Date: 09.02.2024

To The Listing Department, **National Stock Exchange of India Limited** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra East, Mumbai – 400051. **Scrip Code: CCL**	To The Corporate Relations Department, **BSE Limited,** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001. **Scrip Code: 519600**

Dear Sir/Madam,

Subject: Transcript of the Conference Call held to discuss the results of Q3 FY 2023-24 as required under Regulation 30 of SEBI (LODR) Regulations, 2015

With reference to the above-mentioned subject, we wish to inform that,

i) The copy of the Transcript of the Conference call held on Tuesday, 06th February, 2024 to discuss the results of the third quarter of financial year 2023-24 is enclosed herewith.

ii) The Transcript is also uploaded on the Company's Website and the web-link for the same is:

https://www.cclproducts.com/wp-content/uploads/2024/02/Q3-Earnings-Call-Transcript-2023-24.pdf

iii) The List of Management attendees is stated in the transcript.

iv) No Unpublished Price Sensitive Information was discussed in the call.

This is for your information and necessary records.

Yours sincerely,
For CCL Products (India) Limited

Sridevi Dasari
Digitally signed by Sridevi Dasari
Date: 2024.02.09 18:51:30 +05'30'

Sridevi Dasari
Company Secretary & Compliance Officer

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"CCL Products India Limited Q3 FY24 Earnings Conference Call"

February 06, 2024

MANAGEMENT: **MR. MR. CHALLA SRISHANT – MANAGING DIRECTOR,**
MR. PRAVEEN JAIPURIAR – CHIEF EXECUTIVE OFFICER
MR. B MOHAN KRISHNA – EXECUTIVE DIRECTOR
MR. V LAKSHMI NARAYANA – CHIEF FINANCIAL OFFICER
MS. SRIDEVI DASARI – COMPANY SECRETARY
MR. P. S. RAO – CONSULTANT COMPANY SECRETARY

MODERATOR: **MR. MR. ABHISHEK NAVALGUND – NIRMAL BANG EQUITIES PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the CCL Products India Limited Q3 FY24 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 "'*" and then "0" on your touchtone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Abhishek Navalgund from Nirmal Bang Equities. Thank you and over to you, sir.

Abhishek Navalgund: Thank you Manuja. Hello everyone. On behalf of Nirmal Bang Institutional Equities, I welcome all the participants to CCL Products India Limited 3Q FY24 Earnings Conference Call.

The management is represented by Mr. Challa Srishant – Managing Director, Mr. Praveen Jaipuriar – CEO, Mr. B Mohan Krishna – Executive Director, Mr. V Lakshmi Narayana – CFO, Ms. Ms. Sridevi Dasari – Company Secretary and Mr. P. S. Rao – Consultant Company Secretary.

Without further ado I would like to hand over the call to Praveen Sir for his opening comments and then we will open the floor for question and answer. Thank you and over to you, sir.

Praveen Jaipuriar: Thanks Abhishek. Good morning everyone and wish you all a Very Happy 2024.

As far as the performance of the Group is concerned, the Group has achieved a turnover of Rs. 664.48 crores for the third quarter of '23-24 as compared to Rs. 535.3 crores for the corresponding quarter in the previous year and the net profit stands at Rs. 63.29 crores as against 73.06 crores for the corresponding quarter of the previous year. The EBITDA is Rs. 112 crores and the profit before tax is rupees 66.69 crores.

As far as the 9 months YTD performance is concerned, the year-to-date turnover has been 1926.98 crores as compared to Rs. 1551.13 crores last year and the EBITDA for the 9-month period this year stands at Rs. 329.38 crores as against Rs. 287.64 crores for '22-23. The PBT for the 9-month period stands at Rs. 205.82 crores as compared to Rs. 210 crores last year and the net profit for the 9-month period stands at 184 crores which is as compared to last year is Rs. 183.59 crores.

There are two updates which I would like to give to you:

In this quarter during the last 10 days of the month in December we faced the issues pertaining to Red Sea which meant that a lot of containers which were ready to be shipped could not be shipped because the liners were not taking containers because of the Red sea issue that led to deferment of sales from December to January, the quantity was almost 800 metric tons which is reflecting in the balance sheet and since most of you wouldn't have it, that is probably you wouldn't have noticed it.

But that's one issue that we faced which impacted the performance in the last month and also there is an update on the insurance that we have claimed for the breakdown in the Vietnam unit and we have filed the insurance with the insurance company and as we had informed earlier it's almost 5% of the bottom line and as far as the claim is concerned if we get the claim this year then it gets reflected otherwise we will wait for the claim to come and then we'll accordingly inform all of you.

So, that is the update from our side, and I open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kashyap Javeri from Emkay Investment Managers Limited. Please go ahead.

Kashyap Javeri: So, a couple of questions from my side. One you mentioned about roughly about 800 tons of material which could not be shipped that roughly probably translate to about 40 odd crores of turnover?

Praveen Jaipuriar: Yes around 45 crores, 48 crores of turnover.

Kashyap Javeri: Adjusted for gross margin the full amount would have impacted our EBITDA number also?

Praveen Jaipuriar: Absolutely.

Kashyap Javeri: Second is on in the last quarter when this breakdown of equipment happened what we had highlighted is that some pushover of volume from Quarter 2 to Quarter 3. Now even if I adjust for this about 800 tons that pushover of that volume ideally should have helped us achieve a fairly strong volume growth in this quarter which is probably not visible. So, what explains that?

Praveen Jaipuriar: So, there was no pushover from Quarter 2 to Quarter 3. If you remember what we had explained in the last quarter because of the breakdown in Vietnam we had said that we would try and kind of be a little more aggressive in this quarter to make up for the volume as much as possible. So, there wasn't.

So, if you see this quarter you will see that we are at around 14% volume growth and if this 800 tons would have come this would have gone up to approximately 20%, 21% and we could have made up a little bit in this quarter, but there were back-to-back issues that happened in both the quarters otherwise things would have been better as far as numbers are concerned.

But having said so, even in spite of the Red Sea issue we did manage a 14% volume growth and we expect all of that to get translated in quarter 4 and hopefully as far as the top line guidance is concerned there won't be any change in terms of our growth trajectory.

Probably yes this 5% of profit loss that we probably where got impacted because of the breakdown that could lead to certain kind of a profit re-guidance, but that will again depend on the claims etcetera. So, broadly the guidance remains the same. Yes, this impact we will be able to know only by the end of the quarter.

Kashyap Javeri: And connected question is that let's say this Red Sea problem persists and we have to use a different route who bears the expenses?

Praveen Jaipuriar: So, we generally have two kinds of contracts. So, for the FOB contract the buyer bears the expense. There are certain contracts and approximately 30% of our contracts are CIF contracts. So, of course that expenses will be borne by us and that in fact could lead to a little bit of compression in the EBITDA margins.

Kashyap Javeri: And some bookkeeping question can you give the gross debt as well as the inventory receivable and payable numbers for the quarter can you share that?

V. Lakshmi Narayana: The debt as of now has increased to around 1,300 crores and the receivables are around 60 days and the payables are 15 days.

Kashyap Javeri: And including this additional inventory of about, let's say, 40 crores, 50 crores what would be the inventory number?

V. Lakshmi Narayana: Inventory it was almost around these two routes if we take it around 130 crores.

Kashyap Javeri: Additional versus previous quarter?

V. Lakshmi Narayana: Total as on 31st December which would have been less by selling it off that 800 tons which is maybe around 35 crores less we might have ended around 102 crores.

Kashyap Javeri: 102 days right?

V. Lakshmi Narayana 102 crores by selling it off another 800 tons which we are supposed to dispatch.

Kashyap Javeri: Sorry I'm getting a bit confused. So, can you give me exact inventory number on balance sheet as on 31st of December?

V. Lakshmi Narayana: On finished goods it was 135 crores.

Kashyap Javeri: And other inventory raw material as well as finished goods?

V. Lakshmi Narayana Raw material we have almost around 400 crores at Group level.

Moderator: Thank you very much. The next question is from the line of Amol Rao from Kitara Capital Private Limited. Please go ahead.

Amol Rao: Sir just I mean couple of questions on the outward freight side now as the previous participant asked that we might incur some additional expenses for the freight for our CIF contracts. Does the export time also elongate. So, should that reflect a little bit in our receivables also because I want to take a longer route, right?

Praveen Jaipuriar: So, it's around 4 days or 5 days. It's not really needle changing yes, but there will be a little bit of a delay. So, 5 days of more delay if they go through the Cape of Good Hope that could impact a little bit, but these are little impacts we're not showing at a larger level things will change drastically for us.

Amol Rao: And sir another question which is has a larger scope, there's no deferral of demand the demand remains intact it's just meeting that demand that is taking little longer from our side?

Praveen Jaipuriar: Yes there isn't any issue with the demand and the demand remains intact and it looks like there is in fact a more pent-up demand which is getting reflected in the coffee prices as well. So, we are not seeing any sort of issue with the demand side being more of our supply constraints that we had been internally otherwise demand is intact.

Amol Rao: Sir, if I may just squeeze in one more question. So, the last time we spoke in December I mean you alluded to coffee prices being at 3-decade highs I mean what's the sense you're getting on the Vietnam crop, are the prices still elevated in anticipation of the poor rains or I mean anything you are seeing on that, anything that you could help us?

Praveen Jaipuriar: So, in fact, this is the time we last for the coffee prices have gone up quite a bit. It is almost at an all time high and unexpectedly high because nobody expected these kinds of prices. So, yes there are two things. One is as we spoke earlier the demand remains robust. So, there is a huge demand of coffee which remains intact, but yes there are issues in terms of supplies because of probably poor output of the crop or at least there is a perception that there are poor output and there are fund guys playing into this.

The coffee farmers are wanting to hold stocks because everybody is more of a upward trajectory mode. So, all that is leading to high coffee prices, future outlook all our outlook has gone wrong for the last 2 years. So, very difficult to predict which way it would turnaround. Probably it's a trigger to turn things around. But as of now in the short term we don't see any sort of price indication that which side it will go, looks like it will remain at these levels for some time.

Amol Rao: And in the middle of all this chaos our business model remains intact that is we book the coffee back-to-back when we get?

Praveen Jaipuriar: Yes there is no change in our business model. We kind of book back-to-back and we don't kind of buy coffee unless, until we have orders.

Amol Rao: Sir on the expansion side are we on track with our expansion in India which is basically going to come in probably in October, November of this year?

Praveen Jaipuriar: No India expansion is not in October or November it will be in March. So, that is that is on track. The Vietnam of expansion was July, September quarter that is also on track. So, we are on track for both the expansions.

Moderator: Thank you very much. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: I have a few questions you mentioned that 14% volume growth. Can you break that growth for India and Vietnam and the second question is that if you could talk something about India branded business and the institutional part of the business and modern trade so maybe segmental what kind of growth you have seen in demand?

Praveen Jaipuriar: So, first of all answering your first question India volume growths impact be declined because if you remember last year we were doing third party buying and all that and also had to hit the deferment that happened at the end of the month.

So, there was almost a 10 odd percent decline and Vietnam capacity is almost at a 40%, 50% upside because of the new capacity and the aggressive selling that we are doing. So, this is the breakup of these two segments. As far as India domestic business is concerned, India's domestic business for the 9 months we almost did run approximately 230 crores to 235 crores out of which the branded business itself is approximately 145 crores. If you remember for the last year we had done full year of 150 crores of branded mix and we were able to touch in 9 months projection wise this year we are we are looking to touch the 200 crores mark for the brand alone and 320 crores or so for the full domestic business.

As far as channel growth I think most of the channels are growing at the same momentum the brands currently are on a 40%, 50% kind of a growth moment after a bit of correction in quarter 1, Quarter 2 and we are seeing this kind of momentum happening from all the channels both all GPMT as well as e-commerce. So, yes, it's been an all-around growth for us.

Shirish Pardeshi: I think last time you mentioned that our touch points is somewhere around 1.2 lakh and 80% is residing in South. So, date as of December how it is planning out?

Praveen Jaipuriar: Every quarter we kind of add around 2,000, 3000 outlets that we are continuing to do and we are now kind of last time we had given an update that we are now aggressively trying to expand in other parts of the geography beyond South.

So, as of now today in almost all 10 lakh plus population town we have our distributors set up so that expansion we are taking and we are building on some of the other brands. So, in South we sell continental extra. We are building special in other parts of the country. So, all that is happening and it's an even all-around kind of growth happening.

So, in the South we are trying to penetrate deeper. So, we are now probably touching almost all towns above 50,000 population. So, that's been our strategy go deeper in South and kind of expand to key geographies in north and key towns because in other parts of India coffee where we are doing phenomena so that that expansion is an ongoing process, and we are taking it now.

Shirish Pardeshi: My second last question on the UK acquisition lock down, any update at this time which is you can quantify how it is panning out?

Praveen Jaipuriar: In terms of numbers, in fact we know there was a period of changeover and which happens in any acquisition. So, from July onwards we started taking things on to us and then we started reworking on the product packaging and all the promotions with our UK partners and we took around 4 months, 5 months to kind of stitch everything together.

We are now good to relaunch March end with our new packaging, new product and new strategy at all stores in the UK. So, this year numbers will not be much it will be approximately 15 crores or so, but then after March we launch, we'll be able to update that how the relaunch has been appreciated in the market going forward, but yes a lot of work happened during this interim time in terms of relaunching the whole proposition.

Shirish Pardeshi: My last question on margin front we have been able to hold on between 40%, 41% gross margin while the EBITDA has been a little on the lower side. So, in the medium term what are the pain points which where do you think, I mean, you touched upon the coffee still looking inflationary, but is there any margin room for growth for us and how we should look at the next day margin?

Praveen Jaipuriar: So, like last time we pointed out that there is no apparent or very this thing a reasonable kind of deviation that we are looking at margins because there are 2 factors, 3 factors or 4 factors that we play up.

One is definitely the product mix. So, if you would have seen our product needs for the current expansion and the expansion which is coming in India will be on the Spray-Dried side and Spray-Dried you earn a little less margin than the Freeze-Dried side then what will happen is next year September onwards October onwards the Freeze-Dried capacity will come so that will improve the margin.

On the other side, we are also trying to focus a lot more on small packs which help us give better margins, we are looking at specialty coffee which will help us. So, there are a lot of factors which are going to play around, there's some factors which will pull up the margins, some factors which will bring down the margin.

So, on a overall consolidated levels we don't see much of a change in the margin that is going to happen in the near future, but yes going forward once things get stabilized, once your mixes gets stabilized, once some of our initiatives regarding small packs, specialty coffee they all start coming into play then we probably will start seeing improvement in margins as well.

Moderator: Thank you very much. Next question is from the line of Akshay Chheda from Canara Robeco Mutual Fund. Please go ahead.

Akshay Chheda: Sir two questions. Sir first question is sir you said that 14% volume growth, but EBITDA growth is only 10%. So, what explains the 4% gap because ideally we keep guiding that the EBITDA and the volume growth should go in hand in hand?

Praveen Jaipuriar: So, Akshay actually it's EBITDA growth is if I'm not wrong around 11% and it's 14%. So, there has been a 3% drop as I mentioned a while ago the 3% drop is because in our volume we did the aggressive selling at Vietnam because not every product fetches you the same kind of margin. So, what we did was in because we wanted to fill capacities and make up for the losses that we had in Quarter 2 we did some low margins contract as well in Vietnam which led to a little bit of a squeeze in margin which you can see in terms of 2% to 3%.

But in the overall scheme of things if you see YTD there isn't much of a difference. We are actually there is 12% to 13% growth in volumes and 15% growth in EBITDA. So, we are probably at a YTD level we are intact and as I always have said that at a quarterly level these mix changes and all that could come into play and therefore you may see some variations, but on a annual basis our guidance remains intact, volume growth and the EBITDA growth will be always in line.

Akshay Chheda: So, second question is sir if we see the second and the third quarter at least the EBITDA growth was around 13% and 10%, but on the annual guidance does that 18%, 20% volume growth still hold through or we'll have to curtail that to some extent because at least the second and third quarter we are lagging a little bit?

Praveen Jaipuriar: Yes, we are lagging, but Akshay couple of things. One is that volume grows we are pretty confident that we'll be able to get to that 18%, 20%. In terms of EBITDA because of that loss in Quarter 2 at Vietnam and subsequently when we are trying to cover up obviously as you're seeing in Quarter 3 there is a little stress on margins because we want to aggressively cover the top line. So, there could be a certain drop because we may not get the insurance claim this year. It may happen later, but probably if we were to get that insurance claim that guidance of 18%, 20% remains intact both for volume as well as for EBITDA.

Moderator: Thank you very much. The next question is from the line of Abhilasha Satale from Quantum AMC. Please go ahead.

Abhilasha Satale: So, I have one question in terms of working capital so can you just throw some light what the impact of Red Sea issue on our overall working capital in the near-term is? You can just give approx the numbers in terms of how much you're seeing the impact and secondly as our Vietnam capacity stabilizes what kind of working capital outlook we are seeing for that because in the last 7 or 2 years we've seen some increase in working capital maybe because of the different issues, but as we stabilize all our capacities what are the working capital days what we will be comfortable with this is my first question.

V. Lakshmi Narayana: If you look at it the kind of revenue growth and the volume of the production that is happening we have aligned EBITDA enhancement of the working capital facility in India by 200 crore and thereby now the earlier the 400 crores working capital loan it is likely to increase to 600 crores in India and regarding the non-coffee Vietnam wherein the new capacity has come into operation.

Earlier we have almost around 15 million USD working capital export. Now it is going up to almost around 45 million which we have necessary arrangements have been taking place. As a whole if you look at it the working capital is likely to be from earlier 600 crores which has gone up to 1,000 crores.

Abhilasha Satale: Are we taking any measure to bring it down? Either this facility stabilizes so overly 2 years or so maybe in percentage of revenue and all where would we like to or what is the target to stabilize our working capital at?

V. lakshmi Narayana: So, now we are at the peak level it is likely to go up another 200 crores maximum by next year, but post that free cash flows are going to be available then we keep reducing it.

Abhilasha Satale: And my second question is what is our burn on branded segment in 9 months FY24 and can you give some road map towards profitability for the segments?

Praveen Jaipuriar: Can you just repeat your voice it's not very clear.

Abhilasha Satale: Is it better now?

Praveen Jaipuriar: Yes little better.

Abhilasha Satale: So, my second question is like how much is burn on branded segment in 9 months FY24 and can you give some road map towards profitability for the branded segment?

Praveen Jaipuriar: So, first and foremost there is no burn there because last year itself we had indicated that we have broken even and probably from this year we will be at 5%, 6% EBITDA levels which will keep increasing as we go along, but yes the fundamental principle here will be that we will try and invest as much as possible back into the brand because we really don't kind of want to slow down the momentum at this stage when the brand has got that momentum and has getting into that threshold levels of being a fairly largest brand.

This year we are looking to end the year at just the brand segment at Rs. 200 crores. So, that's a very, very big milestone because there are not many brands who kind of achieve this kind of a milestone in this short period. So, we really want to keep up the momentum, keep investing back into the brand, but yes 5%, 6% of EBITDA is definitely there right now and we will see how we can improve it, but with this thing that we really want to right now be invested in brand building.

Abhilasha Satale: I appreciate it, but I think at PAT level we would still be burning if I'm not wrong?

Praveen Jaipuriar: So, there isn't much of this being PBT. The brand demerger has happened. So, there aren't any loans to be serviced or it's not asset depreciation or anything. So, there is not much of difference between an EBITDA levels and net PBT level.

So, except for the vending machines that we buy, we probably have a little bit of a depreciation and interest, but those are very less in numbers. So, there won't be much of say the EBITDA levels will be at around let's say 5%, 6% the PBT could be at around 2%, 3% and PAT will not be getting impacted so much. So, therefore there isn't any burn even at the PAT level also.

Moderator: Thank you very much. The next question is from the line of Ankit Kanodia from SmartSync Investment Advisory Services. Please go ahead.

Ankit Kanodia: My first question is related to the tax outgo. So, suddenly we have seen a very big drop in taxation this quarter. Can you throw some light on that?

V. Lakshmi Narayana: So, here if you look at it standalone we are falling under MAT because of the carry forward MAT Credit the effective tax rate in India is working out 7.7% to 7.8% and as you know that in right now it is the tax free corporate tax is completely exempted thereby you could see that drop in the overall effective tax rate and as we informed earlier also the effective tax rate at Group level is around 12%.

Moderator: Thank you very much. The next question is from the line of Senthil Manikandan K from ithought PMS. Please go ahead.

Senthil Manikandan: My first question is on the vending machine business. So, if you can just share what's the broad strategy we gained over the next 3 years to 5 years in building this business in the domestic market?

Praveen Jaipuriar: So, vending business we approximately today have 4,000 vending machines that are operational across the country, and we are looking to build aggressively. See it's a tricky business as well because vending machines everybody in the market wants you to put without any cost and then they might end up also buying from somebody else once they get machine because obviously there will be local players and traders who probably offer at a very dirt-cheap rate and things like that.

So, that is why we have been very careful on this front not to go overboard. Today we are making sure that it's a self-sustaining model in 6 to 7 months most of our vending machines kind of payback for themselves. So, keeping all this in mind with the new approach we are looking to scale it up, but in a more sustainable manner. In terms of the business that it will generate of course we're looking to build up a business out of vending itself to 100 crore kind of a business in the next 3 years to 5 years today it could be around 20 crores, 25 crores or so, but yes that that's been our plan and that's been our strategy as far as vending is concerned.

In fact last time we had also kind of apprised all of you that there is this whole out of home consumption that we want to tap into and drive this whole out of own consumption a lot more deeper and there are certain experiments that we have been doing. We have been opening kiosks, we are about to open some cafes as well and do the proof of concept of penetration driving as far as the cafe concept is concerned. So, all that work is happening as far as the out of home consumption is to be given.

Senthil Manikandan: Second is a related question on the domestic market in terms of our presence in the coffee retail things. So, off late we have seen that a lot of startups like they have coffee or they're making a good presence in the market, so what's our presence and strategy in this line of business?

Praveen Jaipuriar: I'll just give you a brief this thing background. As far as all the coffee startups today if you see the India ecosystem as far as coffee is concerned probably a large part of it is driven by us. So, a lot of these coffee D2C brands and these startups you see whether it is brand or whether it is the chains we are doing a lot of back-end work with them to drive because our whole concept has been that how could we derive lot more coffee consumption in this tea drinking country. So, that's one.

Second is in terms of our presence if you see our presence far outweighs all the brands in fact together. Most of these D2C brands are probably in the range of 25 crores or so and we are probably will be reaching 200 crores this physical. So, you can kind of compare the kind of presence we have.

So, if you come to South of India and if you start going to retail outlet you'll see that our presence has a very strong number 3 brand in most of the retail outlet and there are certain pockets where we are seen as the number 2 brand. So, that is the kind of presence and visibility that we have been able to achieve.

Yes, the next milestone would be to get this kind of presence and visibility in the North, East and West markets as well for which the work has started. There are a lot of outlets where we are now fairly visible in these zones as well. So, that's a brief outlook of our presence in the retail market.

Moderator: Thank you very much. The next question is from the line of V. P Rajesh from Banyan Capital. Please go ahead.

V. P. Rajesh: Just a clarification when you're talking about 200 crore of brand revenues this year, does that include the vending machine business also or if not then why?

Praveen Jaipuriar: It includes branding business because all the vending machines is a branded these things, we all sell under another brand so that is part of the brand. Bulk and private label is outside this.

V. P. Rajesh: And out of 200 how much will the vending machine business be by the end of the year?

Praveen Jaipuriar: Approximately 20 crores, 25 crores would be that the rest of it would be products.

V. P. Rajesh: And then in terms of the produce, as you were describing that you are either number 2 or number 3 in rest of the southern part of the country. So, my question is that how is the competitor, the leader or the number two player reacting on the ground to your surgeons in those particular markets, are they trying to dislodge you by discounting or what's going on if you can just give some commentary on that?

Praveen Jaipuriar: We are fighting against the top two multinationals or not the country, but of the globe and obviously there this thing would be to very to be aggressive. They hate to lose market shares, but what we are doing is we are constantly focusing on lot on consumer offtake because once the offtake starts happening it becomes really difficult for you to be even if you are very aggressive in terms of doing channel discounts and maybe consumer discounts once you are building loyalty for your consumers what happens is that that ability for your competition to kind of bring you down that much reduces.

So, that is why we're doing a lot of activities in terms of building consumer loyalty. We are doing a lot of ATL activity combined with a lot of sampling that we do on ground which is making a huge consumer base for us. In fact, one of our largest selling packs will be 200 gram Packs which is the not the largest selling pack of the category.

So, that that gives us an indication that we are building a very strong consumer base and that is helping us lot of on the competitive pressures that that may be coming from the competition, but yes competition has been reactive, they are doing a lot of things, but yes consumer is the thing that we are focusing on and we think that we are doing the right thing as long as the consumers are picking up your brand, I don't think so any of the pressures would kind of work.

V. P. Rajesh: And then just a quick follow up on the online side how would you rank yourself and who are the sort of what is the market share that you would ascribe to ourselves vis-a-vis these large players or other D2C brands that you were talking about earlier?

Praveen Jaipuriar: No come again on which side did you say online site?

V. P. Rajesh: On the online channels?

Praveen Jaipuriar: So, of course, online channels again we are very sustainable on that. Today, if you see the online channel. There are two sets of products that sell. There is one set of product which sell because there is an offline equity that is getting built for the brand. So, that if you see the large players and including us which is Nestle, Unilever and continental I can count it now in the same basket.

Our online sales are largely dependent on the offline equity that we are building, but if you see the D2C brands their online sales are largely from the huge amount of money that they have to spend online itself.

So, therefore you'll see it is becoming a very, very tough for each of these brands to sustain the online sales itself and if you were to kind of search for the ROC data for some of these D2C brands you will yourself see the kind of losses these brands end up making.

So, anyways I don't want to go into that site, but that's been our strength. We have been very strong on online, but the good part is that I spend Rs. 1 to get Rs. 3 revenue in on online, whereas most of the D2C brands if you see the D2C ecosystem, their ratios have been upward of 1 which means that the probability it really gets reduced. So, that's been our strategy.

We are very focused online. Today almost 10% of our sales which is approximately out of 200 crores, 20 crores to 25 crores is coming online which is equivalent to some of the large D2C players who are much talked about in the market, but yes the only difference is that we don't know Tom talking about it and the second thing is that we are building it very sustainably.

V. P. Rajesh: Just one follow up. Do you have any market share data on the online side like where would you stack up on top 5 and top 6 players?

Praveen Jaipuriar: Very difficult to visit online market share data, but our sense is that from whatever talks that we do with the category managers of the online space we probably would be close to around somewhere my sense is that 8% to 10% could be our share in the online space that we are into.

Moderator: Thank you very much. The next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: My first question is, is it possible to share what is the gross margin and advertising spend in the branding business?

Praveen Jaipuriar: On a broad level so the domestic market if we look at it as a whole it's approximately 30%. The brands would be 5% to 7% higher and our advertising to sales spends is roughly around 8% to 10% as of now. So, that is the ratio on the advertising spends.

Bhargav: And as you scale up your branded business is there a plan to sort of separately list also that entity because essentially now that it is part of the B2B business, it will not get fully valued, but once scalable is there a plan and if there is a plan at what level would you be looking to execute that plan?

Praveen Jaipuriar: So, as of now we want to kind of in fact it was under separate subsidiary which we kind of demerged it back to the parent company because the leverages are much better for us to drive when you are doing it from the parent company. So, we really want to go very, very strong on this segment kind of build this segment over a period of time. As a vision for the company, we have already kind of earmarked that CCL going forward next 5 years, 10 years, 15 years so it should kind of transform itself into a true blue FMCG company with a lot of brands getting launched and lot of brands getting sold. So, that's our visions and we want to kind of translate this vision from the parent company itself. So, that will be a strategy. So, in the short and medium term I don't see any such kind of effort from our side.

Bhargav: And so in terms of debt we have a debt of about 1000 crores on the balance sheet when do you plan to become debt free?

Praveen Jaipuriar: It will take around 3 years or 4 years from now to completely become debt free, but it's a little hypothetical question because as we move along, as the growths are coming we really don't know when the next expansion is going to come, but if we suppose we were not to expand and there is no new CAPEX that is going to come our way, it will by 28 or 29 which is our 4 years of let's say 4 years from now we should be debt free.

Bhargav: And sir lastly what would be the share of China in our overall revenue pie, and you think that number can initially grow from here on?

Praveen Jaipuriar: Very negligible right now, very minute quantities we sell right now, but last time we had indicated to you that we are kind of partnering with one of our old associates and we are building that market.

So, that market right now is in the seeding phase. So, right now there aren't any significant volumes that are coming, but we expect these things to pick up as we move along and we will keep you updated as the volumes pick up from that geography.

Moderator: Thank you very much. The next question is from the line of Dhruv Bakhai from RSPN Ventures Private Limited. Please go ahead.

Dhruv Bakhai: So, can you throw some light on quarter-on-quarter and year-on-year figures of EBITDA per ton and the overall capacities utilization that you have been able to achieve?

Praveen Jaipuriar: I am not able to hear you clearly. Can you just repeat?

Dhruv Bakhai: Quarter-on-quarter and year-on-year figures for EBITDA per ton and the overall capacity utilization that you have been able to achieve?

Praveen Jaipuriar: EBITDA per ton remains exactly the same as before. There is a little drop in Quarter 3 because we were selling a little aggressively, but as we had explained earlier that the Spray-Dried EBITDA per ton is approximately 9,200 and the Freeze-Dried is around 130 to 135. So, that remains intact. As far as capacity utilization is concerned the India capacity is fully utilized and when we say utilized obviously it won't be 100% of the rated capacity is generally at closer to 90% or so because of the changeovers because of the kind of blend that you are doing.

So, India capacity is fully utilized. Vietnam is also last quarter we did the optimum utilization of the capacity it's a new capacity, there are certain line balancing and all that that is pending, but barring that we did optimize fully the Vietnam capacity as well.

Dhruv Bakhai: So, one more question what are your CAPEX plan for financial year 25 and 26 financially?

Praveen Jaipuriar: There is no new CAPEX that is there. We already we have announced CAPEX there is a 50 million CAPEX in Vietnam and another which is the Freeze-Dried facility which is already on and when I say on the setting up the plant is on, it will be operational from next financial year Quarter 2 and the India facility the Spray-Dried 16,000 tons that's also close to $50 million CAPEX so that is also ongoing project and by this yearend by March end we should be operational.

Moderator: Thank you very much. The next question is from the line of Rohan Gupta from Nuvama Wealth and Investment Limited. Please go ahead.

Rohan Gupta: Sir, couple of questions from my side. First is on the pressure which we have faced on Vietnam with the aggressive pricing you mentioned which has impacted our margins. It was just a one off or we see that in our focus on driving the capacity utilization at Vietnam plant to full utilization we may keep on seeing this kind of margin pressure even going ahead as well that is one.

And second sir across the globally which are the markets you see that US and Europe are still facing pressure where we are not able to push the materials significantly.

Praveen Jaipuriar: So, first thing is like yes there is a bit of margin drop because of our aggressive setting. One off is terminology may not be exactly right, but yes it is very short term because once you start building clients and when you start building businesses after you have done or fulfill your capacity or optimize your capacity then you can start kind of improving on your margins because the more the utilization I get into my pricing becomes even better because my overheads and all that gets distributed through a larger volume.

It's a short-term thing definitely the margins will catch up. If you see the YTD numbers the margins are completely intact it's only in this quarter that we saw a little bit of stress then coming to which markets have been a challenge. I don't see that any markets have been a challenge for us. It's more that we don't have the capacity, or we didn't have the capacity to expand to some of the markets. We would have ideally expanded America, North America is doing well for us, Africa small packs we are doing well, Europe we are doing well even Russia and CIS countries we are doing well.

So, I don't see any and as we discussed and I updated you are far East which is including China we are seeding the seeds right now and hopefully we'll start seeing the volumes coming there, but it was never a question of a demand of our or our ability it’s more of our capacity issues that led to not touching some of these markets, but we are okay to kind of good to go once the capacity is now there.

Rohan Gupta: Second question is on our margins instead you mentioned roughly 90 to 100 and Freeze-Dried roughly 130 to 135. I think that we were earlier focusing on with our small packs division doing very well. We were looking at \$1.5, \$2 margins on a overall basis of the company, so when you think that we will be reaching those I mean \$1.5 to \$2 kind of margins on overall company basis?

Praveen Jaipuriar: We will actually the exact timing is very difficult because a lot of work is going on small packs, what happened is that if you see the pre COVID time, our small pack ratios really increased to almost 24%, 25% then COVID happened, and these small packs really declined and then we focused more on bulk pack.

It was almost work starting from scratch post COVID. So, now we are back to approximately 18%, 20% of small packs as we speak. Once we get into a level of around 30% or so, then we start seeing the real value flowing into the P&L, but as I was telling you a few minutes ago is that in the near short term and in the medium term there are other things which are also playing up. So, what is happening is that sprayed dried capacity is going up. The mix is changing. So, we are selling more of sprayed dried which has lower margins.

Once the Freeze-Dried comes then that margins will again start improving. So, there will be certain pluses, there will be certain minuses that will play up and therefore with the short term, we don't see much of a much of an improvement in margins per say, but what we are definitely seeing is that because of our aggressive top line and volume growth the driving of EBITDA numbers will be through this volume growth and then subsequently when the next phase comes we will start driving improvement in margins and then you will see a lot more improvement in margins and then we'llsee how it goes because the next couple of years we are very, very focused and we will drive all our EBITDA profit through higher volume growth.

Rohan Gupta: So, sir commissioning of this Spray-Dried by end of this year will probably pull down a margin a little bit, but then once again Freeze-Dried commissioning in FY25 may pull up the margin, but for next 2 years at least we are going to see the volume led growth on the rather than any margin expansion?

Praveen Jaipuriar: Absolutely.

Rohan Gupta: Sir, just coming on the domestic business if you can just share some number that the retail sales if I missed it out, but the retail sales number from the different channels in the current quarter and the 9 months?

Praveen Jaipuriar: So, basically 9 months I'll share because that will give you a better picture. So, almost the domestic business in the 9 months is 230 crores to 235 crores out of which 140 crores is approximately the retail the branded business and we are looking to end the year the domestic business at around 320 odd crores and the brand business will be around 200 crores. So, that is the yearly outlook for the brand business.

Rohan Gupta: Sir any idea if you can just share that in our retail brand at 200 crore, what kind of market share we may have at that number?

Praveen Jaipuriar: Right now we are very small. So, when Nelson picks it up there are errors and all that picking up, but if I see our market share in the South market which is like 65%, 70% of the coffee market because that's the data we buy. So, I can share a bit of that with you is approximately 3.5% and at an at an All-India level if I were to translate this because I don't have the numbers. So, it could be around 2.5%, but definitely there are pockets where we have done really well. So, our market share in let's say in AP, Telangana would be closer to 8% to 10% Karnataka would be around 5%, 6%, Tamil Nadu would be around 3%, 4%. So, that's a little brief on our market share.

Rohan Gupta: And just one last bit and I may come back in the follow up for the question. You mentioned that on your debt number that if you don't go for any further CAPEX from here excluding this $50 plus $50 million commissioning over next 8 months to 9 months if you don't go then you are going to repay. I mean, if the company will be debt free in next 4 years. So, that doesn't include the growth which you will be doing with the volume led and the working capital requirement or that includes that and including the working capital would be debt-free?

Praveen Jaipuriar: No obviously term loan long term debt is concerned it is completely debt free by 29 with the schedule of repayment and working capital also we have some ease in working at as well because the free cash flows are going to flow into it.

Rohan Gupta: So, even you are saying that in actually from the current growth plans you can be debt free including working capital I mean short term, long term both?

Praveen Jaipuriar: It's not debt-free. There is some easiness there from the present level. So, we are definitely going to be debt-free on account of long term.

Moderator: Thank you very much. The next question is from the line of Rakesh Wadhwani from Monarch AIF. Please go ahead.

Rakesh Wadhwani: Sir one question with respect to the standalone business we witness some volume decline in queue for Q3, but there's a gross profit increase any reason for that?

Praveen Jaipuriar: There were some better margin business that happened in this quarter. There were a bit of more of small packs that led to kind of better efficiencies therefore that drop in profit is not there in spite of drop in volume.

Rakesh Wadhwani: Sir again that EBITDA margin has come, EBITDA growth has come is it because of the shift or delay in the packaging shipping because the gross profit has been grown by 17% and the EBITDA growth is only negative so is it because products were manufactured, but they couldn't be shipped, is that understanding correct?

Praveen Jaipuriar: As I mentioned in my opening remarks that there was approximately 800 tons of product which we could not ship because of the Red Sea issue and in during the end week of December unfortunately the Red Sea issue happened and at a time when the quarter was ending. So, that led to loss in business so that that impacted our P&L.

Rakesh Wadhwani: One last question from my side sir regarding the debt, so you mentioned if there is no expansion plans in the coming year or for the next 1 years, 2 years then with that long term debt that will be zero by FY28 or FY25, but just wonder if we expand also the number amount of cash flow that will be the generating will be sufficient for us to fund the CAPEX on that. It's my understanding correct.

Praveen Jaipuriar: Very difficult to comment right now because there are working capital there will be working capital debt and things like that. So, volume will increase. So, we'll have to see the situation at this point of time, and we are expanding that will that debt get service through our internal cash flow approvals or not.

Rakesh Wadhwani: The reason I am saying because now the coffee prices are at the peak there in the 2 year, 3 years cycle the pricing will also come down in the coming year, may not be knowing FY25, FY26, but they will surely come down my understanding, so that's why I'm asking that?

Praveen Jaipuriar: Yes absolutely so if the coffee prices and all that they calm down significantly then the situation will change free cash flows will be far higher. Far higher in the sense it would be sufficient to not only kind of ease the working capital requirement, but also kind of fund some CAPEX also. So, yes, absolutely you are right. If that happens therefore the reason we are not commenting is because we really don't know how the prices are going to kind of pan out in the next 2 years, 3 years. Really, at that moment how things are we'll determine how are we going to fund the CAPEX if at all we decide to.

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

Kashyap Javeri: Question pertaining to your debt the interest cost has gone up from about 11 crores to 23 crores, 24 crores in last four quarters. One question is how much is cost of borrowing risen by and the connected question is that you know much of this borrowing would be for our expansion also is how much of even further cap interest cost has been capitalized in last 12 months or so?

Praveen Jaipuriar: So, if you look at Vietnam the expanded capacity has been completed in March 2023, thereby the loan of 20 million which we have taken for that facility the interest has been accounted for in this current financial year that is one of the reasons increasing the rate of interest, the absolute value of the interest.

And the second is if you could see that the increase in the total overall working capital borrowing has also increased with the volume of the business that is gone up number two. Number three is the rate of increase also is changing as we all know that it's all most of the export borrowing are in linked with so far, so far is not yet eased out and because of these three reasons there is an increase in the overall interest cost.

Kashyap Javeri: And how much is capitalized this year?

Praveen Jaipuriar: This year is nothing because the capacity has been completed last year itself with this year is totally accounted in the revenue.

Moderator: Thank you very much. The next question is from the line of V.P Rajesh from Banyan Capital. Please go ahead.

V. P. Rajesh: Just this 200 crore domestic business that we were talking about in the next let's say 5 years, where do you think this business could be?

Praveen Jaipuriar: We are trying to aggressively grow the business last time on an analyze level for the next 3 years, 4 years, 5 years we're looking anywhere 30%, 40% growth maybe even more. So, that's the kind of trajectory we want to maintain. So, with that this thing you're looking to kind of double every 2 years or so from here on, but definitely as you go along once the basis get build, you're getting bigger.

The kind of growth that you are having now also becomes challenging to maintain, but yes, we will be 200 crores this year. We'd like to double it in the next 2 years or so. So, that's the that's the kind of trajectory we would like to maintain, but this is very difficult to put. I always say that these are very challenging questions itself because it's a very nascent business for us.

Come to think of it we probably were never into FMCG business 5 years ago. So, a company which has gone into FMCG business and has kind of a changed this kind of scale itself has been a great trajectory and the kind of things that we are wanting to do we did explain not only products, we're trying to expand geographies, we want to see that can we launch it in some other parts of the world per call we acquired, we're looking to get into retail.

So, there's lots happening. So, really of course some of it will work, some of it may not work we'll have to change track and trajectory. So, all that will happen. So, to get to a number is something which is very difficult to say, but can we get to a momentum and keep driving this momentum so that we kind of see these kind of aggressive growth.

Yes we are committed towards that and not only in terms of our intent, but also in terms of resources that is why I keep saying that next couple of years we are not intending to improve on EBITDA margins that we brands earn, but plough back everything back into the brand to grow this business.

V. P. Rajesh: And just last question on the B2B side do you potentially see yourself acquiring some other converters out there globally or the idea is always to put your capacities and growth through that route over the next 2 years, 3 years because while your Greenfield capacities are coming up?

Praveen Jaipuriar: It’s a little the same question it's an what kind of a question because acquiring capacity is not an issue. There are offers that keep coming our way, but if you remember when we talk about our competitive edge in the market. One of the biggest edge that we that we kind of enjoy is our ability to do different kinds of blends, different kinds of products and if you have noticed we have always said that we build our capacity to our advantage in a way that it is very customizable.

While there are offers, we really don't want to acquire a setup which is very fixated in terms of its output and then diminishes our ability to be that much more nimble footed in the market. Also, the position matters a lot that are we in a zone which helps us to kind of so today one of our other advantages are that we can import coffee from anywhere and export anywhere. So, those things kind of help to our advantage and therefore we would like to maintain that advantage.

So, therefore it's like if and but if something right comes our way and we are looking to kind of it fits into our scheme of things we won't be averse to it, but going the way we have gone till now it looks like the principle would be to kind of build our own capacities going forward.

Moderator: Thank you very much. In the interest of time, that will be the last question. I would now like to hand the conference over to management for closing comments.

Praveen Jaipuriar: Thank you all for attending the conference and we'll look forward to meet you again in the next quarter and thank Nirmal Bang for arranging this conference. Thank you everyone.

Moderator: On behalf of Nirmal Bang Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.