

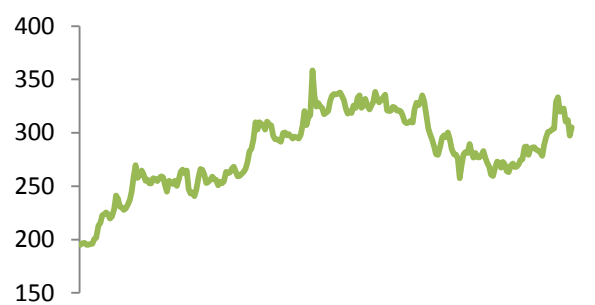
## CCL Products Ltd

Recommendation	BUY
CMP	Rs. 282
Target Price	Rs. 375
Sector	Coffee

## Stock Details

BSE Code	519600
NSE Code	CCL
Bloomberg Code	CCLP IN
Market Cap (Rs crs)	395
52- wk Hi/Lo (Rs)	375/191
Avg. volume BSE (Quarterly)	6204
Face Value (Rs)	10
Dividend (FY13)	50%
Shares o/s (Crs)	1.33

Relative Performance	1Mth	3Mth	1Yr
CCL	7.0%	9.1%	56.5%
Sensex	5.8%	5.8%	24.3%

Shareholding Pattern 31<sup>st</sup> March 2013

Promoters Holding	39.8%
Institutional (Incl. FII)	14.2%
Corporate Bodies	6.95%
Public & others	39.1%

Kavita Vempalli (+91 22 3926 8173)  
 kavita.vempalli@nirmalbang.com

Year	Net Sales (Rs crs)	Growth (%)	EBITDA (Rs crs)	Margin (%)	PAT (Rs crs)	Margin (%)	EPS (Rs.)	P/E (x)
FY11	365.0	-16.6%	64.7	17.7%	26.5	7.2%	19.9	14.2
FY12	504.3	38.2%	91.6	18.2%	36.5	7.2%	27.5	10.3
FY13	652.6	29.4%	125.6	19.2%	47.4	7.3%	35.7	7.9
FY14E	857.3	31.4%	166.3	19.4%	66.4	7.8%	49.9	5.6

## Results hit due to maintenance issues. Future Assured.

- Consolidated Revenues for the quarter grew by 23% YoY but were down by 14.4% QoQ at Rs. 177 crore. Sales were below expectations due to trial runs and testing made at the Vietnam plant and some maintenance issues at the Indian plant. In addition, production at Vietnam plant also got affected by 10-12 days due to Chinese New year holidays.
- Vietnam plant has re-gained operations from the end of April 2013. Company would be adding another 5000 MT capacity by Sep 2013 in Vietnam taking the total capacity to 15000 MT. For FY14E, management expects to produce 6500 MT at the Vietnam plant.
- CCL operates a 3000 MT plant in Switzerland where it adds value addition to the products. Operations from this unit have been lackluster during the quarter since the Swiss government has imposed additional duty.
- EBIDTA margins have remained flattish QoQ at 20.8% (despite high power cost) as the company was able to stock up beans when the prices were lower.
- Coffee prices have remained stable during the quarter.
- PAT was lower by 25% YoY at Rs.10.9 crore due to higher taxes (39% of PBT) during the quarter. Management expects this to be lower in FY14 since Vietnam would start making profits in FY14E.

## Valuation &amp; Recommendation

Current quarter results were below our expectations. Though sales have got affected due to maintenance issues we believe this is a temporary issue and would be resolved in the coming quarters. Margins however have grown 100 bps in FY13 to 19.2% and we believe these are sustainable with the company adding superior quality products into the portfolio.

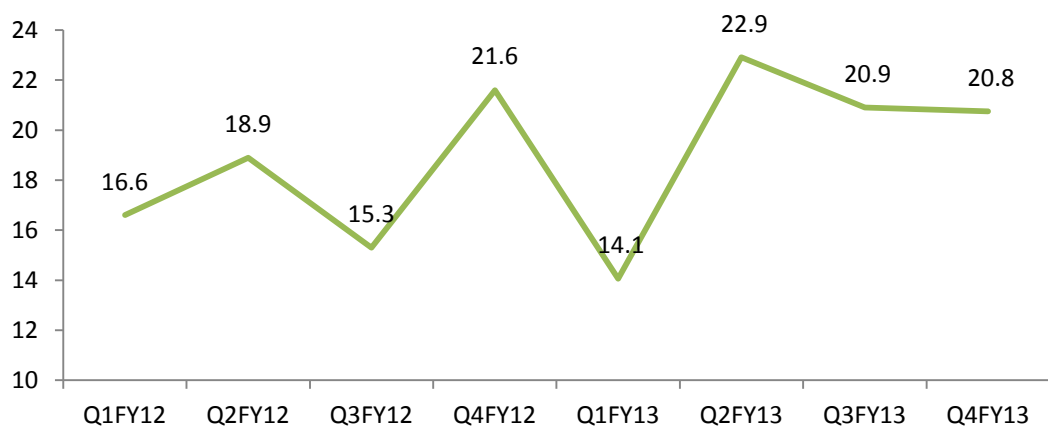
First quarter is a seasonally weak quarter for the company; however with increase in capacities we can see good growth in YoY numbers. The stock has corrected post its Q4FY13 results and at CMP it is trading at 5.6x its FY14E earnings which look attractive. We continue to be positive on the stock and maintain BUY rating; however has reduced our target price to Rs. 375 (earlier target price was Rs. 400) due to lower Q4FY13 performance.

## CCL Products Ltd

### Income statement for Q4FY13

	Q4FY13	Q3FY13	QoQ %	Q4FY12	YoY %
<b>Net Sales</b>	<b>177.08</b>	<b>206.91</b>	<b>-14.4%</b>	<b>143.80</b>	<b>23.1%</b>
Other Operating Income	0.00	0.70	-100.0%	2.03	
<b>Total Sales</b>	<b>177.08</b>	<b>207.60</b>	<b>-14.7%</b>	<b>145.83</b>	<b>21.4%</b>
<b>Expenditure</b>					
Raw Material	111.35	134.41	-17.2%	97.55	14.2%
Stores, Power	13.54	13.09	3.4%	8.71	55.5%
Staff Cost	7.37	5.44	35.4%	4.07	81.0%
Other Expenses	11.69	11.26	3.8%	3.94	196.6%
<b>EBIDTA</b>	<b>33.12</b>	<b>43.40</b>	<b>-23.7%</b>	<b>31.56</b>	<b>5.0%</b>
margin %	18.7%	21.0%		21.9%	
Depreciation	8.25	9.54	-13.5%	5.37	53.6%
Interest	7.01	8.72	-19.6%	3.97	76.7%
Other Income	0.00	0.00		-0.12	
<b>PBT</b>	<b>17.86</b>	<b>25.14</b>	<b>-28.9%</b>	<b>22.10</b>	<b>-19.2%</b>
Taxes	6.96	9.89	-29.7%	7.47	-6.9%
<b>PAT</b>	<b>10.90</b>	<b>15.24</b>	<b>-28.5%</b>	<b>14.63</b>	<b>-25.5%</b>
<b>EPS Rs</b>	<b>8.39</b>	<b>11.73</b>	<b>-28.5%</b>	<b>11.00</b>	<b>-23.7%</b>

### EBIDTA Margins



## CCL Products Ltd

### Financials

P&L (Rs. Cr)	FY11A	FY12A	FY13	FY14E
<b>Net Sales</b>	<b>365.0</b>	<b>504.3</b>	<b>652.6</b>	<b>857.3</b>
% change	-16.6%	38.2%	29.4%	31.4%
<b>EBITDA</b>	<b>64.7</b>	<b>91.6</b>	<b>125.6</b>	<b>166.3</b>
EBITDA margin (%)	17.7%	18.2%	19.2%	19.4%
Depn & Amort	19.3	20.6	28.6	32.1
<b>Operating income</b>	<b>45.5</b>	<b>71.0</b>	<b>96.9</b>	<b>134.2</b>
Interest	15.9	15.3	23.1	27.9
Other Income	9.8	0.5	0.0	0.0
<b>PBT</b>	<b>39.3</b>	<b>56.2</b>	<b>73.8</b>	<b>106.3</b>
Tax	12.9	18.0	26.4	25.5
EO	0.0	1.8	0.0	0.0
<b>Reported PAT</b>	<b>26.5</b>	<b>38.3</b>	<b>47.4</b>	<b>66.4</b>
<b>Adj PAT</b>	<b>26.5</b>	<b>36.5</b>	<b>47.4</b>	<b>66.4</b>
Sh o/s - Diluted	1.3	1.3	1.3	1.3
Adj EPS	19.9	27.5	35.7	49.9
EPS growth (%)	-5.5%	38.1%	29.9%	40.1%
Cash EPS	34.4	42.9	57.2	74.1

Quarterly (Rs Cr)	June.12	Sep.12	Dec.12	Mar.13
<b>Net Sales</b>	<b>140.7</b>	<b>126.0</b>	<b>206.9</b>	<b>177.1</b>
<b>EBITDA</b>	<b>19.8</b>	<b>29.2</b>	<b>43.4</b>	<b>33.1</b>
Dep & Amorz	5.5	5.4	9.5	8.3
<b>Operating Income</b>	<b>14.3</b>	<b>23.8</b>	<b>33.9</b>	<b>24.9</b>
Interest	3.4	4.0	8.7	7.0
Other Inc.	0.00	0.00	0.00	0.00
<b>PBT</b>	<b>11.0</b>	<b>19.9</b>	<b>25.1</b>	<b>17.9</b>
Tax	3.4	6.2	9.9	7.0
EO	0.0	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>7.6</b>	<b>13.7</b>	<b>15.2</b>	<b>10.9</b>
Adj EPS (Rs.)	5.7	10.3	11.7	8.4

Ratios	FY11A	FY12A	FY13	FY14E
EBITDA margin (%)	17.7%	18.2%	19.2%	19.4%
Adj PAT margin (%)	7.2%	7.2%	7.3%	7.8%
PAT Growth (%)	-5.5%	44.7%	23.9%	40.1%
Price Earnings (x)	14.2	10.3	7.9	5.6
ROE (%)	12.2%	15.2%	17.0%	19.0%
ROCE (%)	12.1%	14.8%	18.1%	21.8%
Debt/Equity Ratio (x)	1.2	1.1	1.1	1.1
Price/BV (x)	1.7	1.6	1.3	1.2
EV / Sales	1.8	1.3	1.1	0.9
EV / EBITDA	10.4	7.2	5.7	4.6

source: Nirmal Bang Research

Balance Sheet (Rs Cr)	FY11A	FY12A	FY13	FY14E
Share Capital	13.3	13.3	13.3	13.3
Reserves & Surplus	203.9	226.4	265.1	336.2
<b>Net Worth</b>	<b>217.2</b>	<b>239.7</b>	<b>278.4</b>	<b>349.5</b>
<b>Non Current Liabilities</b>				
Long Term Borrowings	96.4	106.2	124.8	144.8
<b>Deferred Tax Liabilities</b>	<b>19.9</b>	<b>21.7</b>	<b>22.9</b>	<b>22.9</b>
<b>Current Liabilities</b>				
Short term Borrowings	124.0	143.7	133.2	155.2
Trade Payables	11.3	24.3	28.2	38.1
Other Current Liabilities	36.7	27.2	71.2	71.4
Short Term Provisions	4.4	8.0	7.9	8.0
<b>Total</b>	<b>509.9</b>	<b>570.8</b>	<b>666.5</b>	<b>789.8</b>
<b>Assets</b>				
<b>Tangible Assets</b>	<b>273.3</b>	<b>257.4</b>	<b>334.4</b>	<b>392.3</b>
Capital Work in Progress	42.0	93.7	0.0	10.0
Other Assets	2.9	4.9	32.6	32.6
<b>Inventories</b>	<b>89.4</b>	<b>117.2</b>	<b>155.5</b>	<b>175.7</b>
Trade Receivables	50.1	70.4	87.2	119.1
<b>Cash &amp; Cash equivalents</b>	<b>41.0</b>	<b>5.6</b>	<b>9.3</b>	<b>12.4</b>
Short Term Loans & advances	10.9	21.1	47.2	47.2
Other Current Assets	0.2	0.5	0.3	0.5
<b>Total</b>	<b>509.9</b>	<b>570.8</b>	<b>666.5</b>	<b>789.8</b>

Cash Flow (Rs. Cr)	FY11A	FY12A	FY13E	FY14E
<b>Operating Cash Flow</b>				
Op CF before tax & WC	64.7	91.6	125.6	166.3
Change in WC	64.9	-41.7	-102.7	-42.4
Tax	-10.4	-18.0	-26.4	-25.5
<b>CF from Operation</b>	<b>119.3</b>	<b>31.8</b>	<b>-3.5</b>	<b>98.4</b>
<b>Investing Activities</b>				
Capex	-40.9	-55.3	-12.0	-100.0
Inv & Oth Income	8.4	0.5	0.0	0.0
<b>CF from Investing</b>	<b>-32.4</b>	<b>-54.8</b>	<b>-12.0</b>	<b>-100.0</b>
<b>Financing</b>				
Dividend Paid	-3.1	-7.7	-5.8	-9.3
Interest Paid	-15.9	-15.3	-23.1	-27.9
Loans & Others	-33.0	10.6	48.1	41.9
<b>CF from Financing</b>	<b>-52.0</b>	<b>-12.4</b>	<b>19.2</b>	<b>4.7</b>
Net Chg. in Cash	<b>34.8</b>	<b>-35.3</b>	<b>3.7</b>	<b>3.1</b>
Cash at beginning	6.2	41.0	5.6	9.3
Cash at end	41.0	5.6	9.3	12.4
<b>Per Share Data</b>	<b>FY11A</b>	<b>FY12A</b>	<b>FY13</b>	<b>FY14E</b>
Adj EPS	19.9	27.5	35.7	49.9
BV per share	163.2	180.2	209.3	239.6
Cash per share	31.9	5.4	8.2	10.5
Dividend per share	2.0	5.0	3.8	6.0

**Disclaimer:**

This Document has been prepared by Nirmal Bang Research (A Division of Nirmal Bang Securities PVT LTD). The information, analysis and estimates contained herein are based on Nirmal Bang Research assessment and have been obtained from sources believed to be reliable. This document is meant for the use of the intended recipient only. This document, at best, represents Nirmal Bang Research opinion and is meant for general information only. Nirmal Bang Research, its directors, officers or employees shall not in anyway be responsible for the contents stated herein. Nirmal Bang Research expressly disclaims any and all liabilities that may arise from information, errors or omissions in this connection. This document is not to be considered as an offer to sell or a solicitation to buy any securities. Nirmal Bang Research, its affiliates and their employees may from time to time hold positions in securities referred to herein. Nirmal Bang Research or its affiliates may from time to time solicit from or perform investment banking or other services for any company mentioned in this document.

**Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)**

B-2, 301/302, Marathon Innova,  
Opp. Peninsula Corporate Park  
Off. Ganpatrao Kadam Marg  
Lower Parel (W), Mumbai-400013  
Board No. : 91 22 3926 8000/8001  
Fax. : 022 3926 8010