Assessment
Of

CCL Products Ltd.

Submitted By : Group no. 4

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1) Gist of chairman's Message.

Challa Rajendra Prasad, Chairman, CCL Products (India) Limited.

CCL Products (India) Limited has established itself as a major player in the worldwide coffee market, with exports to over 90 countries. The business entered the Indian market with its instant coffee goods two years ago. "The Indian coffee market is growing at a rate of 10-15% each year. India's rapid growth is owing to a low starting point, as our coffee market is very small in comparison to the rest of the globe. We expect the Indian market to develop faster than the rest of the world because coffee consumption is increasing in India," says the company.

Over 1,000 different types of finished coffee products are exported by us. We are the only company in the world with such a diverse range of products. Every year, we continue to broaden our market reach. This year, we plan to add three to four countries from Latin America. Ecuador, Brazil, and Chile are now on our list of potential destinations.

Our overall turnover currently stands at about Rs 1,200 crore and we are aiming at a top line of Rs 2,000 crore a few years down the line. As I mentioned earlier, the Indian market accounts for about 11 percent of that. We expect India's contribution to increase. We turned aggressive on the Indian market just two years ago. Prior to that, we focused only on exports and were supplying in bulk to others globally. Further, we couldn't create and focus on our own brand as we were operating at full capacity to meet the demand from bulk customers. But we expanded our capacity and then launched our own brand, Continental Coffee. We started in a small way in Hyderabad and gradually expanded to other cities and States in India.

CCL Products (India) Limited also follows the given principle which adds as positives to the company, fuels the future growth and prospects of the company, and provides a healthy work culture.

Principle 1: Business should conduct and govern themselves with Ethics, Transparency and Accountability
Principle 2: Business should provide goods and services that are safe and contribute to Sustainability throughout their life cycle
Principle 3: Business should promote the well- being of all employees
Principle 4: Business should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5: Business should respect and promote human rights
Principle 6: Business should respect, protect and make efforts to restore the environment.
Principle 7: Business, when engaged in influencing public and regulatory policy, should do so in a responsible manner
Principle 8: Business should support inclusive growth and equitable development.
Principle 9: Business should engage with and provide value to their Customers and consumers in a responsible manner

CSR Activities

Furthermore, your company was compelled to spend a total of'418.78 lakhs on CSR activities under the terms of Section 135 of the Companies Act, 2013. Your management is pleased to report that for the fiscal year ending March 31, 2021, your company spent a total of 436.15 lakhs on various CSR activities, which was in excess of the legally mandated maximum.

Children Welfare

. Under the initiative of Children Welfare, we aim to provide support in areas like Education, Nutrition and Sports which are essential for the development of underprivileged children.

Computer Awareness Education: The project of Computer Awareness Education for underprivileged students studying in Zilla Parishad High Schools was conceptualized in December,2016

Bridge Course: CCL started the Bridge Course initiative for underprivileged children of around 9 to 14 years of age who are left on the streets either by their parents or orphaned and left with no shelter, food, and education.

Mid-day Meals: CCL joined hands with "Akshaya Patra Foundation" to provide mid-day meals to students in schools of remote villages of Andhra Pradesh.

Sports Infrastructure: CCL Products helped in building the Basketball Courts at Zilla Parishad High Schools for students in remote areas of AP & Telangana.

Women Empowerment & Girl Child Welfare

With the help of "Abhaya Foundation", CCL has been able to provide courses like tailoring, beautician, jute bag making, fashion designing and jewelry making across 70 villages near by Hyderabad which has empowered more than 6,000 women till date to become financially stable and independent. CCL has also provided Sewing Machines and set up jute factories as part of a self-sustenance program to rural women.

Healthcare and Medical Assistance

To provide basic medical aid, CCL set up Primary Health Centres in remote villages of Andhra Pradesh. CCL, in association with Cornea Andhatv Mukt Bharath Abhiyan (CAMBA) is working for the prevention of the Corneal Blindness, Creating Awareness on Eye Donation, conducting Population based survey in villages and Urban slums, conducting Eye Screening Camps & Surgeries for people in Rural, Tribal and Urban slums suffering from Corneal Blindness, Cataract, Pterygium (Eye Web) and Eye Ailments.

Support and Specially-Abled

To support specially-abled youth by distributing wheelchairs, crutches, providing artificial limb support and ambulance which has helped more than 1,000 specially-abled persons to become self-sustainable to support themselves and their families.

Infrastructure Development

CCL has constructed toilets, taking inspiration from “Swachh Bharat Mission”.

They have installed multiple RO plants in several villages where water is majorly contaminated.

Hence, with the purpose of providing villagers clean drinking water, this initiative has become a permanent feature for CCL Products

Disaster Relief Activities

During natural calamities like cyclones and floods, CCL stands for providing pucca houses to the victims who lost their basic abodes and provisions for their survival.

Housing Projects

In the remote districts of Andhra Pradesh, CCL is constructing houses for underprivileged families.

Environmental Conservation

CCL has not only set up a zero waste factory system. They are working on Tree guards,Sapling Plantation,Garbage Collection Drive.

CSR Project Expenditure:

1)	Old age homes	105,000
2)	Orphanage	445,000
3)	Promoting Education	3,378,512
4)	Health, hygiene and safe drinking water	5,325,291
5)	Infrastructure facilities	6,000,000
6)	Self employment & Skill development	17,261,135
7)	Disaster Management	11,100,011
	TOTAL	**43,614,949**

Strength and Opportunities

Diversification into value-added finished products of superior quality is becoming more popular as consumers shift their attention to high-grade coffee produced in sanitary settings. As consumers evaluate a variety of coffee options, there is a potential to offer new formats and higher-order coffee for not only the rich, but also consumers who are willing to try new coffee products such as Premixes and cold brew.

The Company has a strong and effective Whistleblower Policy which aims to deter and detect actual or suspected misconduct. It has been established to ensure that genuine concerns of misconduct/ unlawful conduct, which an individual believes may be taking place within the organization, are raised at an early stage in a responsible and confidential manner. This mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism.

Caffeination consumption has increased across the board as job levels have risen. Simultaneously, rising consumer discretionary purchasing power has fueled consumers' demand for luxury as well as a need for fresh experiences, driving premiumization and sophistication. This trend has benefited the out-of-home industry in particular, as time-strapped consumers prefer the convenience of a short boost on the go.

Weakness, Risks, concerns, and threats

Internal audit reports say that the company faces a weakness related to internal control.
Also, the company should assess the risk that a material weakness exists.
Intermittent lockdowns in several nations, as well as the halting of international and local movements, had a significant influence on logistics, resulting in periodic delays in both inbound and outbound shipments for your company. These are expected to continue, given that the pandemic is still going strong, with second and third waves sweeping the globe.

In addition, high input costs and rising logistics expenses owing to inflation pose a risk to our businesses in India and Vietnam, hurting the Company's working capital levels. The biggest threat to the instant coffee industry is the construction of massive new capacity in numerous nations, which is causing unhealthy competition and pricing pressure. Increased volumes of high-quality niche and new items are being used by your company to counteract these threats..

Reduced rainfall in some locations is drastically altering the environment and growing conditions, lowering the quality of the beans used as the raw material for instant coffee production. Shifts in weather patterns (drought, unpredictable and diverse rainfall, temperature changes) have been observed to cause changes in the presence and intensity of emerging pests, as well as established diseases migrating to ecological zones where they previously did not exist. This may have an impact on the quality of the beans cultivated in the Company's usual sourcing regions.

2)

Dividend policy followed at the firm

A dividend is a payment paid by a corporation to its stockholders, generally in the form of a profit distribution. Profits made by the company might be kept in the firm, utilized for acquisitions, expansion, modernization, or diversification, or paid to shareholders. The Company

may opt to keep a portion of its income and pay the rest as a dividend to its shareholders. All of these requirements are addressed by this policy.
The goal of this strategy is to ensure that shareholders get consistent dividend income and that all stakeholders in the company benefit from long-term capital appreciation. The Company would guarantee that the quantity of dividends paid and the amount of earnings maintained in the business for various reasons are in balance.
When declaring or proposing dividends on behalf of the Company, the Board of Directors will refer to the policy. The Company would strive to maintain a consistent approach to dividend pay-out plans through this policy.

The financial parameters and internal factors which would be considered while declaration of dividend by the Board are as follows:

- i) Operating cash flow of the Company
- ii) Profit earned during the year
- iii) Profit available for distribution
- iv) Earnings Per Share (EPS)
- v) Working capital requirements
- vi) Capital expenditure requirement
- vii) Business expansion and growth
- viii) Likelihood of crystallization of contingent liabilities, if any
- ix) Additional investment in subsidiaries and associates of the company
- x) Up gradation of technology and physical infrastructure
- xi) Creation of contingency fund
- xii) Acquisition of brands and business
- xiii) Cost of Borrowing
- xiv) Past dividend payout ratio / trends

The Company currently has only one (one) share class, namely Equity Shares. Hence, the parameters which are required to be adopted for various classes of shares do not apply to the Company. The Board will evaluate and establish the additional parameters to be implemented with regard to such classes of shares when reviewing this Policy.

The Company's shareholders may not receive a dividend under the following situations, which are subject to the Board's discretion:

- In the case of a growth opportunity that requires the Company to devote a considerable amount of money.
- If a larger level of working cash is required for business operations or other reasons.
- When the Company's liquidity is threatened for whatever cause, compromising its capacity to pay the dividend.
- In the event of loss or inadequacy of profits.

The Company's Board of Directors may decide not to declare or propose a dividend for a given quarter if it believes it would be prudent to save funds for current or planned company development or other considerations that the Board may consider.
The Company will make its dividend distribution decision after considering all external and internal factors and striking a careful balance between directly rewarding shareholders through

dividend declaration on the one hand, and increasing shareholder wealth in the future through appropriate project retention and realization for sustainable growth on the other.

Past years' dividend analysis:

Announcement Date	Effective Date	Dividend Type	Dividend(%)	Remarks
19/01/2022	31/01/2022	Interim	150%	Rs.3.0000 per share(150%)Interim Dividend
21/05/2021	18/08/2021	Final	100%	Rs.2.0000 per share(100%)Final Dividend
20/10/2020	28/10/2020	Interim	100%	Rs.2.0000 per share(100%)Interim Dividend
27/02/2020	06/03/2020	Special	75%	Rs.1.5000 per share(75%)Special Dividend
26/02/2020	06/03/2020	Interim	75%	Rs.1.5000 per share(75%)Second Interim Dividend
27/01/2020	06/02/2020	Interim	100%	Rs.2.0000 per share(100%)Interim Dividend
13/05/2019	01/08/2019	Final	88%	Rs.1.7500 per share(87.5%)Final Dividend
25/03/2019	02/04/2019	Interim	88%	Rs.1.7500 per share(87.5%)Interim Dividend
25/03/2019	02/04/2019	Interest	88%	Rs.1.7500 per share(87.5%)Interim Dividend
25/03/2019	02/04/2019	Final	88%	Rs.1.7500 per share(87.5%)Interim Dividend

Source: https://economictimes.indiatimes.com/ccl-products-india-ltd/infocompanydividends/companyid-7770.cms

PARTICULARS	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Net Sales	823.32	809.13	822.65	795.07
Total Expenditure	658.84	640.4	622.31	613.07
Operating Profit	164.48	168.73	200.33	182
Other Income	4.19	30.18	140.34	71.16
Interest	6.2	8.12	16.91	15.72
Depreciation	11.22	12.21	25.43	27.02
Profit Before Tax	151.25	178.58	298.33	210.42
Tax	53.49	53.15	59.4	51.73
Net Profit	97.76	125.43	238.93	158.69
Adjusted EPS (Rs.)	7.35	9.43	17.96	11.93

The above data show that CCL Ltd.'s net income decreased in the year the COVID-19 epidemic hit the world, but that its EPS increased. Due to the country's protracted crisis, the corporation opted to pay out its dividend in the middle of the fiscal year, which dragged down the stock price. As a result, an Interim Dividend of Rs. 1.75 was given to its shareholders in FY 2020.

When we look at Dividend Yield over the last four years, we can see that it climbed dramatically in FY 2020 before dropping in FY 2021, indicating that the company's track record was solid until COVID and that it was expanding at a good rate with good earnings for its shareholders. Investing in the firm prior to the pandemic would have been advantageous.

The company's market price dropped as the yield increased because the company had kept constant dividends for its shareholders, and thus this increase in the yield was seen. However, the company is doing well now as the market price is almost double what it was pre-pandemic, and thus has a higher DPS of around Rs.2 in FY 2021, which is 100 percent equity dividend.

Capital structure of the company

Period		Instrument	Authorized Capital	Issued Capital	- P A I D U P -		
From	To		(Rs. cr)	(Rs. cr)	Shares (nos)	Face Value	Capital (Rs. Cr)
2020	2021	Equity Share	30.0	26.6	133027920	2.0	26.6
2019	2020	Equity Share	30.0	26.6	133027920	2.0	26.6
2018	2019	Equity Share	30.0	26.6	133027920	2.0	26.6
2017	2018	Equity Share	30.0	26.6	133027920	2.0	26.6
2016	2017	Equity Share	30.0	26.6	133027920	2.0	26.6

Debt equity ratio — 0.35%
Current ratio — 2.66%
Return on asset —-12.68%

3)

<u>Composition of board of directors</u>

The Board of directors of the Company has an optimum combination of Executive, Non-Executive and Independent Directors with one woman Independent Director.

The details of the Board of directors including their attendance at the meetings of Board and shareholders, directorships / chairmanships / memberships on the Boards /Committees of other Companies and names of the listed entities where the person is a director and the category of directorship

Name	Category	No. of board meetings	Attendance at the last AGM (24th July, 2020)	No. of Directorships in other companies	Chairmanships/ memberships in Committees of other Public Companies	Name of other listed entities where he/she is a director and the category of directorship

		Held	Attended		Private	Public	Membership	Chairmanship	
Mr. Challa Rajendra Prasad	Promoter & Executive Director	4	4	Yes	3	-	-	-	
Mr. Vipin K Singa	Independent Non-Executive Director	4	4	Yes	2	-	-	-	
Mr. Kata Chandrahas	Independent Non-Executive Director	4	4	No	-	-	-	-	
Mr. K. K. Sarma	Non-Executive Director	4	4	No	2	-	-	-	
Mr. B. Mohan Krishna	Promoter & Executive Director	4	4	Yes	4	1	3	-	Grandeur Products Limited-Non-Executive Director
Mr. G. V. Krishna Rau	Independent Non-Executive Director	4	4	Yes	1	1	3	1	Grandeur Products Limited-Independent Director
Ms. Kulsoom Noor Saifullah	Independent Non-Executive Director	4	4	Yes	1	-	-	-	
Mr. K.V. Chowdary	Independent Non-Executive Director	4	4	Yes	-	3	6	1	1. Reliance Industries Limited: Non- Executive Director 2. Divi's Laboratories Limited: Independent Director 3. Tata Motors Limited

Ms. Challa Shantha Prasad	Promoter Non-Executive Director	4	4	Yes	-	2	-	-	1. Unijolly Investments Company Ltd. Non-Executive Director 2. Healthy Investments Ltd. Whole Time Director
Dr. Krishnanand Lanka	Non-Executive Director	4	4	Yes	-	-	-	-	
Mr. Durga Prasad Kode	Independent Non-Executive Director	6	6	Yes	-	2	7	3	1. Navbharat Ventures Ltd. Independent Director 2. Nava Bharat Energy India Ltd
Mr. Challa Srishant	Promoter Executive Director	4	4	Yes	6	-	-	-	

Mr. Challa Rajendra Prasad, Mr. Challa Srishant and Mr. B. Mohan Krishna are part of both the executive and the board.

Family Relationships between the directors

- **Mr. Challa Rajendra Prasad** – spouse of Mrs. Shantha Prasad Challa, Director; father of Mr. Challa Srishant, Managing Director and father -in- law of Mr. B. Mohan Krishna, Executive Director of the Company.

- **Mr. Challa Srishant** - son of Mr. Challa Rajendra Prasad, Executive Chairman and Mrs. Shantha Prasad Challa, Director and brother-in-law of Mr. B. Mohan Krishna, Executive Director of the Company.

- **Mr. B. Mohan Krishna** - son-in-law of Mr. Challa Rajendra Prasad, Executive Chairman and Mrs. Shantha Prasad Challa, Director and brother-in-law of Mr. Challa Srishant, Managing Director of the Company

- **Mrs Challa Shantha Prasad**- spouse of Mr. Challa Rajendra Prasad, Executive Chairman; mother of Mr. Challa Srishant, Managing Director and mother-in-law of Mr. B. Mohan Krishna, Executive Director of the Company.

Except mentioned above, none of the Directors is related to each other.

No. of Board Meetings

The Board met 4 times in the financial year 2020-21 on the following dates, with a gap not exceeding one hundred and twenty days between any two meetings

15^{th} June, 2020	24^{th} July, 2020	20^{th} October, 2020	28^{th} January, 2021

No. of Audit Committee Meetings

Total 4 Audit Committee Meetings held during the financial year 2020-21

15^{th} June, 2020	24^{th} July, 2020	20^{th} October, 2020	28^{th} January, 2021

Importance of these meetings

A *board meeting* is an important aspect of a business's operations because it determines the company's growth path. These board meetings are used to assess performance, discuss major concerns, examine policy issues, and carry out legal and financial activities, among other things.

The *audit committee's* major responsibility is to oversee the financial reporting process, the audit process, the company's internal controls system, and compliance with laws and regulations.

Structure of Top Management

S. No.	**Name**	**Designation**
1	Mr. Challa Rajendra Prasad	Whole time Director
2	Mr. Challa Srishant	Managing Director
3	Mr. B. Mohan Krishna	Executive Director

4	Mr. K.V.L.N. Sarma	Chief Operations Officer
5	Mr. V. Lakshmi Narayana	Chief Financial officer
6	Ms. Sridevi Dasar	Company Secretary

Number of shares held by top executives and board of the directors

S.No.	Name	Total nos. of shares held
1	Challa Rajendra Prasad	1,33,76,759
2	Challa Shantha Prasad	1,85,65,334
4	Challa Srishant	1,41,15,723
5	Mohan Krishna B	1,00,000
6	Mr. Vipin K Singal	5,000
7	Mr. Kata Chandrahas	4,686
8	Mr. Kode Durga Prasad	10,000
9	Mr. G V Krishna Rau	600

Qualifications of the governing council

Mr Challa Rajendra Prasad

EXECUTIVE CHAIRMAIN

Mr. Challa Rajendra Prasad is an Engineer-Technocrat-Entrepreneur having more than 25 years of industrial experience and more than 25 years of experience in the International Coffee Industry.

Mr. Challa Srishant

MANAGING DIRECTOR

Mr. C. Srishant is a lawyer by education, having graduated in Law from the National Academy of Legal Studies and Research (NALSAR), University of Law, Hyderabad.

Mr. B. Mohan Krishna

EXECUTIVE DIRECTOR

Mr. B. Mohan Krishna is a Civil Engineer from JNTU, Hyderabad with more than 10 years of varied experience in the field of implementation of Civil, Mechanical and Electrical Projects.

Mr. Vipin K. Singal

DIRECTOR

Mr. Vipin K. Singal is a businessman by profession. He completed his Graduation in Agricultural Engineering from Punjab Agricultural University.

Mr. K. Chandrahas

DIRECTOR

Kata Chandrahas studied M.Sc. (Physics) in India and MBA from the United Kingdom.

Mr. Kode Durga Prasad

DIRECTOR

Sri Kode Durga Prasad is a Commerce Graduate, who joined Indian Police Service in 1981 in the undivided Andhra Pradesh Cadre.

Mr. K. K. Sarma

DIRECTOR

Mr. K. K. Sarma is a Commerce Graduate from Osmania University, having more than 30 years of experience in the fields of setting up various projects and administration of Companies.

Mr. G. V. Krishna Rau

DIRECTOR

Mr. G.V. Krishna Rau, did his Masters in Geology from Osmania University, Hyderabad and worked in the Geological Survey of India for 4 years from 1978, and joined the Karnataka cadre of I.A.S. In 1982.

Ms. Kulsoom Noor Saifullah

DIRECTOR

Ms. Kulsoom Noor Saifullah born in Delhi in 1956. She completed her high school education with a GCE "O" level from London University.

Ms. Shantha Prasad Challa

DIRECTOR

Ms. Shantha Prasad Challa has done master's in Anthropology from Delhi University. She is one of the Promoters of the Company and had been on the Board of the Company up to 18th July 2005.

Dr. Lanka Krishnanand

DIRECTOR

Dr. Lanka Krishnanand is a Professor in the Mechanical Engineering Department, National Institute of Technology (NIT), Warangal.

Mr. Kosaraju Veerayya Chowdary

DIRECTOR

Kosaraju Veerayya Chowdary did his graduation in Mathematics from Loyola College Chennai in the year 1973 and Post-Graduation in Mathematics from IIT, Chennai in the year 1975.

4)

Focus on financial results

The following is a summary of the company's financial results and performance for the year ending March 31, 2021, on a standalone and consolidated basis

STANDALONE PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31st MARCH, 2021 (₹ in Lakhs)	Note No.	2021	2020
Income			
Revenue from operations	2.17	79507.07	82264.70
Other income	2.18	6650.11	13394.34
Total Revenue		**86157.18**	**95659.04**
Expenses			
Cost of materials consumed	2.19	34419.69	41809.70
Changes in inventories	2.20	1318.71	(2926.89)
Employee benefits expense	2.21	5251.79	5005.45
Finance costs	2.22	1572.11	1691.48
Depreciation and amortization expense	2.1 & 2.2	2702.32	2542.74
Other expenses	2.23	19850.56	17703.31
Total Expenses		**65115.17**	**65825.78**
Profit before tax		**21042.01**	**29833.26**
Tax expense			
(1) Current tax		4897.37	5221.64
(2) Deferred tax		275.69	718.36
Profit for the year		**15868.95**	**23893.26**

The Company's turnover and net profit for FY 2020-21 were 79,507 lakhs and 15,869 lakhs, respectively, compared to 82,265 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23,893 lakhs and 23, The profit comprises dividends received from Ngon Coffee Company Limited, a wholly owned subsidiary of the Company (' 6,217.95 lakhs for FY 2020-21 and'13,111.84 lakhs for FY 2019-20).

Overall industry outlook and specific areas of strength for the company

CCL Products (India) Ltd. intends to keep growing even as global green coffee prices rise due to supply chain disruptions caused by the epidemic. According to the report, revenue growth for the creator of Continental Coffee was partially driven by price increases to offset rising input costs. They expect volume growth to continue or even show slight improvement in CCL Products and intend to maintain its growth momentum even if green coffee prices rise internationally due to supply chain disruptions caused by the epidemic.

According to the directors, revenue growth for the creator of Continental Coffee was partially driven by price increases to offset rising input costs. He anticipates volume growth to continue or perhaps improve in the fourth quarter, which ends in March.

Highlights from the third quarter of fiscal year 22 (YoY)

- On a year-over-year basis, revenue increased by 43%.
- The Ebitda margin shrank by 136 basis points.
- Exports via India grew 18 percent year over year in CY21, indicating improved demand.

Green coffee prices are at decadal highs, but CCL Products does not expect this to affect profitability because it has already stacked up many raw material contracts.

Supply problems, a damaged coffee harvest in Brazil, and rising demand have all contributed to the sharp escalation. While the Arabica crop has suffered, the supply of Robusta coffee is normal and strong, and they don't expect prices to rise as a result of the scarcity.

Expansion of Capacity

CCL Products is likewise optimistic about volume growth, which will be assisted by capacity expansion. The business has already begun trial manufacturing from an Indian agglomeration plant. In the past quarter, the 3,500 metric tonnes of additional capacity in the Vietnam facility came online. The Vietnam facility is planned to treble its capacity starting in the third quarter of FY23, with a good prognosis for volume growth through FY24.

Various lines of business that generate significant revenue for the company

CCL products generates a significant amount of revenue from its subsidiaries:

- Continental Coffee SA (formerly Grandsaugreen SA) (Switzerland)
    - Continental Coffee SA is a wholly owned subsidiary of the Company incorporated in Switzerland. This operates as an agglomeration and packing unit.

(in Lakhs Rs.)

Particulars	2020-21	2019-20
Revenue from operations	18429	13445
Profit for the year after meeting all expenses (before Interest, Depreciation & Tax)	929	504
Less:		
Interest	53	3
Depreciation and other write offs	97	100
Provision for Taxation	80	28
Net Profit/Loss	699	373

- Ngon Coffee Company Limited (Vietnam)
    - Ngon Coffee Company Limited is a wholly owned subsidiary of the Company incorporated in Vietnam. This is an instant coffee manufacturing unit.

(in Lakhs Rs.)

Particulars	2020-21	2019-20
Revenue from operations	37436	26719
Profit for the year after meeting all expenses (before Interest, Depreciation & Tax)	10591	7822
Less:		
Interest	37	17
Depreciation and other write offs	2075	2001
Provision for Taxation	-8	25
Net Profit/Loss	8487	5779

- Continental Coffee Private Limited
  - Continental Coffee Private Limited is a wholly owned subsidiary of the Company, which has been established with an objective of promoting instant coffee brands of the Company in the domestic market.

(in Lakhs Rs.)

Particulars	2020-21	2019-20
Revenue from operations	13395	7717
Profit for the year after meeting all expenses (before Interest, Depreciation & Tax)	-360	-190
Less:		
Interest	176	92
Depreciation and other write offs	68	68
Provision for Taxation	10	1
Net Profit/Loss	-620	-389

Impact of COVID on company’s prospects and areas of opportunities

The Board keeps a close eye on COVID-19`s influence on the company and consults with management on a regular basis. The Company's goods, such as coffee, tea, and pepper, are intended for everyday use in families and 'out-of-home,' and management expects a short-term slowdown in some regions, particularly in 'out-of-home' consumption, as a result of the COVID-19 epidemic. The worldwide coffee sector, including production, consumption, and international commerce, is anticipated to be severely impacted by the covid-19 epidemic. The International Coffee Organization (ICO) undertook a study from 1990 to 2018 based on a sample of the top 20 coffee-consuming nations, which account for 71% of worldwide consumption.

Coffee consumption at coffee shops (out of the home) will decrease dramatically as a result of Covid-19, but consumption at home will grow, which will have a beneficial influence on instant coffee consumption. Instant coffee has become the coffee of choice in most Asian regions, where coffee consumption is still low, due to its ease of preparation and capacity to be adjusted to local taste preferences. The worldwide instant coffee market's premium version introductions have been aided by the increased focus on intriguing, valid flavors and various helpful characteristics of coffee. Due to a growth in in-house consumption of specialty coffees, the covid-19 epidemic revealed a potential in the premix and functional coffee markets.

The growth of instant coffees with more diverse flavors is being fueled by rising desire for the "coffee shop experience" at home. As a result of the premiumization trend, artisanal goods and flavored coffee releases are on the rise. Coffee performance in post-pandemic India would be influenced by consumer demand for convenience and quality. In keeping with convenience and premiumization trends, e-commerce and subscription services are expected to rise.

Simultaneously, rising consumer discretionary purchasing power has fueled consumers' demand for luxury as well as a need for fresh experiences, driving premiumization and sophistication. This trend has benefited the out-of-home industry in particular, as time-strapped consumers prefer the convenience of a short boost on the move. During the Covid-19 shutdown, there is a growing need for comfort and indulgence, which is driving the premium trend.

Note on corporate governance and auditors' certificate

Company's philosophy on code of governance

CCL has demonstrated a commitment to good corporate governance throughout the years, and has always been in the forefront of benchmarking its internal processes and procedures against worldwide best practices. CCL feels it needs to demonstrate more accountability and responsibility. It is dedicated to treating all of its stakeholders fairly, transparently, and equally. CCL has always strived to be a value-driven organization, with their values guiding their development and success.

During the year under review, the Company complied with the governance standards set forth in Chapter IV and Schedule II of the Listing Regulations.

Board of Directors

Regulation 17 of the SEBI (Listing Obligations and Disclosure Conditions) Regulations, 2015 mandates that the Board be composed in accordance with certain requirements. CCL's Board of Directors had 12 members as of March 31, 2021. The Company's Board of Directors includes an ideal mix of Executive, NonExecutive, and Independent Directors, including one woman Independent Director.

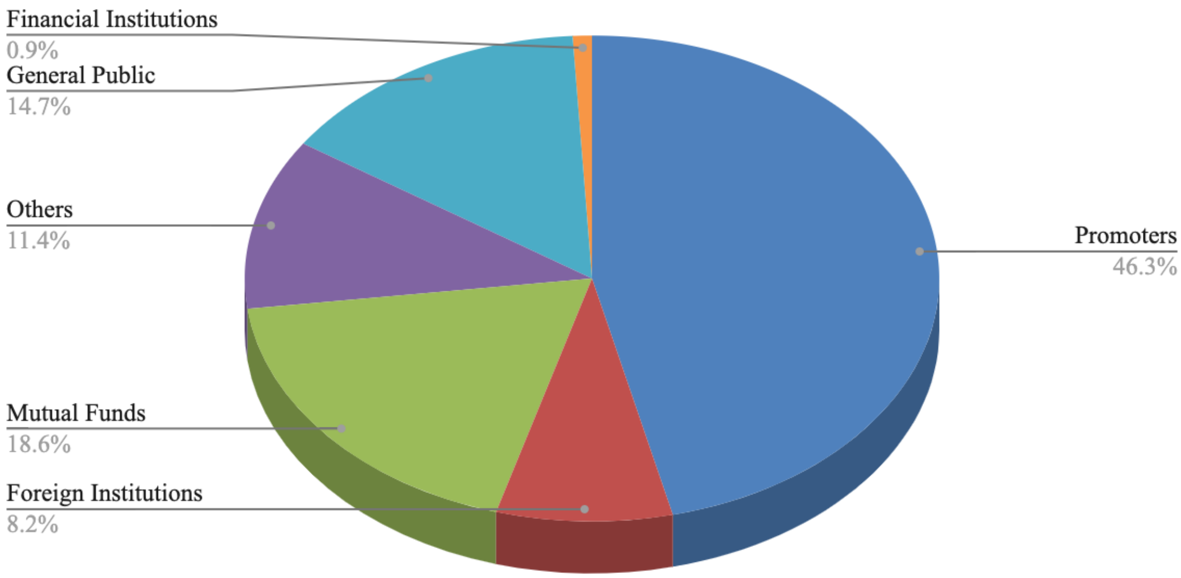
Gist of auditor's certificate on corporate governance

The auditors examined CCL Products (India) Limited's ('the Company') compliance with Corporate Governance conditions for the fiscal year ended March 31, 2021 as per the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15 (2) of the Listing Regulations.

Management is responsible for ensuring that Corporate Governance criteria are met. Their investigation is confined to the company's processes and their implementation in order to ensure

that the criteria of Corporate Governance were met. It is neither an audit nor a statement of opinion on the Company's financial statements.
The auditors declared that the Company has met the criteria of Corporate Governance as defined in the above mentioned Listing Regulations.

Shareholding Pattern



Total outstanding shares: 133027920
As of the last quarter, the promoters, MFs, and General Public possess 46.3, 18.6, and 14.7 percent shares in CCL Products, respectively.
The promoter's stake has increased from 46.2 percent to 46.3 percent as of December 31, 2021.
Mutual Funds' holdings have increased from 17.56 percent on December 31, 2021 to 19.44 percent on December 31, 2021.
Other investor holdings have decreased from 12.6 (as of December 31, 2021) to 11.4 percent.

Key observations made about the company's financials in the independent auditor's report

Independent auditor's report pointed out that: -

- The Company has significant uncertain tax positions, including matters under dispute, which require significant judgment to resolve.

- The Company has kept comprehensive records reflecting all facts, including quantitative statistics and fixed asset status.

- The Company has kept comprehensive records reflecting all facts, including quantitative statistics and fixed asset status. The fixed assets are periodically physically examined by the management, which we believe is fair given the company's size and kind of operation. They found no substantial inconsistencies based on the information and explanations provided.

- Management has physically verified the inventory during the year with appropriate frequency. The firm has kept accurate inventory records. The differences between actual stock and book data were minor.

- The Company has not made loans, investments, or issued securities to any of the corporations or other parties.

- The Company has not taken any public deposits.

- The relevant accounts and records have been created and maintained.

- The Company is generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, service tax, Goods and Services Tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues as applicable to the appropriate authorities.

- In accordance with the information and explanations provided, no undisputed sums outstanding in respect of provident fund, workers state insurance, income tax and other statutory obligations were in arrears at the end of March 2021 for more than six months from the day they became due.

- The Company had adequate internal financial controls over financial reporting as of 31st March 2021, based on the internal control over financial reporting criteria established by the Company, taking into account the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued.

Three most significant expenses incurred by the company

STANDALONE PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31st MARCH, 2021 (₹ in Lakhs)			
	Note No.	**2021**	**2020**
Income			
Revenue from operations	2.17	79507.07	82264.70
Other income	2.18	6650.11	13394.34
Total Revenue		**86157.18**	**95659.04**
Expenses			
Cost of materials consumed	2.19	34419.69	41809.70
Changes in inventories	2.20	1318.71	(2926.89)
Employee benefits expense	2.21	5251.79	5005.45
Finance costs	2.22	1572.11	1691.48
Depreciation and amortization expense	2.1 & 2.2	2702.32	2542.74
Other expenses	2.23	19850.56	17703.31
Total Expenses		**65115.17**	**65825.78**
Profit before tax		**21042.01**	**29833.26**
Tax expense			
(1) Current tax		4897.37	5221.64
(2) Deferred tax		275.69	718.36
Profit for the year		**15868.95**	**23893.26**

As can clearly be seen, top three expenses for the last year for CCL products were "Cost of materials", "Employee benefit expense", and "Depreciation and amortization expenses". Expenses accumulated under the "Other expenses" also make quite a significant amount. They include expenses like Rent, Repairs, Insurance, Rates and Taxes, Tax Penalties etc.

5)

Finding the Cost of capital for CCL Products

We firstly find the daily return and yearly return for CCL Products and for the marke, we have taken the Nifty index as a proxy for the market.

We took the last 3 years' closing price data for CCL products and for Nifty. Daily change in the price was calculated and averaged out to find the average daily return and yearly return that came out to be 0.09% and 26.00% respectively and the average daily return for Nifty came out to be 0.06% and yearly to be 24.99% that we took as market-rate Rm.

Then the beta for CCL Products was calculated as the ratio of the slope of price change in CCL Products and the slope of price change in Nifty. Beta came out to be 0.25.

Nifty		CCL Products		
Daily return		Daily return		Beta
0.06%		0.07%		0.25

Then the cost of debt was calculated we first calculated the Total debt by taking the sum of short term and long term debt. The average debt was calculated as the average of total debt at the end of March 2021 and March 2020, it came out to be Rs 500.28 crores. Interest paid was taken from finance cost from the income statement which was taken as Rs 15.72 crores. The cost of debt thus came out to be 3.14% as it is the ratio of interest paid to the average debt.

Cost of Debt

	From Balance Sheet		
		Mar-21	Mar-20
	Long Term Borrowings	131.91	219.46
	Other Long Term Liabilities	4.86	47.05
	Short Term Borrowings	191.5	142.7
	Other Current Liabilities	142.66	120.42
Total debt = Short term debt + Long term debt	Total debt	470.93	529.63
	Average Debt	500.28	In Rs Crores
	Interest paid (Taken from Finance cost)		15.72
Cost of debt = Interest paid/ Average Debt	Cost of Debt	3.14%	

The dividend discount model was used to calculate the cost of equity (Ke). In this, two approaches were used to get the growth rate first one being the ROE approach and the second being the Dividend CAGR method. Under the ROE approach, the ratio of retention ratio and ROE is taken, here as the retention ratio, which is 1- dividend payout comes out to be 70.80% and ROE id 18.1% so our growth rate comes out to be 12.8%. By using the Dividend CAGR approach, we used the formula (Dn/D0)^(1/n)-1, where Dn was the dividend for the previous financial year i.e 2021-22 and D0 was the dividend for the financial year 2018-19 and n is the time period, that is 3 years. We got a growth rate of 25.99% from this method, which was quite low. Using the growth rates, the Cost of equity was calculated by the formula D1/P0 + g, where D1 is the expected dividend for the coming year which was calculated by estimating the current dividend ratio by growth rate. The cost of equity came out to be 15.25% from the ROE approach growth rate and 27.60% for Dividend CAGR method growth rate.

Divident Discount Model

	Divident Payout			29.20%
	Return on Equity			18.10%
	Divident 2021-22		Rs	5
	Divident 2018-19		Rs	2.5
	n			3
	P0		Rs	392
We use two different approaches for calculating the Growth Rate	Retention Ratio			70.80%
g= Retention ratio*ROE	g	From ROE approach		12.8%
G=(Dn/D0)^(1/n)-1	G	From Dividend CAGR method		25.99%
	Ke= (D1/P0)+g			
	Ke	15.25%		From ROE approach
	Ke	27.60%		From Dividend CAGR method

Then we used the CAPM model to calculate the cost of equity which was Rf + (Rm-Rf)*Beta, where Rm was the market rate and Rf was the risk-free rate taken from 91-day treasury bill rate as of April 22'. So using the values, we got the cost of equity as 9.24%.

CAPM			
Rf	3.96%		91 day treasury bill rate as of Apr 22
Rm	24.99%		Taken from Nifty Returns
Beta	0.25		
Cost of equity	9.24%		Rf+(Rm-Rf)*beta

Finally, the Weighted average cost of capital was calculated using the formula Equity Weight*Cost of Equity]+[Debt Weight*Cost of Debt*(1 - Tax Rate). Here, we got the debt to equity ratio to be 0.42 so according to it we assigned weights of 42 and 100 to debt and equity, which resulted in the debt weight as 0.30 and equity weight as 0.70, using this and the respective cost of equity calculated via different approaches and cost of debt, gave us WACC to be **6.50% for CAPM Model**, **10.74% for DDM- ROE Approach** and then **19.44% for the DDM-Dividend CAGR Model**.

WACC

Debt to equity ratio	0.42	Tax rate	40%
			Assumption
Debt	42		
Equity	100		
Debt weight	0.295775		
Equity weight	0.704225		

WACC	[Equity Weight*Cost of Equity]+[Debt Weight*Cost of Debt*(1 - Tax Rate)]

Final Answer

WACC	6.50%		CAPM model
	10.74%		DDM- ROE approach
	19.44%		DDM- Dividend CAGR model