



25<sup>th</sup> May, 2021

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 22<sup>nd</sup> May, 2021  
Scrip Code: 519600**

With reference to our intimation dated 17<sup>th</sup> May, 2021, informing about the conference call with Analysts/Investors to be held on Saturday, 22<sup>nd</sup> May, 2021, 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

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“CCL Products India Limited  
Q4 FY2021 Earnings Conference Call”  
May 22, 2021



**ANALYST: MR. ABISHEK NAVALGUND- NIRMAL BANG  
EQUITIES PRIVATE LIMITED**

**MANAGEMENT: MR. CHALLA SRISHANT – MANAGING DIRECTOR –  
CCL PRODUCTS (INDIA) LIMITED  
MR. K.V.L.N. SARMA – CHIEF OPERATING  
OFFICER - CCL PRODUCTS (INDIA) LIMITED  
MR. V. LAKSHMI NARAYANA – CHIEF FINANCIAL  
OFFICER - CCL PRODUCTS (INDIA) LIMITED  
MR. P.S. RAO – CONSULTANT COMPANY  
SECRETARY - CCL PRODUCTS (INDIA) LIMITED  
MS. SRIDEVI DASARI – COMPANY SECRETARY –  
CCL PRODUCTS(INDIA) LIMITED  
MR. PRAVEEN JAIPURIAR –CHIEF EXECUTIVE  
OFFICER – CONTINENTAL COFFEE PVT LTD  
MR. B. MOHAN KRISHNA – EXECUTIVE DIRECTOR  
CCL PRODUCTS (INDIA) LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to the CCL Products India Limited Q4 FY2021 Earnings 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 that this conference is being recorded. I now hand the conference over to Mr. Abishek Navalgund from Nirmal Bang Equities. Thank you and over to you, Sir!

**Abishek Navalgund:** Thank you, Stanford. Good evening everyone. On behalf of Nirmal Bang Institutional Equities, I would you all to Q4 FY2021 earnings call of CCL Products India Limited. From the management side, we have with us Mr. Challa Srishant – Managing Director; Mr. B. Mohan Krishna- Executive Director, Mr. K.V.L.N. Sarma – Chief Operating Officer; Mr. Praveen Jaipurkar – CEO of Continental Coffee; Mr. V. Lakshmi Narayana – CFO; Mr. P.S. Rao – Consultant, Company Secretary; and Ms. Sridevi Dasari – Company Secretary on the call today. Without further ado I would like to hand over the call to Mr. Challa Srishant for his opening comments and then we will open the floor for Q&A. Thank you and over to you, Sir!

**Challa Srishant:** Thank you for the introduction, Abishek. I would like to welcome everyone to this call and I hope everyone is keeping safe during these difficult times. As far as the company is concerned, despite COVID last year, we are pleased to now declare the following results. The turnover for the financial year 2020-2021 was 1245 Crores as opposed to 1143 Crores of the previous year. The EBITDA was 301 Crores as opposed to 290 Crores from the previous year. The profit before tax is 234 as opposed to 225 Crores from the previous year. The profit after tax is 182 Crores as opposed to 165 Crores from the previous year. For the current year, the guidance that we are giving is in the range of 10% to 15%, which is again subject to a lot of variable factors especially COVID, how things span out going forward, how strict the lockdowns are, and these variable factors, which are not in our control, but we will endeavor to do our best to achieve slow trajectory like we have been doing in the previous years as well. We can open up the floor for questions.

**Moderator:** Thank you very much, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Jignesh Kamani from GMO & Co. Please go ahead.



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**Jignesh Kamani:** Srishant and entire team, congratulations for good set of numbers. Sir, I just want to know on the container availability, in third quarter we mentioned that close to 50 Crores to 60 Crores product we could not dispatch because of the container unavailability, so set two, the entire product got dispatched into fourth quarter and right now there is no issue in the container unavailability?

**Challa Srishant:** I think most of these questions, Mr. Sarma will answer.

**K.V.L.N Sarma:** As I told in the call itself, we have optimized our business operations by utilizing incoming containers and all that, so you would see in this quarter, last quarter particularly, our dispatches were high and if you see our financials, we will see that the old inventory has moved up, there is accretion to the inventory that means we were able to dispatch substantial quantities, but on a continuous basis we will have some inventory for which the schedules may not be there and the preshipment samples must have an approval and all that, but during March we were able to substantially solve this issue and was able to dispatch major quantity.

**Jignesh Kamani:** We did accumulate earlier of close to 28 Crores from the MEIS subsidy, anything we received in the fourth quarter or still we have not received anything?

**K.V.L.N Sarma:** In the fourth quarter we did not receive anything.

**Jignesh Kamani:** Understood and my last question on the Russian demand has been pretty weak because of the COVID lockdown, how is the current scenario particularly for the high margin freeze dry coffee?

**Challa Srishant:** That has actually started recovering from last quarter itself that is one of the reasons why there was increase in sales and dispatches also, so the same thing is happening this year as well. Lot of things are coming back to normal level there. Now Russia has also taken a lot of proactive measures and all that over there, so things are significantly improving there.

**Jignesh Kamani:** Understood, Sir. Thanks a lot. I will come in queue for the followup question.

**Moderator:** Thank you. The next question is from the line of Mayur Patel from IIFL Asset Management. Please go ahead.



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**Mayur Patel:** Just one question, overall the performance was very good, but only reason behind the softness in Vietnam and how do you see the recovery in Vietnam going forward?

**K.V.L.N Sarma:** Vietnam we did optimum utilization during the current year and it will continue, in fact we are enhancing the capacity there so we are expecting better performance in the coming year.

**Mayur Patel:** Also the margin you think Vietnam has been improving going forward?

**K.V.L.N Sarma:** Vietnam margins will improve on various counts, one is of course superiority of the product itself and then as we are in the heart of coffee land, the working capital requirement vis-à-vis working capital financial cost will be lesser and in fact one other thing to be noted is that as the original plant is also getting depreciated in two to three years, so the depreciation on an account of the old plant might also come down, so there is a possibility for improvement of margins in Vietnam as such of course right now we are doing some line balancing and augmenting the capacity. We are seeing a bit of traction and we might be inclined to double the capacity.

**Mayur Patel:** Sure, Sir. I will join back in the queue.

**Moderator:** Thank you. The next question is from the line of Rupin Shah from Incred Asset Management. Please go ahead.

**Rupin Shah:** Hi, Srishant. I have a couple of questions; first one on gross margin, so we have shown sharp sequential improvement in last quarter and Y-o-Y sale, so is there is any seasonality in 4Q that the companies report the higher gross margin 4 Q every time or it is mainly because of the change in product mix towards the freeze-dried portion, is it sustainable every quarter basis now?

**K.V.L.N Sarma:** I must say during the last quarter freeze-dried dispatches were substantially high and it depends on the product mix. If I am selling most of the small packs and all that during the quarter it might vary so it is better we always take it on a Y-o-Y basis because this cannot exactly replicate to be in the subsequent quarters, where during last quarter etc., that being a season, people wanted a packed product, which can go into supermarkets directly, so may be during summer season they may not want the product in a packed



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from where they will purchase in bulk ,where this gross margins, etc., will get changed, so on a Y-o-Y basis there is a consistency and it is sustainable as well?

**Rupin Shah:** Srishant, can you specify the contribution from freeze-dried currently in volume in Q4 and FY2021?

**K.V.L.N Sarma:** FY2021, we were able to operate our freeze-dried capacity only to the extent of about 62% only because of the compulsive lockdown that we went through and then because of the Russian orders deferment and all that,this year there should be an improvement on that.

**Rupin Shah:** Secondly on volume guidance, you have given 10% to 15% volume growth for FY2022, so can we taking in mind two scenarios one is the pain situation of logistic issue currently you are facing so what kind of volume growth if possible considering this current situation and the second one you will see some good improvement in the space and the lower freight rate benefit then what could be the volume growth for FY2022?

**K.V.L.N Sarma:** What was the second one that you mentioned? One is on the logistic and second one?

**Rupin Shah:** Second one is the improvement from here, the space availability and the lower freight rates, so what kind of volume growth one can see for FY2022?

**K.V.L.N Sarma:** See, we have taken, the disruptions are there and perhaps we must have made a small discount for these disruptions as well. Confidently we can say it will as I have stated 10% or so at present so we will review at the end of the first quarter or around second quarter whereby the peak season commences by the time if there are no further disruptions and things ease out, may be we will revise it better realization.

**Rupin Shah:** Understood and lastly, Srishant in this first sales like when you do not supply to the overseas client on timely basis because of some system related issues so what is your experience in terms of relationship with the client? Do they discontinue it completely or for short-term they arrange for somewhere else or they simply wait for the things to normalize?

**K.V.L.N Sarma:** Last year disruptions were worldwide, this is not very specific to India as such, so there was no alternative source for them also. In fact, in many cases we have taken an initiative



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to organize faster supplies wherever they are not able to manage the containers or logistics from their end; we have managed and sent them. There were no major complaints from the customers because all of them new that this has been the case and perhaps second thing that what we have been doing is that we have warehouse in US and our own custom bonded warehouse in Switzerland where there are some stock resource, there was no desperate situation that has come to any of our customers as such. Of course the delays were there to the extent of reorder levels or minimum levels to be required, but there was no total out of sales situation in any of our customer's places.

**Rupin Shah:** Thank you.

**Moderator:** Thank you. The next question is from the line of Hemanshu Iyer form Yes Securities. Please go ahead.

**Hemanshu Iyer:** Good afternoon team and congrats on a good set of numbers. Sir, just wanted to understand the current quarter number, if you can give some more details as to what has happened in Vietnam because if I do the calculation the margin seem to have come off sharply from historical levels while it is completely reversed and the India business margin seem to have made new all time high, I am talking on a EBITDA and even on the topline front the momentum was we were seeing for the last couple of quarters sequentially it looks as though the utilization have come up, so is it a one off issue where some shipments are stuck out there or is it something else if you can just explain the Vietnam performance for this quarter?

**K.V.L.N Sarma:** Vietnam current year and speaking about the year that has passed 2020-2021, 2021 we are almost consistent in Vietnam, quarter-to-quarter there may be a few variations here or there, one of the customers may have asked for a small reschedulement and all that otherwise there is no major large variations in Vietnam.

**Hemanshu Iyer:** Understood and second thing, the enhanced capacity when is that now expected to come on stream because I believe there have been some delays in that?

**K.V.L.N Sarma:** Yes, there are no travel facilities available and there is only one flight operating there in which also only the diplomats and others have preference, business has a last preference in that and even after going there, there is a 21-day quarantine so for any technicians to go and work on the expansion part the person has to plan at least one month in advance,



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but still they are almost in completion stage and the we think we should be most likely available from the first quarter end, July 1, 2021 onwards it should be available for production.

**Hemanshu Iyer:** Understood and Sir, for the year as the whole can you give the broad capacity utilization numbers separately for India and Vietnam?

**K.V.L.N Sarma:** For the previous year?

**Hemanshu Iyer:** Yes, for the previous year, the whole year FY2021?

**Challa Srishant:** We have done about 61% on FD and then Vietnam we have done an optimum utilization of 94% to 95%, Duggirala there have been disruptions, we have done about 65% or 70% there. There is a large product mix within that so we cannot exactly bring it to a one single figure because of this enhanced small packs capacities and all that, but about 75% we could do it roughly.

**Hemanshu Iyer:** But, the Chittoor plant, which was running at expected optimize that you have run at 60% to 61% for the year, right?

**K.V.L.N Sarma:** No, I have taken the total FD capacity, now we do not differentiate because it is a second unit for the main plant. We have considered the total FD capacity and do that.

**Hemanshu Iyer:** So, FD you did 61% and sprayed-dried you 70% to 75% that is what you are saying?

**K.V.L.N Sarma:** That is right.

**Hemanshu Iyer:** Understood and final question, if you can just update us on the India business performance for both quarter as well as the year in terms of the topline and the loss that with could have seen?

**K.V.L.N Sarma:** Because the figures are good, Praveen will explain better Praveen?

**Praveen Jaipuria:** It has a topline turnover of 150 Crores, which is substantial growth over last year wherein we were close to 90 Crores, so we almost witnessed around 60% to 65% growth on the topline. As far as the bottomline is concerned we were almost breakeven, little marginal loss this year because of higher input costs that the bean prices went up, so there was





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little marginal loss this year, which was approximately minus 5 Crores and roundabout so that is where we were.

**Hemanshu Iyer:** Any outlook would want to share for this year for the India business even we are seeing very strong traction?

**Praveen Jaipuria:** We did see a very strong traction, and now that our bases are also reasonable and the second wave is quite badly and you must be reading all across in fact the sector and segment is more affected this year than last year. So we really do not know. We were looking at a growth of 30% to 40%, but probably if things normalize from July onwards then still we can look at a 25% to 30% growth this year, but a lot will depend on how the people settle down because everywhere we have seen lockdown, which is hampering the logistics and supply issues are there and once again the institutional segment which started to pickup in the last quarter slowly the hotels, the airlines, the offices had started opening where we started doing decent amount of business in the last quarter has again gone back to shutdown mode and the business has come down to almost zero there, so that is something to be worried about, but we are just hoping and praying that things will settle down from Q2.

**Hemanshu Iyer:** Sure, and just one final question if may squeeze in for Srishant may be, seeing the price trends that we are currently witnessing on the coffee and given the 10% to 15% volume growth guidance we are giving so finally can we see a year when we can see much higher growth in revenue because of better realization. Do we have that sort of visibility yet?

**Challa Srishant:** Actually, whatever is the price increase that we have seen right now is mainly because of Brazil and in Brazil because of the water shortage and all that the Arabica prices are going up. But if you look at it, in Brazil itself the Robusta there is an excellent crop, there is no shortage, there are higher crops than what was there in the previous years, all the other countries, which are growing Robusta including Africa, Vietnam, Indonesia, the Robusta crops has been really good and more than 90% of what we buy is Robusta. So there is not that much pressure on the Robusta prices for it to really go up if Arabica is going up, Robusta may be moving as well, but then in differential, there will be a change from positive differentials, we have negative differentials which is why though there is a slight increase, we are not sure how sustainable that is in the long run, so we are still growing on the assumption that the green coffee prices will be similar to what they were in the previous years and as everyone is already aware, since anyway we work on a cost



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plus spaces that the impact is going to be quite minimal for us when it comes to margins and all that.

**Hemanshu Iyer:** Understood, alright perfect my side and all the best to you. Thanks.

**Moderator:** Thank you. The next question is from the line of Rahul Ranade from Goldman Sachs Asset Management. Please go ahead.

**Rahul Ranade:** Thanks for the opportunity and congrats for the good set of results. Just if you can remind me of a capacities existing so is it right that India has around 25000 of installed capacity and Vietnam has 10 is that the number?

**Challa Srishant:** Yes, that is correct. We are expanding in Vietnam now.

**Rahul Ranade:** Currently it is 10 and then where would Vietnam capacity go to?

**K.V.L.N Sarma:** 13500.

**Rahul Ranade:** So 3500 additional, ok. Within India for the 25000 it is 15 and 10 between sprayed-dried and freeze-dried, right?

**Challa Srishant:** Yes.

**Rahul Ranade:** Just one more question so on the retail business, India business topline, which you said was 150 Crores out of that how much would be the Continental brand of coffee and how much of it would institutional?

**Praveen Jaipurjar:** So, almost two-thirds will be brand and one-thirds will be institution, so you can say 100 Crores almost in the brands and 50 Crores in bulk and private label.

**Rahul Ranade:** And would this proportion be similar for last year also for 95 Crores odd?

**Praveen Jaipurjar:** No, last year the brand saliency was lower because almost may be 55% or so, which has moved up to 66%, so constantly the brand is growing much faster than the bulk and the private label business.



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**Rahul Ranade:** Understood and just on our ability to maintain spreads, so obviously you mentioned just now that since it is a cost plus kind of a model, but just wanted to understand in terms of timing leads and lags like how does the repricing happen because when the prices are moving so fast could it induce some volatility in the margins in the near term?

**K.V.L.N Sarma:** It depends on the contract to contract, so customers requirement of the product and we discuss every contract individually. So that contract will be based on the prices existing as on the date or within the vicinity. Because as a business model itself we cover green coffee on a back-to-back basis immediately on concluding the contract. This thing all customers also know. So that price for that contract is valid until execution, there is no change on that, so if one week later if the price has come down, the contracts that are made during that period will be based on the green coffee prices, of course it is a combination of prices vis-à-vis material availability as well because many at times for the quoted price if there may not be stocks available, then we take both of them into consideration and quote that, so every contract is independent and is concluded basing on the raw material prices.

**Rahul Ranade:** Understood and just one last question, so if you could comment ballpark geographical spread of our end market, how much of it would be somewhere in Europe or Russia, Africa and I think US we are not very well penetrated if my understanding is correct?

**K.V.L.N Sarma:** US, we are in fact for the past two years we are making an immense effort to improve our presence in US, we were around 10% in US earlier, which in the near future we should be improving anywhere approximately 15% or so. Generally our solid existing percentage of sale would be about 25% in Europe, 25% in Russia and CIS markets and then the others are spread over Africa and Asian countries.

**Rahul Ranade:** I will follow back in the queue.

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

**Jignesh Kamani:** Srishant, in the Vietnam we are operating at optimum level and even after July the capacity of 3000 probably in say 6 months and 9 months, any plan to double the capacity expansion in Vietnam because we have already have all the construction in place?



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**K.V.L.N Sarma:** Actually we are working on it actually. So may be soon you will hear that we are doubling the capacities, and we are also evaluating the visibility of order book for that, we already have something concrete that is coming up, so maybe we will initiate, we will start the expansion in Vietnam by about September or so.

**Jignesh Kamani:** It will take around one year to complete, right once we initiate?

**K.V.L.N Sarma:** It may not take one year. Our supply time of equipment is one factor that is there during these COVID situations; outer would be one year otherwise we should be able to implement within 9 months time.

**Jignesh Kamani:** Sure, and second thing on a small pack, how was the small pack volume growth rate in this yearend considering capacity expansion, how is the small pack volume growth for the next year?

**K.V.L.N Sarma:** In fact we were able to compensate some of the lower utilization of freeze-dried with our small packs. The packing plant erection was delayed because of this COVID situation and all that, but by that time we have already procured the machinery for the packing plant, so we were able to put those into operation and enhanced our small pack capacity this year because of which we were able to compensate the reduction in freeze-dried turnover. Going ahead already we have spread substantial visibility for our small packs in various markets. I do not wish to mention specifically, but various markets we have already created visibility for small packs, so we are expecting for at least from this year by around August-September we will be on full scale small pack capacity and we will utilize it for the full for the peak season starting from October, next year we should be doing optimum utilization on small pack capacity as well.

**Jignesh Kamani:** Understood, thanks a lot.

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

**Dhiral Shah:** Good afternoon Sir, and the congratulations for the great set of numbers. Sir, if you can share the revenue on profits for Vietnam as well as Switzerland facility?

**K.V.L.N Sarma:** I could not hear, can you just repeat?



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- Dhiral Shah:** Sir, if you can share the revenue as well as profit figure for Vietnam as well Switzerland facility for FY2021?
- K.V.L.N Sarma:** Vietnam, I think we did about 375 Crores turnover with a profit of around 85 Crores or so.
- Dhiral Shah:** And for Switzerland?
- K.V.L.N Sarma:** Switzerland, it is trading house only, we did a turnover of 180 Crores, I think the profit was about 7 Crores.
- Dhiral Shah:** So, this 180 Crores includes sale from India, right, I wanted to know the value addition part?
- K.V.L.N Sarma:** So, net-to-net, I think the value addition was about 25 Crores of which 7 Crores is the profit.
- Dhiral Shah:** Sir, what could be our hedge target for current year for our domestic business?
- K.V.L.N Sarma:** Approximately 12.5 Crores.
- Dhiral Shah:** How was the parent company would be contributing?
- K.V.L.N Sarma:** This is what parent company is doing.
- Dhiral Shah:** And for the overall business?
- Challa Srishant:** Overall ad spend is it?
- Dhiral Shah:** Yes.
- V. Lakshmi Narayana:** Somewhere around 15 Crores to 20 Crores.
- Dhiral Shah:** Sir, what would be capex for FY2022?
- K.V.L.N Sarma:** FY2022 as of now whatever we are online, we will be concluding them, the packing plant will be concluded and the line balancing of Vietnam will be concluded, once we conclude



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our project cost and devising on the delivery schedules if we are going for Vietnam plant then that would be there, if at all we spend anything which should be in the shape of advances and the initial amounts which could be in the range of about 8 to 10 million this year.

**Dhiral Shah:** Sir, lastly on the debt part, we have shown the sharp rise in short-term debt?

**K.V.L.N Sarma:** This year?

**Dhiral Shah:** Yes, Sir.

**K.V.L.N Sarma:** There has been an increase. This is a twofold thing. We are a company where we cover our raw material etc., on a back-to-back irrespective of the delivery schedules of the products. So if you have seen our inventory particularly our green coffee inventory has gone up substantially because we have concluded contracts for the next year, so we have to cover the green coffee not to be get hit by any price fluctuations. If you have seen our inventory levels have gone up so to get those inventory levels the additional borrowing on the short-term was taken.

**Dhiral Shah:** Sir, any debt reduction plan for current year?

**K.V.L.N Sarma:** There is a repayment schedule of approximately 84 lakhs repayment is scheduled this year so it will come down as such.

**Dhiral Shah:** Thank you so much. That is it from my side.

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

**Akhil Parekh:** Hello Srishant and team, many congratulations on a good set of numbers. Just two questions from my side, one is on small pack, how much is the capacity right now and how much we are expected to increase starting of first quarter of 2022 and second is on the volume front if you can guide in for the US make it that is all from my side? Thank you.

**K.V.L.N Sarma:** Last year, I think we have used about 5500 tonnes small pack. The capacity that we are installing is for 12000 tonnes. It will be available for full scale production somewhere



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around third quarter, I mean towards this August -September of this year, so we should be utilizing almost the same capacity this year also, the year subsequent it will be more and the second is US guidance.

**Akhil Parekh:**

Sir, small question here, you said 5500 tonnes will move to 12000 tonnes, right?

**K.V.L.N Sarma:**

12000 tonnes is the initial capacity being created, wherein last year we have done approximately 5500 tonnes on small packs and this year also we should be doing more or less the same figure or little more, the optimum utilization will come for the next year, this year we have to install those machines and all that is there, there will be some small disruption in small pack capacity this year.

**Akhil Parekh:**

Got it and from US front?

**Challa Srishant:**

As far as US is concerned as Sarma mentioned earlier, around 15% of our production is going to the US market, so we are consistently growing that volume. There are a lot of new initiatives that we are taking over there and till now US market has always been only a bulk market for us. Slowly that is transitioning. Last year we have actually introduced cold brew coffee in the US. We are the only company in the world that can actually make this particular product and that became a really big hit and we got an order for almost 20 containers, which was fully executed in small packs through one of the large supermarket chain. Seeing that we did have actually started getting enquiries from different other parts of the world where they have seen these products in the US and they have asked us to introduce in their respective countries as well. Similarly we are getting into more of small pack in the US market itself. We are having tie-ups with several organizations to start introducing the small packs, so there is a chain, this is a more long-term effort that we are looking at, bulk is being extremely competitive so that is one of the reasons why we are going more towards specific qualities and specific brands in this particular market, so these efforts will keep giving us better dividends in the long run.

**Akhil Parekh:**

Just to tie-up the same basically how we go ahead in the next two to three years, we will see a higher contribution from a small pack and which hopefully should help get us better realizations?

**Challa Srishant:**

Yes.



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- Akhil Parekh:** Alright, thanks a lot and best wishes for coming quarters.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** Sir, good evening and many congratulations for the fantastic set of numbers. Sir, just one clarification; first on this very solid margins in India business and weak performance of the subsidiary if you can just elaborate a little more on that for the current quarter?
- K.V.L.N Sarma:** Current quarter, the subsidiary business was in the normal course since we were focused on recouping whatever was lost in previous quarters and all that and as you know we have been telling that the freeze-dried inventory has built up and then we are having problems initially with suppliers reschedulement and subsequently with logistics so we made an enough effort and got this two things solved and also during this year particularly as I told you towards the second half of the peak season, the customers would want to get packed products so that they will not have time to get it repacked elsewhere so we were doing packed product also from here. Both these have contributed to higher gross margins, so vis-à-vis we see other expenses there will be an additional packing cost also, so if we deduct that, it will look normal only. So in the respective of small packs the turnover looks higher and there will be an increase in packing cost also.
- Rohan Gupta:** Sir, you are saying that the small packing has been done more in the India market rather than in Switzerland?
- K.V.L.N Sarma:** The entire small pack capacity is in India only. It is not there in Switzerland, it is not there in Vietnam, we are contemplating to establish small pack capacity in Vietnam in due course, but currently all the small packs are done from India only.
- Rohan Gupta:** So, this current trend which you have observed that customers demanding in a ready pack and a small pack, so that is more to do with the current pandemic scenario or it is more of that that we are able to take the higher share?
- K.V.L.N Sarma:** Seasonality also. See, we will not have time to get a bulk product, get it repacked elsewhere and then get it to the supermarkets and all that, instead we supply the direct product packed from which can directly go into supermarket, it will be better for him, so he would be rather willing to pay little more price there, because he will be avoiding an





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intermediately there, this will not be a case with the first quarter or second quarter, which are lean periods where he would look for competitiveness and other things, so we have to take the overall things on a Y-o-Y basis, but on last quarter we will have this small advantage, there will be a spot for this kind of thing. In the peak season the spot prices will always be higher.

**Rohan Gupta:**

That is helpful. Sir, second question is on the green coffee price, which has been surging you mentioned that it is Robusta price is more or less are likely to remain flat and it is basically Arabica where one can expect the higher prices so inventory for which you are right now you are sitting on a huge inventory of green coffee, so do you think that we are not going to see any sort price led growth in FY2022 despite global green coffee prices have continued to surge?

**K.V.L.N Sarma:**

See, if tomorrow I am concluding a contract, I will take tomorrow's price in an inflated price obviously it will go into pricing, but our experience has been that when there is an inflationary trend in pricing obviously customers would want to wait for a while to reduce the price and conclude the contract. Similarly, it also happens that during the times when the prices are in deflationary trend they would want to conclude major contracts, but we will have to resist basing on the material availability at those prices. So these things will be going on a continuous basis and over a period of one year all these will get neutralized, at some point you might see a little increase or decrease in the turnover level.

**Rohan Gupta:**

Sir, I was just saying that green coffee pricing you said that you are sitting on a huge inventory now and you also mentioned that as per your business model you generally enjoy the per kg margin so the green coffee inventory which you are sitting, I expect it is not on a speculation it is basically driven by the increased order from the customer right, so when your customer is already given you order you are already sitting on a green coffee inventory so even the green coffee prices have gone up it will not get reflected in our revenue or the price led growth?

**K.V.L.N Sarma:**

So, the green coffee that I have covered is physically available with us or available overseas is against concluded contracts. So those contracts will have this green coffee price only. I will not have any additional advantage or disadvantage on the subsequent prices. The one thing that is an indicator is, if I have a large stock of green coffee with



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me, that clearly indicates that for the next year my confirmed order book is substantially better, so that is what we have to take in to account.

**Rohan Gupta:** That was I just wanted to conclude. Thank you so much. I will come back in queue for any followup questions.

**Moderator:** Thank you. The next question is from the line of Amit Zade from Antique Stock Broking. Please go ahead.

**Amit Zade:** Good evening, Sir and congratulations on good set of numbers. Sir, most of the questions are answered, but lastly on this clarification on MEIS scheme, there has been replacements in RoDTEP so any clarity on that scheme, what could be rates or any update on that side?

**K.V.L.N Sarma:** It continues like EOU's are not eligible?

**V. Lakshmi Narayana:** No, we are not eligible, but about the new scheme, yet to come out with the modality.

**K.V.L.N Sarma:** Currently, the revised scheme is not applicable to EOU's and SEZ and they just mentioned that, but they did not come out with the detailed modalities on that so we are awaiting that. Having said that we have an accumulated amount of about 27 Crores or 28 Crores towards the MEIS for the exports already made, we are expecting that substantial part of it can be realized during the current year.

**Amit Zade:** Got it, Sir and one more question, volume guidance of 10% to 12% despite on a low base of FY2021 wherein we lost almost first quarter and even second quarter have decent volume and on the back of new capacities is coming in Vietnam from second quarter onwards, it that a conservative number or you believe that there will be pressure on FDC products globally because any trends in the monthly depots or people considering more of NPC product instead of FDC, any colour on that instead of this?

**K.V.L.N Sarma:** Yes, I understand, I agree that the base number is lower, the denominator is lower, but these conditions have not improved as of now. Suddenly again during this year also this pandemic and lockdowns and etc., are running. So we do not know what is going to happen. That is why initially on a minimum scale we could recoup whatever FDC, etc., we have last year but will account for that 10% to 12% that we have been telling right



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now. If the things are proving better and the business can be done much better then we will review on reverse the numbers in September after second quarter.

**Amit Zade:** Got it, Sir, because with easing out logistical constraints and may be lower customer decrease I think we can do much better what I believe. That is it from side, thank you and best of luck.

**Moderator:** Thank you. The next question is from the line of Sameer Deshpande from Fairdeal Investments. Please go ahead.

**Sameer Deshpande:** Good afternoon, Sir. Congratulations for a very good numbers. Actually I wanted to know regarding this MEIS you mentioned that 28 Crores are accrued and due, so have we accounted for that 28 Crores in the current year's income.

**K.V.L.N Sarma:** No, right from the beginning, we have taken a policy wherein we are accounting this on cash basis only upon realization we are accounting this, we are not really accounting them on an accrual basis.

**Sameer Deshpande:** So, in that entire 28 Crores may be accounted for in the current year that is 2021-2022, whenever it is received?

**K.V.L.N Sarma:** No, exports have gone in current year and last year, I mean the last year and the last year before that the MEIS has not been accounted on an accrual basis, so right from the beginning we have been accounting only on cash basis only upon realization of this trade, as you rightly said it will be accounted during the current financial year and we are expecting that we will realize.

**Sameer Deshpande:** Just new RoDTEP schedule may not be applicable to the company you mentioned recently?

**V. Lakshmi Narayana:** No. The modalities are yet to be announced by the Ministry of Commerce, we are awaiting for the guideline about the new scheme and its applicability and benefits that we derive out of it.

**Sameer Deshpande:** So it is not yet final also?

**V. Lakshmi Narayana:** Yes.



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**Sameer Deshpande:** Sir, Europe was particularly Italy, Germany, or France all this we are facing lockdowns so restaurants, etc., were closed for long time, so with this reopening do we see any better growth for Europe for us?

**K.V.L.N Sarma:** In fact last year also we did not face a major lockdown in our European exports, but definitely with life coming to normalcy there would be an improvement in Europe.

**Sameer Deshpande:** So, how much the European contribution to our total sales.

**K.V.L.N Sarma:** Normally it will range between 22% to 25% in our total exports.

**Sameer Deshpande:** Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Binal Jariwala from Sunidhi Securities. Please go ahead.

**Binal Jariwala:** Thank you for the opportunity. The question is on the branded business in India, so I just wanted to understand what is the size of the market, what is the market share and our distribution range?

**Praveen Jaipuria:** So, the total instant coffee market is around 2000 Crores and as I told we were little while ago our branded business was almost 100 Crores, so we are close to 5% market share. There are pockets where we are doing better than the overall average in India more than 5% and every geography we are witnessing good growths in market share every quarter, so that is on the market size and market share for us.

**Binal Jariwala:** How about our distribution reach and what would be the reach of distribution?

**Praveen Jaipuria:** So, we currently are directly reaching around 1 lakh outlet, 95000 to be very precise, of course our distribution expansion did take a hit because first 6 months we could not do any distribution expansion, it is only in the third quarter and the fourth quarter we started and considering the kind of situation it was difficult to do distribution expansion because it was difficult to find right set of distributors in this scenario, so that is the direct reach that we are having right now. We are looking to substantially upscale this and probably end of the next year at around 150000 outlets.

**Binal Jariwala:** Understood, so you said direct is about 95000 outlets, but what would be total reach?



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**Praveen Jaipurjar:** Total reach, we do not get that detailed things and right now we are very new brand so generally the indirect reach for new brands and brands which have just started, but not substantial it is only at a later stage when the brand gets started to get that tool from wholesale market that your indirect reach will go up, but if you were to ask me to put a finger on a number it would not be more than 10000 to 15000 currently. I was saying that generally one would look at 1:2 point of a ratio for an indirect reach especially for very small packs, but as I am telling you as we go now, as we pick along the indirect reach will start going up as well.

**Binal Jariwala:** Fair enough, so our reach of roughly about a lakh outlet?

**Praveen Jaipurjar:** Yes.

**Binal Jariwala:** I am saying our reach of about 95000 outlets how does that map against the two large players, where would their reach billion?

**Praveen Jaipurjar:** Their direct reach will be anywhere between 5 and 7 lakh outlets, direct reach and the indirect reach could be beyond 10 lakh outlets, 10 lakh to 12 lakh outlets may be.

**Binal Jariwala:** Understood. I will come back in the queue. Thank you so much.

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

**Jignesh Kamani:** The government recently announced PLI scheme for the food, is there anything for the coffee sector in the PLI scheme and are we exploring anything on PLI scheme?

**V. Lakshmi Narayana:** PLI is not applicable to us. We are not falling into that scheme and we may, based on the announcement that are being made so far we may likely to fall under the remission of duties and taxes scheme, but the scheme is yet to be finalized.

**Jignesh Kamani:** On the Duggirala plant we have recently done upgradation so any beneficial in terms of production volume growth or reducing the manufacturing cost?

**K.V.L.N Sarma:** No, of course it will add to the margin anyway. It will improve the productivity in fact yield parameter and other things. It is not a quantity expansion. There would not be any



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additional quantities that will come, but there will be a cost reduction and perhaps a little more yield.

**Challa Srishant:** It is increase in range of products.

**Jignesh Kamani:** Understood. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Manish Mahawar from Antique Stock Broking. Please go ahead.

**Manish Mahawar:** Most of my questions have been answered. Just two questions actually, one in terms of FY2022 you have given a volume guidance of 10% to 15%, so basically your margins will better off in FY2022 versus FY2021 because what I believe FY2021 your estimate has gone up because of the US customer as well as Vietnam and you see that slower because of demand it should be improving in FY2022, right?

**K.V.L.N Sarma:** Last year freeze-dried capacity was lower, so if we are able to improve that freeze-drying capacity margin profile will also go up and also this year we are anywhere adding small pack capacity and if we are doing any incremental thing on that it will also go up. This is a continuous process of improving the margin along with the volumes, so we address this on both counts one is increasing the volumes, the second is improvement in margins as well, which will contribute by way of additional freeze-dried in the product mix and also the small pack capacity.

**Manish Mahawar:** Second question in terms of the capex plan, basically you said whatever pending plans we will be excluding the next year FY2022, what will be the cash outlay in the next year FY2022?

**V. Lakshmi Narayana:** Balance capex is likely to be around 50 Crores to 60 Crores.

**Manish Mahawar:** 50 Crores to 60 Crores and capital WIP which is standing about 148 Crores, right?

**V. Lakshmi Narayana:** Right.

**Manish Mahawar:** Understood, and last question if I may, is it possible to share the volume growth for this year and the Q4 not an absolute number, but volume growth?



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- Challa Srishant:** The green coffee was more or less flat, around 10% was the volume growth.
- Manish Mahawar:** As a year?
- Challa Srishant:** Yes.
- Manish Mahawar:** And for Q4 any terms of share?
- Challa Srishant:** For?
- Manish Mahawar:** For the fourth quarter?
- Challa Srishant:** I would not give that specific data it will be again counterproductive for us.
- Manish Mahawar:** Thank you, Srishant and all the best and I will discuss with you offline. Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Maheshwary from Ambit Asset Management. Please go ahead.
- Rahul Maheshwary:** Good evening, Sir. I hope all is well at your end. Sir, just a few questions, first on the as you mentioned that the inventory is high and there is a strong demand, which has been booked for the next year also, can you highlight that how many during the year not naming it, but in case any client which got cancelled or is just a deferment that has taken place and anything, which you want to share or highlight or colour on any number of points, which has been added or which are in the pipeline, which can be added going forward in the next two to three years because once you have mentioned that it takes entire from one process to get a point and one way because itself long in relationship which is there, so it would very helpful if you give a qualitative statement on this part?
- Praveen Jaipurjar:** So, given the last one year most of our customers what we have seen is that they are not looking on making any drastic changes, nobody wants to take too much of a risk during this COVID times, they want to work with people whom they know or already have an existing track record with, so we are not seeing too many changes from customer side and fortunately in light of the fact that everyone has had one full year of experience with COVID, they were able to project a little better and give us the volume as well so we do not have any cancellations till now, there is no postponements that everyone has asked for, so hopefully things will improve going forward.



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**Rahul Maheshwary:** Sir, just to ask followup on this, as you mentioned that there is a transition taking place from buy to lose small packs and value added can you give some kind of cross sell that the existing client which is there from, any rough base, how much is the base product and how much is the value added product so that it helps us to know how the margin attrition journey is taking place for the associate?

**Challa Srishant:** Sarma Garu, can you take this?

**K.V.L.N. Sarma:** In fact, last year was the first year in which we have initiated this small pack capacity in a larger scale. Most of these small packs currently we have marketed to are our new customers, new customers in the sense, the customers who have been acquired for the past four to five years. Recently, we have received enquiries from our existing customers like Strauss and other who are the long-term customers with us everything enters on the small pack as well so the small packs actual customer base will only get evolved on a clear basis by next year wherein we are expecting that we would be able to optimally utilize the thing, so we can say that we would be making an effort of going from around 6000 tonnes of small pack capacities to 10000 tonnes of small pack capacity in one to two years to come.

**Rahul Maheshwary:** Supplying to these small packs to the existing client the realization would be approximately at least more than 5%?

**K.V.L.N. Sarma:** It again is a complex thing because the SKUs range from 0.8 gram to 1 kg, 2 kg purchase all varieties of packing and all that. Generally, on a ballpark figure you can take approximately \$1.5 to \$2 as the value addition.

**Rahul Maheshwary:** As there would be addition into the Vietnam capacity, which would be soon getting commissioned in July, so structurally in the next 5 years can we say that in every 2 years there can be capacity expansion that would be taking place irrespective of Vietnam and India and apart from these two country any other country were Africa something, which is there, just to get a sense that in periodic times what is the ballpark number, which you think that from 35000 tonne capacity we have a vision to expand to 55000, 60000 capacity in a long period tenure, any rough statement would be very helpful Sir?

**K.V.L.N Sarma:** I have been telling for the past one year or one-and-a-half year, now we are in 2021, around 2024 we planned to reach about 50000 tonnes sale capacity. Our production





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capacity would be slightly higher to that 55000 to 60000 and we wish to reach anywhere between Rs.130 to Rs.135 on the EBITDA margin that is a goal on which we are working. How do we do it whether in Vietnam or on India, currently we have an infrastructure both in Vietnam and in India, if our spray-dried requirement will go up it will be in Vietnam, if freeze-dried requirement goes up it will be in India. So we will be looking perhaps at the other locations after completing expansions in these two places. Yes, there are several plans on board, which are being discussed, but on this business this is the broad picture for the next two to three years.

**Rahul Maheshwary:** Thank you so much and all the best wishes to the entire team.

**Moderator:** Thank you. The next question is from the line of Rajesh Rupin Shah from Incred AMC. Please go ahead.

**Rupin Shah:** I have question for Praveen. For a longer term perspective two to three years, India business what kind of supply we are in any and any guidance on adding the margins like one can expect two to three years perspective say FY2024 or FY2025?

**Praveen Jaipuria:** The things have become a little fluid as of now because a lot of things hang in balance how things would pan out like for example we did well this year and we achieved a topline of 150 Crores, if the things would have been normal we would have expected current year definitely to touch 200 Crores, but having seen the second wave of pandemic, things are little dicey as of now. Going as far as long-term last time I had said that probably last year I said in three years we are looking at 250 Crores topline turnover, we are pretty much on course for that and this year we should be breaking even in terms of EBITDA, we had to break even last year itself, but we did had a little bit of adverse impact because of higher Indian coffee prices. But going forward, this year we should look to breakeven. I cannot put a number for EBITDA for next three years, but definitely in three years' time we are looking to cross mindful of 250 Crores topline.

**Rupin Shah:** Fair enough, Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Vivek Tulshyan from New Mark Capital. Please go ahead.



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**Vivek Tulshyan:** Sir, thanks for the opportunity and I think this question has been asked multiple times, but what you are trying to do that is I am trying to subtract the standalone number on the consolidated numbers to get to get through the subsidiary performance and in that I think what we are seeing is the gross profit margin has come down and the overall EBITDA margin has also come down and the growth is also much weaker than what it was in the first 9 months, so just wanted to understand what could be reason behind this?

**V. Lakshmi Narayana:** Because of the low volume of the Freeze Dried sales, there is a slight reduction in the standalone performance.

**Vivek Tulshyan:** No, I am talking about the subsidiary performance, so if you subtract the standalone performance from the consolidation you get to the subsidiary numbers and in that we are seeing that first nine months the bigger sale was growing well, which was the reason because the Vietnam was doing very well and then suddenly in this quarter we see that the growth is not very strong and the margins have also eroded substantially?

**V. Lakshmi Narayana:** Basically, what happens is that in the first nine months because of the high volume of sales from subsidiary companies especially from Vietnam, we could notice high value and volume of sales. In fourth quarter if we notice, we could witness more sales from Indian operations and there is less sales from the subsidiary side. That's why we notice more sales from the standalone side in fourth quarter.

**Vivek Tulshyan:** Understood and our other expenses have also almost doubled in the subsidiary is that because of the India business where India business has grown well so that it increase our other expenses and that could impact the EBITDA margin?

**V. Lakshmi Narayana:** Yes, basically we all witnessed that because of the high cost of the transportation, sea freight and all we all witnessed that in the export market, the sea freight has gone up substantially and also the second factor is due to the packing material, these are all the two components, which we increase in the fourth quarter expenditure.

**Vivek Tulshyan:** Understood and the packing material cost would be relevant for the Vietnam asset also or that is because of the India B2C business packing?

**V. Lakshmi Narayana:** Yes, it is from the B2C business in India, not from Vietnam.



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**Vivek Tulshyan:** Understood, perfect. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead.

**Lokesh Manik:** Good evening. Thank you. My question is to Srishant, Sir, you have given a brief update on cold brew coffee in US, if you can just elaborate a little more in detail in terms of, this was also suppose to be product where we could introduce in cafes so any progress on that front?

**Challa Srishant:** Actually, yes, we have had some good progress for cafes also especially cafes, which are serving nitro cold brew, so for them this product has been a huge favor, earlier the process I used to follow was to make the cold brew physically and it used to take 16 hours and the service was very less, so we are able to give even the nitro cold brew at a much more economical cost to the customers. Unfortunately, because most of the space across the world had been under lockdown then that much of a bottom is something that you consume in a cafe not something that we would want to take as a takeaway. That is one reason why we still did not get the volumes that we were expecting, but once things open up we are hoping those volumes would start coming in. In the US, our people have seen the product who has tried the product, there are a couple of guys who have actually approached us asking us for exclusivity saying that they will give us at least 1000 tonne sale and all that, but we have not accepted any of these offers because it means that we will be tightened with them and our margins will be limited, so we thought it does not matter let us grow slowly, but we will grow steadily. We have the ability to approach all these things to us in this product, because it is a very useful product and because we are the only one to give that convenience and take things forward.

**Lokesh Manik:** So, you would be approaching the big chains as well?

**Challa Srishant:** Yes, actually we are already supplying to the big chains through some resellers, our customers, people who like, a customer in the US they are confectionary companies, liqui trophy companies they buy the powder from us and they sell to McDonald's, Wendy's, all the major chains, they buy from these guys. So we keep developing new blends and product for these chains all the time. So, this is one project that we are undertaking as well to institute over there. Earlier they were buying mainly in liquid format now we are tying convince them to buy in solid format itself.



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**Lokesh Manik:** Okay and any timeline in minds where you would see this scale up or pickups from the response that you are seeing or you are lining with new product acceptance?

**Challa Srishant:** The new product, the volume increase is gradually. It is not going to happen overnight because it is a new product everyone wants to see what is the other guy is doing, so that is other core factor that they want to cooperate at their end so this whole process will take time but once we start it in US we got enquiries from UK, Taiwan, Korea, Japan and China, saying that they want the exact same product in fact. So it was not that we even tried to market. We did not even think that these other markets is actually accept a cold brew, but lot of these countries they tried to aim what the US was doing so they started floating enquiries for us and now we started sending samples across to all them as well. So the real volumes will start seeing only when the institutional segment really opens up and the demand starts operating normally.

**Lokesh Manik:** Understood, thank you so much. That is it from my end.

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

**Anuj Jain:** Thanks for the opportunity. I have couple of small bookkeeping queries, are we capitalizing any of the interest expense?

**V. Lakshmi Narayana:** This year some of the equipment we have put to use, wherein almost around 1.75 Crores of the interest, was capitalized this year.

**Anuj Jain:** Understood, and what is our cost of borrowing in India and in Vietnam?

**Challa Srishant:** Can you just repeat the question?

**Anuj Jain:** Sure, I was asking what is the cost of borrowing in India and Vietnam for us?

**V. Lakshmi Narayana:** Sorry, my line got disconnected, now I got connected.

**Anuj Jain:** Am I audible?

**V. Lakshmi Narayana:** Yes, you are audible, the cost of funds in Vietnam is 1.2% and in India it is 1.5% - working capital cost of funds.



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- Anuj Jain:** Understood. That is it. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Shauvit an Individual Investor. Please go ahead. As there is no response, we will take the next question from the line of Romit Nagpal an Individual Investor. Please go ahead.
- Romit Nagpal:** Good evening. Just a couple of questions, channel checks seem indicates that you have reduced a lot of your discounts, promotions at least from the online platform, so that has contributed to the lower losses in the domestic business and do you see sales sustained given that we have reached mid May?
- Praveen Jaipuria:** Yes, in fact in most of our calls we have mentioned that while we started with higher discounts to track consumers and will give a trial and we go along in the brand building happens, we will slowly start reducing the offers and discounts and we have not seen any sales drop, which primarily speaks for two things, one is the affinity towards the brand is good with the consumer then they have liked the product so going forward also we look forward to keep reducing the discounts and offers and we do not see there should be any impact on sales.
- Romit Nagpal:** Given as a consumer I am complaining, but as an investor I am very happy. How is the performance been in Switzerland vis-à-vis last year and is the business expected to be the coming year, the business as usual or we are looking at something expansion in the turnover side?
- K.V.L.N Sarma:** Switzerland, we are able to get trading expense at lesser side because we are having a custom bonded warehouse, which has become easy on the logistics on the fraction of it. So we can expect a little more betterment going ahead on continuous basis betterment in Switzerland.
- Romit Nagpal:** That is it from my side. Thanks a lot and congratulations on good set of results.
- Moderator:** Thank you. The next question is from the line of Jay Mora an Individual Investor. Please go ahead.
- Jay Mora:** Thank you for this opportunity. Just a couple of question, so like when can we actually attain a good scale on the Indian branded business and once we achieve that is the margin



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profile would be same like as it is right now like 25% to 30% or something like that. So, my question was that when can we achieve that scale in a branded business for the Indian market and if we happen to achieve the scale like what would be the margin profile that would look like, will it be similar to our current margin profile?

**Praveen Jaipuria:** We have achieved 150 Crores last year, out of which 100 Crores was branded business. In three years' time it has been a reasonable scale to achieve. I think very few brands achieved this kind of scale in such short period so as I was telling in one of the earlier questions is that in a couple of years we are looking to get to around 250 Crores or so and we will keep growing and there is no getting down our guards, no matter what turnover we achieve and as far as margins goes definitely as the proportion of the branded business is growing and the strength of the brand goes we are able to offer lesser discounts in the market that will definitely improve our margins from say 25%, it will go to 35% in a couple of years that is our target and then we will see how to take it forward, what kind of premium and what kind of pricing we can command in the market.

**Jay Mora:** You also mentioned about the distribution network and it is currently 95000 and you wish to scale it up to 1.5%, but you know when can we achieve, I mean is there any internal targets to achieve that 5 lakh or 7 lakh kind of mark, which you know you had alluded that many of the big or major players do have so any colour on that?

**Praveen Jaipuria:** In the short period we will not be in a position to achieve what a brand like Unilever or a Nestle would do because their field force is large, their brand equity is huge so all that prices in terms of how we are and what is your reach. Considering that coffee is thankfully a largely in urban phenomenon and I was telling you most of our reach of 95000 is direct, you know as the brand goes we look forward to have a lot of indirect reach so once the brand equity starts building with the forward towards the wholesale market to help achieve a threshold volume of number of outlets of may be 200000 and 250000, once we achieve 200000 to 250000 our weighted distribution will grow up to 70%, I think that should be a good internal benchmark, so what I am looking at is weighted distribution rather than newer distribution because if we are there in the right outlets I think will be pretty much in a good space.

**Jay Mora:** Thanks a lot and all the best.



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- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Abishek Navalgund for closing comments.
- Abishek Navalgund:** Sir, just one last question from my side, if you could just tell us the e-commerce sales number for FY2021 from our B2C business?
- Praveen Jaipuriar:** So, e-commerce I think at overall level from the retail price of branded size we were approximately 5% to 7% of the total sales, which means it will be closer to 5 Crores to 7 Crores but our exit numbers are very good, we are exiting at almost 8% to 10% of our retail sales are now coming from e-commerce, so there has been a substantial jump in the volumes from e-commerce B2C side.
- Abishek Navalgund:** Sure, thank you so much. That is it from my side. I would like to thank the management for addressing all the questions and also thanks to all the participants for joining in. Now, I will request Srishant Sir for his closing comments and maybe we can close that call afterwards. Thank you and over to you, Sir!
- Challa Srishant:** Thank you all for joining us on this conference call. I hope all of you and your families are keeping safe during these difficult times and looking forward to reconnecting again during the next quarter's conference call. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Nirmal Bang Equity, that concludes this conference. We thank you all for joining us. You may now disconnect your lines.