CONTINENTAL COFFEE

Date: 19th August, 2021

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.

Dear Sir/Madam,

Reference: Regulation 30 of SEBI (Listing Obligations and Disclosure Reqirements) Regulations, 2015

Subject: Transcript of the Conference call
Our Company Code – CCL

With reference to our intimation dated 26th July, 2021, informing about the conference call with Analysts/Investors to be held on Thursday, 29th July, 2021, Please find enclosed herewith the transcript of the aforesaid conference call.

This is for your information and necessary records.

Yours sincerely,
For CCL Products (India) Limited

Sridevi Dasari
Company Secretary & Compliance Officer

CCL PRODUCTS (INDIA) LIMITED
CORPORATE OFFICE
7-1-24/2/D, "Greendale", Ameerpet, Hyderabad - 500016, Telangana, India.
+91 40 2373 0855

REGISTERED OFFICE
Duggirala, Guntur Dist. 522330, Andhra Pradesh, India. | CIN L15110AP1961PLC000874
+91 8644 277294 | info@continental.coffee | www.cclproducts.com www.continental.coffee

"CCL Products (India) Limited Q1 FY'22 Earning's Conference Call hosted by Antique Stock Broking"

July 29, 2021

MANAGEMENT: **MR. CHALLA SRISHANT – MANAGING DIRECTOR, CCL PRODUCTS (INDIA) LIMITED**
MR. B. MOHAN KRISHNA – EXECUTIVE DIRECTOR, CCL PRODUCTS (INDIA) LIMITED
MR. K. V. L. N. SARMA – CHIEF OPERATING OFFICER, CCL PRODUCTS (INDIA) LIMITED
MR. V. LAKSHMI NARAYANA – CFO, 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 – CEO, CONTINENTAL COFFEE PRIVATE LIMITED

MODERATOR: **MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING**

Moderator: Ladies and Gentlemen, Good Day and Welcome to CCL Products (India) Limited Q1 FY '22 Earnings Conference Call hosted by Antique Stock Broking. As a reminder, all participants' 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 this conference is being recorded. I would now like to hand the conference over to Mr. Manish Mahawar from Antique Stock Broking. Thank you and over to you, Sir.

Manish Mahawar: Thank you Janice. On behalf of Antique Stock Broking, I would like to Welcome all the participants on the call of CCL Products. I hope everyone is safe and healthy. From the Management, we have Mr. Challa Srishant – Managing Director; Mr. B. Mohan Krishna – Executive Director; Mr. K. V. L. N. Sarma – Chief Operating Officer; Mr. K.V.L.N. Sarma – CFO; Mr. P. S. Rao – Consultant Company Secretary; Ms. Sridevi Dasari – Company Secretary; and Mr. Praveen Jaipuriar – CEO, Continental Coffee Private Limited on the call.

Without further ado, I would like to hand over the call to Srishant for opening comments post which, we will open the floor for Q&A. Thank you and over to you, Srishant.

Challa Srishant: Thank you Manish. Good Evening everyone. The group has achieved a turnover of 326 crores for the first quarter of '21-22 as compared to 289 crores for the corresponding quarter of the previous year and the net profit is 43.84 crores as against 38.48 crores for the corresponding quarter of the previous year. The EBITDA is 72.09 crores and profit before tax is 53.74 crores. We can go ahead with all the questions.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We take the first question from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Thank you very much for the opportunity. Sir, if you can share the first quarter capacity utilization of our FD the Duggirala and Vietnam?

K.V.L.N. Sarma: In Vietnam there is no freeze dried capacity. In India, the capacity utilization was about 70%.

Kaushal Shah: This is FD or this is for Duggirala also?

K.V.L.N. Sarma: Duggirala and our SEZ put together, we take FD capacity as a combined capacity only and there is no FD capacity in Vietnam, so in India our first quarter capacity utilization was in the range of about 68 plus or so, you can take approximately 70%.

Kaushal Shah: In Vietnam Sir what was the number?

K.V.L.N. Sarma: Vietnam is operating at 80% utilization.

Kaushal Shah: Sir, in India the freeze dried division what was the utilization?

K.V.L.N. Sarma: In India also in the first quarter it is about 65% to 70%.

Kaushal Shah: Sir, some thoughts on your possible guidance or you had I think in the last call indicated that we could possibly do between 12% and 15% volume growth in the current year, so now that about four months have passed, would you like to make some comments on that number maybe revise it upwards or downwards, so how do you see the volumes for the current year?

Challa Srishant: We can give a broadly better figure after the second quarter, perhaps for the current we will retain the same figures.

Kaushal Shah: One last question, on the CAPEX front how much have we done, have we started work already on Vietnam the expansion and also on the small packs, what is the utilization level there?

K.V.L.N. Sarma: Small pack capacity is coming closer perhaps we would be going into commercial production somewhere in the second part of August onwards and Vietnam the line balancing part is complete. It is yet to be commercialized, we are working on matching the projects that are there on hand, so commercialization has not yet taken place, but the trial runs have been started and on the expansion for doubling the capacity, in fact paper work is going on, but next month or so, we will start issuing purchase orders and initiate the actual implementation process.

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 good results. Actually I wanted to know we are hearing lot of news about this Brazil crop and frost there and I think we consume about 90% of Robusta coffee as our raw material, so when the prices of this Robusta or other coffee go up, what will be the effect on our operations and our profitability?

Challa Srishant: First of all, Brazil mainly grows Arabica and it is 70% Arabica and 30% of Robusta, and when the maximum area that has been impacted is the Arabica growing region, so what is happening is this Arabica is what has been majorly impacted by this frost. Robusta prices have not gone up in the same line as the Arabica prices. Robusta prices have also gone up, but not along the same lines as Arabica, so the gap between Arabica and Robusta is a little higher right now.

Sameer Deshpande: We consume maximum Robusta?

Challa Srishant: We consume maximum Robusta, less than 10% of what we do is with Arabica.

Sameer Deshpande: 90% is mainly we are using is Robusta, so then there will be a big effect on whatever we can pass it on whenever?

Challa Srishant: Yes, as you are already aware, our nature of business also we do on a back-to-back basis, so whatever we sell we cover the coffee immediately, so it will get delivered on a staggered basis accordingly.

Sameer Deshpande: The gross margins in this quarter were around 50% compared to the March quarter of about 58.7, so is it the seasonal effect because last year it was 45, this year it is 50, so it was around 59?

Challa Srishant: Yes, this coffee is a seasonal business, normally Quarter-3 and Quarter-4 will be significantly better than 1 and 2.

Sameer Deshpande: On the export front, we earlier had the problems of this containers etc. being some logistics issues etc., but have they been resolved or they continue to do this?

K.V.L.N. Sarma: Actually the problems are still there, it has not been fully resolved. The freight rates are very high, so all those issues are still there, but in spite of those issues, we are still managing to push through.

Moderator: Thank you. We take the next question from the line of Shanti Patel from Shanti Patel Investment. Please go ahead.

Shanti Patel: Good Evening Sir, my question is taking into consideration all the factors what will be the return on capital employed and return on equity as on March 31, 2022, and 2023, it is a rough idea, I do not insist, that is question number one?

V. Lakshmi Narayana: Return on capital employed it is 14.32. Return on equity it is 15.12% as on June 30th current quarter ending.

Shanti Patel: Do you think it will go up as on March 31, 2022?

V. Lakshmi Narayana: It is likely to have slight improvement.

Shanti Patel: Second question is what is the difference in the price of Arabica and Robusta two months before and today?

K.V.L.N. Sarma: The movement of Robusta in the last two months has been steep. It was about 1300 to 1400 two months back, it has increased to plus or minus 1900 as of now.

Shanti Patel: Arabica?

K.V.L.N. Sarma: Arabica the movement has been slightly lesser, it is around 2300 now and it was about 1600 earlier.

Shanti Patel: Then the damage is in respect of Arabica?

K.V.L.N. Sarma: Yes Arabica. The Brazil problem is in Arabica predominantly.

Shanti Patel: Correct, so price will go up as far as that particular item is concerned, correct, the probability of going up is very high?

K.V.L.N. Sarma: Whatever contracts we are doing we will be doing at this price right now.

Moderator: Thank you. The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Thanks for the opportunity Sir, my question will be that you would be having better visibility over next three to six months in terms of order execution and you would have already secured this order in the lower price, so if you look at now going forward whatever new orders you were taking that would be at higher price, so can you just give some flavor like when the exact impact of rising coffee prices would be visible in P&L?

K.V.L.N. Sarma: Broadly, one thing is when there is an increase in inflationary trend in prices, there will not be too many orders that will be coming in, but for us there will be a visibility of six months clearly and if we are doing orders right now with these prices, the visibility should have come somewhere in last quarter second month or last quarter part of this year.

Manoj Gori: Right, so is this understanding correct that during Q2 or probably during Q3 as well, the value growth would not be following the current increase in coffee prices, should be similar to what we have seen in Q1 of FY '22?

K.V.L.N. Sarma: Normally it is, but we should adjust it to some urgent requirements of the customers who may want immediate supplies for replenishment, so generally that is so but it will not exactly match. There may be some variations because of the immediate requirements of the customers.

Manoj Gori: Right, so this is just for the sake of our investor point of view that while building any assumptions in the first few quarters, should we take any significant value growth apart from volume growth just on the basis of pricing, not on the basis of product mix?

K.V.L.N. Sarma: Broadly if you see, the price increase should not greatly affect our operations either side, so since we will be covering our margins despite increase in prices.

Manoj Gori: I do not understand your business model and I completely agree that you cover your raw material prices, it is just only for the whether your top line performance would be fast?

K.V.L.N. Sarma: Top line part you can expect that it would go up.

Manoj Gori: Okay, so that could be going up from Q2 onwards or Q3?

K.V.L.N. Sarma: That should be somewhere from Q4 onwards.

Manoj Gori: Sir, I actually meant for few of the clients we would be working on fixed EBITDA per kg basis whereas for the few clients we would be working on EBITDA margin basis, so most of the clients we are working on margin basis?

K.V.L.N. Sarma: Broadly, it will be per kg basis only on a broader perspective. Margin any way will not because of the variations in the coffee prices, we do not exactly go by the margins. We try to cover our EBITDA margins on absolute number basis only.

Manoj Gori: On absolute number basis, so optically probably the margins might come down optically, but there would not be any change in profitability or the volumes?

K.V.L.N. Sarma: Correct, if you are comparing on a percentage basis, then it looks like.

Moderator: Thank you. The next question is from the line of Abhijit Akela from IIFL Securities. Please go ahead.

Abhijit Akela: Good Afternoon and thanks so much for taking my question, just one clarification first on the gross margin shift that we have seen quarter-on-quarter from March to June, should we understand that it is largely because of shift in product mix or is there some other factor, could it be the higher raw material cost which has been pass through therefore on a percentage margin the gross margin looks lower?

K.V.L.N. Sarma: You are right, it is only the variation in the product mix only.

Abhijit Akela: Is it freeze dried coming down Sir mostly or any other items also like shifting around?

K.V.L.N. Sarma: Last year last quarter there was a mix of freeze dried and most of it was on small packs, small packs requirement will come only towards the third and fourth quarters, so in the first quarter when there is reduction in small packs, obviously the top line would be lower and gross margin looks like it has not come down.

Abhijit Akela: On the volume performance in the quarter was it broadly in line with our expectations or were there any sort of hurdles we hit?

K.V.L.N. Sarma: No, Quarter-1 was very much in line with the expectations.

Abhijit Akela: Just one last thing Sir, is it possible to broadly give us a sense of year-on-year out of the revenue growth, how much would be roughly price change if at all and how much would be volume change?

K.V.L.N. Sarma: This is too premature to give, we will consider this aspect somewhere around end of third quarter or fourth quarter.

Moderator: Thank you. The next question is from the line of Himanshu N. from Yes Securities. Please go ahead.

Himanshu N.: Hi team Good Afternoon and thanks for the opportunity, so first question would be on the India branded business if we can have some more details as to how we are doing there and specially with respect to the entry of a new player in that market, how do we see that business and the growth out there going ahead?

Praveen Jaipuriar: On the domestic front, in the first quarter we grew about by almost 50% or 48% to be precise, so the growth is on track and we are ourselves a new player in the market, so really it does not matter who are the new entrants. as any other new player will not affect us.. So it is more like how well we are doing up against the bigger players, so new entries are generally not a threat to us at this stage at least.

Himanshu N.: What sort of growth would we be targeting for the year?

Praveen Jaipuriar: We are targeting similar growth, now it is very difficult to assess in the first quarter because first quarter is the leanest of the quarter and you know that this quarter was hampered quite a bit by the second wave, so difficult to judge whether 48% growth is a good enough growth, we could have got more growth or not, but considering the fact that this quarter was very deeply impacted because of the second wave, I think this is a commendable performance and we will continue, this is on track with our expectations wherever we wanted to reach.

Himanshu N.: Second question for the team would be on the MEIS the subsidy overdues, I think there was some amount overdue so when are we expecting to realize that, and secondly, any update you can give on the RoDTEP scheme, whether we know now how much of benefits we can get or nothing at all, so any color on this would be appreciated?

K.V.L.N. Sarma: There is no indication on the new scheme being applicable to us and that we will be able to get any benefit out of that. On the MEIS in the current quarter, we received about 6 crores out of the accumulated figure of Rs. 28 crores. When we will realize, we do not know, we have made an application and the licenses have to be cleared.

Himanshu N.: My final question maybe Srishant could address this if you can talk about the performance of some of our new premium products that we were trying in the developed market especially US, so any further updates you can give or how are new premium or value added products are doing especially in our key focus markets and any new client breakthroughs if we have been able to get any?

Challa Srishant: As far as the products are concerned, the new introductions are actually doing quite well. US response has been good and consistent and the volumes are growing there. Thanks to the track record that we have already built up, now there is a lot of interest that is getting generated in other countries as well. Most of the countries across the world just try to copy whatever is being done in the US, so that interest has started getting generating in Europe as well as in the Asian markets also, so we will be slowly introducing these products in these markets as well.

Himanshu N.: Any new client additions that you can talk about, any significant ones Srishant?

Challa Srishant: We keep adding new clients all the time. If you are asking if there is another major volume client that has been added, not yet right now. We are in the process of transitioning one particular customer and that will take some time.

Himanshu N.: Just one final clarification on this quarter's performance I believe last few quarters we were running at a very high almost full utilization of Vietnam while this has fallen to 80% this time, so just wanted to understand and even in India the utilization at 65-70, so just wanted to understand whether this is on account of demand issue where the clients have sort of postponed a few orders or are we facing, this is on account of logistics issues where some shipments were stuck or how do we sort of explain this dip in overall utilization levels?

K.V.L.N. Sarma: This is 80%-85% is considered to be the optimum utilization figures, so in Vietnam the plant is running to the optimum utilization level only. Coming to India, it depends on the product mix. There are some premium products, there are some other products which will have a lower productivity, but better realizations, so when we are producing these products on a volume basis the number might come down but on a financial parameter, it will be equivalent, so there is no reckonable reduction in utilizations during this quarter that way.

Moderator: Thank you. The next question is from the line of Harsh Sheth from HDFC Securities. Please go ahead.

Harsh Sheth: Good Afternoon team, thanks for the opportunity, just couple of questions specifically on our invest business so on US front with widening gap between Arabica and Robusta prices coupled with Brazilian supply is likely to be affected this time, do we sense an opportunity to split market share gains over our Brazilian counterparts and developing or establishing our base there?

Challa Srishant: Actually yes we are in fact because of this situation which is there in Brazil there is an opportunity for us to grow further volumes in the US and we are capitalizing on that. This year itself, we are seeing almost a 20% to 25% increase in our volumes in the US market alone.

Harsh Sheth: Alright, so if I am not wrong US is 10% of our top line, so how do we expect our geographical mix to change going forward, any comments on that?

Challa Srishant: More or less it is going to be the same way it used to be, little bit percentage changes here and there will be there. As you rightly said 10% is what we were doing in the US and that may go up by a few percentage points, but that hardly matters.

Harsh Sheth: Sir, if possible could you please share the breakup between bulk and packaged products for US specifically, I think bulk would be more is that right?

Challa Srishant: Yes, around 95% is bulk in the US and around 5% is small packs of what we do. Going forward we are looking at increasing more of small packs in the US, but it is a more long-term plan that we have to increase small packs in the US.

Harsh Sheth: With economy opening up, how is the institutional business in US fairing, are we seeing a good bit of traction and new order bookings?

Challa Srishant: Actually US they really did not follow the lockdowns like some other countries, the market was open for most of the duration in fact, so institution sales all that is more or less the same. Right now we are just taking advantage of the fact that in Brazil, green coffee prices are going up significantly. There is a demand from customers to transition to alternate options, so that is what we are capitalizing on right now.

Harsh Sheth: Just one last question, in last one or more so specifically in last fortnight, have we seen a slowdown in our order booking or do we expect a slight bit of delays going forward given the super inflation that we are witnessing and also from your past experience if you could help us understand, how do we expect broader industry to shape up given the calamity of this sort?

Challa Srishant: First, we have to understand that when the prices started going up, we went back in the opposite, we have seen panic buying taking place, customers giving us confirmation three-four months before they would normally give a confirmation because nobody wanted to take a risk because they saw in the last two months the prices were going up and they were not coming down. The news was quite clear that with the frost issue the prices will remain high and there is going to be a deeper impact in the crop for the next two years, so I think more or less in the industry people are not expecting the prices to go back to the levels that were there last year and the year before that, so that is one reason. During this transition time when the prices were going up, we have seen a phenomenal amount of order confirmation in the last couple of

months itself, so that is also one of the reasons why we were very confident with our guidance for the year as well.

Moderator: Thank you. We take the next question from the line of Amit Zade from Antique Stock Broking. Please go ahead.

Amit Zade: Good Evening team and thanks for the opportunity, Sir, my first question was on our CAPEX guidance of doubling the capacity in Vietnam, so I think we had said that we could start in couple of months, so what could be the timeline of the same and by when could we complete the doubling of the capacity in Vietnam and the CAPEX it would incur, number one? Second question is there any risk coming from COVID third wave in Vietnam, because there was some surge in Southeast Asian countries, so is there any risk to Vietnam as such or our operations in Vietnam?

K.V.L.N. Sarma: First thing is we will be starting the implementation of the expansion from around September-October this year and it should take at least one year henceforth so next September-October, we can expect that we can complete the expansion. Secondly talking about the COVID impact, there is an impact in COVID in Vietnam particularly the city which we are in Buon Ma Thuot but we are taking special permission and trying to run the show. If things get worse then we do not know that. We are making a risk assessment and trying to work out alternatives, but even as we are speaking right now also there are lockdown restrictions in the area in which we are operating. We are trying to maintain the operations as of now.

Amit Zade: Okay, got it and would it be possible for us to supposed to source orders from India in case if the case worsens in Vietnam or?

K.V.L.N. Sarma: In Vietnam we are in a backward area and the Government also is very keen on running the factories and other establishments. They are giving all kinds of cooperation to enable running the factories. In fact they have given special permissions for transport of our goods and our incoming material and outgoing material. As also they have permitted specifically our staff with of course due restrictions and due precautions being taken, so there is more encouragement from the Government itself to run the factories, so with that kind of a support we are expecting that we should be able to run the factory. Of course there are few products which we can interchange between India and Vietnam, but in India we have not gone in for any expansion in the last three-four years and we are almost at optimum utilization except for the Indian freeze dried capacity, so we will make an effort to run the factory at Vietnam with the Government support.

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

Vivek Tulshyan: Just wanted to understand the absolute revenue in the domestic branded business and how much distribution we have increased in the last three months?

Praveen Jaipuriar: The answer to your first question about the business is, we almost did 30 crores of business in the first quarter and coming to distribution part, we did not increase, nothing changed between M June as you know because whole logistics was disrupted during the second wave, so we have not added any distribution as of now. Going forward we were expecting to widen the distribution. When the second wave had not come we expected that we would expand a lot in this quarter, but that could not happen and we are now expecting that and hoping that no further big time wave comes so that we can continue on our expansion programs.

Vivek Tulshyan: On the MEIS, this quarter we did about 6 crores so what was the comparable number last year same quarter?

K.V.L.N. Sarma: I think it is 7 crores comparable, first quarter last year.

Vivek Tulshyan: Just on the revenue growth number, how much of this would have come from volume growth and was there any realization growth that we saw this in the quarter?

K.V.L.N. Sarma: That impact we have not yet clearly demarcated them. The prices are almost on the same line, so there is no major variation.

Moderator: Thank you. The next question is from the line of Devanshu Sampat from Yes Securities. Please go ahead.

Devanshu Sampat: Sir, Good Afternoon, just a few questions so what is the typical mix between the volume that you do for the advanced orders and the last minute of spot orders in a typical year?

K.V.L.N. Sarma: They will be approximately 65-35 percentage.

Devanshu Sampat: Okay and would it be right in saying that majority of your orders that you get in advance, do they usually get confirmed around the end of the calendar year?

K.V.L.N. Sarma: By the calendar year, we would know, yes.

Devanshu Sampat: Okay, given that Robusta prices have gone up by as much as 40% as you just mentioned, so just wanted to get a sense of so if somebody places an order with you right now, how much of a margin on a per KG basis do you typically work with or can work with prices being right now over there?

K.V.L.N. Sarma: We try to maintain our existing margins only. The price variation will be on account of green coffee cost only.

Devanshu Sampat: I understand that but I think the long-term vision is to touch Rs.130, 135 per kg if I am not mistaken?

K.V.L.N. Sarma: Yes, that is over a three to three-and-a-half year period.

Devanshu Sampat: What was the figure that we averaged in FY '21?

K.V.L.N. Sarma: That was about Rs.112 or so, it cannot be like an MRP it cannot be loaded for every customer, every customer is a different for the purpose of price negotiation with reference to the nature of customer whether he is a manufacturer customer or a trader customer or also he is a volume customer or a small booth customer and a small pack customer, so depending on this we have a small metrics basing on which depending on the customers profile we will load these, but on an overall perspective we will try to cover our margin in absolute terms.

Devanshu Sampat: Just to clarify, with prices being the way they are right now you are still targeting something in the range of Rs112 to Rs115 sort or will it be a little bit higher?

K.V.L.N. Sarma: We should target in an inflationary trend. Already there is absolute price increase for the customer, so I cannot say I will also load extra and take it from him, so it may not be possible in that fashion.

Devanshu Sampat: Sir, last question if I may just to get a broader sense on the coffee processes globally, with the world going through whatever it has in the last one to one-and-a-half years, can you give me a sense of how the supply side dynamics have changed or have they not, have there been supplies are closed down or can you just give me a sense of what is happened?

K.V.L.N. Sarma: But for the logistics issue, we did not experience any disruptions in supplies for the past one-and-a-half years.

Devanshu Sampat: I am asking about coffee process globally.

K.V.L.N. Sarma: Coffee process globally also I do not think anybody has gone bankrupt during this period, so all over the world the coffee including Vietnam etc., the coffee is graded as essential commodity and so exempted from any of the disruptions due to lockdowns and other aspects.

Moderator: Thank you. The next question is from the line of Naitik from Anvil Shares and Brooking. Please go ahead.

Naitik: I just wanted to ask your strategy for domestic retail business and if you could just tell me any internal targets that you are having for the year?

Praveen Jaipuriar: Our strategy as we have spelt out many times before is just like any other FMCG products company, we have launched various products, various brands into various categories, instant R&G and premixes so those are the three segments we have entered and we are distributing it largely in the coffee stronghold which is the Southern part of India that is where our distribution has first begun with, so that has been our retail strategy. As far as numbers are concerned, domestic everything put together which is bulk, private label, and our branded business, we had achieved a turnover of approximately 150 crores. We were looking at a 25%-30% growth this year, but it will all depend on how things go forward because of the first quarter was a little tough and we will wait and watch how things pan out in the next couple of months.

Naitik: Another question is, are you planning for the other regions like you just mentioned that focusing on Southern regions more but increasing your distribution in other regions like western or eastern?

Praveen Jaipuriar: Yes, of course, so as we speak we are already started distributing at least in the key towns of other regions which is North East and West, so we are expanding our distribution, but as I said earlier the speed of expansion became a little slower because of the second wave, but hopefully and we are just hoping that things do not go bad from here. We will be there in almost all key towns across India very soon.

Naitik: Also has this broke even you said in the last call?

Praveen Jaipuriar: Last year we had a marginal loss of around 3-4 crores. We were looking to breakeven but as we had said and told in many of the calls before even if we breakeven and we make profits, we will plough back into the business so that we can expand, because there is a huge room of expansion going forward, so next two-three years we are not even looking at generating significant profit.

Moderator: Thank you. The next question is from the line of Himanshu N. from Yes Securities. Please go ahead.

Himanshu N.: Thanks for the follow up, just one question on the doubling of Vietnam capacity what is the amount of spend that we are looking at and also in terms of the ongoing CAPEX on small pack and the Vietnam Brownfield, I think that is more or less done but any other CAPEX, so overall what would be our CAPEX guidance for this year and the next?

K.V.L.N. Sarma: This year packing capacity we are almost done with the CAPEX right now, barring about say 15-20 crores perhaps. Vietnam CAPEX for doubling the capacity will be in the range of about 17 to 20 million spread over this year and next year. There is nothing onboard right now in addition to these two expenditures.

Himanshu N.: So as of now for next two years 20 million on Vietnam and about 15-20 crores on the small pack, that is about it?

K.V.L.N. Sarma: There will be some regular technology update expenses that we do, there are all small things and small amounts, but any reckonable CAPEX would be on account of these two items only.

Moderator: Thank you. The next question is from the line of Taha Marchant, Individual Investor. Please go ahead.

Taha Marchant: Slightly big picture question, we are seeing extreme weather events due to climate change have intensified and temperatures are increasing faster than anticipated, with the big impact that climate change has on coffee growing, how much of a risk is this to our business model over the longer term?

Challa Srishant: Actually that is a very interesting question because as the climate change is taking place, there are lot of new areas that are also coming under coffee cultivation. Even in developing countries across the world there is larger acreage that is coming under coffee cultivation, so in countries like Brazil, there are several areas farms where the plants are more than 50 to 60 years old, so every year there is a small percentage of farms where you replace the crops as well. When that replacement time is coming, people are doing a replacement as at different altitude so that this impact of weather is minimal, so across the world everyone is adapting to this climate change. As far as actual demand and supply is concerned, the demand for coffee is consistent around 2.5% to 3% year-on-year, it is still growing. In developed countries it is peaked or it is reducing by a small percentage, but in developing countries in several places there is a double digit growth as well, so going forward maybe we can expect the prices to be a little higher to balance out this demand and supply.

Taha Marchant: So essentially with increasing temperatures, the plantation acreage does not necessarily go down, it can also go up is what you are saying?

Challa Srishant: Yes, exactly.

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

Sameer Deshpande: Good Afternoon Sir I would like to know what is the net debt of the company as of today, in March I think we had some working capital loans due to higher inventory so what is the net debt now at the end of this quarter?

K.V.L.N. Sarma: Working capital is about 250 crores and long-term debt is about 178 crores.

Sameer Deshpande: That was some 120 odd crores in March?

K.V.L.N. Sarma: Consolidated net debt is 250 crores and long-term debt is about 178 crores.

Sameer Deshpande: What is the effective tax rate in this quarter I think the tax rate has gone down to 18% only and overall for the last year it was around 22%, so it remains in the range of around 18%-20%?

K.V.L.N. Sarma: Obviously with Vietnam operations going strong the net rate will come down because the entire Vietnam profitability are tax free.

Sameer Deshpande: Our tax rate will be around 20% only overall?

K.V.L.N. Sarma: Net rate will gradually come down by about 15%.

Moderator: Thank you. The next question is from the line of Bharat Gupta from Edelweiss Securities. Please go ahead.

Bharat Gupta: Good Evening Sir, my question pertains to the utilization levels, so during the quarter passed by so we have seen that our utilization levels have remained below 70% odd levels, so can you throw some light in order to what has been the regions behind because earlier primarily we were able to do an optimum utilization across our Indian facilities, so why there has been a drop in the overall utilization levels and do you believe it is primarily because of the COVID phenomenon which is going on or there is some sort of a weakness across that one?

K.V.L.N. Sarma: There is no reduction in capacity utilization. Normally being a seasonal product, the capacity utilization of 80% to 85% is considered to be the optimum utilization and only in some cases particularly in our Duggirala plant since we are producing some specific products which have a lower productivity, the absolute numbers will come down compared to our capacities, but if you take the revenue from that and profitability, we would be running at optimum utilization. All our plants that way adjusted to the productivity, all our plants in Quarter-1 have run at optimum utilizations.

Bharat Gupta: Thanks for the clarification Sir. Secondly just a hypothetical question in terms of the coffee prices which we have seen, so if the buoyancy in the crop prices pertains to as you have said that the order inflow in regard to the current market prices that have been limited to some extent, so if this trend continues and the crop prices or the coffee prices remains on the higher side, are we seeing that there can be some deferment in terms of the order inflows which will be getting throughout the year?

K.V.L.N. Sarma: Perhaps it might slow down, but in an inflationary trend every point is a point of concern, so when it has gone up from 1300 to 1500, people were expecting a decrease and waited for, there was a small resistance for taking orders, but when it started going from 1700, they were desperate to close, so at every step they will be covering the orders and anyway we will be

covered to the extent of at least six to seven months operations, we will not have a problem in continuing our capacity utilizations.

Bharat Gupta: Sir, in terms of our demand like earlier during the last quarter call you mentioned that Russians the orders which we got from Russia, so that has started to normalize so is the trend similar like normalcy has returned to the developed markets as of now?

K.V.L.N. Sarma: Broadly, the indications are that they have come to normalization, of course last year was an aberration but we are seeing that things are coming back to normal.

Moderator: Thank you. The next question is from the line of Kuldeep Gangwar from ASK Investments Managers. Please go ahead.

Kuldeep Gangwar: Just one question, Vietnam tax rate will remain zero for how long a period, I do believe it will be a finite period exemption?

K.V.L.N. Sarma: No, as things stands today it is for lifetime because we comply with all conditions stipulated for being a zero tax company for lifetime unless some rules are changed at a later date, right now it is for lifetime.

Kuldeep Gangwar: So 15% which you are saying on the blended basis it becomes like a base case tax rate for you in medium term, right?

K.V.L.N. Sarma: When we are expanding the capacity the profit generation from India and Vietnam would almost be on the 50:50 basis where at one point we are zero tax and at one point at a maximum of 25%, so we will be averaging out at 15% overall.

Kuldeep Gangwar: Yes, that is the point, consolidated basis 15% tax rate should be the base case assumption?

K.V.L.N. Sarma: Correct.

Kuldeep Gangwar: Second bit when the freight rates are moving very fast, so who bears the cost of additional freight cost?

K.V.L.N. Sarma: It depends on the contract that we conclude, if we are concluding an FOB contract, the buyer will and if we are concluding CIF contract we have to bear.

Moderator: Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to hand the conference back to Mr. Manish Mahawar for his closing comments. Over to you, Sir.

Manish Mahawar: Thanks Janice. Srishant I have one question, in terms of the US market particularly, what could be the size of US instant coffee market and how is India's export in terms of volume?

Challa Srishant: The whole of US market maybe around 80,000 tons.

Manish Mahawar: What is India's contribution in 80,000 tons?

Challa Srishant: India's contribution in the US will be the largest and everyone put together maybe around 7000 or 8000 tonnes maximum.

Manish Mahawar: What is our share out of that?

Challa Srishant: I say that we are targeting around maybe between 5000 to 6000 tonnes in this year.

Manish Mahawar: Possibly because of cold coffee and new customers win in the last year, we are getting good traction in US market. How do you get this 5000-6000 metric ton of volume in US maybe over next three years?

Challa Srishant: That is a bit too premature for me to comment on at this point in time because there are lot of variable factors that are there, but the way things are looking up right now because of the issues which are there in Brazil and all, we should hopefully be able to add some customers in the next year or two itself.

Manish Mahawar: In terms of new customer, we have not added any new customer in terms of in our first quarter from US right?

Challa Srishant: No, we did not add any, we have added several new customers but if you are referring to a large volume customer like what we added last year, we have not added any new large volume customer like that. Lot of smaller guys, yes, we keep adding on a very regular basis.

Manish Mahawar: That is it from my part. Srishant, would you like to make any closing comments?

Challa Srishant: Nothing specific, I guess we are just sticking to our guidance of 10% to 15% for this year and hoping for the best. Thank you.

Moderator: Thank you very much. On behalf of Antique Stock Broking, that concludes this conference. Thank you all for joining and you may now disconnect your lines.