



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

CCL PRODUCTS

WHAT WE LIKE

STRONG EXPORT & MARKET PRESENCE

CCL has a mammoth **37% share in the instant coffee exports** from India. The company also boasts a **capacity of 35,000 MTPA** which is 28% of total Indian Instant Coffee capacity. The company also has around **10% market share in global instant coffee (private label) market**. It has a very diversified revenue base from more than 90 countries.

The company has also established their retail market presence through their "Continental Coffee" brand.

STRATEGIC POSITIONING OF INTERNATIONAL UNITS

CCL's Vietnam plant has many advantages in addition to being in the **2nd largest coffee producing nation** in the world. It allows for **low duty easy access** to the big markets of **China & Japan** along with high coffee consuming **emerging ASEAN countries**. The Vietnam entity is also **free from all taxes** as long as they fulfill certain govt stipulations. Similarly, the Swiss unit allows for access to key EU markets for the company.

DIFFERENTIATED OFFERINGS & SALES STRATEGY

Due to its long presence in the coffee industry and its experience in making more than **2000+ proprietary blends**, the company has been able to **develop a comprehensive product portfolio under Continental Coffee covering entire instant coffee spectrum in India**. It also follows a **differentiated sales strategy to focus on supplying specific in-demand products in specific regions** while maintaining brand image and consistent quality.

BIG MARKET POTENTIAL

Asia accounts for **>40% of instant coffee consumption** in the world despite having the **lowest per capita consumption rates** in the world.

This opportunity is especially pronounced in India where the domestic instant coffee market is expected to grow at least **15% CAGR** for the next 5 years due:

- Shifting consumption towards coffee from tea.
- Growing affordability.
- Rising millennial population

WHAT WE DON'T LIKE

CUSTOMER CONCENTRATION RISK

CCL's primary business of supplying instant coffee for repackaging **entails large repeat orders from a select group of customers**. This exposes them to customer concentration risk which was exposed last year when the company lost one of their long standing customers.

OPERATIONAL RISK

CCL is heavily dependent on coffee **plantations in India and Vietnam** and is thus exposed to operational risks arising from **ecological and environmental risks** in these regions.

Thus any **adverse impact on agriculture** in these countries as reduced rainfall or crop diseases may **prove detrimental** to the company.

FOREX RISK

The bulk of the company's sales and collections takes place comes from export markets, thus making CCL **vulnerable to volatility in foreign exchange rates**.

INTENSE MARKET COMPETITION

The branded instant coffee already has **big incumbent players** like Nestle, Hindustan Unilever Limited and Tata Global Beverages while many **domestic retail players** like Future Retail, Dmart, Reliance Retail are also stepping into this space. Thus there is **intense competition in the branded instant coffee space** and the company will have to work hard to create and sustain their unique brand image in this space.

RISK OF ADVERSE CHANGE IN DUTY STRUCTURE

The company exports its products from both India and Vietnam to **various countries with favorable export duty structure**. Any adverse changes to this duty structure will result in **final selling price increases** which would be very detrimental to the company.

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