

CCL Products India Limited
Q4 FY-15 Results Conference Call

May 27, 2015

MANAGEMENT: **MR. RAJENDRA PRASAD CHALLA – EXECUTIVE CHAIRMAN, CCL PRODUCTS INDIA LIMITED**
MR. SRISHANT CHALLA – MANAGING DIRECTOR AND LOOKING AFTER THE BRAND VENTURE OF THE CCL, CCL PRODUCTS INDIA LIMITED
MR. K.V.L.N. SARMA – CHIEF FINANCIAL OFFICER, CCL PRODUCTS INDIA LIMITED
MS. SRIDEVI DASARI – COMPANY SECRETARY, CCL PRODUCTS INDIA LIMITED
MR. P.S. RAO – ADVISOR, CCL PRODUCTS INDIA LIMITED

MODERATOR:MR. JIGNESH KAMANI – NIRMAL BANG EQUITIES

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Moderator: Ladies and gentlemen good day and welcome to the CCL Products India Limited Q4 FY-15 Results Conference Call hosted by Nirmal Bang Equities. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jignesh Kamani of Nirmal Bang Equities. Thank you and over to you, sir.

Jignesh Kamani: Thank you very much, Shyma. Good morning and very warm welcome to all of you. From the CCL we have his entire team including Mr. Rajendra Prasad Challa who is Executive Chairman, we also have with us Mr. Srishant Challa who is Managing Director and looking after the brand venture of the CCL, we have Mr. K.V.L.N. Sarma who is the CFO of the company, Ms. Sridevi Dasari, Company Secretary and Mr. Rao, Advisor to the Company. Welcome and thanks a lot sir and entire time for taking time out from your schedule.

I request Mr. Rajendra Prasad to provide some overview on the fourth quarter and for the full year number and some idea on that and some color on the future outlook and then we will start the Q&A.

Rajendra Prasad Challa: Thank you, Jignesh, thank you everybody, good morning. As we have indicated earlier we had done a total consolidated turnover of 884 crores for the year March 2014-2015 and with a EBITDA of 174 crores with a 20% and also the profit before tax was 134 crores and tax repaid about 40 crores. Net profit was 94 crores and all this things compared to last year there was an increase of 23% of turnover. EBITDA margins improved by 19% profit before tax was 34%, tax advantage was because of Vietnam, the tax is slightly reduced, and the net profit margin has increased 47%.

If you see the overall EPS last year we had Rs. 4.84 as EPS and this year it is Rs. 7.06 so there is a 45% increase in EPS. So keeping that in mind the Board of Directors yesterday recommended a final dividend of Rs. 1.50 per share when compared to last year dividend of Rs.1.20 per share, there is an increase of 25%. I can just give you that total consolidated we did around 20,000 tonnes and this year we are expecting to do around 25,000 tonnes and as we speak our capacity in India is being increased from 15,000 tonnes to 20,000 which should be completed before December 31st of this year itself so that we will have that value addition also. In Vietnam we have done a lot of new products where we are getting better realizations. wherever possible the debt reduction has happened, market building is happening in domestic market and also we are very confident that we will do whatever we have expected.

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Currently brand building is going on in Andhra and Telangana, which is giving us good results. In next two to three years the brand building exercise will continue in a small way and we will go to different states in our own way without spending much, which will be giving a long overall in a big way .

Once the capacities are consolidated, the turnovers are going to increase in the markets. We have gone into new markets and new products. We have converted many products which were earlier only at raw material stage like specialty coffees into instant coffee and we have built some good markets which are sustaining for long-term.

Any specific questions, please I am ready to answer and my team is here to answer any thing in specific. Thank you.

Moderator: Thank you very much, sir. Participants we will now begin with a question-and-answer session. We have the first question from the line of Sudarsan Padmanabhan from Sundaram Mutual Fund. Please go ahead.

Sudarsan Padmanabhan: Sir my query in on your, if I am looking at your consolidated minus standalone if I am looking at probably this Vietnam and Swiss I would estimate. This number if I am looking at is declined by about 19.5% on year-on-year basis and close to 40% on a Q-on-Q basis on the top-line and further if I am looking at on the profitability there has been a good 47% drop Q-on-Q. Now was there any kind of one off that has happened in your Vietnam and how do we read this number?

Rajendra Prasad Challa: Sarma will answer this.

K.V.L.N. Sarma: Morning. It is not exactly on Q2Q basis during the year when we consolidate that accounts we will take on a dispatch basis during the end that is 31st March there is a logistic problem because of which substantial quantity which was dispatched could not be shipped because of the congestion and custom clearance has not taken place so, the BLs were raised subsequent to April 1st which could not be recognized in the revenue. You can see the stock accretion towards the end of the year that is 31st March stock accretion there is substantial increase on the stock accretion part. So all these sales which effectively were made in 31st March but could not be recognized as revenue and will come into this year.

Sudarsan Padmanabhan: And I mean how much would that and I mean if that is the case and there was no issue on the production side of Vietnam?

Rajendra Prasad Challa: I think broadly, I do not exactly remember broadly it is about 13 crores to 14 crores revenue was thus postponed to current year.

Sudarsan Padmanabhan: And can you also throw some light in terms of how much this production has been done in Vietnam because earlier you were guiding for about 5,000 tonnes. Now
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also some color on the agglomeration facility in Switzerland because that has been a kind of laggard for some time now.

K.V.L.N. Sarma: We have reached approximately around 4,600 tonnes production in Vietnam closer to the target of 5,000 tonnes. In respect of Switzerland, we have started in the later part of the year production granulation part in Switzerland and we have been supplying to some European customers in Spain and Poland whereby the loss has been reduced. In fact you have to be very specific we have reduced the loss to the extent of about 2 crores to 3 crores in Switzerland due to the operations commencing in the later part. We are expecting that this year once we continue with these clients, Switzerland would also become at least positive from this year.

Sudarsan Padmanabhan: And sir with respect to your guidance of about 7,000 to 7,000 metric tonnes of utilization in Vietnam, I mean how confident are we given the fact that I think there has been some kind of commotion globally with the economy slowing down in a lot of emerging markets I mean do we have some kind orders in hand that can give you the kind of...

Rajendra Prasad Challa: We have told you and we do not manufacture unless we sell that has been our policy, if you go back and see the history of the company whatever we have told we always been performed. Unless we are confident we do not talk.

Moderator: Mr. Nitin Gosar, your line is in talk mode you may go ahead with your question.

Nitin Gosar: Just a couple of questions. One is was there any disruption in production...

Rajendra Prasad Challa: Who is speaking can you please identify we did not get the name.

Nitin Gosar: Yes, my name is Nitin and I am from Religare Invesco.

Rajendra Prasad Challa: Yes, Nitin please tell me.

Nitin Gosar: Yes, sir was there any disruption in manufacturing during this quarter?

Rajendra Prasad Challa: No, it is like this Nitin, manufacturing is never an issue. always instant coffee getting order is the most important issue and the way we have build the factories. Unless there is an order we don't manufacture, we presell and then only we buy the raw material also we are very safe company in that way.

Nitin Gosar: Right, sir. Got the process but just to understand was there any shut down period of 15 days to 20 days during the quarter.

Rajendra Prasad Challa: No, See there could have been only Vietnam we have Tet holidays and this is yearly situation just like our Pooja holiday and in Bengal nobody works for more than 45 days. Here in Vietnam for almost one month there is always a disruption during that

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February but everything gets back so we also plan in such a way we do not lose much of production.

Nitin Gosar: Okay, Yes, it is a normal situation. And sir on this commentary on custom clearances I was checking the inventory numbers I could not see any kind of big inflation on inventory numbers, you mentioned that there was some production which happened from India but that could not get...

Rajendra Prasad Challa: No, this is not India this is Vietnam. What Sarma mentioned it is in Vietnam because the factory in Vietnam is in dak lak and it is in the high lands of Vietnam and all the shipments happen in Ho Chi Minh City it is almost like two days to three days transit to this city.

K.V.L.N. Sarma: If you see the consolidated figures you will see there is stock accretion to the extent of 11 crores in fact they have finished stock that is lying in the factory they are already being dispatched in the factory but since the process of custom clearance and I mean we recognize revenue only...

Rajendra Prasad Challa: Only seeing the date of BL it has before 31st approximately some 400 tonnes stock which was dispatched but was cleared by customs only during April has remained in the stock. You will see that 11 crores 37 lakhs stock accretion is there no. So, on this total revenue on profitability could not be recognized because the revenue recognition has happened only in April.

Nitin Gosar: Cost for this have got booked into our P&L.

Rajendra Prasad Challa: Yes, at cost so the difference in the EBITDA margins and all this value addition part will not come into that.

Nitin Gosar: Got it, sir. And sir if you can give us the number of total quantities sold from India and from Vietnam for the full year that is FY-15?

Rajendra Prasad Challa: See quantities we are very conscious, we did not disclose because of several reasons, lets say for the shareholders benefit.

Nitin Gosar: So right now on the exit basis we are doing some 4,600 tonnes from Vietnam that is the understanding?

K.V.L.N. Sarma: Yes, we have complied with what we have stated earlier they are more or less on the same it is not going to the exact figure as our chairman told 20,000 tonnes has been achieved so obviously what you can clearly see what are the figures there.

Nitin Gosar: And sir on clarity on India installed capacity right now we are having 15,000 and are moving towards 20,000 by end of December?

K.V.L.N. Sarma: Right.

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Rajendra Prasad Challa: That is right.

Nitin Gosar: Okay. And any incremental capacity coming in India thereafter wards. I am just trying to understand was there any comments you have.

Rajendra Prasad Challa: Of course it will come maybe next two or three years.

Nitin Gosar: No, my question was more pertaining to the clarity I had have you given any commentary maybe as...

Rajendra Prasad Challa: No, we did see we always want to as I told that we are little very conservative. First we have to build the markets, whenever we build the markets then only we build capacities.

Nitin Gosar: Right. So India 20,000, Vietnam, 10,000 and Swiss capacity 5,000.

Rajendra Prasad Challa: Yes, Switzerland is more on value addition we do about 3,000 tonnes of value addition. So that actually speaking we do not take that into consideration at all because that instant coffee is produced either from Vietnam or from India .

Nitin Gosar: Got it. Any update you would like to share on U.S. business development?

Rajendra Prasad Challa: Right now what we are doing is we are exploring the possibilities of putting up a packing facility there and Indo American Chamber of Commerce also recently invited us for a very big conference there and including our one of our shareholders and senior director Jonathan Feuer also participated, so many states want us to put up this. So whenever we are seeing maybe in one year, two year, three years, we will do that there is a good possibility that we will do evaluated product there.

Nitin Gosar: Okay. And any comments you would like to give on margin trajectory going forward?

Rajendra Prasad Challa: Margins we expect that going forward you know, as of now it is good margins where people are surprised that we make this kind of money, frankly speaking. They wonder how you do it because we do a basket of products, we do not do one product we do so many product Yes, we do average. Just now our MD was telling that we do 200 different products so that it will average out. So we expect that we always pitch for the best so going forward when you utilize more capacity then margins also will improve. The taxation also is coming down.

Moderator: Thank you. Our next question is from the line of Gaurav Maheshwari from Unilazer Ventures. Please go ahead.

Gaurav Maheshwari: Sir couple of questions just taking with the last participants point on the revenue miss so you mentioned that 11 crores has been booked in the cost if we book a revenue of 14 crores which has been missed on this quarter and will be booked in next quarter your

margins moves up like 25.5% so which is like a pretty high margin so do we expect the similar kind of margins to be there going ahead or how will it work.

Rajendra Prasad Challa: Look, Vietnam we were able to establish the product. The product from Vietnam is a superior product so we are anticipating that we are able to continue the current trend of marketing the margins in Vietnam vis-à-vis India should be better so obviously in EBITDA levels of say 19% to 20% are made in India it should be slightly better in Vietnam because of the product superiority so we can expect that in average.

Gaurav Maheshwari: So if we assume this 13 crores of number which we have missed on this quarter and whatever margins we arrive at those numbers so should that be a sustainable kind of margin going ahead?

Rajendra Prasad Challa: We always expect because this is one thing that we cannot predict that is the truth. Whenever we go for any new business we always want moon, the guy will ask for bottom-line but it will average out if you look at. Most important is the product mix because of our quality and the technology in Vietnam is much superior in India the spray dried what we are doing is about 240 to 280 degree centigrade we heat the product. In Vietnam, it is only maximum 170 degree centigrade. So what happens is the product itself is much superior quality wise. So that is why we are able to get a better product and better premium there which has been established in last two years.

Gaurav Maheshwari: Okay. Why our constant reiteration on this question is basically because if we do numbers it comes out to 25% margin which seems to be...

Rajendra Prasad Challa: We do not want to exactly commit... Yes, this is why we have been saying that it will be better. Obviously 25 always is a better than 20%.

Gaurav Maheshwari: Right. Secondly, going onto the inventory part of the question. So there we are saying that there is inventory accretion which has happened in this quarter because of again that slippage so we adjust for that if we do not adjust obviously the inventory days have been the same but if we adjust for that the inventory benefits are yet to reap in going ahead?

Rajendra Prasad Challa: Come again.

Gaurav Maheshwari: Inventory days that we will have...

Rajendra Prasad Challa: Inventory benefit will pass on to the current year April month dispatches it will be accounted but let us not give more important onto that because every year it will be there.

Rajendra Prasad Challa: Yes, it is the same. We were fortunate last year because we were able to dispatch the entire quantity that was produced and last year anyway the production was

lesser. This time production was higher and it was in a peak time so obviously some part of the dispatches missed out on the custom clearances.

Rajendra Prasad Challa: It will always happen year-on-year situation when you are doing 7,500 tonnes that will be always there because we are not on the port we are somewhere in the island. That is why I always tell that we should never look on quarter-to-quarter and we should have at least a year. two years. three years where the overall performance of the company we should look at.

Gaurav Maheshwari: Correct, sir. Sir one another question pertains to again this Q4 numbers because if we compare last year Q4 to this year Q4 unless and until there is a production mix with the point that you mentioned about the Feb being a disruptive month in terms of production would have been last year as well so the growth has been.

Rajendra Prasad Challa: Not necessary, please understand, this year when we are doing 7,500 tonnes or 8,000 our target this year could be more at Vietnam.

K.V.L.N. Sarma: No, but last year to this year it was stable it was only compared to last quarter and this quarter if you see the consolidated numbers of last year and this year last year it was 218 crores vis-à-vis 216 crores of this year for the quarter. So it is almost the same.

Gaurav Maheshwari: Yes, so that is where the question there has been no growth as compared to Q4 of last year.

K.V.L.N. Sarma: That is what I am saying see last year the utilization was around 20%-22% but that does not spread over the entire year normally it is only during the peak season so last year last quarter should have been better and we reached the peak of the last year production capacity and it is compared with the same.

Gaurav Maheshwari: Okay, got it sir. On this capacity expansion for the India is there a delay because I think our understanding was Q1 there should be additional 5,000 tonnes capacity?

Rajendra Prasad Challa: See these machines are made very specifically specially made for our kind of technology and it should correlate with our existing systems. So they are not Vanilla readymade available we take it out of shelf and take it so there will be a delay since delivery and also a mismatch in the deliveries because we have to procure from two three places and then erect them and correlate them, so a small delay is anticipated but our base capacity continues and we are expecting that we should be able to complete the expansion part and come into commercial operations by December.

Gaurav Maheshwari: Okay, Sir one question pertains to your branding part of the business I am not sure if Srishant is also there on the call if you can just run us broadly through what is the marketing and the branding strategy for the continental in terms of state penetration and what is our plan for next two years?

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Srishant Challa: Yes, so what we have done till now from last 1.5 years is, we have put three brands in the market that is continental speciale, supreme and premium, one is a freeze dried product, one is agglomerated product and the third one is a chicory blend. Last year and half I mean without advertising at all just placing the product on the super market shelves and pricing the product lower and doing in-store promotions we have been able to increase our volumes to such an extent that now it justified that going for that proper branding exercise as in we wanted to do a rebranding higher the research agency and the branding agency and this whole process is taking some time. Right now once the rebranding is completed we will have two separate segments one for the chicory blends and one for the pure coffee blends. We want to launch some new products as well with new SKUs and everything so we are working on all these details right now. It will take a couple of months for us to do the re-launch, but to actually see proper traction and impact on the bottom-line, it will take at least two years to three years.

Gaurav Maheshwari: Okay. So in terms of distribution channel have you already started it or...

Srishant Challa: Yes, we have already started. Several distributors have come towards super stockers and we have entered agreements with them and we are getting all this in place. In fact, our original intention was we wanted to focus on AP and Telangana alone but so happen the several distributor also taking our products to other parts of India so now our coffee is available in North India, in Bombay and Tamil Nadu and in several other states, though we are not actively doing it the distributors themselves are doing it. They are spending out of their pocket.

Rajendra Prasad Challa: And also we are not giving any credit most important is that.

Srishant Challa: Yes, we are not working on a credit basis at all so these distributors they are very confident about the product so they started supplying. Now to institutional sales also, like hospitality industry we recently sponsored an event in the hospitality industry as well and lot of Chef's have recommended our product as well. So we have seen this response and it is very encouraging response for us which is why now we are going to slowly start going to other states officially as well once branding exercise is completed that is when we will be advertising a little bit more. We will slowly start now, we have sufficient revenue generation in the domestic brand too, reinvest in branding. So minimum volume we manage to achieve now.

Gaurav Maheshwari: What is the branded business size right now, if you can give that number?

Srishant Challa: Actually that is something that we did not want to give break...

Rajendra Prasad Challa: Right now we do not want to do it.

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Gaurav Maheshwari: Okay. But in terms of distribution channel is it a C&F super stockist and distributor model or would it be a director distributor model?

Srishant Challa: No, as in some region we are going to C&F super stockist but there are several distributors whom we are supplying to, modern retail also we are doing directly.

Gaurav Maheshwari: Okay. So you will follow mix and match of both the segment?

Moderator: Thank you. Next question is from the line of Manish Mahawar from Edelwiess. Please go ahead.

Manish Mahawar: I have a question this is extension of Gaurav's question actually mainly I wanted to know basically the Q4 if you look at your revenue was in Vietnam revenue subsidiary number was almost 44 crores revenue and you can see on a Q-on-Q there is a sharp dip in the number because Q3 it was 70 crores so basically I believe that Q3 and Q4 is a peak season basically if you look at your consuming countries I want to figure it out basically why the significantly on a Q-on-Q basis and even what you are saying is like there is holiday basically in Vietnam I believe that will same remain as last year as well.

Rajendra Prasad Challa: Every year it will be there.

Manish Mahawar: So why there is dip even Y-o-Y if you look last year Q4 and still in this year Q4 and even the Q-on-Q basis it is still a significant dip even if you consider 13 crores - 14 crores what you are saying is that postponement of sales in the next quarter despite that number there is a significant dip in the numbers.

Rajendra Prasad Challa: It will always happen year-on-year situation. That is why I always tell that we should never look on quarter-to-quarter and we should have at least a year. two years. three years where the overall performance of the company we should look at.

Manish Mahawar: Okay, I mean basically you can say production side it is purely normal quarter for the company right in the Vietnam you are saying.

Srishant Challa: That is right.

Rajendra Prasad Challa: Always this is why is said that we should never take, especially for CCL, we cannot do on a quarter-to-quarter basis. Then we will go wrong, there could be so many reasons one or two we could identify and tell.

Srishant Challa: So the base point is that we targeted 20,000 MTs dispatch during the year and you all must appreciate that we have reached the target and the profitability projections that have been given and we anticipated and we complied this.

Manish Mahawar: No, that depreciative that is not.

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Rajendra Prasad Challa: No, very important is this 20,000 Mts gives us the confidence of doing 25,000 Mts next year.

Manish Mahawar: Right, that is not that is perceptive...

Rajendra Prasad Challa: That is important, that is the important thing otherwise everything is gone.

Manish Mahawar: No, basically because in Q4 Y-o-Y basis last year as well we had a same number I think 55 crores.

Rajendra Prasad Challa: No, you don't look that, then we will all wrong.

Srishant Challa: You will also question next time to me that why April month is also high

Manish Mahawar: Okay, fine. Okay, no issue. Mr. Sarma I have just book keeping two questions basically what is the growth debt in the number because there has some current maturity that is lying in your current liability numbers this time?

K.V.L.N. Sarma: Which one?

Manish Mahawar: Gross debt number actually I wanted the loans?

K.V.L.N. Sarma: Debt?

Manish Mahawar: Yes, debt?

K.V.L.N. Sarma: Debt long-term?

Manish Mahawar: Loans, Yes, short-term plus long-term both including current maturities numbers.

K.V.L.N. Sarma: Current maturities numbers are 45 crores pertaining to Vietnam. See there is no long-term debt on Indian books. Long-term debt currently in the group is only in Vietnam books at the rate of 7.5 million USD per year for the next three years. So the long-term liabilities that you see 93 crores pertains to the two years and 45 crores will be for the current year maturity.

Manish Mahawar: Okay, basically I just wanted to know basically in our current liability if you look at the 107 crores in the consolidated books what is the current maturity in that number? It is a 45 crores you are saying right?

K.V.L.N. Sarma: Right.

Manish Mahawar: Okay. And last year was the number?

K.V.L.N. Sarma: Other current liabilities you are saying it is 63 crores?

Manish Mahawar: Yes, 63 crores.

K.V.L.N. Sarma: Consolidated balance sheet if you see other current liabilities is 63 crores which includes 45 crores of the long-term maturities in current year maturities.

Manish Mahawar: Okay. And what was the last year number sir?

K.V.L.N. Sarma: Last year it was 66 crore it will remain the same almost. For the two years also it will be at the rate of 45-45 so it will be only in that range.

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- Manish Mahawar:** Okay, understood. And in this quarter parse that Q4 is there any Forex loss or gain in the P&L?
- K.V.L.N. Sarma:** Forex loss is minimal in fact both Rupee and VND remained stable but exact figures I do not have it right now so.
- Manish Mahawar:** But it is minimal number, right?
- K.V.L.N. Sarma:** It is a minimal number. This year Forex impact has been very minimal. Both currencies we deal in are very stable.
- Moderator:** Thank you. Next question is from the line of Devang Mehta from Canara Robeco Asset Management. Please go ahead.
- Devang Mehta:** Just continuing on one of the previous question on the domestic marketing side we were suppose to hire some key people is there a team in place or?
- Rajendra Prasad Challa:** No, it will take a little time. Few are there in junior levels, we have taken a couple of them they are already working. First thing is we want to go very slowly, stage wise so it will take little time.
- Srishant Challa:** We have developed the team and in fact we have developed two separate teams working on two separate products at the same time as on two different brands I was talking about earlier. Each team is going to focus on the sales of that particular brand in fact both products in a way will be competing against each other as well.
- Devang Mehta:** Okay, got it. I was already missing your this Spray Dried Coffee you mentioned that it is available in Mumbai so was just wondering where...
- Rajendra Prasad Challa:** We can give you a list of stores there are some A grade supermarkets also where it is available. We can send the list across.
- Srishant Challa:** Jignesh, I think you have all the list.
- Devang Mehta:** Okay, I will take it from Jignesh.
- Srishant Challa:** Yes, I think maybe we should put on the website.
- Devang Mehta:** Another thing was on we added one major client in Europe in Netherland so how is business different or are we getting sizeable chunk?
- Rajendra Prasad Challa:** Till now this is the biggest client in Europe. We have been doing a lot of trials for them, this is a very special product which we have developed for them which is freeze dried product and very very expensive one where we are doing 100% Indian product. Initial trials have done exceedingly well, their teams have already came thrice and in fact they are giving us some additional business in other countries also that is going on quite well.
- Devang Mehta:** Okay, so it is still in the development stage, no orders have materialized as of now.

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Rajendra Prasad Challa: No, we have already taken orders from them but it will take at least a year for them to really replace the other guys whom they are being buying from. In fact, they themselves stopped one of the lines where they produced their own coffees.

Devang Mehta: Okay. Is there any visibility by what time we start delivering or something?

Rajendra Prasad Challa: No, already we have done in some markets, they have already taken our product . You know coffee is very sensitive product, especially these branded people if they want to change they do not want to do it overnight so it will take little time but we are into it.

Devang Mehta: Okay, great. In terms our liquid coffee plant we have shifted to Vietnam so any development in that?

Rajendra Prasad Challa: As we speak the Japanese are there today in Vietnam, the product sampling is being happening, the equipment all that is on in line with what our productions have been, we have changed a lot of new equipment for the Japanese, things are moving as we expected...

Devang Mehta: So will we see that start by on this quarter or next quarter or...

Rajendra Prasad Challa: Next two quarter I think by December we should be able to do some sales also.

Devang Mehta: Okay. And one last question on this Switzerland we were targeting some 1,000 tonnes in FY-16 so we still maintain that number?

Rajendra Prasad Challa: Yes, very much.

Devang Mehta: Okay. And any guidance you like to give so as you gave last year in 900 crore top-line and 90 crore PAT anything as such to FY-15?

Rajendra Prasad Challa: I think we will talk in maybe after first quarter that is much much better.

Moderator: Thank you. Next question is from the line of Dixit Mittal from Subhkam Ventures. Please go ahead.

Dixit Mittal: Sir you mentioned that you will targeting 25, 000 volumes in this year and out that 7.5 will come from the Vietnam.

Rajendra Prasad Challa: That is right.

Dixit Mittal: And sir India is around 15,000. So where the rest 2,500 will come from?

Rajendra Prasad Challa: I told you, we are expanding the capacity in India.

Dixit Mittal: That you said sir will come in December quarter.

Rajendra Prasad Challa: By the time we will do it that will also come.

Dixit Mittal: Okay, so, in one quarter...

Rajendra Prasad Challa: As we speak expansion is happening.

Dixit Mittal: Okay. So that means you will doing around 17,000 to 18,000 in India.

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Rajendra Prasad Challa: Yes, the idea is to do 17,000 to 18,000 in India, about 7,500 to 8,000 from Vietnam.

Dixit Mittal: Okay. And sir for last year you mention that you did around 20,000 of production and sir how much was the sales you said 400 was stuck because of custom so rest 19,600 was?

Rajendra Prasad Challa: Yes, everything is sold. Actually the other one is also sold only dispatch not happened. We do not even buy raw material unless we presell the product.

Dixit Mittal: Okay. And sir you mentioned that you are tying up with the modern retail so can you name some of the retailers with which you have tied up for the branding?

Rajendra Prasad Challa: No, we are not tying up with modern retail. We are placing the product in the modern retail directly. We are paying listing fees and we have proper distribution set up in place and that is why we are doing directly.

Dixit Mittal: Okay. Sir can you name these retailers?

Rajendra Prasad Challa: Like in Hyderabad for example Q-Mart, Vijetha and all the super markets.

Srishant Challa: In all major super markets.

Dixit Mittal: So next year you are targeting 25,000 and Vietnam will do around 100% in FY-17?

Srishant Challa: Yes.

Rajendra Prasad Challa: Not 100%.

Srishant Challa: About 75% we are expecting for next year.

Dixit Mittal: Okay. And sir last question like how much did you sell in institutional sales?

Rajendra Prasad Challa: For the domestic market?

Dixit Mittal: Yes, sir domestic because in terms of brands one is you are selling to super market so secondly tying up with the institution so can you give some idea like how much was the revenues book?

Rajendra Prasad Challa: Actually we cannot split up like that.

Srishant Challa: Yes, that is difficult.

Rajendra Prasad Challa: We have been doing institutional phase for quite some time from now and that has been growing as well. In addition to that we have started selling in the domestic market even in smaller stores, kirana stores, even in villages and all.

Dixit Mittal: Okay. And sir lastly, how much is the CAPEX guidance for this year?

K.V.L.N Sarma: CAPEX for this year, already in capital work-in-progress we have about 10 crores to 15 crores we should be spending another 10 crores on that so it will be from out of internal accruals.

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Rajendra Prasad Challa: All the small expansions what we are doing, everything will come from internal accruals only.

Moderator: Thank you. Next question is from the line of Abhijeet Akela from IIFL. Please go ahead.

Abhijeet Akela: First, I will just clarify the numbers you gave for the CAPEX sir so you mentioned that how was it totally in FY-15 that was spent and how much is the budget for FY-16?

K.V.L.N Sarma: It was about 10 crores we have already spent and another 10 crores to 15 crores during the current year.

Abhijeet Akela: Okay. And this includes all maintenance as well as all the capacity expansion in India and?

K.V.L.N Sarma: No, only on capacity expansion.

Abhijeet Akela: Okay, this is only for expansion. Okay, so overall total expenditure including maintenance how much would it have been sir?

K.V.L.N Sarma: Maintenance anyway will be in revenue expenditure.

Rajendra Prasad Challa: That is right. The amount is too small.

Abhijeet Akela: Okay. You do not capitalize?

Rajendra Prasad Challa: No.

Abhijeet Akela: Understood, fine. Second, just wanted to clarify you mentioned that this big European customer whom you are ramping up volumes for that is giving you good visibility into volume growth in FY-16. Are there any other such customers also who?

Rajendra Prasad Challa: There are several different ones, this guy is really a special who will be there for long-term. We do not restrict ourselves, every day we are in the market Abhijeet. What happens is their advantage they look at and everybody and every company in the world always look at cost savings especially the bigger the company the bigger problems they have. So this is an ongoing situation for us.

Abhijeet Akela: Right, and so basically based on the marketing efforts that we have done and interest that we have got from customers around the world so far we are very confidence that Vietnam will see enough demand for us to ramp-up to 10,000 tonnes in the next two years to three years.

Rajendra Prasad Challa: We have already reached to 50% this year and next year we are going to do 75%. I do not look around, we are very fortunate because most of our partners have been with us for the past 25 years. See our client's expansion; Our clients are marketing us and this is where our brand building is and this is where we have been successful.

Abhijeet Akela: Right. In the U.S. market you were talking about setting up a 10,000 tonnes plant right sir...

Rajendra Prasad Challa: In the long-term yes, one day we will. No, that plant will be mostly a packing facility, it will be a white label one, maybe agglomeration we are not sure yet. So we are doing a lot of study on that because there will be few issues also because there are clients who are buying from different sources because we do not want to again compete with them. So they should not look at us as competitors. Existing clients are there which we are already selling around 3,000 tonnes there in that market. So we don't want to upset them, but there is big potential we are seeing which will be cost effective that is reason one of the advantage for us is not only in India we have a plant in Vietnam. So several big clients from U.S. have visited us. We always look for long-term guarantees that is where we make partnerships with.

Abhijeet Akela: Right. So in the global coffee market I guess excluding Nestle our market share would probably earnings around 5% or 10% right now

Rajendra Prasad Challa: That is right, right now, yes.

Abhijeet Akela: And we are seeing this growing to substantially over the next three years to five years.

Rajendra Prasad Challa: Yes, but we are going to different countries also, different markets in India itself and it will be a big market coming forward for us.

Abhijeet Akela: Right. And one last thing sir I think if I got the notifications on the Stock Exchange correctly I think Mr. Feuer has resigned from our board a few months ago, is that correct?

Rajendra Prasad Challa: That is right.

Abhijeet Akela: Yes, if you could just explain sir I mean what?

Rajendra Prasad Challa: Mr. Jonathan has been associated for more than 2 decades with the Company. The reason for his resignation is not to have any conflict of interest as we are considering to set up a plant in US. Further, he took the role of the Chairman in his Company in US and entrusted executive powers to his son. In the back drop of this, he step down form the Directorships of all other Companies, including CCL.

Moderator: Thank you. Our next question is from the line of Sameer Shah from Value Quest. Please go ahead.

Chirag Lodha: This is Chirag Lodha from Value Quest. My question pertains to in consol balance sheet so our CWIP is 53 crore. So can it explain what it pertains to?

K.V.L.N. Sarma: That includes the liquid coffee plant which is under modernization which we are expecting this will come into commercial operations around second quarter.

Chirag Lodha: Okay. So this whole pertains to that?

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- K.V.L.N. Sarma:** It is not the whole thing approximately 40 crores out of that is pertaining to liquid coffee plant and the balance is as I told you 10 crores to 12 crore for CAPEX in India.
- Chirag Lodha:** CAPEX in India. Okay, it was helpful. And what will be the tax rate going ahead for next two years?
- K.V.L.N. Sarma:** Obviously, when we are improving our profitability in Vietnam it should continuously come down next year we are expecting that effective tax rate would be in the range of about 27%.
- Rajendra Prasad Challa:** Vietnam fortunately they have reduced tax also though it will not apply to us but in the longer-run that will be a benefit.
- Moderator:** Thank you. We will take the next question is from the line of Amit Vora from PCS Securities. Please go ahead.
- Amit Vora:** In your opening remarks you mentioned about doing a lot of work on the value added products so can you explain that a bit?
- Rajendra Prasad Challa:** Yes, what we have told you is there are some products which are only specialty products. Also we have double certified, triple certified coffees. Only CCL has the certification in many countries. We can accept that coffee and when we sell that the value addition also comes. So that is why most of the time we cannot say that we get better margins the quantities will be less initially and going forward in next two years to three years we will get the benefit.
- Amit Vora:** So probably in this year what could have been the revenue?
- Rajendra Prasad Challa:** Not this year, in future.
- Amit Vora:** Okay. So nothing has been booked as such in this year?
- Rajendra Prasad Challa:** No, not much.
- Amit Vora:** From your total revenue what portion of it will be exports? Vietnam is complete exports but Indian operation what would be the exports?
- Rajendra Prasad Challa:** We are only talking about exports.
- Amit Vora:** No, I mean I am just trying to figure out the segment in terms of what is the domestic because you are not giving the break-up in terms of institutional and the retail sales so I am just trying to understand what would be the exports if the remarking portion is domestic?
- Srishant Challa:** We are doing around (+90%) as exports and less than 10% is in the domestic market right now.
- Amit Vora:** From the Indian operations?
- Srishant Challa:** From the Indian operations, Yes.

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- Amit Vora:** And how do you see this going forward with your extended capacity?
- Srishant Challa:** Pardon.
- Amit Vora:** With the expansion that is coming in....
- Srishant Challa:** In expansion also it will be same because domestic also we are growing on the same rate so the brand is doing well, our volume sales are increasing and even our private label sales are increasing in the domestic market so we are expecting the capacity to be split again in the similar manner even later on.
- Amit Vora:** So 90-10 is the kind of thing that we can assume?
- Srishant Challa:** For this financial year the 90-10 we can assume but from next year onwards the domestic sale is likely to increase a little bit more.
- Rajendra Prasad Challa:** We would like to sell more in India, the margins are much better.
- Amit Vora:** Yes, we also like the same thing sir we would also appreciate that only.
- Rajendra Prasad Challa:** So we are only praying it will happen.
- Amit Vora:** Yes, and on the liquid coffee front when can we expect something?
- Rajendra Prasad Challa:** Before December we should be able to do. Second quarter - third quarter we should see that some numbers will come. As we are speaking we are doing some sampling.
- Moderator:** Thank you. Next question is from the line of Aditya Ahluwalia from Invesco. Please go ahead.
- Aditya Ahluwalia:** You mentioned in the beginning that this year was lesser to the extent of 14 crores in this quarter, is that correct because of the customs clearance?
- K.V.L.N. Sarma:** Yes, revenue was not recognized during the current year, that is all.
- Aditya Ahluwalia:** About 14 crores, right?
- K.V.L.N. Sarma:** Right.
- Aditya Ahluwalia:** Mr. Prasad, just for that revenue for the quarter becomes 230 crores and you also mentioned to somebody's question that 3Q was aberration because of certain quantities from 2Q getting passed on to 3Q this year is that correct?
- K.V.L.N. Sarma:** It is not aberration I say it normally overlaps between the quarters so at one quarter quantity must have come into the second quarter it is not exactly aberration as such.
- Aditya Ahluwalia:** But if I see the revenue of 2Q and 3Q it is pretty similar in fact 3Q revenue as far as the numbers I have in front of me is slightly lower than 2Q in FY-15?
- K.V.L.N. Sarma:** That is okay, even in that case also with this stock accretions the Q4 was a normal quarter with around 45 crores to 50 crores turnover and obviously Tet as it in the previous years are also Tet will have an impact for about a week or about 10 days. So
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barring Tet Q4 has been a normal quarter with an average we have achieved 200 crores turnover 50 crore would be adjusted turnover for the Q4.

Aditya Ahluwalia: Okay. Are seeing dip in realizations on a blended basis?

Rajendra Prasad Challa: Going?

Aditya Ahluwalia: For FY-15?

K.V.L.N. Sarma: Where there is impact, in Vietnam there is an improved realization no?

Aditya Ahluwalia: No, I do not have the number I am just asking you that is the...

K.V.L.N. Sarma: Realization has been slightly better in Vietnam

Aditya Ahluwalia: And so on an overall basis adjusting for the currency in INR terms our realization in FY-15 would have been better or worse than FY-14?

K.V.L.N. Sarma: No, it was slightly better marginally EBITDAs in India it was much better about in INR terms about Rs. 10 better in Vietnam.

Aditya Ahluwalia: Okay. And what do we expect in FY-16 for both India as well as Vietnam?

K.V.L.N. Sarma: We target an improvement but as it is Vietnam product we are selling at a premium so the same customer unless there is an inflationary trend in the raw material prices may not agreeing to additional pricing so we will make in our effort to improve the margins with new customers and if there is an inflation return, in the existing customers also.

Aditya Ahluwalia: What is the premium in Vietnam over India?

K.V.L.N. Sarma: I cannot exactly identify, average realization is the indicator for that so the average realization in Vietnam are slightly better than Indian average realization and that is the indicator other than that you cannot quantify exactly what premium is

Rajendra Prasad Challa: It all depends on customers from client to client, quantity to quantity, it is very difficult to say that.

Aditya Ahluwalia: Right. So when you crack this new big customers like you talked about in Europe. So is that you have to replace somebody India operation is running at some capacity?

Rajendra Prasad Challa: No, this is ongoing process sometimes what happen with this big client is they will stop production. They will outsource instead of their own production. You know Europe costs are so high that is also there. It all depends on client to client we cannot generalize and tell.

Aditya Ahluwalia: Do we have to give up some customer to service this new customer?

Rajendra Prasad Challa: No, that is the reason we are building capacity. Always we would like to retain the existing clients as much as possible because it is easy for us to satisfy existing client. We have clients for the past 18 years 20 years so for the QC guys for the manufacturing you know ex-client they know exactly what they want.

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Aditya Ahluwalia: Right. Can you give me the Vietnam inventory number if it is possible if you have it handy with you?

K.V.L.N. Sarma: I won't go into specifics.

Aditya Ahluwalia: Okay, never mind. Not a big deal.

Moderator: Thank you. Next question is from the line of Chanchal Khandelwal from Birla Sun Life Asset Management. Please go ahead.

Chanchal Khandelwal: Just wanted to understand now that the coffee prices has fallen in last three months how does it impact us?

Rajendra Prasad Challa: Most important is our business model which is slightly different. This abbreviations in coffee prices will not affect CCL at all. The reason is we do on a contract-to-contract basis. Once a contract is entered we immediately lock in green coffee. The price is depending on the time when we book the coffee so it works both ways so these coffee prices do not affect CCL at all.

Chanchal Khandelwal: No, I just wanted to hamper upon on this a little further if I see historically when the coffee prices goes up assume you are on a particular percentage so assume the price 100 and you are on a Rs. 20 but the price falls to Rs. 80 and your percentage remains same so then your absolute EBITDA value comes down so you tap on a percentage basis or is it on the per kilo basis, how does it work when you are tying up with someone?

Rajendra Prasad Challa: At kilo only always we work on per kilo. We would always like to have a bigger margin no but this will average out because it all depends on the client-to-client again.

Chanchal Khandelwal: So with some client it is percentage with client it is per kilo is it?

Rajendra Prasad Challa: Yes. And also again it depends on the brand, sometimes it depends on the value addition and what kind of bulk products we are selling. You know it all depends on so many factors.

Chanchal Khandelwal: Understood because if I do your historical analysis when FY-08 to FY-09 there was a big jump in the coffee prices that is the time your EBITDA per kg improved so was this tend to...

Rajendra Prasad Challa: In 2008 the whole world you understand. CCL was maybe only one company where our turnovers have gone up, margins must have come down.

Chanchal Khandelwal: No, I am talking about the absolute EBITDA per kilo when you benefited because of the higher prices so when the coffee prices are going down if the percentage remains same your EBITDA per kilo may come down so that is what I am just trying understand.

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K.V.L.N. Sarma: Sometimes there is a demand for cheaper coffee in depression times and the prices for cheaper coffee would be slightly higher but the volumes will go up and at that point of time in an inflationary trend we must have been able to push the increase in the raw material prices and the customers. Sometimes it takes a little longer to pass on the increase and sometimes it would be instantaneous, that is the reason.

Rajendra Prasad Challa: Again we cannot use the same yard stick for all the products because we have such a big product mix also.

Chanchal Khandelwal: Normally if the effect of this coffee prices will come with a lag of three month to four month or much time does it take?

Rajendra Prasad Challa: No, day-to-day it varies. See that is why it works both ways. We buy the coffee from trading house only, we do not buy a coffee from a grower...

Chanchal Khandelwal: So when you are selling it to your customer how much of the Indian operation and of the Vietnam how much of the contract is on a percentage basis and how much of the contract is a fixed percentage kilo basis?

Rajendra Prasad Challa: All contracts are on a fixed price basis. If somebody wants 100 tonnes of coffee, then depending on the market price of green coffee which is most important and the quantity and the quality what the client wants price is fixed per kilo.

Chanchal Khandelwal: So your margin is on per kilo basis?

K.V.L.N. Sarma: It does not work like that exactly we have a ballpark figure we have a target figure for our year and each contract is negotiated with reference to long-standing relationship with the customer whether it is a manufacturer customer or a brand owner and the quantity is giving all that included. So it is not exactly we will be able to load fixed percentage of margin on each of the customers. The negotiation with each customer is entirely different and prices will not be exactly same for each customers it is not as of we have given a MRP list and then trying to sell. But on a continuous basis with each contract we compare and we see whether we are closer to our objective, the target and profitability and turnover levels. So it is not fixed and the dogmatic sale pattern in which we load this much of percentage to each customer. It is a continuous process of evaluation for us whether we are meeting our objective of such and such profit and such and such turnover level as also achieving the volumes.

Chanchal Khandelwal: Okay, maybe I will take detail offline. Sir, second question which I wanted to understand is that if I do consol minus standalone and try to find out gross margin. Gross margin on the consol minus standalone looks lower than the standalone gross margin is it because of the losses in the Switzerland facility or....

K.V.L.N. Sarma: Some part of losses of Switzerland were accounted for.
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Chanchal Khandelwal: Okay. For the year can you just quantify how much was the losses for the Switzerland?

K.V.L.N. Sarma: Switzerland about 3 crore.

Moderator: Thank you. We have the next question is from the line of Ravi Chandran from Unify Capital. Please go ahead.

Ravi Chandran: I have a couple of questions. When you talk about the Vietnam your guidance is the production number and the sales number because when you say 5,000 tonnes and 7,500 tonnes and while replaying one question you said the production is 4,600 tonnes so if you can give production as well as sales for the year-ended March '15 as well as the expectation for next year.

Rajendra Prasad Challa: What we normally do is the sale number only we talk of. Production is immaterial because end of the day it is a sale which matters.

Ravi Chandran: So the sale is 4,600 which is and you are aspiring to take it to 7,500 next year?

Rajendra Prasad Challa: That is right, current year.

Ravi Chandran: And as far as the gross margins are concerned I do not have the number in front of me you said it is better in Vietnam but in Vietnam the margins are stable year as a whole.

K.V.L.N. Sarma: Stable by contract to contract. See the last year figures are not comparable because it was suboptimal capacity utilization last year it was only 22%. So actually comparable figures are from this year only and this year profitability as we said was on a comparison with spray dried coffee of India the realizations vis-à-vis the margins were better in Vietnam because we were able to market it as a superior product.

Ravi Chandran: And on a consolidated book I see a capital work-in-progress over 50 crores and last year it was some...

K.V.L.N. Sarma: It includes the liquid coffee plant which is under modernization which is to the extent of above 40 crores.

Ravi Chandran: So you capitalize something like 60 crores in the current financial year?

K.V.L.N. Sarma: That is right.

Ravi Chandran: Margin impact for Switzerland operations you mentioned that it was 3 crore to 4 crores was it for the full year or for the quarter?

K.V.L.N. Sarma: Full year.

Ravi Chandran: Sir your coffee is not available in Spencer Chennai. I tried that getting that freeze dried with blue cap I really enjoyed.

Rajendra Prasad Challa: Spencer's themselves what they have done they have taken their own private label in their brand Spencer's they are selling.

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K.V.L.N. Sarma: That is why we are manufacturing and selling to them.

Ravi Chandran: This dried is not there other varieties is there. The one which you sell with the blue cap, that red cap, and yellow cap is available one with blue cap is not available.

Rajendra Prasad Challa: We will talk to them. This is very important for us to know these things from you. We will look into it.

Moderator: Thank you. We have the next follow-up question from the line of Gaurav Maheshwari Unilazer Ventures. Please go ahead.

Gaurav Maheshwari: Sir just going back to that per kg question, so sir when we compare the numbers of FY-14 and FY-15 full year consol numbers and even if we add that 14 crores of mixed revenue the gross profit per kg after excluding for the packaging and power cost is remained almost constant. The question basically pertains to assuming the realization for the coffee goes down by 20% in next year in case it is a percentage basis would our EBITDA just remain absolute because already managed by the volume growth or the overall front our focus is of per kg EBITDA.

K.V.L.N. Sarma: You are assuming on the negative side.

Gaurav Maheshwari: Yes, we are assuming on a negative side.

Rajendra Prasad Challa: We do exactly the opposite. See the track record I think you should be positive

K.V.L.N. Sarma: Average realizations cannot come down than we project. Additional business is not by sacrificing the margins or the prices.

Gaurav Maheshwari: It is not about margins or the realization...

K.V.L.N. Sarma: 20% reduction is absolutely unimaginable. Unless there is a steep decrease in raw material cost average realizations cannot come down to that extent.

Gaurav Maheshwari: We are just talking about this other part only which you have mentioned that if the raw material prices go down in that case what actually happens if we are focusing on the percentage margin in that case our overall EBITDA margin just remain the same so that is what we want to understand would that be...

K.V.L.N. Sarma: The percentage will improve no.

Gaurav Maheshwari: So it will be a per kg in that case right?

K.V.L.N. Sarma: Per kg will remain and on a percentage terms it will improve.

Gaurav Maheshwari: Okay. So the way we should look at it is more or the same per kg progress profit per kg or EBITDA per kg.

K.V.L.N. Sarma: That is right.

Moderator: Thank you. Next question is from the line of Anuj Jain from Value Quest. Please go ahead.

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- Anuj Jain:** Can you share the average realization per tonne and EBITDA per tonne which we are making?
- Rajendra Prasad Challa:** It is very difficult that is what we said no because it all depends on product-to-product, client-to-client, quantity-to-quantity, it is very difficult.
- Anuj Jain:** But sir on average like if we average out everything just to get integration so that we can like have more visibility with revenue with alignment with the tonnage we are selling.
- K.V.L.N. Sarma:** We wish to hold this information. You know the number, you know the quantities so it is not difficult for you to know the realization. It is better we do not say. Other specifics we wish to hold.
- Anuj Jain:** Okay, sir not a problem. And sir second question is like how the clients are different for Vietnam product and the India coffee which we are manufacturing. Are the clients are also different?
- Rajendra Prasad Challa:** Generally we would like to go to new clients and new markets. There are few clients which are common but because of logistics and geographical advantage we have developed few clients around in Vietnam also because Vietnam has a 35% duty, but which for being in Vietnam we will save that because earlier we have selling instant coffee from India we were paying 35% duty. So standalone we want to develop markets like that. But initially what we do is we try to encourage some of our existing clients also for trying out for additional capacities.
- Moderator:** Thank you. Next question is from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.
- Sangam Iyer:** Sir my question was pertaining to your liquid coffee which we are expecting to come up on stream or commercialize by the end of this calendar year. Could you just throw some light on how the margin profile and the realization of...
- Rajendra Prasad Challa:** Let us cross that after we get the order. Being a liquid coffee we expect it will be much higher because we are selling water also.
- Sangam Iyer:** Correct. Typically for 5,000 tonnes capacity at optimal utilization it would get around 55%-60% kind of utilization right in liquid coffee?
- Rajendra Prasad Challa:** Yes.
- Sangam Iyer:** So just to sense in a sense we have been doing this sampling for...
- Rajendra Prasad Challa:** You know what we have been doing, this is where we go wrong till now we do not know frankly speaking between all of us that is a sore point as far as we are concern. Which we could not achieve because of several reasons one, Japanese themselves are tough clients, but once they are in they will be there for long. So we expect to do much

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better than what we have always said. It will take couple of months. Let's see the product let's see the sampling then we will talk much confidently.

Sangam Iyer: Okay. So if you were to from your experience this journey for liquid coffee where would you say that we would have reached in terms of from...

Rajendra Prasad Challa: 80% we are with the client.

Sangam Iyer: 80% we are with the client.

Rajendra Prasad Challa: Because the clients are too big we cannot dictate terms to them but they are seeing the kind of investment we have put in whatever they wanted literally like gold plated things we have done and everybody is confident that the samples we are going to produce soon will go through very well. This is all one of the suggestions which has come from them only to shift the plant to Vietnam.

Sangam Iyer: Okay. So sir FY-17 should be a safer period to look at some numbers from liquid coffee, right?

Rajendra Prasad Challa: That is right, '16-'17 should be.

Sangam Iyer: And sir just on the institutional sales we have been there with railways for quite some time for other institutions like you know the canteen stores or other, etc.

Rajendra Prasad Challa: Yes, we are there with canteen stores Department, we are there with railways, army purchase organization we are there, Navy we are with most of them for a quite long time. We are getting good repeat orders from this Air India and news institutions again doing some new product for some other airlines also.

Sangam Iyer: Okay. So sir all that is combined in the 10% of...

Rajendra Prasad Challa: That is right, as of now, yes.

Sangam Iyer: Okay. But is not that a big scalable segment?

Rajendra Prasad Challa: It is, that is why we are slowly-slowly getting into that.

Sangam Iyer: Okay, is it predominantly that we would like to bring in our re-launch our brand and then through that push it through.

Rajendra Prasad Challa: Exactly correct.

Srishant Challa: You really put we have come up with some product because of technology as well we got a lot of feedback from the customer as well in the hospitality segment especially because their establish brands which are there. Everyone wants our product because we are completely unknown so they want a product which is so exceptionally good that nothing can compare to it. So we have to go back to the drawing board and then we thought okay, since we have already come up with a good product let us re-launch it with the new brands so, with that objective in mind in fact a lot of doors are opening because

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of the new brand launch as well and so volume wise also there will be an immediate jump once we start placing a new brand in the market.

Sangam Iyer: Got it. So sir this brand we are expecting to launch in a couple of months' time or?

Rajendra Prasad Challa: Yes, in a couple of months' time.

Sangam Iyer: Okay. And sir finally post our sponsorship of this All India Chef Meet that have a lot of chefs did appreciate different personalize blends that we were giving them, right so to that extent has been any incremental enquiry or incremental agreement with various hotels etc., for white label good wherein chefs prided in their name but there is good volume uptake.

Rajendra Prasad Challa: Nobody has asked for the white label because we have told everyone that if they want it in white label with minimum quantity order and no institution can actually afford that right now.

Sangam Iyer: Okay. Even large chains like Taj Group etc., they do not go in for. I understand that in rooms typically they still want to have a Nescafe pack. But you know in the cafeteria where the Chef is exhibiting his skills, there the personalized drink does play major role.

Srishant Challa: The quantities are too small because we are trying about 4 tonnes to 5 tonnes of orders which required to do on a private label. If you want to have one minimum batch it is minimum of 4 tonnes, which is 4,000 kg.

Sangam Iyer: Right. So that is not something that...

Srishant Challa: This is not one cup of coffee so this is like you can imagine 4,000 and 2,000 that is the number of cups of coffees that they have to sell.

Moderator: Thank you. Participants due to time constraints that was the last question. I now hand the floor back to Mr. Jignesh Kamani for any closing comments. Thank you and over to you, sir.

Jignesh Kamani: Thank you, Shyma. I would like to thank participant for participating in the call and I would like to thank Mr. Rajendra Prasad and his entire for participating and for taking time out. Thank you, sir. I will meet you during the next conference call, sir.

Rajendra Prasad Challa: Thank you very much, thanks everybody. Bye.

Srishant Challa: Thank you, Jignesh.

Moderator: Thank you, sir. Ladies and gentlemen with that we conclude this conference call. Thank you for joining. You may now disconnect your lines. Thank you.