

Date: 31/08/2020

Recommended Price: 265-269 • Target: 310-320 • Stoploss: 245

Time Frame: 3 months

CCL - 28 AUG 2020 WEEKLY CHART



CCL- Weekly Chart

- The stock on the weekly scale has crossed its previous hurdle as well as 200 WEMA as highlighted in the above chart.
- Moreover, the stock has witnessed trendline breakout with volumes.
- RSI on a weekly scale has witness breakout of medium-term consolidation, indicating strength.
- 200 WSMA is currently placed close to 257, which will act as strong support for the stock.
- Based on the above technical set up, we recommend to **BUY CCL** in the range of 265-269 with a stop loss of 245 on a closing basis for the target of 310-320 for the medium term.

Key Data

Date Price	31/08/2020
Sector	Plantation Product
Reco _Price	265 -269
Target Price	310-320
BSE Code	519600
NSE Code	CCL
Face Value (Rs)	2/-
Mkt Cap (Rs Cr)	3,571.80
52 Week High	292.20
52 Week Low	137.00
Source: BSE,NSE	

Company background

Incorporated in 1993, Based at Andhra Pradesh, CCL Products (CCL) is one of the largest manufacturer & exporter of instant coffee globally. Company exports instant coffee as private label/bulk containers to over 90 countries. It can manufactures over 200 blends of coffee. The company's soluble instant coffee is prepared from carefully chosen Arabica and Robusta coffee beans, roasted and processed to perfection, for an aroma and flavour that brings real satisfaction instantly. Total instant coffee capacity of the company as on FY20 is 35,000 tonnes (25,000 in India and 10,000) in Vietnam. In addition to this, CCL has an agglomeration unit in Switzerland.

Investment Rationale

- CCLP is among the few companies that have been able to scale up its business. Since inception, CCL has expanded its capacity by 9.5% CAGR i.e. 3600MTPA in 1995 to 35000MTPA as on FY20.
- The company has in total 35,000 tonnes capacity located in India and Vietnam and is the largest B2B processing player in the world. Superior execution capabilities coupled with strong client relationships has enabled the company to deliver profitable growth over the years.
- During FY20, company commissioned a high value green field freeze dried plant of 5000MTPA as a SEZ unit at Chittoor District, AP for a capex worth Rs 300cr. During last fiscal, company utilized 50% capacity i.e ~2500MTPA. Company has planned to utilize ~75% of capacity in FY21 & to achieve optimum capacity i.e. ~90% in FY22. This would results into incremental volume growth from India facility, as existing domestic facility of 20,000 tonnes p.a. is already running at optimum utilization of 85-90% in last few years.
- Company is also setting up 5000MTPA of packing cum agglomeration facility to focus more on value added products as well as increasing small pack business. Agglomerated coffee fetches realizations which are higher by ~10%. Company expects to commence this plant by Q1FY22.
- Moreover, company is also incurring brownfield expansion of 3500MTPA with a capex of \$8mn, thus taking total spray dried capacity to 13500MTPA by Q3FY21. Company expects to garner revenue worth Rs 135cr at optimum utilization level, likely to achieve in next couple of years.
- CCL is largest manufacturer & exporter of instant coffee globally. Company enjoys ~36% and ~10% share in country's instant coffee exports and overall export coffee respectively as on H1CY20.
- The company has successfully leveraged best-in-class technology and strong relationships with global clients to create a niche for itself, which is not easily replicable.

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Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.

Retail Research Desk:

Email: retailresearch@acm.co.in

Research Analyst Registration Number:

INH000002483

CIN: U65990MH1993PLC075388

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