishant:** Actually, there are certain geographies which are opening up because of political disturbances that we are seeing, for example US is talking about imposing duties and products from Germany and Germany is currently selling almost 7000 or 8000 tons in the US alone. Now suddenly this entire volume is up for grabs for other countries and we are able to pitch for this business now thanks to our partners in the US. Similarly, there are several other countries where we have an additional advantage, for example ASEAN countries, from Vietnam we can approach the Asian countries with 0 duty while Brazil is currently paying 9% duty. So, we have several advantages, which we are capitalizing on at this point in time.

**Moderator:** The next question is from the line of Jignesh Kamani from GMO. Please go ahead.

**Jignesh Kamani:** Hi Srishant, in earlier call you mentioned that Brazil has become very competitive because of the bumper production while Vietnam coffee price has increased because many funds are investing in buying coffee brands so has the situation now reversed to normality now?

**Challa Srishant:** Yes in fact some of the analysts were making comments saying that the green coffee prices have gone up, that price going up is mainly in Brazil and as far as Vietnam is concerned, the pricing and everything is more or less the same the differentials are changing a little bit so the pricing is more or less the same and this basically means Vietnam and Indonesia will be able to compete a little better than they were doing earlier.

**Jignesh Kamani:** One year ago, we lost one customer because they set up their in-house facility, has the customer come back to us and if we have some is it mainly on the value added product or on the basic also he is picking up from us?

**Challa Srishant:** He is buying some premium products from us, but very, very small quantities now that he has his own facility, he is utilizing that at his end. In fact, that is also one of the reasons why you can see that if you do a quarter-to-quarter comparison from last year to this year there is



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an increase, we have made up for that volume and we are sticking to our projections keeping all these changes in mind as well.

**Jignesh Kamani:** Any customer addition in this year or probably in next six months which is expected to give healthy volumes for the next one, one and a half year?

**Challa Srishant:** Yes, actually there is one major customer, unfortunately I cannot name that customer due to an NDA, but with this customer we are expecting some large volumes coming in from this year onwards.

**Jignesh Kamani:** From India operation?

**Challa Srishant:** Actually, from Vietnam.

**Jignesh Kamani:** Thanks a lot, Srishant.

**Moderator:** Thank you. The next question is from the line of Tushar Bohra from MK Ventures. Please go ahead.

**Tushar Bohra:** Congratulations Srishant for an excellent set of numbers, so few points firstly, we mentioned that we are seeing incremental competition coming in freeze dried and so overall pricing or the profitability as such for the entire industry is sort of coming down in a year-on-year, but in that scenario we actually expanded our freeze dried capacity ourselves do you think that the overall competition is not a concern for us you expect to continue to see traction in this going forward?

**Challa Srishant:** Yes, first thing we have to remember, freeze dried definitely has better margins than spray dried fundamentally and more importantly when we took a decision of going for expansion also, it was almost 3.5 or 4 years ago and at that point in time there was a capacity constraint that was coming in. Just the way we were able to understand what is happening in the market, 2-3 other companies had decided to make a similar investment at the same time. In the last couple of years the shortfall was caused due to some exceptional reasons and we wanted to capitalize on that, now the market demand is also growing in addition to increasing our capacity the market demand is also growing so that is also one of the reasons why we were confident that though there are new capacities coming in, it still made sense for us to setup a freeze drying unit and as you can see originally we thought maybe we will be touching close to 40% to 50% as utilization in the new unit in this year but we are able to exceed that and we are coming closer to a 50% to 60% range for this financial year.



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**Tushar Bohra:** So, sticking to the new unit SEZ we have mentioned, we can now look at maybe closer to 60% utilization for the year which means at Q4 we will still see some improvement from Q3 in terms of utilization levels at this unit?

**Challa Srishant:** Hopefully yes.

**Tushar Bohra:** And correspondingly should we take the margins going forward, this 28% EBITDA margin that we have reported led by a gross margin improvement do we see that as being sustainable you said that earlier in the call as well, just to reconfirm?

**Challa Srishant:** Yes.

**Tushar Bohra:** In fact, do we see any further operating leverage coming in from the new unit so therefore the margins could possibly be slightly better than this also?

**Challa Srishant:** No, I think we are already doing a good job with respect to improving the margins and all. In the long run when we are running at 100% utilization maybe it will improve further but that will still take some time.

**Tushar Bohra:** Next is from a retail perspective we have mentioned the brand sales should be more than 50 Crores this year just so effectively the B2B business in domestic would be about between 40 to 50 Crores just to understand what it was last year and is there a conscious effort on our side to improve on the branded part rather than the B2B?

**Praveen Jaipuria:** We are consciously putting a lot of effort and focus on improving the branded business and so the branded business which will cross 50 Crores this year which was approximately 30 to 32 Crores last year. So from 30 to 32 Crores we have moved to 50 Crores and the rest of the business through bulk and private label which is around 40 Crores. It was around 30 Crores last year and was 25 Crores the year before. So, you can clearly see the growth is much, more significant on the branded business side.

**Tushar Bohra:** And this is before ATL right and we had just on a start reaping the effect of ATL in this quarter?

**Praveen Jaipuria:** Not really, we started doing ATL from last quarter itself. . Srishant had mentioned that we had in fact started doing ATL and we preponed some of our ATL spends in last quarter itself so this year we have been doing ATL from Q1. Obviously if you see the brand building side, ATL is largely long-term investment so you do not see immediate effects on ATL. To begin with we are now getting market share gains so all these are very positive



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signs of the ATL that we have done. So, we will continue doing that because it is a long-term brand building process that we have started in the retail side.

**Tushar Bohra:** So, this 5% that we are targeting as an overall market share this would be on instant coffee that 2000-odd Crores market or it includes filter coffee which possibly then would have much larger market?

**Praveen Jaipuria:** No, so filter coffee is not a very large market, if you see the market size, instant coffee is almost close to 2000 Crores and filter coffee is 400 to 500 Crores so when we are talking market share we are only talking about the instant coffee market right now.

**Tushar Bohra:** So effectively 100 Crores in sales?

**Praveen Jaipuria:** No, it will take a couple of years to reach there because we will go in to around 50, 55 Crores just as the branded business. We should cross or look to at least cross that figure of 100 Crores only on the branded side in a couple of years, but let us see how things go up because the movements are in the right direction and you would acknowledge that in the brand side you start feeding and seeding things and investing and there is a certain point of inflection when the curve will move up substantially. So, we are just waiting for that to happen. Let us see, when that uptick happens on the brand side, but the movement has been very encouraging on the branded business side.

**Tushar Bohra:** And at what point do we breakeven on purely the branded part of the business on all cost.

**Praveen Jaipuria:** Next year we will break even on all cost.

**Tushar Bohra:** On the branded business?

**Challa Srishant:** Yes.

**Tushar Bohra:** Just one last on the overall strategy for the company say for the next three years perspective I will just break it in two parts very quickly, there were some products that you mentioned in last quarter that have been introduced I think Cold brew Coffee something in US and Europe and overall just want to understand on the product side what are the some of the initiatives that we are doing, coffee and maybe even beyond coffee are there any initiatives and second do we look at CCL as an instant coffee manufacture only three years down the line or are you ready to looking at the branded business and maybe other segments from even a global perspective?



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**Challa Srishant:**

As of now the as far as the core business is concerned we are purely going to keep our primary focus on the core business because there is still a lot of potential for growth and we are now focusing more on small packs and directly servicing brands which earlier we were not doing. Apart from that, regarding our own branded business, the reason for this initiative focusing only on India is that there are only two major brands in India while in almost every other country that you go to you have sometimes 10, 15 brands within the same space. So, we knew that we have the ability to further help expand the markets within India. If you look at the hot beverage market within the country coffee is still a very small segment so there is still a huge potential for growth within the country and there is no innovation that was taking place within India for several years despite two brands having the capability of doing much more. they were just serving plain vanilla type products over here which is why we wanted to expand into further unique products including freeze dried coffee, we have a manufacturing facility within India which we can use to our advantage to sell locally. If they want to sell the same freeze dried coffee they will have to import it and pay substantial duties and then sell in the market. So, we wanted to take advantage of all these other things as well. Globally also, all the new products that we are introducing, the premium products and all we are starting with the developed market because they have better acceptance in these markets and we are introducing these to certain big supermarkets and big players and in some cases to coffee shop chains itself directly and the reason why we are doing this is because the products that we have, we are the only ones in the entire world who can manufacture this today but after maybe three four years down the line there will be other companies who will be interested in making that necessary investments trying to replicate what we are doing, so we are creating a market from scratch at this point in time and our focus for especially domestic market branded business and now the reason why we have a separate entity and we have given Praveen a free hand to focus on this segment is because we know that over the years we know that the branded business is likely to grow much more substantially and we will have the ability of then subsequently introducing brands in other territories as well where we are not competing with our customers.

**Tushar Bohra:**

Just very quickly the global initiatives are we using Continental as a brand anywhere or are we preferring to stick on a B2B side of it?

**Challa Srishant:**

As of now we have focused mainly in India but we might test market in some other markets in the near future.

**Tushar Bohra:**

Very well great, thank you I will join back in queue.



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**Moderator:** Thank you. The next question is from the line of Ashwini Agarwal from Ashmore India LLP. Please go ahead.

**Ashwini Agarwal:** This is Ashwini once again, referring to one of your previous comments where you said that you are now looking at small packs and brand owners as opposed to wholesalers or bulk buyers how is this working because basically you are bypassing your existing customers right, so is not that kind of creating a lot of unrest with your large mainline customers today?

**Challa Srishant:** The kind of customers that we have, some customers who will consistently buy from you no matter what, we have another set of customers who will buy from you as long as you are giving the lowest possible price in the market. Right now, what we are doing is we have taken a conscious call, now we are willing to let go of certain business in order to cater to some new business as well. I can give a simple example, if there is a, say a 1000 tonne customer and we are earning say 5 Crores of margin from this guy. We can directly go to a branded owner for 100 tons as well we can easily earn that 5 Crores. So, there would not be any negative impact on the company for the bottom-line at least. And this business that we are able to secure will be more sustainable in the long run, the brand owner is unlikely to shift to somebody else just because they are giving a slightly lower price, they are more focused on the quality. So, we started focusing on this type of business and that is why we are seeing that additional growth coming in as well, eventually yes, we might be stepping on certain toes but that is a conscious call that we are taking because end of the day we are looking at the long-term growth of the company that is sustainable mainly.

**Ashwini Agarwal:** And did I hear you right, that 40% of your total revenues today comprised bulk buyers is that the number I would have thought it to be much larger?

**Challa Srishant:** 60% of our customer base are loyal customers who have a certain unique product that we are supplying to them, 40% is the vanilla type product which they can buy from anybody else, not only us. So, we view this 40% business as a higher risk business and very low margin business. So, we want to focus and grow the 60% business even more.

**Ashwini Agarwal:** So would it be fair for me to think that over the next two to three years you will essentially have three very big margin drivers one would be rising freeze dried coffee revenues both in India and overseas, second is retail and third would be shift from whatever opportunistic wholesale customers towards brand owners and retail packs, what could be the potential risks to margins one is probably the margins on freeze dried coffee might come off as more



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people get into that game anything else that you worry about from a medium-term perspective?

**Challa Srishant:** See brand is something now that we are breaking even next year, that is the question about how fast we are able to capture market share and our objective also is to grow in a sustainable manner. So, any other contribution that comes is a plus, plus benefit that we are expecting into the company. As far as the small pack business is concerned because there is a big potential for growth that is the reason why we are focusing on the segment. Today several people in Europe and other locations they do not have manufacturing facilities they have just packing facilities in place, these people are the ones who are catering to this market with high margins, so we have seen that this is where that potential is and converting a branded customer into the company it is a very long run process normally it takes sometimes two to three years also for us to convince the customer to transition. They will first try out then test with maybe a container, expect consistency and lot of other things. So, lot of initiatives that we have taken two three years ago are panning out now which is why we are going in for that expansion of the new packing project itself.

**Ashwini Agarwal:** Thank you so much, all the best.

**Moderator:** Thank you. The next question is from the line of Anuj Jain from Value Quest Capital. Please go ahead.

**Anuj Jain:** I have one question with regards to branded business that how much of the expenses for branded business have been booked in the parent company for this year?

**Challa Srishant:** So approximately 10 Crores that have been booked in the parent company last year.

**Anuj Jain:** Nine months is it right.

**Challa Srishant:** Nine months, yes.

**Anuj Jain:** Okay thanks.

**Moderator:** Thank you. The next question is from the line of Tanvi Shetty from Axis Securities Limited. Please go ahead.

**Tanvi Shetty:** Most of my questions have been answered, I just wanted to understand the 12 Crores MEIS benefit in quarter three this year, Sir it is reflected in the revenue part that it is included in the 302 Crores revenue this quarter, right?



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- Challa Srishant:** Yes, it was included in 302 Crores.
- Tanvi Shetty:** Sir now that it is being reduced to 5% from the next quarter onwards what would be the impact in Crore terms in rupee terms if you could?
- Challa Srishant:** Around 3 to 4 Crores margin impact.
- Tanvi Shetty:** My next question would be, Sarma Sir mentioned that there is an additional productivity of about 500 tons in the freeze dried unit so this additional productivity is from the Duggirala unit or the SEZ plant?
- KVLN Sarma:** It is after implementation of that small refurbishment and line balancing that we intend to take up during first quarter of the next year in Duggirala plant anyway.
- Tanvi Shetty:** That is all from my side Sir thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** First question is on the margins, generally we enjoy almost per kg margins fixed in both the business freeze dry and spray dry. It seems that our margins per kg have improved and earlier it used to be close to 110 to 115 in freeze dry and 70, 80 in spray dry in the current contest can you give some sense on a per kg margins because it seems like our freeze dry margins are much beyond close to Rs.150 per kg is that the case right now if you can just give some clarification on that?
- KVLN Sarma:** I would suggest we do not go to specific numbers on this, anyway you only answered that it is because of the increasing volume of freeze dried, the per kg realization would have gone up and we subscribe to that opinion.
- Rohan Gupta:** No, Sir I was still looking that the difference between the freeze dry and spray dry margin because the subsidiary Vietnam margin from the current quarter was lower at gross margin roughly 5%, so just want to understand is that I do not want to get it in the future...
- KVLN Sarma:** These can be understood in a better manner only over a year, in a quarter-to-quarter we will have a profile of various customers having various kinds of margin profiles so if in one quarter if despite doing volumes we are not able to reach the EBITDA margin level, during this quarter the composition was a lower margin business, next quarter it could be higher





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margin so these figures perhaps we can discuss better over the annual figures than on a quarterly basis.

**Rohan Gupta:** Sir your comfort on current level of margins that expect a little bit pressure on freeze dry but do you see that this current level of percentage margins or on a way the per kg basis going to sustain for next I mean over next two to three year or there is some risk on the margin front?

**KVLN Sarma:** It has been our endeavor to continuously improve our margins through various methods be it on the market side, be it on internally improving our productivity norms, our input substitution norms R&D and all that. So, the effort on improving the margins per kg will be a continuous effort we will try to do and current level of margins are definitely sustainable.

**Rohan Gupta:** Sir second question on this, so with the current margin profile and profitability we are generating strong cash flows both domestic as well as in the subsidiary. Initially you have guided that Capex is not going to be so aggressive for next couple of years so have we taken any thought, we do have any thought process on the additional cash flows which we are having initially you have indicated that the subsidiary will pay higher dividend to the parent that ultimately will be given back to the investor so just some clarity on that?

**V. Lakshmi Narayana:** The Capex whatever we have projected last year around USD 20 million for Indian operations and USD 8 million at Vietnam operations that we are going to spend in the current financial year and as far as the remaining going forward in future we want to take a break and see that the cash flows are being utilized for the repayment of the term loans and to complete some of the works which we are going to do.

**Rohan Gupta:** So, for next year you are saying that it will be debt repayment which will be completely in focus?

**V. Lakshmi Narayana:** Yes.

**Rohan Gupta:** Thanks Sir, thank you so much.

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

**Dhiral Shah:** Sir what is the status of Switzerland operation?



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**Challa Srishant:** Switzerland operations are actually doing quite well and lot of new businesses are coming in, in fact this quarter also we have seen a significant improvement compared to what we have seen in the past and lot of new supermarket business we have gotten over there and we are quite confident that we will do even better next year.

**Dhiral Shah:** So, what would be the revenue done say in nine month FY2020?

**Challa Srishant:** From the Switzerland operations?

**Dhiral Shah:** Yes.

**V. Lakshmi Narayana:** For nine months we did it around 83 Crores and we expect this to reach around 110 Crores.

**Dhiral Shah:** Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Akhil Parekh from Elara Capital. Please go ahead.

**Akhil Parekh:** Hi Srishant, just two questions from my side one is what is the current debt on books long-term as well as short-term and what is the average cost of borrowing for this?

**Challa Srishant:** Pardon can you just repeat that.

**Akhil Parekh:** Current debt on books long-term as well as short-term and the average cost of borrowing?

**V. Lakshmi Narayana:** In the term loan, we have debt of almost 320 Crores and average cost of funds are at 6% and working capital we have 115 Crores so the average cost of working capital is around 2.5%.

**Akhil Parekh:** 2.5% is it?

**V. Lakshmi Narayana:** Yes.

**Akhil Parekh:** One last question, Praveen Sir on the branded business how much is the retail rate and how many distributors have we appointed for our Continental Coffee?

**Praveen Jaipuria:** So currently as we speak we are reaching close to around 60000 retail outlets direct distribution and we almost have all inclusive institutional and retail put together around 600 distributors.



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- Akhil Parekh:** That is all from my side and best wishes for coming quarters. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Kawal Singh from Ambit Capital. Please go ahead.
- Kawalpreet Singh:** Just wanted to understand it is very heartening to see that the margin has been very good this quarter, but if I look at sales growth on a Y-o-Y basis and because freeze dried unit that was at 75% utilization level, so there must have been a significant drop in wage hike is that we have to think so?
- KVLN Sarma:** 75% utilization for the quarter not on an overall basis.
- Kawalpreet Singh:** Yes, quarter, yes Sir.
- KVLN Sarma:** Yes, there is a small reduction in spray dried utilization currently which again these orders are being done on retail pack basis, so the execution has getting blend. perhaps on the fourth quarter you will be able to see the retrieval of the volumes of spray dried as well.
- Kawalpreet Singh:** Sir but there is no case of our clients substituting previous orders of spray dried with new freeze dried right?
- KVLN Sarma:** No, I mean in the brand itself the spray and freeze are different so there is no substitution from spray to freeze in fact if it happens it is for the good only we will be selling a premium product in place of a base product.
- Kawalpreet Singh:** No, Sir that of course is much better, just wanted to understand like if our previous customers are substituting by spray dried or somewhere else or maybe discounting with this spray dried version?
- KVLN Sarma:** I do not think so because if they are into a brand obviously shifting the brand sourcing is very difficult and we have not seen any major shift or any major reduction in our major client's procurement profile.
- Kawalpreet Singh:** Sir last question from my end this is a follow-up to what the previous speaker has asked you was out that the news from Switzerland if I heard correct you said around 83 Crores in nine months so that is quite good compared to the last couple of years I think and it has been quite volatile also in the past so I wanted to understand what is the strategy there because I think you had said earlier that there is lot of retail outlets which wanted to do privately with



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you in those markets so how do you see this market growing from present levels over the next two three years?

**Challa Srishant:**

One we have seen a lot of potential in the EU market, the reason why we have not been tapping into this market in the past also as I had mentioned earlier, we were supplying earlier mainly to the repackers and resellers. Now with our Swizz director being present over there, he started approaching a lot of people locally and we started getting a couple of opportunities over there to start supplying to them directly and that is what we are seeing during the whole of last calendar year and this year as well that is the benefit that we are seeing that is coming in to the balance sheet now with these people as the base, we are quite confident that we can go after some larger retail business as well because most of the big retailers they want to buy from minimum five suppliers, the kind of volume that they buy is so high they cannot be dependent on any one supplier so we are trying to get ourselves approved as one of the five suppliers.

**Kawalpreet Singh:**

How do you see the growth opportunity over here, over the next two three years, would it be possible to increase this substantially make it double this volume would that be possible?

**Challa Srishant:**

Over the next couple of years yes it could be possible, but then again if we focus on that type of a volume growth again we will have to spend more money for Capex and going for further expansion also. Instead we are also looking at how we can balance things and reduce the dependence on the low margin business and focus more on the premium business that is one area that we are looking at. We are not going to let go of the volume business, but at the same time we are going to be focusing more on the premium business.

**Kawalpreet Singh:**

Great Sir thank you so much for throwing some color on this. Thanks very much. That is all from my side.

**Moderator:**

Thank you. The last question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

**Yogansh Jeswani:**

Sorry I missed out on the domestic sales figure that you gave for the quarter.

**Praveen Jaipuria:**

The domestic sales figures, I am just giving you an overall guidance for the full year, for the full year we are likely to close in with a figure of around 100 Crores so that is the guidance we had given and that is the guidance we are maintaining. So that is where we are likely to end the year with.



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- Yogansh Jeswani:** So, I think till H1 we had done about 35 Crores, right?
- Praveen Jaipuria:** Yes, so we have added another approximately 30 Crores in this quarter and yes, we are looking to maintain the momentum in the last quarter as well.
- Yogansh Jeswani:** Secondly sir on the export incentive side, so now that 2% MEIS has gone, do we have any clarity on the road ahead, if there will be any incentive from that to our industry and do we hope to get these 7% benefits back next year?
- Challa Srishant:** Firstly, that 7% has been reduced to 5% and now we just saw an article two days ago saying that because US is blocking this appellate authority from being constituted in the WTO, we do not know how long this MEIS can continue. there are talks that the government might extend the MEIS even beyond 31st March. So, whenever they are planning and discontinuing MEIS that is when the government is going to come up with an alternate system and give clarity on how much they are going to give. Most of the people in the industry are saying that one way or the other, government, in light of the decline in exports, is likely to continue to incentivize the industry within the country to promote exports. That is what we are hearing, but from our side we are prepared for whatever scenario that comes in.
- Yogansh Jeswani:** And Sir lastly on the standalone side of the business, so in previous con call we had discussed about how Q1 and Q2 are slightly lower and Q3 and Q4 are usually a better half for us and specifically on the freeze dried we had mentioned that Q1 and Q2 there were some checks by the clients done and those orders will be picked up in Q3 and Q4, however when we look at the quarter-on-quarter numbers, there do not seem to be any specific growth so was there any degrowth on the other side of the standalone business because then this number should have been a bit higher or is there a realization role in this?
- Challa Srishant:** To an extent there is a realization role also because the green coffee prices have come down compared to what it was in the previous year so part of it is because of that as far as absolute volumes are concerned there has definitely been an additional volume growth and next I mean the Q4 also there will be a further volume growth compared to Q3 and normal operation three and four are usually the best quarters for the company.
- Yogansh Jeswani:** How much was the volume growth? could you quantify that further that would be a great help for the overall standalone business if you do not want to break it then overall standalone would also help?



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**Challa Srishant:** Overall on a consolidated basis we have given a 10% to 15% volume growth as guidance for the year so we are still sticking to that.

**Yogansh Jeswani:** And Sir lastly on the Capex that you have mentioned for Vietnam and agglomeration to start in Q1 FY2021 and I think in call there was a mention about 4, 5 Crores of spend so far right did I hear that number right?

**Challa Srishant:** Around 3 or 4 million.

**Yogansh Jeswani:** 3 or 4 million.

**Challa Srishant:** Yes.

**Yogansh Jeswani:** That's it from my side. Thank you.

**Moderator:** Thank you. As this was the last question, on behalf of Nirmal Bang Equities Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.