CCL PRODUCTS (INDIA) LIMITED
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24th May, 2019

To

The Corporate Relations Department,
Bombay Stock Exchange,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.
Fax No.: 022-22723121/3719

Dear Sir,

Ref: Regulation 30 of SEBI (Listing Obigations and Disclosure Requirements) Regulations, 2015
Sub: Transcript of the conference call held on 14th May, 2019
Scrip Code: 519600

With reference to our intimation dated 10th May, 2019, informing you about the conference call with Analyst/Investor to be held on 14th May, 2019 above, 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**

Sridevi Dasari
Company Secretary & Compliance Officer

Encl: as above

"CCL Products (India) Limited
Q4 FY2019 Earnings Conference Call"

May 14, 2019

Analyst:	**Mr. Amit Agarwal - Nirmal Bang Equities Private Limited**
Management:	**Mr. Challa Srishant– Managing Director - CCL Products (India) Limited** **Mr. KVLN Sarma – Chief Operating Officer - CCL Products (India) Limited** **Mr. V. Lakshmi Narayana – Chief Financial Officer – CCL Products (India) Limited** **Mr. Praveen Jaipuriar – Chief Executive Officer – Continental Coffee Pvt Ltd** **Mr. P. S. Rao – Consultant Company Secretary – CCL Products (India) Limited** **Ms. Sridevi Dasari - Company Secretary – CCL Products (India) Limited**

Moderator: Ladies and gentlemen, good day and welcome to the CCL Products India Limited Q4 FY2019 Results Conference Call hosted by Nirmal Bang Equities Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Amit Agarwal from Nirmal Bang Equities. Thank you and over to you Sir!

Amit Agarwal: On behalf of Nirmal Bang Equities I would like to welcome you all to the fourth quarter FY2019 Results Conference Call of CCL Products India Limited. The management on the call is represented by Mr. Challa Srishant, Managing Director, Mr. KVLN Sarma, COO, Mr. V. Lakshmi Narayana, CFO, Ms. Sridevi Dasari, Company Secretary and Mr. P.S. Rao, Consultant Company Secretary. I would like to now hand over the floor to the management for the opening remarks followed by the Q&A. Over to you Sir!

Challa Srishant: Thank you for the introduction. Operationally the company has achieved a turnover of 1084.75 Crores for the year 2018-2019 as compared to 1142.84 Crores for the last year and the net profit is 154.89 Crores for the year 2018-2019 as compared to 148.13 Crores of last year. The EBITDA is 248.82 Crores and profit before tax is 204.64 Crores for the full year of 2018-2019. For the fourth quarter the company has achieved a turnover of 262.88 Crores and EBTIDA is 54.82 Crores. Profit before tax is 47.48 Crores and net profit is 35.64 Crores for fourth quarter. We have managed to operationally achieve these results in spite of losing one major customer and this was a one off incident where repackers that we have been supplying to more than 10 years had set up their own manufacturing facility very quietly, which we did not anticipate and in spite of this reduction, which is caused by this loss of this customer reduction turnover cost by this loss of customer. We had given a guidance of bottomline growth of 15% to 20% and after factoring in the dividend from the Vietnam subsidiary we have achieved 24% growth in bottomline. The final bottomline stands at 184.19 Crores. The guidance for next year is around 15% to 20% in terms of volume topline and bottomline. We are ready for questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Himanshu Nayyar from Systematix Shares & Stocks. Please go ahead.

Himanshu Nayyar: Hi Srishant and team thanks for taking my questions. Just to understand these numbers a bit better, would you able to quantify the loss of revenue on account of this client because what I see from the numbers our subsidiary revenue the India business is down by 31% year-on-year, so if you can give some more details on this?

Challa Srishant: Yes, so we are talking about almost 2000 tonnes that this customer used to buy it translates to around 50 Crores of topline revenue, it was low margin business, but there is an impact on the bottomline as well because of this.

Himanshu Nayyar: And we were serving this customer from Vietnam I guess right?

Challa Srishant: India and Vietnam actually.

Himanshu Nayyar: And can you breakup this 18% revenue decline in volumes and pricing as to how much are the coffee prices down year-on-year?

Challa Srishant: The coffee prices have come down almost about 10% to 15%.

Himanshu Nayyar: So that basically means that there is a volume decline as well in this quarter Q4-on-Q4 correct?

Challa Srishant: Yes that is correct, that is again major impact is because of this particular customer.

Himanshu Nayyar: Got it and the second explanation on the numbers our depreciation has almost halved and our other expenses despite a revenue decline have moved up by 30%, so if you can just give us what basically is driving that are there any one offs in these two items?

Challa Srishant: I think our CFO will answer that.

V. Lakshmi Narayana: Can you come again the question?

Himanshu Nayyar: One is depreciation seems to have halved both year-on-year and quarter-on-quarter and the other expenses have jumped up very significantly both year-on-year and quarter-on-quarter, so are there any one offs in these two items?

V. Lakshmi Narayana: No. The other expenses essentially are towards the increase in selling and distribution expenses.

Himanshu Nayyar: Because we have moved up by 30%, so I thought there could be certain one off items, which will not be repeated going forward.

V. Lakshmi Narayanan: No, they will not be.

Himanshu Nayyar: And what about depreciation it seems to have halved from 9 Crores run rate to about 4.5 Crores this time?

Challa Srishant: This basically there is a change in the depreciation policy in Switzerland. The method of charging the depreciation we have reassessed the lifetime of the assets and revised the depreciation policy at this operation hence there is a reduction in depreciation.

Himanshu Nayyar: So this run rate should continue going forward now these 5 Crores sort of a number?

Challa Srishant: Yes, it will continue at this level.

Himanshu Nayyar: Okay. The next question was on the working capital front. So are we seeing any significant pressure on our receivables because despite a decline again in topline our receivables have gone up 50 Crores and inventory as well has gone up by 18 Crores?

V. Lakshmi Narayana: Because of additional credit period, which we are extending to some of the new customers who are newly got into the business with us, receivables are increased.

Challa Srishant: Yes, I can answer this, this is pertaining to our US business as I had mentioned earlier we were aggressively looking at expanding our market share in the US so the partner that we are working with over there we have been working with them for more than 20 odd years and because they are working on a transparent way with us we are also extending additional credit to this particular customer of us. So we have never had any bad debts regarded with this customer and that is in the last 20 years of history, which is why in order to aggressively grow in this market we have extended him some additional credit.

V. Lakshmi Narayana: Yes, coming onto the raw materials increase, expecting the level of production that to continue considering even the customer whom we lost with around 2000 tonnes, we have procured the material and hence, there is an increase.

Himanshu Nayyar: Okay, got that and final question just to Srishant, seeing this weakness in coffee prices what is the very recent trend and what is the sort of outlook you can give us for this year how should green coffee prices would be moving?

Challa Srishant: As far as the coffee prices are concerned because of the crop in Brazil and in Vietnam and Indonesia, these are the main largest producers they are showing that there is a bumper crop this year as well. So we are expecting that the prices will be under pressure and lot of funds also have taken position saying that they are expecting the prices will not significantly move up anytime in the near future. Right now we are at almost an all time low, in fact we are saying that farmers have started hoarding coffee saying that they are not willing to sell at these levels any longer. This is why we are not expecting any sharp fluctuations like last year we expect that the coffee prices will come down, which is why we have given a guidance also accordingly, but from this point onwards we are not expecting the prices to go down more than this, which is why we are quite confident about giving our guidance for this year as a 15% to 20% growth in topline, bottomline and in volumes.

Himanshu Nayyar: Got that. Thanks I will come back in the queue for more questions. All the best.

Moderator: Thank you Sir. We have next question from the line of Akhil Parekh from Elara Capital. Please go ahead.

Akhil Parekh: My question is on the lost client, like we have lost almost 2000 tonnes of volumes and I believe we have acquired 20 new clients right, so we have been able to recoup that loss of 2000 volume during FY2020?

Challa Srishant: No, 2000 tonnes volume this person that we use to supply to was a repacker, so they use to buy in volume to supply to multiple small parties. The 20 new customers that we have acquired are again small volume guys. We might be able to recoup up to about may be 500 tonnes or so, realistically during this year, but not beyond that, but the good part for us is profitability will not get affected because these 20 customers will be able to generate the same profit that we use to get from the 2000 tonnes that we use to supply to this particular customer.

Akhil Parekh: That is because there is a small pack that is where the profitability will be?

Challa Srishant: Exactly.

Akhil Parekh: Sir how does our utilization rate stand at FY2019 for both India and Vietnam?

Challa Srishant: For Duggirala plant in India we were at optimum utilization for the last two years and even this year we are going to continue at the same level. For the SEZ we are talking about 50% utilization during this year and Vietnam will be at 90% utilization during this year, which is why we are going in for that additional expansion, which will be completed in this financial year itself.

Akhil Parekh: So at the end of FY2019 how much it was in Vietnam?

Challa Srishant: At the end of FY2019 it will be around 70% to 75% in that range, even now we are at 70% to 75%.

Akhil Parekh: In India it would have been around 80%, 85% right?

Challa Srishant: No, it was more than that; it is almost about 90% or 95% utilization that is the maximum that we can do.

Akhil Parekh: My next question was freeze dried unit have we started commercial operations?

Challa Srishant: Yes, on April 20, 2019 we started commercial production and we have been continuing since then.

Akhil Parekh: And we expect at least 50% utilization rate from this unit?

Challa Srishant: Yes in the first year.

Akhil Parekh: So we already have the order book increase?

Challa Srishant: Yes we do.

Akhil Parekh: My last question is for Continental Coffee Private Limited if you can please share the numbers in terms of how much the brand sales was, private label sales was and B2B sales, institutional sales?

Challa Srishant: Actually Praveen will be joining us in a few minutes once he comes I think he can talk in more detail about this. As of now broadly I think around 80 Crores was the turnover that we achieved in the domestic market for this year and about 35 Crores was the branded business, which was a substantial jump I think more than 100% growth was there for the branded business 100% to 150% growth was there for the branded business. Once he comes here I think he can give you more details.

Akhil Parekh: Alright. Sure. Thank you so much.

Moderator: Thank you Sir. We have next question from the line of Mihir Parekh from Dhanki Securities. Please go ahead.

Kaushal Shah: Kaushal here from Dhanki. Thank you for the opportunity. Sir I have few questions. For the Vietnam operation Sir I just noticed that we have posted a loss number at the net level. So if you can highlight some, can you give some colour on that and also if you can share some thoughts on the current year as to how the performance is likely to be. The second question was on the retail side one still notice that some freebee schemes were still going on at least in some supermarkets where I visited, so some thoughts on that and the kind of growth trajectory that we are looking for the retail operations?

Challa Srishant: Regarding the Vietnam performance we have actually done much better in Vietnam this year, I think what you are seeing is the consolidated numbers and it appears that there is a degrowth and it is because of an additional loss that we have booked from the domestic market, the projections that were given to us is at least about 14 Crores will be the additional expenditure that will be there for the domestic market in last financial year. So that is one of the reasons that loss when it gets consolidated with other subsidiary companies it appears that there is a slight degrowth, but if you look at Vietnam on a standalone basis there has been a significant growth in the profitability as well.

Kaushal Shah: Right and about the retail operation Sir?

Challa Srishant: Yes, retail operations actually Praveen has just joined us. Praveen the question that they are asking is they are still noticing that there are a couple of offers and all which are being made in the market, so what is the guidance going forward as well, what is the performance and guidance going forward?

Praveen Jaipuriar: So performance wise as we had stated last time we did a business of approximately 80 Crores, which is what we discussed last time, and as far as promotional offers are concerned, if you would have seen a couple of years ago when we started the operations we had much larger promotions so what we are doing is, we are taking step-by-step actions and we are lowering down promotions in each of the SKUs that we are present in. We can not pull the plug at one go. So mostly you will see the offers around larger SKUs, which are 50 gram bottles and 200 grams bag-in-box, but if you come to sachets, which form the large, part of the market there we are at par with competition and no additional offers are there.

Kaushal Shah: Sir if you can share the volume numbers for the last year both in India and Vietnam operations?

Praveen Jaipuriar: Actually as far as volume details are concerned we are not giving the detail breakup because it is becoming complicated for us. There are so many different products and again with competition and all that the more details that we give is becoming more problematic for us. So that is the reason why we are not getting into the details of volumes.

Kaushal Shah: If I understand this correctly the 15% to 20% kind of volume number growth that we are looking at that is on the 19 numbers after this drop of 2000 tonnes volume that we have witnessed?

Challa Srishant: Yes.

Kaushal Shah: Alright Sir. Thank you so much.

Moderator: Thank you Sir. We have next question from the line of Ankit Shah from Wealth Equity. Please go ahead.

Ankit Shah: Yes, thanks for taking my question. Sir firstly if you can give the breakup of domestic branded business between B2C and B2C for this year as well as the last year?

Praveen Jaipuriar: As I was telling you a while ago at an aggregate level we did a business of approximately 80 Crores out of which pure retail business, which is the B2C business was approximately 35 Crores and if you add APO, which is also because we supply it on our own brand that also was that was approximately 15 Crores. So 35 plus 15 if you were to say it is almost close to 50 Crores out of 80 Crores was branded business and the rest was bulk and private label.

Ankit Shah: What is this APO?

Praveen Jaipuriar: APO is the army order that we get, sorry it is not an order it is a tender which we participate every year and if we get that tender we supply coffee to army in our own brand.

Ankit Shah: Okay and Sir comparable numbers for last year if you can help us with?

Praveen Jaipuriar: So last year when I say 35 Crores of retail, this number last year was 9 Crores and APO was something very similar because their volumes do not change much so last year it was approximately 13 and this year we did 15.

Ankit Shah: And B2B part?

Praveen Jaipuriar: B2B part was constant the rest of it was there last year as well, so whatever growth you are seeing is largely on the retail side.

Ankit Shah: Sir can you help us with the coming year projections and if you can split the projection between B2B and B2C for FY2020?

Praveen Jaipuriar: Okay, so let me just give you a sense of what we are looking for next year. B2C business, which is currently at 35 Crores, we are largely looking to double this business next year. and therefore if you add up all the rest of the things like bulk and private label and others we will look forward to cross the 100 Crores mark next year.

Ankit Shah: Sure, got it. Sir next is on slightly better understanding the Q4 numbers. So the other expenses that was asked in the previous question has gone up significantly so we understand that okay there is some increased selling and distribution, but if you can give some more light or colour in terms of how is the trajectory likely to be in the future or there was something that we did this quarter, which could not repeat the next quarter or we have this 50 odd Crores per quarter run rate that is likely to continue on the S&D side?

Praveen Jaipuriar: Yes it will continue at the same level it depends on the volume of the sales that is going to happen it will go in proportion to the dispatches.

Ankit Shah: So I do dig a bit more into this, but Sir this quarter we had a significant volume cut and against that we had a significant jump in the S&D so has there something that has changed there or have we change something there?

Ankit Shah: Yes, so the selling and distribution expenses so in Q4 FY2019 we had a volume degrowth; however, we had about 30% increase in our selling and distribution expenses so in spite of a volume cut the expenses has gone up, so is there some change in strategy something that has changed in that or it is just a normal inflation?

Challa Srishant: It is only normal inflation and some of the dispatches have taken place to the US wherein the transportation is high number one, number two is the domestic business expenditure is also increased in Q4.

Ankit Shah: Okay. So domestic branded business is what you are saying?

Praveen Jaipuriar: Yes.

Ankit Shah: Okay that is helpful. Sir one more on the projections piece sir we were projecting about 15% to 20% growth in volume bottomline and revenues, this projection on the bottomline is we are talking about that 155 Crores bottomline or some other bottomline?

Challa Srishant: No, we are talking about the 184 Crores bottomline we are saying that there will be at least 15% to 20% growth on that. If you want to calculate on 154 also and exclude the dividend then also you can say there will be a 15% to 20% growth.

Ankit Shah: Okay, that is helpful. Sir just a last question that I have is, if we see over last three years FY2017, FY2018 and FY2019 our operating profits have broadly been stagnant so it is only about 3%, 4% annual growth in the operating profits that we are seeing. So I am taking operating profit because we taking this ex-coffee prices. So again we have understood that there is gradual volume growth that we are getting, so that per tonne operating profit we already believe that there is some stability in that, but is that coming of due to more competition or due to new customers or can you help us understand this slightly better?

Challa Srishant: Yes, see whatever we have been seeing for the last couple of years we have been basically adding new customers where we are focusing more on volume and capacity utilization and lesser on the profitability aspect, but for the last year-and-a-half what we have been doing is we have been focusing more on the small pack business as well, which is now gaining more and more traction that is also one of the reasons why we are setting up a packing facility for more than about 6000 tonnes of small packs itself. Now going forward we are not focusing only on the volume business, we were also focusing on the more profitable business that is one of the reasons why we are quite confident that there will be a substantial bottomline growth. If we were looking at only the volume business our profit will not be growing in proportion to the topline. As far as volume customers are concerned the business it has always been highly competitive and it is always low margin business as well. So which is why we were able to manage to show a growth in this year in spite of losing a 2000 tonne customer because it was low margin business unfortunately that customers under the illusion that we are charging 20% extra on supply interim, we are a public company everything is on record so he looks at our margins and all that and he thinks we are overcharging him. So that is why he setup his plant, now we are still in touch with this guy and we are giving him our prices he saying how is it possible that you guys are quoting lower than my manufacturing cost is what he is asking us. Would not be surprise tomorrow if he decides to sell his plant.

Ankit Shah: Right got it that makes sense. Okay sir I will come back in the queue for more questions. Thank you.

Moderator: Thank you Sir. We have next question from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Thanks for the opportunity. Sir just to make you repeat again, can you just elaborate like in the P&L we are looking somewhere around 166 Crores of net profitability so can you just elaborate about the dividend and how we actually accounted?

Challa Srishant: Yes, so I think our CFO can answer this.

V. Lakshmi Narayana: In consolidated accounts, we have eliminated the dividend as per the Ind-AS guidelines and under GAAP, the dividend accounted for Rs.29.3 Crores as other income.

Manoj Gori: Right. So next year when we are guiding about like 20% so we are guiding the range of 15% to 20% PAT growth?

V. Lakshmi Narayana: That is right.

Manoj Gori: So this would be around 166 Crores that we have actually delivered during the current year?

V. Lakshmi Narayana: 154 not 166.

Manoj Gori: Okay, so that would be on the operational profit side and sir if you can throw some light if we look at like 50% utilization rates for the freeze dried capacity so would it be spread across the quarters or there would be some heavy utilization in the second half or first half?

Challa Srishant: It is a spread of the whole year we have declared the commercial operations on April 20, 2019 and the remaining period is going to spread across.

Manoj Gori: Okay that would be great and in terms of expansion plans can you throw some light on the packaging rebate and also on the Vietnam plant like what is the capex that we intend to do and what would be the capacity additions and everything?

Challa Srishant: We are planning to have the packing and agglomeration facility it is going to be around 10 million. It is along with warehouse, agglomeration and packing facility totally it is going to be around 10 million.

Manoj Gori: 10 million USD?

Challa Srishant: Yes.

Manoj Gori: Okay and this would be like in the Chittoor plant?

Challa Srishant: Yes, it is adjacent to the Chittoor plant.

Challa Srishant: It is outside the SEZ in a DTA zone it is in Chittoor we bought more than hundred acres of land over there and only 30 acres is in the SEZ so this will be outside the SEZ, but in the same geographic location.

Manoj Gori: And Sir any light on Vietnam like what will be the capacity additions and what will be the capacity over there?

Challa Srishant: Yes our 3500 tonnes additional production capacity will be there and the investment is approximately around $8 million.

Manoj Gori: Going forward like this year we will definitely be guiding around 15% to 20% growth across the operational line items, but if we factor in the loss of 2000 tonne customer so is there any change in outlook for the future years outside FY2020?

Challa Srishant: No, because that impact is already there in last financial year so going forward our growth rate will remain the same, it is a one off situation we have taken that hit already in last financial year because of the loss of this customer, it is actually a very rare thing that a repacker or reseller gets into manufacturing and as I was mentioning earlier also we do not know how long he will be in manufacturing because he has no prior experience in manufacturing and the R&D and all that he has to start from scratch, which is also one of the reasons why it is that much easier for us to go after his customers now. So going forward there is a possibility that he might come back to us, but irrespective of whether he comes back or no whatever steps that we have taken a couple of years ago all that is materializing we are seeing volume growth coming in from other markets as well including the US market.

Manoj Gori: So in terms of value added products that we normally we sell like more premium blends or we sell smaller packs so what would be the total percentage right now as of today like for FY2019 of total sales?

Challa Srishant: I will say about 20% will be or less than 20% will be small packs and premium products we are going to increase that to at least 30% in this year.

Manoj Gori: And so when we say about 20% to 30% larger contribution would be coming from the Chittoor plant?

Moderator: Sir I am sorry to interrupt would you like to come back in the queue?

Manoj Gori: Yes, it is the same like continuation thing. So just a last thing so larger contribution would be coming from the Chittoor plant?

Challa Srishant: Yes, future larger contribution will be coming in from the Chittoor plant.

Manoj Gori: Right Sir. Thanks a lot. We will get back in the queue.

Moderator: Thank you very much Sir. We have next question from the line of Abhijit Akella from IIFL. Please go ahead.

Abhijit Akella: Good morning. Thank you so much for taking my questions. Just on the loss of the customer I just wanted to understand whether this is kind of a one off thing you are seeing in terms of this customer setting up a facility and is this in India that he has set it up and could there be a chance that other such potential customers would also consider doing these kinds of things has given the cost of production in India?

Challa Srishant: Yes, this customer set up the plant in Asia, not giving more details specifically because you never know we might get this guy back as a customer and I do not want to say anything regarding that. As far as whether it is a one off thing is concerned in the last 20 years we have never heard of something like this happened where a repacker decides to get into manufacturing it is always the other way round, manufacturers has realized that it is not really that economical for them to have a 2000 or a 3000-tonne manufacturing capacity which is why they are shutting down production. New players who are coming online they are coming online without any prior experience in coffee and that is one of the reasons why they will face challenges because getting into the coffee industry is not that easy it is a very small and closed network. Unless you have prior track record and a good history people will not treat you as a primary supplier, which is why time will tell whether it is viable for them to setup the new plant or not.

Abhijit Akella: Sure and just to clarify the impact of this loss of business was entirely in 4Q itself was it or was there some part in 3Q as well?

Challa Srishant: It was there in Q3 as well partially in fact at that point in time we did not know in fact when we have the last conference call also we had no idea that this guy has set up his own plant, he was promising us volumes he said that there is a demand shortfall at his end and he is going to give us that additional volume in Q4, but a couple of months ago when we spoke through some other sources we found out that he had already set up his own facility then when we spoke to him, he said yes he was getting into manufacturing. This is in there in Q4 and a partial impact in Q3 as well. So on a year-to-year basis around 2000 tonnes impact was there.

Abhijit Akella: Sure and the 15% to 20% growth that we are envisaging now for next year how much visibility do we have in terms of the customer wins that we need to sort of fill up those volumes?

Challa Srishant: We have visibility for the next one year definitely and for this one year we have already covered almost about 70% to 75% of our capacity. So it is still beginning of the year and we have already covered around 70% to 75% of what we have projected. So it is only the balance that has to get covered, which will get covered during the year.

Abhijit Akella: Right got it, no that is helpful. Also just to clarify there was a comment earlier on the call about the branded business loss of about 14 Crores in consolidated this year was that entirely in 4Q itself or was that also spread out over the year?

Challa Srishant: It was spread out during the year, but Q4 the expenditure was a little higher in fact when we were speaking to Praveen he was explaining that it is a good problem to have because competitors have taken us really seriously they have started giving offers in the market that they have never given in the past. So they are definitely trying to retain market share which is why we wanted to be more aggressive in the branded business, we wanted to ensure that we not only retain but gain additional market share as well. So we have imitated lot of advertisements and other systems have been put in place, which is why going forward also that expenditure is not going to reduce is what we wanted to clarify and most of this expenditure is going towards the branded business because we want to grow the branded business in a more sustainable manner.

Abhijit Akella: Got it. One last thing and I will come back in the queue. The freeze dried plant the 50% utilization will start right from April onwards is it?

Challa Srishant: Yes, that is correct. The actual impact you will start seeing from Q2 onwards, Q1 we have already started supplying to customers, we are getting the product approvals and all that also there are certain certifications and we have to get done all of them. So it might be a little slow in Q1, but Q2 onwards it will pick up more.

Abhijit Akella: Okay great. Thank you so much. Wish you all the best.

Moderator: Thank you Sir. We have next question from the line of Kanwalpreet Singh from Ambit Capital. Please go ahead.

Kanwalpreet Singh: Thank you Sir. Thank you for taking my call. Sir just wanted to get a sense you said the receivable days have gone up because you are providing more credit to our US customer can you give us a sense as to what that difference is compared to other customers?

Challa Srishant: Normally with other customers we work on a CAD basis or this provide us with an LC sometimes with 30 days and all that with this particular customer we are giving about 180 days credit.

Kanwalpreet Singh: Okay right. Sir what kind of revenues do you clock from this customer as a percentage of your total?

Challa Srishant: We are talking about approximately around about 60 Crores or so.

Kanwalpreet Singh: On a full year?

Challa Srishant: Yes on a full year basis.

Kanwalpreet Singh: Okay right, and you also said that this is done primarily so you can increase your market share in the US just wanted to get a sense what kind of volumes have we added probably over the last one or two years?

Challa Srishant: Last year was actually a transition year for this particular US customer of us earlier we were working with his father once he took over the business now we started working with him and last year it was mainly maintaining the existing business plus growing by around 5%, 10%, this year he is expecting at least another 20% to 30% growth in the US market alone.

Kanwalpreet Singh: And Sir what would this be on the back of, has the US market changed dramatically because I remember in concalls earlier you had said that there is some new law, which is coming out and that might be helpful to us?

Challa Srishant: In fact that law is getting implemented. As of now we just got a notification couple of weeks ago saying that March 2020, this law is getting implemented. The government is going to focus on economic adulteration and they are focusing on the health of the citizens as well, so once that law gets implemented we are expecting higher volumes, but we did not want to depend only on the law to get changed, which is why we changed our strategy completely for the US market. We have partnered with him in a more transparent manner, now we have access to all the customers that he is supplying to and he is taking our help in creating new products. Earlier when we were working with the father we were working with only three or four products now we are offering the entire product portfolio that we have to these customers, which is also one of the reasons why our volumes are growing.

Kanwalpreet Singh: Okay right. Sir could you give me a sense on what your present receivables, what percentage of it would be from the US business?

Challa Srishant: I think our CFO will answer that.

V. Lakshmi Narayana: It is around 3% of the total receivables from the US business.

Kanwalpreet Singh: Out of total receivables 3% from the US?

V. Lakshmi Narayana: Yes, because we did the majority of the businesses in Q4.

Kanwalpreet Singh: Okay right. Sir from the customer, which you have lost are there any receivables?

Challa Srishant: No nothing at all. On a CAD basis so we would not have any receivables or bad debts that way.

Kanwalpreet Singh: Okay right, so you do not expect any write-offs on this receivable amount?

V. Lakshmi Narayana: Nothing at all.

Kanwalpreet Singh: Okay. Sir on the other end I also see that your payables have also increased drastically, so wanted to get a sense on that?

V. Lakshmi Narayana: Actually as I stated earlier we have procured more green coffee expecting that the loss of customer 2000 tonnes capacity requirement as well. Because of that there is an increase in the trade payables.

Kanwalpreet Singh: Sir but would not the terms of your procurement and payment period would then increase drastically?

V. Lakshmi Narayana: No it remains the same like earlier year.

Kanwalpreet Singh: Okay. Sir also I see this item on the balance sheet the other financial liabilities that has also increased by about 70 Crores compared to last year so what is the nature of these liabilities?

V. Lakshmi Narayana: Basically there is increase in the working capital utilization and also there is an increase to the extent of the term loan repayments falling due in next 12 months which is accounted under current liability.

Kanwalpreet Singh: Right Sir, but what is the nature of this because the quantum is quite big over there even compared to other items?

V. Lakshmi Narayana: There is a term loan(s) repayment liability of Rs.40 Crores which includes term loan taken for SEZ .

Kanwalpreet Singh: Right.

KVLAN Sarma: There is a repayment liability they spent up about 40 Crores within this.

V. Lakshmi Narayana: Yes, US$ 6.25 million is the liability payable in next 12 months.

Kanwalpreet Singh: 40 Crores of repayment of term loan?

V. Lakshmi Narayana: Correct.

Kanwalpreet Singh: Okay Sir. That is all from mine. I will join back into the queue.

Moderator: Thank you Sir. We have next question from the line of Harish Shiyag, who is an individual investor. Please go ahead.

Harish Shiyag: This is regarding the lost customer we are talking I just want to clarify it is a 2000-tonne loss of sell for the year or it was only for the last two quarters?

Challa Srishant: The 2000 tonnes for the whole year we lost out, but this is the same 2000 tonnes we expect normally this customer buys in Q3 and Q4.

Harish Shiyag: I understand now, now it is very clear now and we have nearly 400 Crores in the capital WIP, which will get capitalized in the near future so are we capitalizing interest also on this loan taken for this capex?

V. Lakshmi Narayana: Yes, up to 2019 i.e till the date of declaration of commercial operations, it goes for capitalization.

Harish Shiyag: Can you quantify what was the interest capitalized in FY2019?

V. Lakshmi Narayana: It is $900000.

Harish Shiyag: Thank you and all the best.

Moderator: Thank you Sir. We have next question from the line of Vikas Rastogi, individual investor. Please go ahead.

Vikas Rastogi: I heard you mentioned a figure of 184 Crores, but I am not finding it in your earnings thing so could you just help me with that?

Challa Srishant: Yes, so based on the Ind-AS system we have to exclude the dividend that is being declared from the Vietnam entity to a parent company. The amount is 29.3 Crores if you add these 29.3 Crores to the 154.89 Crores it rise up to 184.19 Crores.

Vikas Rastogi: And this practice of taking dividend from the Vietnam subsidiary you have been doing it in the past also right Srishant?

Challa Srishant: No this is the first time that we have declared a dividend from Vietnam and going forward every year we will be declaring a dividend from there as well, which is why I mentioned earlier that whether you want to take it as 15% to 20% growth on 184 Crores or whether you take it on 154 Crores it does not matter because both sides there will be a growth of at least 15% to 20%.

Vikas Rastogi: Alright, thank you. Just one more question Srishant. See I understand that you cannot share the tonnage of sales that you made for competitive reason, but yet at the same time even that revenue topline also keeps fluctuating based on the green coffee prices. So my question is that what would be a sort of a good proxy to understand the kind of growth that the company is seeing should I just take revenue from operations minus cost of materials is that the proxy that I should track?

Challa Srishant: See one issue that we have over here the reason why we do not focus too much on the topline growth is because sometimes like today the green coffee prices are in the range of $1300 per tonne a couple of years ago they were at $3000 per tonne, so if you were doing the same volume a couple of years ago our turnover would appear as if it is more than 2000 Crores. So it is very misleading if you go along the lines of only turnover profit would have still remained exactly the same because we work on a cost plus basis. This even I can give guidance only because we are expecting the prices to remain at similar levels as what they are, plus or minus 85% or something like that which is why we are quite confident about 15% to 20% growth even on the topline for this year.

Vikas Rastogi: So that was exactly my point Srishant see because of the green coffee prices fluctuating I cannot really say that because the topline has grown by ex percent you have sold ex percent more of coffee right, so my question was instead that should I just take revenue minus cost of goods sold as a proxy for the amount of the quantity that you have sold?

Challa Srishant: To get an approximate idea yes you can do that, but one thing you have to keep in mind is that year-on-year it is not always the exact same customers that you will have and the exact type of business. Our intention also is to go after little bit more premium business, more value addition as well. So sometimes strategically we might compromise on a little bit of volumes in order to get more premium realizations.

Vikas Rastogi: Okay Srishant thank you for answering my questions.

Moderator: Thank you Sir. We have next question from the line of Ayush Bhutada from Aequitas Investments. Please go ahead.

Ayush Bhutada: Sir I wanted to understand what was our total advertisement expenditure figure for the year?

Challa Srishant: Pardon.

Ayush Bhutada: Our total advertisement expenses selling and distribution expenses and other expenses?

Challa Srishant: The total advertising expenditure was approximately 10 Crores or so.

Ayush Bhutada: Was approximately 10 Crores okay.

Challa Srishant: This is just the advertising expenditure, but if we were to add other S&D expenditure in the domestic market, which is about the other aspects of S&D that will be additional 10 Crores or so.

Ayush Bhutada: Additional 10 Crores okay. So Sir in a Continental Coffee we had revenues of total 80 Crores right in FY2019?

Challa Srishant: Right.

Ayush Bhutada: So what would be the outlook for FY2020?

Praveen Jaipuriar : So in my previous thing I had mentioned out of this 80 Crores there was 15 Crores of APO and bulk and the rest of 35 Crores was branded business. So the branded business we are looking to double the turnover for that, so this year we look forward to cross the 100 Crore mark, so that is the broad outlook in terms of domestic business.

Ayush Bhutada: Right and entire amount we are out of this we are spending on advertisement right?

Praveen Jaipuriar: A lot of it will be on advertisement but a large part of it will also be on things like S&D, and a portion will be below the line activity, so all of that will add up to the total expenditure.

Ayush Bhutada: And I wanted to ask on our Switzerland subsidiary so what was our sales and PAT figure for the year?

Challa Srishant: Sales we did a turnover of 38 Crores and we ended up with a profit before tax around 77 lakhs.

Ayush Bhutada: 77 lakhs?

Challa Srishant: Yes.

Ayush Bhutada: And in the last call you had mentioned that it has secured some orders for three years so what is exactly the outlook for our Switzerland subsidiary here?

Challa Srishant: Yes, going forward from this year onwards we are expecting much better profitability also from the Swiss unit because we took part in certain tenders for the European supermarkets and for about four supermarkets we get approved as L1. So we have to just revise the price based on a particular formula at the end of every year, but we are going to be supplying from the Swiss entity for the next three years to these four customers.

Ayush Bhutada: Okay, so what kind of numbers can we expect?

Challa Srishant: We are looking at a decent growth over there. As far as I think bottomline is concerned maybe around $500000 at least is what we are looking at in the bottomline for the Swiss unit.

Ayush Bhutada: And regarding the 14 Crores loss in the domestic branded business can you just repeat that part I did not quite get it?

Challa Srishant: What we had mentioned is on an MIS level we said that we will be spending around 14 Crores more than what we are generating. So that is the additional cost to the company is what we had projected and this year also we are projecting a similar amount will be an additional apart from whatever the CCPL is able to earn from their operations additional support being given by the companies to the extent of about 14 Crores on an MIS basis.

Ayush Bhutada: Okay the additional that we will be spending?

Challa Srishant: Yes additional spending.

Ayush Bhutada: What was the sales and PAT figure for the year for our Vietnam subsidiary?

V. Lakshmi Narayana: Sales we did a turnover of Rs.264 Crores as against Rs.297 Crores of the last year and the profit before tax it is Rs.67 Crores.

Ayush Bhutada: Profit before tax is 67 Crores, so had a capacity utilization improved during the year compared to last year?

Challa Srishant: Yes it is improved the capacity utilization we have 75%.

Ayush Bhutada: Okay Sir. That is it from my side. Thank you.

Moderator: Thank you Sir. We have next question from the line of Kishan Gupta from CD Equisearch. Please go ahead.

Kishan Gupta: Basically I want to understand how much was the volume growth of the consolidated entity?

Challa Srishant: Consolidated entity, so overall if you look at it there is almost 2000 tonnes on a consolidated basis where we have lost out because of this one customer so it is more or less a flat growth with respect to volumes. Its volume is comparable to the previous year.

Kishan Gupta: So are you adding back that 2000 and then saying flat growth?

Challa Srishant: No, without adding that I am saying it is a flat growth.

Kishan Gupta: Flat growth, so basically you said that you have already done 70% to 75% of your volumes for FY2020 in the first few months of this year so how is it different from last year like?

Challa Srishant: Last year one of the things is we had covered only about 60% of our volumes at the beginning of the year and later on during the year we were suppose to cover the balance and customers like this where we had anticipated that volume because we were in constant discussions with the customers we actually even ended up procuring the raw material for this particular customer in anticipation that we will be getting the orders because we have more than a 10-year track record with this customer. This year we did not want to take a chance like this, which is why we were a little bit more aggressive with our selling and insisting on customer confirmations in advance. Keeping in mind the volume targets that we have we wanted to ensure that unlike what we did last year about 50% to 60% this year we were targeting around 70% to 75% we wanted to get order confirmations prior to the beginning of the financial year, which is what we did.

Kishan Gupta: Can you elaborate more on the 15%, 20% volume growth how will you go about it?

Challa Srishant: Yes one with respect to our US business we are expecting at least 20% to 30% growth over there, apart from that we have added a couple of other customers where we are growing our volumes with them. A couple of customers lastly on the year before that we went on an aggressive volume growth if you see our numbers you will notice we were adding these customers with certain basic products. Now that we have established a track record for almost two years with them we have become eligible to supply some premium products to them as well, which we have already sold to them now, which is one of the reasons why we are saying that around 70% to 75% is already covered for the year.

Kishan Gupta: Sir most of this growth will come from which market I mean India or the Vietnam market?

Challa Srishant: No, it spread throughout India also there will be a growth because the branded business is growing, but if you look at the overall big picture Indian consumption is less than 7% of our entire Indian production actually. So that is still very miniscule for us, our maximum growth is coming from let it be from US, Asia as well as Europe. Europe also I just mentioned about the new supermarkets that we got, which we never had before because we have a bonded warehouse in Switzerland today we were able to get this new supermarket business as well.

Kishan Gupta: So basically as you said you worked on cost plus basis so how come you were able to buy green coffees much in advance before order confirmations?

Challa Srishant: Yes, because of the track record with this customer what has happened in the past is this customer he always says that he wants to buy with short time for us to procure the raw material they takes us at least one to two months to procure the raw material and this customer normally gives us only about five to ten days time in order to produce and dispatch. So we have taken a call that yes it is worth covering the raw material in advance for this customer because we genuinely expected that the volumes will be there and at that particular point in time when the market was also on a downward trend we were able to buy the coffee at a good price. So since we got an opportunity we bought the coffee and good thing for us is we are able to utilize coffee at the end of the day the base material for most of our customers so we are able to reutilize that coffee for other customers as well. So there is no negative impact for us, normally it is always on a cost plus basis, but operationally we have to buy some coffee in advance in order to execute orders.

Kishan Gupta: Okay thanks indeed.

Moderator: Thank you Sir. We have next question from the line of Rohan Gupta from Edelweiss. Please go ahead.

Rohan Gupta: Sir thanks for the opportunity. Sir once again coming back on this lost customer as of now what we understood our business model is that we have a pretty strong business model in terms of customer relationship given this customer had a 10-year-old relationship, but still we lost the customer. So there are two questions here that is our business model is changing where our customers see us that we are making higher margin than them probably and that is why there is going to be arm twisting from their side to us, which can affect our margins going forward that is number one. Second are we also cautiously continuously moving from the large manufacturer to small retailer customers as a business model change?

Challa Srishant: Actually for both your questions the answer is yes, there is a change in our business model also because we want more instead of focusing mainly only on volume or bulk supplies we wanted to get into more small packs. The stickiness of the business is higher if it is small packs, brands especially they want something, which is unique, they want a good quality product and because the brand is usually being sold at a much higher price they are willing to pay the manufacturer a higher amount. Earlier the repackers that we use to supply to they use to keep the higher margins, but by slowly transitioning we do not want to be overly dependent on repackers any longer, which is why we are going after the small pack business we built an entire marketing team to just do this particular work to get more small pack customers. As far as losing this particular customer is concerned whether other people are capable of doing something like this anything is possible, but is it likely to happen it is very unlikely. I had mentioned this earlier also most of the people in the world they are shutting down their manufacturing capabilities, retaining only the blending and packing capabilities and they are operating in most parts of the world. In a situation like that this guy went the other way round and we are still constantly in touch because we have a long relationship with the customer we are still in touch with the customer and we are still saying that if you have any stop gap requirements we are still available though you have your own manufacturing unit, we do supply to manufacturers even till date because this sometime certain qualities that they cannot manufacture at their end so our relationship is still active and the recent comment that we got from this customer is he was very surprised to know that the prices that we are offering is lower than its cost of manufacturing that is when we again explain to him saying that for repackers we work on very low margins and because of our economies of scale we can be more aggressive in our pricing than what he can achieve.

Rohan Gupta: And those 20 new customers which you have added some of them are from this existing reseller only to whom he was supplying?

Challa Srishant: Yes, some of them are they used to buy from him in fact lot of these brands they buy from four, five other suppliers as well. We manage to secure this business because earlier we did not want to go after this business because it will be competing with our own customer, but now since there is no reason for us to not go after the business we decided that we will approach the customers and pitch for it and since we were supplying the base product we were able to easily match and supply the product and we were able to give a good pricing to the brand owner as well, which is why we were able to convert them.

Rohan Gupta: But Sir going micro in terms of our supply chain and doing business with this retailer small guys, so there is a risk to money and higher inventories is not it?

Challa Srishant: Not at all because we always brought on a CAD basis with all these people, any new customer especially the small pack we have a very strict policy when they are giving the order they have to pay 100% packing advance. If they cancel their order because they are procuring the packing material they lose this as a deposit, if they execute the order before dispatch 100% prepayment has to be there this has been a policy right from the inception of the company especially new customers there is no question about giving credit that is one of the only reasons why till date we have never had to record any bad debts in the company that has been a USP right from the beginning.

Rohan Gupta: Getting once again in the current quarter numbers. If you divide equally our roughly 30000 tonnes of total annual production roughly 7500 tonnes per quarter and if this quarter we have seen some 1500 to 2000 tonnes volume loss it means we are talking about roughly 25% roughly drop in volume in this quarter itself, green coffee as you said that also down by almost 10% it means that further price led the growth of 10%, but that is not getting reflected in a consolidated revenue, so that revenues are still down only by 18% while this math suggest there should have been down by almost 35%. So where is the disconnect there?

Challa Srishant: The degrowth as we explained the 2000 tonnes loss of a customer is not happened only in this quarter partly it is related to the previous quarter and this quarter as well.

V. Lakshmi Narayana: I have already explained this earlier for one of the previous questions.

Rohan Gupta: Okay so second half complete degrowth is only contributed and this was also buying our freeze dried product as well?

Challa Srishant: No, he was buying only spray dried.

Rohan Gupta: He was only in the spray dried?

Challa Srishant: Yes.

Rohan Gupta: So once we are commissioning our freeze dry plant this year so we have this year now target to also compensate for this 2000 tonnes loss in volume in spray dry and incremental 5000 tonnes, which is coming in freeze dry so we have now vacuum of almost 7000 tonnes to look at in current year we may not be looking freeze dry running at almost 100%, but I think that the volume gap, which we have to fill this year is pretty high, so do you see that there can be some possibility in terms of we are not able to run our plant at a higher utilization, which can affect our overall operating leverage and margins.

Challa Srishant: No actually this 2000 tonnes whatever loss that is there we have already taken that hit in last financial year, going forward using last year's numbers as a base they are saying that there will be a 15% to 20% growth getting another new customer, which is high volume low margin is not a very easy proposition it takes years of development and all that which will take some time. So we are not factoring in any sudden increase in volumes because of that. In spite of losing that customer we are saying that we will continue our growth rate of 15% to 20% this year and hopefully the next year onwards as well, which is why we are building that additional capacities also now.

Rohan Gupta: And 15% to 20% we are only talking about volume growth not any impact of pricing because green coffee prices are pretty volatile?

Challa Srishant: Yes, we are talking about not only volume growth we are talking about topline, bottomline and volume growth of 15% to 20%. This is the only year that we can confidently say this because the green coffee prices are at an all time low and we are frankly not expecting it to go lower than this.

Rohan Gupta: Just a last question on this. So we are now in a strong cash flow generation and also bringing money from our subsidiary so at a parent level on CCL what would be the focus here giving the dividend increasing the dividend payout for the shareholders or also repayment of debt?

Challa Srishant: It is actually we are increasing the dividend payout also, but because there is more debt on the books because of the new plant and because we are going in for additional expansion as well this additional funds will be utilized for that. We are doing a $10 million expansion for small packs we are increasing the capacities there, we are doing a $8 million expansion in

Vietnam, these two things are coming in this financial year itself so the additional amounts will be utilized for this purposes.

Rohan Gupta: This $10 million you are talking about would be in Switzerland packaging unit?

Challa Srishant: No $10 million will be in India outside the SEZ in Sullurpeta, Kovakulli.

Rohan Gupta: Okay this is incremental, which you are talking about?

Challa Srishant: Yes, this will be packing agglomeration and packing there will be additional agglomeration capacities that we are building plus .

Rohan Gupta: If I understand rightly this was not our plan earlier it was only $8 million incremental in Vietnam, which you have been talking about?

Challa Srishant: No this was that you can look at the last couple of conference calls also we have clearly mentioned that both are going to be there. It has been more than six months that we have informed this.

Rohan Gupta: Okay thanks Sir. Thank you so much for the answer.

Moderator: Thank you very much Sir. Ladies and gentlemen, due to time constraint that was the last question. I would now like to hand the conference over to the management for closing comments. Sir over to you.

Challa Srishant: Thank you again for organizing this call. I think we have answered all the questions. If anyone else has any queries they are welcome to contact our office and we can clarify whatever unanswered questions are there. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of Nirmal Bang Equities that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.