

Initiating Coverage

20th March 2025



CCL Products (India) Ltd



SNM VALUE EDUCATOR RESEARCH
SERVICES LLP:
Emerging Titans

RA No: INH000019789



CCL Products (India) Ltd | BUY

Brewing Excellence, Globally Trusted Coffee

We initiate coverage on CCL Products Ltd., a leading manufacturer & exporter of instant coffee, catering to both B2B & B2C markets worldwide with a BUY rating. With over three decades of expertise, the company has established itself as a reliable supplier to major global brands, private labels, and retail chains. Its strong presence in over 90 countries, coupled with strategic manufacturing facilities in India and Vietnam, gives CCL a significant competitive advantage in the coffee industry. With a solid expansion strategy, a growing branded business, and an improving financial outlook, CCL Products remains a compelling investment opportunity for long-term investors looking for steady revenue growth and market leadership in the instant coffee sector.



Recommendation	BUY
Allocation	3%
CMP (at initiation)	₹554
Market Cap (₹ Cr)	₹7887
52 Week High/Low	₹855/ ₹545
NSE code	CCL

Shareholding pattern

Promoter	46.09%
FII+DII	31.2%
Others	22.73%

Financial Summary

(₹ Cr)	FY22	FY23	FY24
Revenues	1462	2071	2654
EBITDA (%)	23%	19%	17%
PAT	204	284	250
ROCE (%)	16%	16%	12%

Capacity Expansion & Efficiency

CCL has nearly doubled its production capacity from 38,500 MT in FY22 to 77,000 MT in FY25. A new 7,000 MT facility in Vietnam is set to begin operations by Q4FY25, further boosting supply capabilities. The company's focus on long-term contracts, private-label partnerships, and higher-margin products like freeze-dried coffee is expected to improve pricing stability and profitability.

Branded Business Growth

The B2C segment grew by 64% YoY in Q3FY25, outperforming industry trends. CCL is expanding its distribution, with 120,000 general trade outlets, 3,500 modern retail stores, and 90% quick commerce coverage. To offset rising costs, CCL has raised B2C prices by 30-40% over the past 18 months and may implement another 10-15% increase, following market conditions.



Company overview

CCL Products Ltd. is a leading player in the global instant coffee industry, specializing in manufacturing, exporting, and distributing high-quality coffee products. With over three decades of experience, the company has built a strong reputation for providing premium coffee solutions to businesses and consumers worldwide. CCL operates in both B2B and B2C segments, supplying coffee to private labels, international brands, and its own branded portfolio.

The company has strategically positioned itself with manufacturing facilities in India and Vietnam, allowing it to cater to diverse markets efficiently. Its global presence spans over 90 countries, making it one of the most trusted names in the instant coffee industry. CCL's focus on innovation, quality, and operational efficiency has enabled it to maintain a competitive edge, even in a highly volatile market.

Business Segments

1. B2B Segment (Bulk Coffee Business)

CCL Products is a preferred supplier in the global B2B coffee market, offering high-quality instant coffee to private labels, foodservice companies, and large retailers. This segment contributes approximately 85-90% of the company's total revenue, making it the backbone of CCL's business. The company follows a cost-plus pricing model, which allows it to maintain stable margins despite fluctuations in raw material costs.

The company currently holds a 7-8% share in the global B2B instant coffee market and is actively expanding into emerging markets like South America and Southeast Asia. With its established reputation and strong partnerships with multinational brands, CCL is well-positioned to capitalize on the rising global demand for instant coffee. Its diversified sourcing strategy and manufacturing capabilities give it a competitive advantage in supplying coffee products efficiently to its clients worldwide.

Major global coffee players



Supermarket's own coffee brands





2. B2C Segment (Branded Coffee Business)

The branded coffee business has emerged as a key growth driver for CCL, particularly in the Indian market. The company markets its products under the "Continental Coffee" brand, which has been rapidly gaining market share due to its strong distribution strategy and competitive pricing. In Q3FY25, the B2C segment recorded an impressive 64% year-on-year (YoY) growth, significantly outperforming the industry average.

CCL has been actively expanding its distribution network, ensuring its products are available in 120,000 general trade outlets and 3,500 modern trade stores. Additionally, the company has achieved 90% coverage in quick commerce platforms, making its coffee products more accessible to modern consumers. To maintain profitability, CCL has implemented a 30-40% price increase over the past 18 months and is considering an additional 10-15% hike, based on market conditions. These pricing adjustments help the company offset rising input costs while maintaining competitiveness in the market.



3. Value-Added Products & Premium Coffee

CCL is focusing on expanding its value-added product portfolio, which includes freeze-dried coffee, small packs, and flavoured coffee variants. These products cater to a premium consumer base and offer higher margins compared to traditional instant coffee. The demand for specialty coffee is rising, and CCL is actively investing in R&D and product innovation to strengthen its presence in this segment.

The company's new 7,000 MT freeze-dried coffee facility in Vietnam is expected to begin operations in Q4FY25, further enhancing its premium product offerings. By tapping into the specialty and high-end coffee market, CCL aims to capture a larger share of the growing consumer preference for differentiated and premium blends. With a strong focus on quality and innovation, the company is well-positioned to meet the evolving demands of modern coffee consumers.

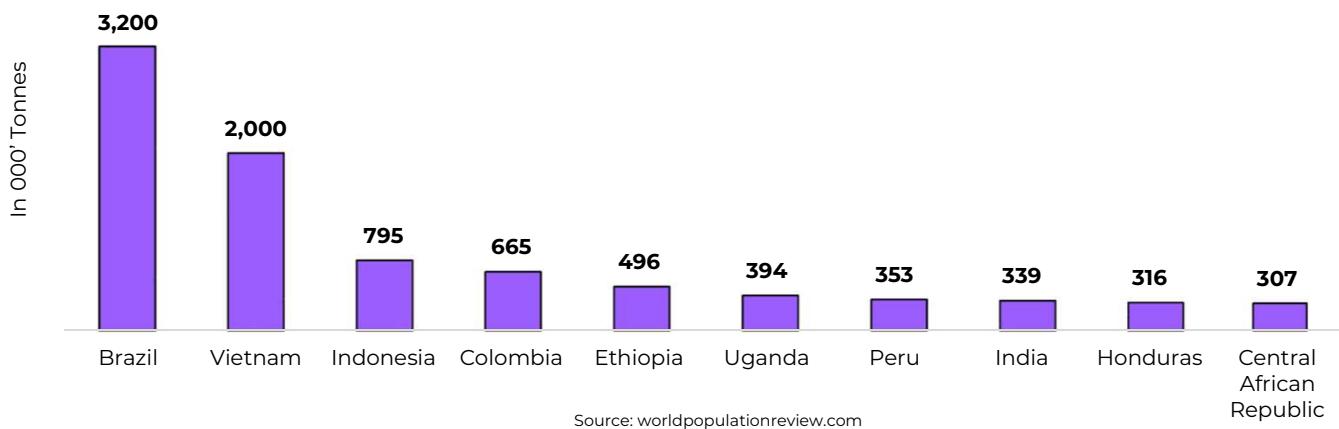


Industry Outlook

The global instant coffee market is experiencing steady growth, driven by changing consumer preferences, increasing urbanization, and a growing demand for convenience. The industry is expected to expand at a CAGR of 5-7% over the next five years, supported by rising coffee consumption in emerging markets like India, China, and Southeast Asia.

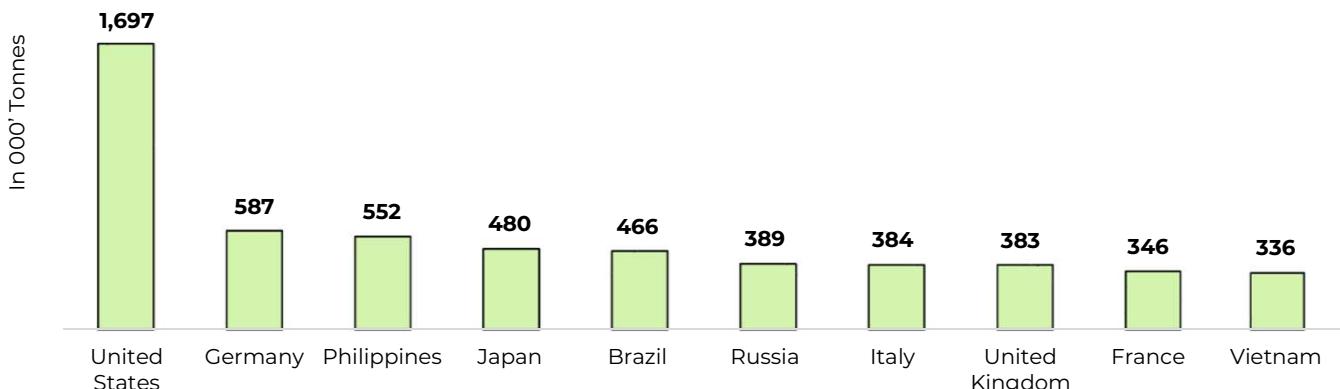
Global Coffee Production & Consumption

Coffee Production by Country 2025



The global coffee supply is primarily driven by a few key producing nations. Brazil, the world's largest coffee producer, accounts for over 35% of global coffee production, followed by Vietnam, Colombia, Indonesia, and Ethiopia. Given its strong supplier network, CCL Products is well-positioned to navigate these supply chain challenges and secure raw materials efficiently.

Coffee Consumption by Country 2025



Source: worldpopulationreview.com



Coffee consumption is rapidly increasing worldwide, with the United States, Brazil, and Germany leading in overall demand. However, emerging markets such as China and India are witnessing the fastest growth in coffee consumption, driven by changing consumer preferences, urbanization, and rising disposable incomes.

Positive industry triggers

1. Growing Demand for Instant Coffee

Instant coffee continues to gain popularity due to its convenience, affordability, and evolving taste profiles. While traditionally strong in markets like Europe and the U.S., demand is rapidly increasing in countries that have historically been tea-dominant, such as India and China. CCL Products is well-positioned to capitalize on this shift by leveraging its strong distribution network and cost-efficient production capabilities.

2. Premiumization & Specialty Coffee Trends

Consumers are increasingly gravitating toward premium and specialty coffee offerings, including freeze-dried, flavoured, and single-origin coffees. This trend is being fuelled by the rise of coffee culture, with more consumers willing to pay a premium for better quality and unique flavours. CCL's investment in freeze-dried coffee production and value-added products aligns well with this trend, positioning it as a key player in the premium segment.

3. Growth of Private Labels & B2B Partnerships

Many global retailers and foodservice providers are focusing on private-label coffee products to differentiate themselves. CCL's B2B segment, which contributes ~85-90% of its revenue, is expected to benefit from this shift, as more companies seek trusted suppliers for high-quality, customized coffee solutions. The company's strong partnerships with international brands and private-label businesses reinforce its leadership in this space.

4. Evolving Distribution Channels

E-commerce, quick commerce, and modern retail are playing an increasing role in shaping the coffee industry. Consumers now prefer ordering coffee online, driving sales through digital platforms. CCL has expanded its presence across modern trade, general trade, and quick commerce platforms, ensuring that its branded products remain easily accessible. As digital sales channels continue to grow, the company's investments in online visibility and distribution are expected to enhance brand penetration.

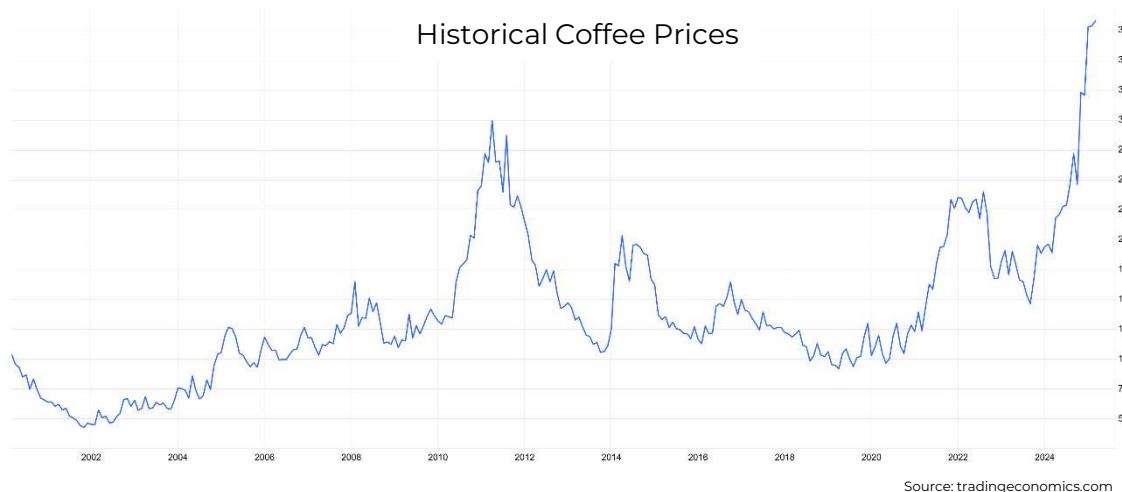


Key Risks & Challenges

Despite a promising industry outlook, CCL Products faces several risks that could impact its growth trajectory.

1. Volatility in Coffee Prices

Global coffee prices remain volatile due to supply chain disruptions, climate change, and geopolitical factors. Any sharp increase in coffee bean costs could put pressure on margins, particularly in the B2C segment. While CCL has implemented price hikes of 30-40% in the past 18 months to offset rising costs, continued fluctuations remain a key risk.



2. Foreign Exchange & Global Economic Conditions

As a company with a strong export focus, CCL Products is exposed to currency fluctuations and global economic uncertainties. A strong rupee against the dollar could impact export revenue, while economic downturns in key markets may reduce demand for premium coffee products. The company actively hedges foreign exchange risks, but global economic instability remains a challenge.

3. Competition from Global & Local Players

The instant coffee market is highly competitive, with established global brands and emerging regional players vying for market share. CCL faces competition from international giants like Nestlé and JDE, as well as regional brands that cater to price-sensitive consumers. To stay competitive, the company must continue investing in branding, product innovation, and customer engagement.

4. High Working Capital & Debt Levels

CCL's working capital requirements have increased significantly due to rising coffee prices. The company's total debt stands at ₹2000 Cr in Q3FY25. While management has outlined a structured repayment plan from FY26 onwards, any further increase in borrowing costs or delays in debt reduction could strain financial performance.



Financials

Profit & Loss Statement

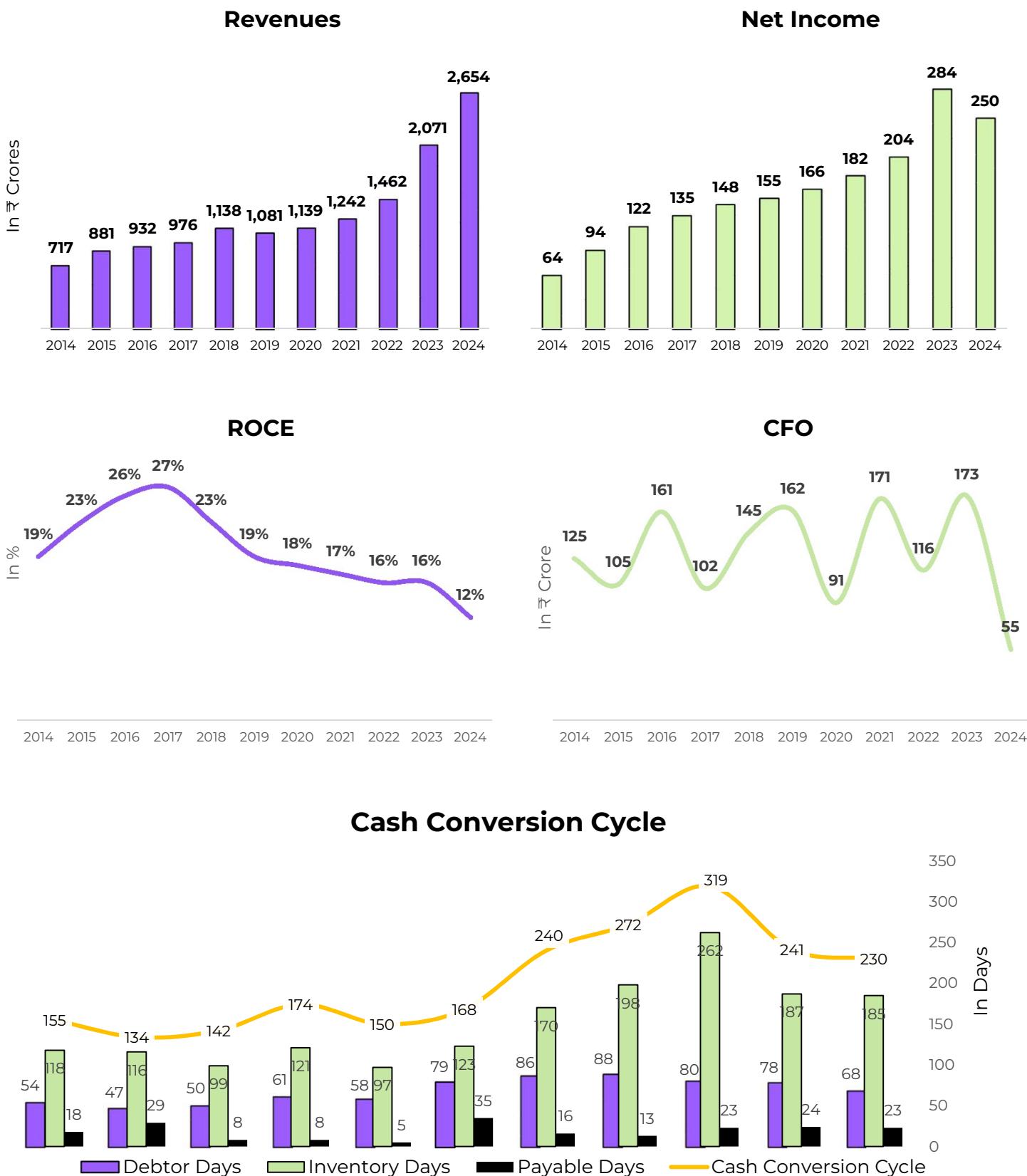
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales	717	881	932	976	1,138	1,081	1,139	1,242	1,462	2,071	2,654
Expenses	574	709	727	744	899	836	853	945	1,131	1,671	2,208
Operating Profit	143	171	205	232	239	245	286	298	331	400	445
OPM %	20%	19%	22%	24%	21%	23%	25%	24%	23%	19%	17%
Other Income	3	3	1	1	5	3	4	3	4	3	6
Interest	17	14	11	11	8	8	18	17	16	34	78
Depreciation	29	27	28	33	34	32	47	49	57	64	98
Profit before tax	100	134	167	189	202	209	225	235	261	305	276
Tax %	35%	30%	27%	29%	27%	26%	26%	22%	22%	7%	9%
Net Profit	64	94	122	135	148	155	166	182	204	284	250
EPS in Rs	4.84	7.06	9.18	10.12	11.14	11.64	12.47	13.70	15.36	21.35	18.73

Balance Sheet

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equity Capital	27	27	27	27	27	27	27	27	27	27	27
Reserves	326	395	483	602	713	812	902	1,061	1,224	1,471	1,647
Borrowings	292	229	210	142	311	416	469	559	655	920	1,622
Other Liabilities	80	111	81	78	83	166	112	142	164	180	240
Total Liabilities	725	762	801	848	1,134	1,422	1,509	1,788	2,070	2,597	3,536
Fixed Assets	361	340	417	393	371	383	724	798	882	1,257	1,252
CWIP	39	53	0	0	226	424	100	149	160	54	501
Investments	2	2	2	2	1	1	1	0	0	0	0
Other Assets	324	367	382	453	535	613	684	841	1,028	1,286	1,783
Total Assets	725	762	801	848	1,134	1,422	1,509	1,788	2,070	2,597	3,536



Financials





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