Date: 10.11.2023

To The Listing Department, **National Stock Exchange of India Limited** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra East, Mumbai – 400051. **Scrip Code: CCL**	To The Corporate Relations Department, **BSE Limited,** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001. **Scrip Code: 519600**

Dear Sir/Madam,

Subject: Transcript of the Conference Call held to discuss the results of Q2 FY 2023-24 as required under Regulation 30 of SEBI (LODR) Regulations, 2015

With reference to the above-mentioned subject, we wish to inform that,

i) The copy of the Transcript of the Conference call held on Tuesday, 07th November, 2023 to discuss the results of the second quarter of financial year 2023-24 is enclosed herewith.

ii) The Transcript is also uploaded on the Company's Website and the web-link for the same is:

https://www.cclproducts.com/wp-content/uploads/2023/11/Q2-Earnings-Call-Transcript-2023-24.pdf

iii) The List of Management attendees is stated in the transcript.

iv) No Unpublished Price Sensitive Information was discussed in the call.

This is for your information and necessary records.

Yours sincerely,
For CCL Products (India) Limited

Sridevi Dasari

Digitally signed by Sridevi Dasari
Date: 2023.11.10 14:42:34 +05'30'

Sridevi Dasari
Company Secretary & Compliance Officer

"CCL Products India Limited Q2 FY2024 Earnings Conference Call"

November 07, 2023

ANALYST: **MR. MANISH MAHAWAR - ANTIQUE STOCK BROKING LTD**

MANAGEMENT: **MR. CHALLA SRISHANT - MANAGING DIRECTOR - CCL PRODUCTS INDIA LIMITED**
MR. B. MOHAN KRISHNA - EXECUTIVE DIRECTOR - CCL PRODUCTS INDIA LIMITED
MR. PRAVEEN JAIPURIAR – CHIEF EXECUTIVE OFFICER - CCL PRODUCTS INDIA LIMITED
MR. V LAKSHMI NARAYANA – CHIEF FINANCIAL OFFICER - CCL PRODUCTS INDIA LIMITED
MS. SRIDEVI DASARI - COMPANY SECRETARY- CCL PRODUCTS INDIA LIMITED

Moderator: Good day ladies and gentlemen and a very warm welcome to the CCL Products India Limited Q2 FY2024 Earnings Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. 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. Manish Mahawar from Antique Stock Broking Limited. Thank you and over to you sir!

Manish Mahawar: Thank you Yusuf. Good morning, everyone. On behalf of Antique Stock Broking, I welcome all the participants to the Q2 and FY2024 earnings call of CCL Products. From the management we have Mr. Challa Srishant, Managing Director, Mr. B. Mohan Krishna, Executive Director, Mr. Praveen Jaipuriar, CEO, Mr. V Lakshmi Narayana, CFO and Ms. Sridevi Dasari, Company Secretary on the call. Without any delay I would like to hand over the call to Mr. Jaipuriar for opening remark post which we will open the floor for Q&A. Thank you and over to Mr. Jaipuriar.

Praveen Jaipuriar: Thank you Manish for the introduction and I welcome you all to this call. I will just go through the brief summary of the operational performance for the last quarter and the half year and then you can ask your questions. So as far as quarter two performance is concerned, the group has achieved a turn turnover of Rs.607.56 Crores for the second quarter as compared to Rs.506.56 Crores for the corresponding quarter of the previous year which is almost a 20% growth, and the net profit stands at Rs.60.86 Crores as against Rs.57.79 Crores for the corresponding quarter of the previous year which is approximately 5% growth over the corresponding quarter. The EBITDA is at Rs.110.64 Crores which is a 13% increase over corresponding quarter and profit before tax is Rs.69.7 Crores which is a 5% decline with respect to the corresponding quarter. As far as half yearly figures are concerned, the group has achieved a turnover of Rs.1262.50 Crores for the first half and as far as the growths are concerned it is 24.3% growth and as far as net profit is concerned it stands at 121.57 Crores as against Rs.110.53 Crores for the corresponding half of the previous years. The EBITDA is at Rs.217.32 Crores and profit before taxes is Rs.113.13 Crores. As far as EBITDA is concerned for the first half it is 16% growth over corresponding half for the last year and as I told the profit before tax for the half year is 139.13 Crores so that is a brief summary and I open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Rakesh Wadhwani from Monarch AIF. Please proceed.

Rakesh Wadhwani: Hi team. Thank you for the opportunity. Sir just there was few months back there was an update regarding the breakage of equipment in the Vietnam subsidiary, can you please talk about the business loss because of the breakage of the equipment?

Praveen Jaipuriar: So, there was a breakage in the equipment in the last quarter and for which we had given an intimation. As far as the update is concerned the equipment and the plant is back in running and everything is fine now, now as far as losses are concerned exact losses we will not be able to comment exactly what is the loss right now because the losses are being assessed and because we are speaking to the insurance companies so all that survey and everything is taking place, so once that is done, we will be able to intimate about the exact losses for that breakdown, but yes for a month production losses we experience. So for the expanded capacity almost half of that the total capacity we were not able to operate for one full month so that is the kind of production loss we had which led to topline as well as bottom line loss but exact numbers we will be able to share with you once we have assessed the exact amount of losses.

Rakesh Wadhwani: Okay and sir can you talk about the coffee prices for the quarter like average coffee prices for the quarter?

Praveen Jaipuriar: Average coffee prices for the quarter is a very difficult thing to say because as you know our business model is such that we keep buying for our contracts. So there are lot of these coffee prices that we may have which had already been bought quite some time ago. For some spot contracts you would be buying coffee on the spot so that is not probably the right measure for one to see but as far as the coffee prices globally are concerned we all know that coffee prices are still at very high level. We are expecting that once the Vietnam crop comes in which is approximately the same time next month, we will be able to get an idea that how the world coffee prices are or which direction they are moving in and that will give us some sense that how the coffee prices are going to pan out for the next one year.

Rakesh Wadhwani: Okay so one last question from my side sir there were articles a couple of weeks back that there is a coffee crop loss in the Brazil market so just wanted your thoughts on that are we witnessing any client shifting from Brazil to us or we are getting new queries because of that?

Praveen Jaipuriar: So I think the news that you are referring to was probably one year old news that is the time when Brazil crops were affected and Brazil coffee prices have gone up but this year the Brazil crop has been good and in fact there prices have softened a bit so that phenomena of people out moving from Brazil is not there and we will as I said you a lot will depend on how things move once the Vietnam prices come out in the open which will happen after their crop comes in next month.

Rakesh Wadhwani: Okay sir thank you and all the best.

Praveen Jaipuriar: Thank you.

Moderator: Thank you. Next question is from the line of Venkat from 3sigma Financials. Please proceed.

Venkat: Thanks for the opportunity. In the last quarter you mentioned that the green coffee price actually determines the liability or the borrowings rather the working capital so can you give a breakup of the working capital versus the long-term borrowing?

V Lakshmi Narayana: Long-term borrowings remain intact because we are availing the borrowings for new projects only at Vietnam and in India as far as the working capital borrowings are concerned as I stated in previous call, the limits are based on the peak level of the green coffee prices that remains intact and any moment a change that can be witnessed once the Vietnam crop keep coming in that is likely to come from December.

Venkat: Sir there is Rs.400 Crores increase in the borrowing so is this due to the price or is there anything else that has contributed to this increase in borrowing?

V Lakshmi Narayana: Increase in borrowing if you look at it as we said a new project is coming up so that is 16,000 tonne capacity facility whereby, we are taking around Rs.320 Crores as a term loan and some of the balancing regarding the GC prices impact there is another 80 to 100 Crores that is what it is reflecting as Rs.400 Crores.

Venkat: Sir we had a shutdown right in Vietnam so what is the capacity utilization in light of this? the total capacity utilization?

Praveen Jaipuriar: As far as let say the Vietnam capacity was concerned, we were looking to utilize 50% of the enhanced capacity and almost 100% of the previous capacity, but considering the breakdown and situation that arose in Vietnam, probably that number would be lower for the last quarter but on an annualized basis we will try and maintain that kind of guidance of utilizing 50% capacity for the new line for the full year.

Venkat: So, the company level what is the capacity utilization sir?

Praveen Jaipuriar: As I told you the capacity utilization per se if I were to take the India capacity utilization it is at 100%, Vietnam the previous line or let say the old-line capacity utilization is also almost 100%. Quarter one in Vietnam we had utilized the new facility also 50% but quarter two as I was telling you we are still assessing the losses, the exact production loss that we had but if I were to take an informed guess it would not be 50% of the new capacity but probably will be at around 25, 30% of the new capacity but that will actually we will be able to give a clearer picture once we have done our surveys and assessments and the insurance companies also done the surveys and assessments but going forward as I told you at an aggregate level for the full year we are trying our best to make sure that for the full year for the enhanced capacity we will be able to achieve 50% because we are looking to secure more contracts in quarter three and quarter four so that we can make up for the losses that we had incurred.

Venkat: Sir how do you see the next quarter and the entire year?

Praveen Jaipuriar: As I told you know exactly the same way as we were mentioning the next quarter and the entire year we already had the order books full as far as the guidance was concerned which was about 18-20% growth on topline and EBITDA that will remain. The only thing is that for the losses that we incurred last quarter we probably have to book a little more order so that we make up for that topline and bottom line losses so the entire year the guidance still remains the same, we will probably end up at 18% to 20% volume growth and the similar levels of operational profit.

Venkat: Thank you very much. I do not have any further questions.

Moderator: Thank you. Next question is from the line of Richa from Equity Masters. Please proceed.

Richa: Thank you for the opportunity, sir. Sir my question was if you could share an update on the domestic performance for the first half and second question is on margin trajectory I know you do not share the absolute margins but it do you see any kind of improvement or inching up I think you had guided that you know over two to three years you would be looking forward to 135 to 140 per kg kind of margin are we on track to achieve that?

Praveen Jaipuriar: Okay. First of all, the first question that you asked was about domestic market performance so if I like to see total number, we probably were around Rs.135 Crores, Rs. 140 Crores of total domestic market business out of which approximately 85, 90 Crores was pure brand so we are on track for the brand to close at almost Rs.200 Crores this year and the total business would be around Rs.325 round about that number for the entire year, so we are growing at quite a healthy pace but yes going forward we also want to kind of drive some more growth drivers into business and then making plans for getting into more aggressive growths in not only just the second half but also subsequent couple of years that is a little brief on the domestic and the brand business. So on the margin question that was asked, the margin profiles improve so what I was telling is that yes there are certain segments where it will improve for example we are driving more small packs that will help improve the margins, we are trying to sell more specialty coffee that will help improve the margins but having said so we will also see some mix change because we have put the Vietnam capacity the 16,000 metric tons is spray dried capacity where we get lesser margins so what will happen is that this year suppose if you were to utilize 50% of my capacity where the growth will come from will largely come from spray dried so that growth will be driven at lower margins because spray dried will have lower margins so there will be factors which will be pulling up the margin, there are factors which will pull down the margin so when we had commented that some of the margins will improve, probably it was some of the sectional business and not really at an overall group level. Overall group level we have given the guidance for last few quarters we have been always saying that for next couple of years we do not see any improvement or any deterioration in margin, we will maintain the 18, 20% volume growth and 18% to 20% EBITDA growth as of now.

Richa: Okay thank you for the answer and sir my second question is that now that you are putting up India capacities and Vietnam capacity is also planned, so how much time do you expect for these capacities to be utilized at an optimum level, full utilization level how much time does that take?

Praveen Jaipuriar: So you know as a thumb rule if you have tracked our capacity enhancement and tracked our empirical data and history you will see that generally what we have been able to do is in the first year we tend to utilize 30, 35% of the capacity, second year is 50, 60% and third year we get to 80, 85% which is very close to the maximum capacity because you actually do not get the maximum rated capacity because of the different blends and things that you make in the coffee plant so therefore that is the broad guidance we maintain but you know if you were to see the Vietnam business, Vietnam capacity expansion so instead of 30, 35% in the first year itself we are able to utilize 50% so that we are kind of that we performing much, much better but as far as now the next India capacity is concerned that is a thumb rule we will see how things go forward but we know that there is a lot of capacity which we already know that will be utilized because, for example India capacity will be used a lot for domestic market, domestic market itself is growing at as of now 20, 25% we are looking to even kind of push the pedal harder and grow at a higher rate so we know that, that capacity will be required so there will be some capacity utilization but as a thumb rule as I told you this is how we have kind of progressed in the past and this is how we are looking forward to progress for the all the new capacities that we looking forward to install.

Richa: Okay. Thank you for the detailed answer so last one last question if I may what would be the effective tax rates over next few years are they likely to be in the same range of some kind of changing?

V Lakshmi Narayana: At the group level it is likely to be around 12% okay.

Richa: Okay that is guidance for next year like until FY2025, FY2026?

V Lakshmi Narayana: The next two years it holds good.

Richa: Okay. Thank you so much sir. That is all from me.

Moderator: Thank you. Next question is from the line of Senthil Manikandan from Ithought PMS. Please go ahead.

Senthil Manikandan: Good morning, sir. Thanks for opportunity, so first in terms of the breakage of equipment at Vietnam so if you can share some insights into does it had already happened in the past or is it because of a new supplier that has happened in the expanded capacity some insights on what has happened?

Praveen Jaipuriar: No, I do not think so it is because of the new supplier it has happened once in the past and these are things which are part and parcel of any manufacturing processes that there will be breakdowns, these are not new to us and yes of course it was unexpected but not really new to us. Having said so the reason that we had informed the market because to comply to the regulations that have been put up by SEBI and other government authorities that if there is a material impact that the organization feels that will take place because of these breakdowns one needs to inform so we were over cautious and we wanted to be transparent and that is the reason we informed the market, but it is neither new or it is neither because of any new supplier or anything.

Senthil Manikandan: Great thanks sir. Second question is with respect to the domestic B2C segment so in terms of branding I think we are seeing brands in the local Chennai metros so what could what the broad strategy for the branding part of the B2C segment?

Praveen Jaipuriar: So basically the strategy is twofold. What we are doing is we are trying to aggressively gain shares from the existing players and the existing categories where we are trying to grow big, we started our operations from South India which is a big coffee market and we are now expanding to other cities across the country so in almost all 10 lakh plus population town we are now have our distribution set up and we are slowly trying to capture the not capture let's say but at least gain some market shares in those areas as well so that is one part of the strategy. The other part is that how do we increase the coffee consumption for which we are trying to introduce newer formats like premix coffee which is because India largely is a tea drinking nation and slowly people are adopting coffee so we wanted to make sure that we are able to offer the consumers a lot more choices and lot more ways to drink coffee and that is why we are very gung-ho about this category of premixes because it helps drive that consumption that much more easily so that is one segment which we are focusing a lot which is a very new segment and here we are doing a lot of category driving exercises here it is a new category there are not many players who are playing in the category so here we are promoting amongst youth, the college going guys, the bachelors who probably are looking to not only experiment with coffee but also try various varieties of coffee and that is what we are trying to offer to them. Again coffee it is a food product and food products really have to be driven very differently, you have to drive newer habits so what we do is we engage in a lot of sampling exercise, interaction of the category with the consumer so wherever we get a chance we do a lot of product sampling so that people know interact with the product they get the taste of the product so that is the second part of the strategy that we are taking forward so largely these are the two buckets in which we are operating.

Senthil Manikandan: Great Sir thanks. That is, it from my side.

Moderator: Thank you. Next question is from the line of Rohan Gupta from Nuvama. Please go ahead.

Rohan Gupta: Hi Sir, good morning and thanks for the opportunity. Sir few questions from my side first if you can give some sense in the current quarter the kind of volume growth and the pricing either degrowth or increase on Y-o-Y basis.

Praveen Jaipuriar: So current quarter if you see the volume growth was around 10 to 12% and we got a value growth of 20% so current quarter I am talking about the quarter gone by which is Q2 so on 10 to 12% volume growth we got a value growth of 20% which was largely because of the pricing advantage we got. Largely if I were to pinpoint one thing it was because of small packs the leverage we got on pricing.

Rohan Gupta: Okay and volume growth was slightly muted mainly because of the shutdown at Vietnam.

Praveen Jaipuriar: Yes absolutely. Muted as far as guidance are concerned over 10-12% volume growth in this era itself is quite tough. Against our guidance it got muted because of the breakdown at MCL plant.

Rohan Gupta: Do we see Sir I mean with excess capacities which we have right now over next six months I mean we will be able to still achieve 18% plus kind of volume growth guidance.

Praveen Jaipuriar: So we are trying very hard because of the excess capacity we have a chance to make up so we are aggressively pitching and making sure that we make up for the losses so only time will tell whatever losses that is lost now in the last quarter we will try and make up through additional volumes but yes that time will tell because right now we are in the process of pitching and seeing what can we make up.

Rohan Gupta: Sir how has been the green coffee prices right now. You said that they have started softening and in next couple of months that Vietnam will be setting up the prices right.

Praveen Jaipuriar: So when I said softening, there was a question asked that if the Brazil prices still very high and are we getting newer customers from Brazil to which I said Brazil crops prices have softened because they had a good crop this year as far as Vietnam prices and Indian prices are concerned, we will get to know next month because that is when the crop for both these markets come and that is when you start seeing that what kind of trends will evolve after the new crop comes so as of now they tend to be on the higher side itself.

Rohan Gupta: So, you think that I mean India and Vietnam will see a price upward revision.

Praveen Jaipuriar: I did not say upward revision. I said that we will see the trend once the new crop comes so it could be upward it could be downward suppose if the market believes that the supply of crops has been terribly low there could be an upward trend but if the other trend happens then there could be a downward trend as well.

Rohan Gupta: So as of now we do not have much clue about it.

Praveen Jaipuriar: Because all the clues anybody had in this world about coffee prices have got broken in the last two years so all predictions have gone haywire so really difficult to predict as of now what is happening because as you know a lot of fun guys also are playing into, farmers are holding stocks so there are a lot of things that get played into this whole commodity so it is better to wait and watch and see the trends before rather commenting it speculatively.

Rohan Gupta: Sir another trend which you just mentioned that domestic market coffee consumption is increasing by roughly 20 to 22% and even upward so that is a very positive numbers. I mean if the industry is growing with that number, I mean that is surprising to see because I do not see that the coffee retailers in India, they are growing with that pace so from where we are getting this, I mean confidence that the growth in the coffee industry is roughly 22%.

Praveen Jaipuriar: Okay I will correct a little bit of this thing when I was talking about domestic market growth it was our growth of 20-25% if you see the domestic market there are two segments that operate like any other market. There is an in-home segment and there is an out of home segment. Now the in home segment which is the segment which is the retail segment that you buy coffee and take home and drink coffee that is not growing at a very high pace that is still very low at around 10% or so, so that is not growing very high the growth that is coming is in the out of home segment so what is happening is that there is a lot of coffee consumption that is happening out of home whether it is cafes or at places of work because what has also happened is now that after COVID everybody's back to their places where a lot of out of home consumption happens that is a segment that is growing very fast, but if you see our play either internationally or in domestic market as of now is largely in home segment so the in home segment category growth is not very high but what we believe is that for us because we are aggressively trying to gain market share we will probably be able to grow at a much, much higher pace than what the category of the market is growing.

Rohan Gupta: Okay so you are saying that 20 22% in your context not the industry context.

Praveen Jaipuriar: Our context yes.

Rohan Gupta: Sir in retail brand sale you are targeting roughly 200 Crores kind of sales for the FY2024. I mean as pure brand seen only so what is this number you are looking over next three to four years also you are proposing the restructuring with the demerger of the retail business with that context and I mean if you can throw some more light that how you see the retail business going forward in next three to four years and Sir one more thing that last con call you mentioned that you have global ambitions as well to grow your coffee retailing business globally so any strategy formed up there that how much spending we are planning to do in terms of our entry to global markets how much spend we are planning to do over next two to three years.

Praveen Jaipuriar: That is a long one but yes, I will just try and keep it crisp and simple. In the domestic market in the next three, four years we are looking to drive aggressive growth anywhere between 25 to 35% which means that probably in at least for the first three years we would like to double it from here so that is the kind of ambitions we have and that is what we are aiming for and doing whatever it takes to get to that level so that is what is about the domestic market. As far as international, yes, we have ambition to launch our brand especially considering now that the brand has got some equity in India, we are already getting a lot of queries from markets where Indian diaspora is residing that can we have Continental Coffee here also. In fact even if we have not started anything right now we see lots of instances where our coffee has been imported by some local traders and they have started selling in the local markets so that phenomena started so we felt that it is better that we take it up in a more organized fashion so that is one segment and of course the other segment is segment like UK market where we bought brand from Lofbergs which is Percol, Rocket Fuel so we also want to take that forward and create these segments where you could start seeing 50 to 100 Crores of sales in three, four pockets across the globe. Now as far as what is that we are going to spend see just like domestic market where we have built it step by step and stone by stone that is how we are trying to do in other markets also so our strategy would not be to kind of blast a lot of money in the market and create a lot of hype and then try to get sales, but it will be a step by step sales. We believe that probably in any market that we operate in the first couple of years or let us say by the third year we would like to break even and even in the first couple of years we would not like to lose more than a couple of Crores in trying to build the brand so that is our philosophy and that is how we will take it forward in each of these markets.

Moderator: Thank you. Next question is from the line of Jenish Karia from Antique Stock Broking. Please go ahead.

Jenish Karia: Thank you for the opportunity so first question is with regards to the capex that we are doing so any colour on what India and Vietnam capex and how much of it is funded through debt.

V Lakshmi Narayana: As we stated earlier the Vietnam expansion is taking place at $50 million out of that 16 million$ is our contribution 34$ million is the debt component.

Jenish Karia: And Sir India capex 16,000 capacity.

V Lakshmi Narayana: India it was the facility which we taking up under CCL Food and Beverages the wholly owned subsidiary which show a project outlay of Rs.400 Crores out of that Rs.320 is the debt component Rs.80 Crores is our component it means around Rs.600 Crores is the debt component and the balance amount it is our internal contribution.

Jenish Karia: And how much cash out flow has been done till date.

V Lakshmi Narayana: We have spent almost around 200 Crores.

Jenish Karia: Combined India and Vietnam both.

V Lakshmi Narayana: Yes together.

Jenish Karia: Okay great Sir secondly if you can just throw some colour on how the small pack mix has improved in this quarter compared to the previous few quarters how has the trend been.

Praveen Jaipuriar: So, the trend is improving and in fact if you see the standalone numbers, you will see that the efficiencies have improved and that is largely because of small pack deliveries so it is in the in the positive direction. If I were to give you percentages in the export business almost in the India business, we were actually if you remember couple of quarters ago post COVID the small packs contribution had come down to 17-18% it has now eased back to slightly above 20% and as we are going forward we are kind of constantly pushing more and more small pack and we are likely to get similar kind of trends going forward as well.

Jenish Karia: Okay great and Sir on the geographical mix so how much of our export would be to the Middle East Market and how has our US geographical mix improved over the period of time.

Praveen Jaipuriar: Okay let us say US currently is at around 12 to 14% of our sales. Middle East is not very much it will be less than 10%, Middle East and Africa if I were to combine so it is less than 10% close to maybe 5% or so, so that is there. Europe is almost again 15%. Russia and CIS will be around 20-25% and the balance is Asian markets including the domestic market.

Jenish Karia: Just one last question on the debt that we were guiding last quarter of peak debt of around 1800-2,000 Crores so the coffee prices still remaining at an elevated level although we are expecting Vietnam price announcements next month so any change in outlook on that side.

Praveen Jaipuriar: So just a small correction that Rs.1,800 Crores as not the utilization it was only an approval that we had taken from the board so that we keep our outer limits intact. Utilization if you see for the full year will be close to around Rs.1300-1400 Crores. Once we get to know the coffee prices trends it would change a little bit because the coffee prices go down then I think we will see a reduction in that as well.

Jenish Karia: Okay that is helpful. I will fall back in the queue for more questions. Thank you so much.

Moderator: Thank you. Next question is from the line of Abhilasha Satale from Quantum AMC. Please go ahead.

Abhilasha Satale: Thank you for giving me opportunity. Sir just the breakup of the capex like how much exactly we will be incurring in this year in 2025 and 2026 if you could just give those numbers and secondly in terms of peak debt because this year, we will be at 1,300 Crores but by the time we complete India capacity how much will our peak debt stand at like what is our target to reach that and what is our deleveraging road map post that.

V Lakshmi Narayana: Indian operations the capex is somewhere around Rs.400 Crores to complete the project which we are going to incur before March whereby we are going to start the operations as well this is Indian operation. Getting into the Vietnam side this project is going to be completed as we stated earlier the mid of next financial year and against the project outlay around 50 million $ we are going to invest around 30 million $ during this year till March and balance 20 million $ we are going to invest into the next financial year so it means the total capex it is somewhere around Rs.650 Crores is going to be at the group level, 700 Crores we are going to invest into the capex at both the facilities.

Abhilasha Satale: Right okay fine and the peak debt level like what would it be like by the time we complete our capex because this year we will reach around Rs.1300 Crores and in 2025-2026.

V Lakshmi Narayana: So, 2024-2025 as we said it will be around Rs.800 Crores and 2025-2026 onward it will keep reducing bit further because the repayments are going to start and from 2025-2026 onwards, we can see the reduction in the overall debt so by March 2025 we are likely to be somewhere around Rs.1800 Crores as we stated in our previous call as well.

Abhilasha Satale: Sure, okay thank you and Sir just last one on the Continental Coffee like how do we see this business as a percentage of revenue or in terms of absolute how do we see this segment of ours over say next three years, five years what is the outlook how much we want to scale there and how do we see the profitability for this business as we scale up.

Praveen Jaipuriar: Just in one of the previous queries I answered that. This business probably this year we end at around Rs.200 Crores pure brand business and we are looking to aggressively grow this over the next three years which is almost at a rate of 30-35% so that is what our aim and objective is and as far as margins are concerned see currently we have given a guidance of whatever 18-20% for the group at top line and bottom line keeping that guidance in mind we are going to take decisions at what is the kind of investments that we want to do but broadly speaking see the brand is still at a very nascent stage. We are building the brand.

There is a long way to go. There are lot of new geographies to be expanded in so we will not shy away from kind of building it further because brand building is something which is a continuous effort it is not that you do it for four years and then you stop it so that is going to happen and especially in the initial years probably one would want to put more resources now that the brand has got established you know that putting that resource will help us in the long run so in the next couple of years at an EBITDA level we are not looking at a lot of growths at EBITDA level, we are trying to press more and more of top line so that is the broad guidance from our side. My guess is that from the third year from now on we will start seeing a lot of contribution at a EBITDA level from this business but as of now we want to continue plowing back whatever the brand ears into building the brand itself.

Abhilasha Satale: Sure, thank you.

Moderator: Thank you. Next question is from the line of Abhishek Navalgund from Nirmal Bang Equities. Please go ahead.

Abhishek Navalgund: Hi sir so just one question that we have restated our numbers for FY2023 also so particularly on the tax front in FY2023 there has been a downward revision in terms of effective tax rate so the question is basically even if we deliver on the EBITDA side in terms of 20% growth this year because of the below EBITDA items like depreciation and interest our earnings growth would be more or less muted this year so just wanted some clarity on what we did in the FY2023 effective tax rate after the restate.

V Lakshmi Narayana: While restating the financials the carry forward losses of our FMCG division which is amounting to almost around 45 Crores that has been set off against profitability then what happens is that we are already under the MAT and due to this restating of the financials our MAT credit has gone up by almost around 17 Crores so resulting even 2023-2024 as well and 2024-2025 also we are likely to be under the MAT.

Abhishek Navalgund: Sure, Sir and you said the effective tax rate going forward will be somewhere close to 12% on blended basis right on consol level.

V Lakshmi Narayana: Yes, that is on consol basis it remains 12%.

Abhishek Navalgund: Sure, and my next question is on capex so I think you have already mentioned this so while we have spent only 2.6 billion so far in 1H we are on track to incur the remaining part right the 650 number which you mentioned so we will see acceleration in the second half there right.

V Lakshmi Narayana: That is right because as far as Indian implementation of the project is concerned, we receiving all the equipment and likely to be completed by March 2024 so as far as both the projects are concerned, we are on track and definitely we will reach as per the schedule to complete the projects.

Abhishek Navalgund: Sure, and one last one from my side. I mean what sort of outsourcing that you did in this quarter particularly since we had this equipment breakdown so did, we outsource any quantities in second quarter.

Praveen Jaipuriar: No Abhishek very little amount here there just some small thing but nothing substantial nothing like what we did last year.

Abhishek Navalgund: Very good thank you. That is, it from my side.

Moderator: Next question is from the line of Jenish Karia from Antique Stock Broking. Please go ahead.

Jenish Karia: Yes, thank you so much for the follow up. One clarification when we announced India capex in first quarter FY2023 we had guided for a total outflow of 320 Crores which would be funded by around 200 Crores of debt now we are saying that the capex is around 400 Crores funded 320 Crores debt so firstly why the capex amount has gone up what has contributed to it and why have we increased our debt mix in the capex funding so these would be the two questions.

V Lakshmi Narayana: No if you look at it there is no increase in our original destination. Initially we stated it is around 50 million$ for Indian operations and 50 million$ for Vietnam operations and the schedule of implementation that we have planned for Indian operations are to be completed by March 2024 and Vietnam operations are to be completed by mid of next financial year. India submission are well in order.

Jenish Karia: Because I just going through the transcript there is 320 Crores, but I will take it offline in case there some disconnect from my end.

Moderator: Thank you. Next question is from the line of Richard Dsouza from SBI Mutual Fund. Please go ahead.

Richard Dsouza: Thank you just wanted to ask about China. Last time we believe that we were thinking of sending some consignments or having a tie up with the local partner there so any developments on that front.

Praveen Jaipuriar: Yes, we have had lots of development none on the business as of now because it does take time to see the market and get to the clients. There will be a process of getting the samples right, matching the product expectations and then of course the pricing etc., so yes, a lot of inroads have been made. We have got connected with our local partner there. They have started work on their part so a lot of work on the background is happening but yes it will take a little bit of a time for us to see the results.

Richard Dsouza: Okay so are we tying up with the local partner who has a brand there or how is it.

Praveen Jaipuriar: They earlier were into coffee business. They are right now doing a lot of other things like oat milk and all that but they have a lot of connect in the coffee industry so that is what they will be pushing for us.

Richard Dsouza: Okay second part is that worldwide there is a lot of demand for speciality coffee, and I just wanted to understand how are we placed there and speciality coffee as a percentage of our total volumes what would it be.

Praveen Jaipuriar: So we have replaced very well, last time when we spoke we had spoken about the mini plant and the pilot plant which was set up for the whole purpose of developing speciality coffees we have connected to a lot of clients across the globe, a lot of them have liked our samples and we are in the process, very interestingly I cannot reveal the names right now but even in India we did some features for speciality coffee especially to the high end coffee shops and chains so all that work is happening. As far as the volumes are concerned see the volumes will be very low as of now it is less than maybe 1 or 2% but yes the good thing about this segment is that once we get the first mover advantage to be the preferred supplier of speciality coffee it helps us in the long run and that is what has happened for us in all segments of coffee be freeze dried coffee or microground coffee or let us say the cold brew so all that we were the ones to start it and then over a period of time if the market develops you get the advantage so a lot of work is happening. A lot of clients are being contacted. A lot of positive feedback have happened but yes, the volumes are still very low, but we are okay with that because it is more of a building phase and we all know that even at smaller volumes it will be very high profitably on in terms of profit, it will be high profitable business.

Richard Dsouza: I mean do you have a game plan to take it to about 4 to 5% of your volumes.

Praveen Jaipuriar: Absolutely we are kind of wanting to hit those numbers and yes over a period of time we will see that we will get to that numbers. We have contacted lot many people and they all have liked the product, and they are all excited about it and the good part it is not just concentrated to one geography but also it is kind of spread out and we getting inquiries from across so we are very hopeful that this will do well for us.

Richard Dsouza: Okay just a question on innovation front. The last time we heard was about cold brew and after that has there been any further innovation which you could talk about them.

Praveen Jaipuriar: Yes so speciality coffee as we are talking about it that is an innovation that is happening because to deliver that profile of speciality coffee in instant coffee itself was challenging because most of the speciality coffee was supposed to be coming from either RNG or roasted beans but the fact that we have been able to create a product profile, it is almost identical to a freshly brewed coffee itself a pretty big innovation and that is the reason why clients across are being very excited about it and the best part is the coffee chain clients being excited tells you that we have been able to come very close to what all of them wanted, so I think that is an innovation that we are keenly looking forward to.

Richard Dsouza: Okay one more question from me on the brands which we acquired in UK could you share any quarterly numbers for that.

Praveen Jaipuriar: I think what happened we acquired it in first quarter actually and since then last quarter was a lot about transitioning how complicated things are when you are transitioning things from one company to other and especially the kind of complexity that it involved in the sense of supplier and then all the chains to be transitioned so a lot of ground work has happened so not much to share when it comes to number but at an annual level we probably will reach around Rs.12 to 15 Crores of sales but that is okay we actually we are looking to relaunch the product with new product formulations with new packaging with new positioning so a lot of that work is happening and probably this year is not the year when we will be talking lot of numbers but more on the new strategy and how do we want to take it forward and it is only from the next year we will start kind of drive this aggressively once our whole strategy is clear, our whole go to market components are in place and that is when we will try and start driving.

Richard Dsouza: Okay sorry one last question reverting back to the China angle by when do you think you will have some good news to report there, or you would have formalized your plan.

Praveen Jaipuriar: We are also eagerly hoping to start listening to good news from that segment but as and when we start getting some firm commitments from that side, we will keep all of you informed.

Richard Dsouza: Okay thank you Sir and all the best.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for the closing comments.

Praveen Jaipuriar: Thank you everyone for joining us. Wishing all of you a very happy festivities and we look forward to meet you again next quarter and thank you Antique for arranging this call.

Moderator: Thank you very much. On behalf of Antique Stock Broking that concludes this conference. Thank you all for joining us and you may now disconnect your lines.