

Manpasand Beverages

BSE SENSEX	S&P CNX
28,330	8,778
Bloomberg	MANB IN
Equity Shares (m)	57
M.Cap.(INRb)/(USDb)	39.9 / 0.6
52-Week Range (INR)	776 / 389
1, 6, 12 Rel. Per (%)	24/2/34
Avg Val, INRm	61.0
Free float (%)	55.9

Financials & Valuations (INR b)

Y/E Mar	2016	2017E	2018E
Net Sales	5.6	7.7	11.9
EBITDA	1.1	1.5	2.3
PAT	0.5	0.9	1.3
EPS (INR)	10.1	14.9	23.1
Gr. (%)	26.7	47.6	55.0
BV/Sh (INR)	120.2	204.6	221.9
RoE (%)	11.4	8.6	9.6
RoCE (%)	12.2	9.7	10.8
P/E (x)	69.3	46.9	30.3
P/BV (x)	5.8	3.4	3.2

Estimate change



TP change



Rating change


CMP: INR697 TP: INR843(+20%)
Buy

EBITDA margin beats estimate, capacity expansion on track; Buy

- **Revenue in line; EBITDA and PAT higher than estimated:** MANB's revenue grew 11.6% YoY to INR1,025m (our estimate: INR989m). EBITDA margin expanded 70bp YoY to 20% (our estimate: 18.1%), driven by 460bp YoY dip in other expenses, but partly offset by 260bp YoY increase in raw material costs and 130bp YoY increase in employee expenses. EBITDA grew 16% YoY to INR205m (our estimate: INR179m). Other income was INR60m against INR35m in 3QFY16. Adjusted PAT grew 49% YoY to INR72m (our estimate: INR66m).
- **Demonetization impacted 3QFY17; expect normalcy in 4QFY17:** Sales growth in 3QFY17 was impacted by demonetization. Contribution of *Fruits-up* increased to 23% from 20% in 3QFY16. With demonetization largely behind, we expect 4QFY17 to be strong for MANB. Also, we expect new capacity of 50,000cpd at Ambala, which came on-stream in August 2016, to contribute meaningfully in 4QFY17. Other expenses were lower mainly on lower repair and maintenance expenses.
- **Capacity expansion on track:** In-line with its plan to double capacity with new production capacity of 200k cases per day (currently 177k cpd), the company has acquired land and construction work has commenced at three locations – Sri City (Andhra Pradesh), Vadodara (Gujarat) and Varanasi. These capacities are expected to be up and ready in the next 12-15 months. MANB is in the process of finalizing the location for its fourth plant in eastern India.
- **Valuation and view:** We largely maintain our estimates and expect sales and PAT CAGR of 53% and 63%, respectively, over FY16-19. We are confident that MANB is on the cusp of a high-growth cycle, led by its capacity expansion, new product launches and increase in distribution network, which should lead to market share gains from 5% in 2016 to 7.5% in 2018. We value the stock at 22x FY19E EPS; our target price of INR843 implies 20% upside. We maintain our **Buy** rating.

Standalone - Quarterly Earning Model

Y/E March	FY16				FY17				(INR Million)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY16	FY17E	FY17	Var (%)
Net Sales	1,453	762	918	2,304	2,293	1,025	1,025	3,341	5,437	7,683	989	4
YoY Change (%)	15.1	23.1	79.8	91.0	57.9	34.6	11.6	45.0	51.1	41.3	10.0	
Total Expenditure	1,114	602	741	1,876	1,841	803	819	2,723	4,333	6,185	810	
EBITDA	339	159	177	428	453	222	205	618	1,103	1,498	179	15
Margins (%)	23.3	20.9	19.3	18.6	19.7	21.7	20.0	18.5	20.3	19.5	18.1	
Depreciation	123	135	153	160	149	171	177	200	571	697	180	
Interest	41	10	3	3	1	8	2	0	57	11	0	
Other Income	1	35	35	21	17	17	60	75	91	169	75	
PBT	175	49	56	287	320	61	86	493	566	959	74	16
Tax	18	6	7	31	33	7	13	52	62	105	8	
Rate (%)	10.3	11.4	12.7	10.8	10.4	10.8	15.6	10.5	10.9	11.0	10.5	
Minority Interest & Profit/Loss of Asso.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	157	43	49	256	286	54	72	441	505	854	66	9
Adj PAT	157	43	49	256	286	54	72	441	505	854	66	9
YoY Change (%)	9.4	388.6	-287.6	47.6	82.5	24.5	49.0	72.7	68.4	69.3	34.7	
Margins (%)	10.8	5.7	5.3	11.1	12.5	5.3	7.1	13.2	9.3	11.1	6.7	

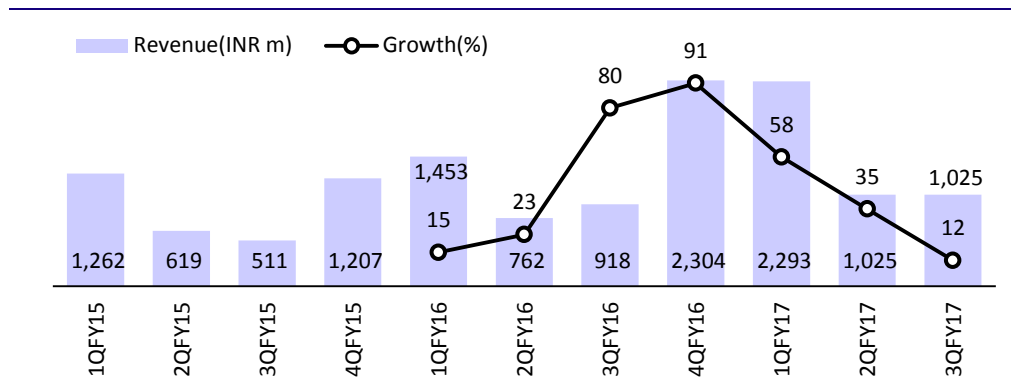
E: MOSL Estimates

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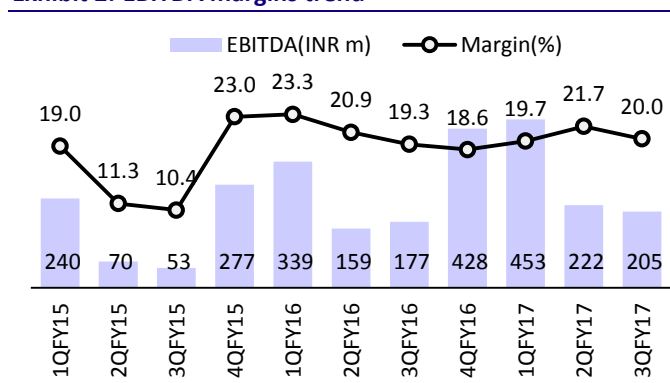
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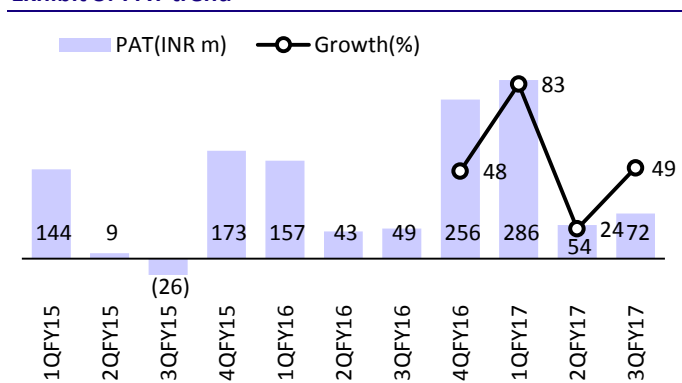
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Exhibit 1: Revenue trend

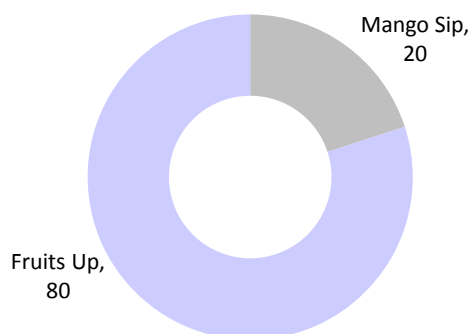
Source: Company, MOSL

Exhibit 2: EBITDA margins trend

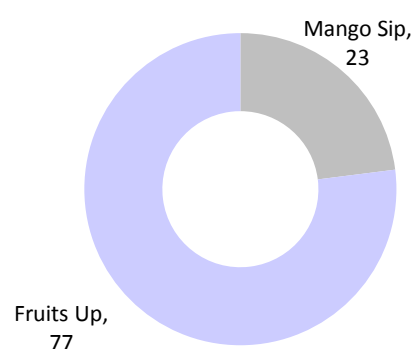
Source: Company, MOSL

Exhibit 3: PAT trend

Source: Company, MOSL

Exhibit 4: Revenue mix in 3QFY16

Source: Company, MOSL

Exhibit 5: Revenue mix in 3QFY17

Source: Company, MOSL

Valuation and view

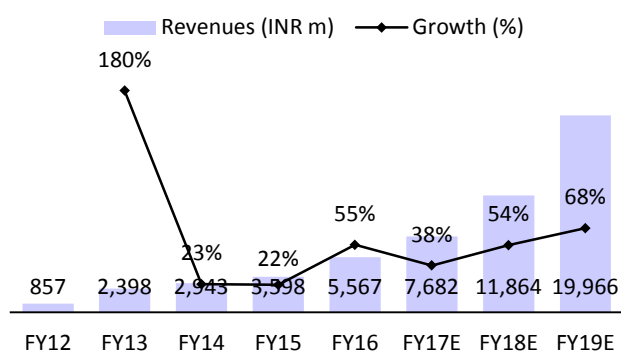
We value MANB at PE of 22x FY19E EPS with a target price of INR843, justified by:

- Compelling story of India's booming consumer spends and beverages market. MANB is expected to improve in market share from 5% in 2016 to 7.5% in 2018 in INR 132bn fruit juice market.
- Low penetration of 30% and per capita annual consumption of soft drinks in India at 16 liters v/s 166 in the US, provide significant market opportunities for growth.

- MANB has planned to more than double its capacity over FY17–19 with significant increase in Fruits Up which should drive growth by reducing supply side constraints.
- MANB expanded the product portfolio by launching Fruits Up (Carbonated and non-carbonated) in FY15 which contributed 19% to revenues in FY16. It recently launched natural coconut water under brand Coco Sip.
- It has 200,000 retailers, 2,000 distributors, 200+ super stockists, and plans to add 500–1000 distributors in the medium term with a special focus on south India.
- Focus on urban areas through Fruits Up, increase in distributors (50% additions in the medium term), and modern trade and on-trade tie-ups would strengthen presence in urban areas, thereby enabling MANB to be a pan-India player.
- The company's three-pronged strategy: (i) increase available capacity; and (ii) enhance penetration and distribution in its present 24 states, sets the stage for a multi-year growth story (iii) Launch of new products.
- We largely maintain our estimates and expect sales and PAT CAGR of 53% and 63%, respectively, over FY16-19E. We are confident that MANB is on the cusp of a high-growth cycle, led by its capacity expansion, new product launches and increase in distribution network, which should lead to market share gains from 5% in 2016 to 7.5% in 2018. We value the stock at P/E of 22x FY19 EPS, with target price of INR843 (20% upside) and maintain our Buy rating.

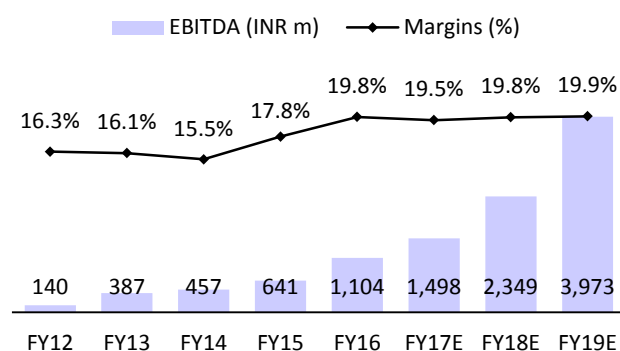
Story in charts

Exhibit 1: Revenues to post 53% CAGR over FY16–19E



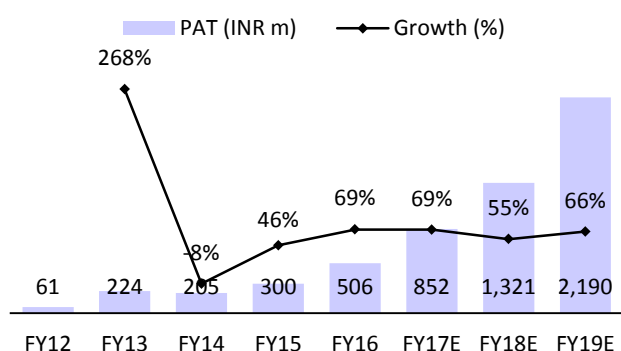
Source: MOSL, Company

Exhibit 2: Margins to remain stable



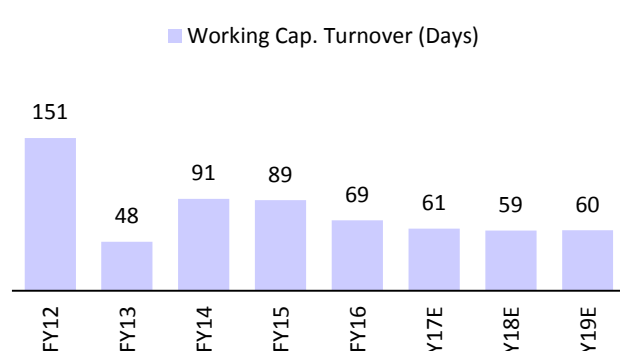
Source: MOSL, Company

Exhibit 1: PAT to post 63% CAGR over FY16–19E



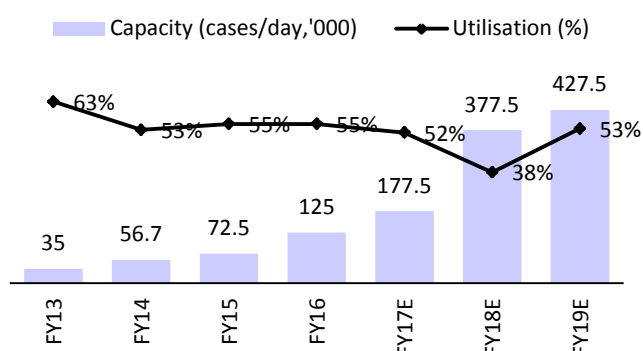
Source: MOSL, Company

Exhibit 2: Working capital days to remain stable



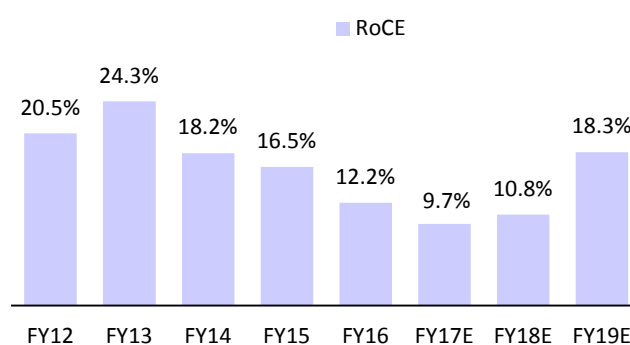
Source: MOSL, Company

Exhibit 6: Utilizations to grow on expanded capacities



Source: MOSL, Company

Exhibit 7: RoCE to soften due to fund raising of INR5b



Source: MOSL, Company

Exhibit 3: Key assumptions (INR m)

	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
Installed Capacity cases per day							
Tetra Pak Case - Fruit Drinks	19,750	26,667	30,000	40000	50000	50000	50000
Pet Bottle Case - Fruit Drinks	15,250	30,000	32,500	67500	85000	185000	210000
Pet Bottle Case - Carbonates	-	-	10,000	17500	42500	142500	167500
Total	35000	56667	72500	125000	177500	377500	427500
Revenues Gross (INR m)	2,396	2,932	3,597	5,567	7,833	12,097	20,358
Fruit Drinks	2,345	2,850	3,332	5,233	6,906	9,612	16,013
Carbonates	-	-	113	334	853	2,286	4,046
Others	52	81	153	-	75	200	300
Revenue Growth (%)	180%	22%	23%	55%	41%	54%	68%
Fruit Drinks	174%	22%	17%	57%	32%	39%	67%
Carbonates				196%	155%	168%	77%

Source: Company, MOSL

Financials and Valuations

Income Statement						(INR Million)		
Y/E Mar	2012	2013	2014	2015	2016	2017E	2018E	2019E
Net Sales	857	2,398	2,943	3,598	5,567	7,682	11,864	19,966
Change (%)	0.0	180.0	22.7	22.2	54.7	38.0	54.4	68.3
EBITDA	140	387	457	641	1,104	1,498	2,349	3,973
EBITDA Margin (%)	16.3	16.1	15.5	17.8	19.8	19.5	19.8	19.9
Depreciation	46	102	149	205	571	699	1,109	1,658
EBIT	94	286	308	436	533	799	1,240	2,315
Interest	30	43	77	107	57	10	0	0
Other Income	4	3	1	4	91	169	245	145
Extraordinary items	0	0	0	0	0	0	0	0
PBT	68	246	231	334	568	958	1,485	2,460
Tax	7	22	27	34	62	105	163	271
Tax Rate (%)	10.7	9.1	11.5	10.2	10.9	11.0	11.0	11.0
Min. Int. & Assoc. Share	0	0	0	0	0	0	0	0
Reported PAT	61	224	205	300	506	852	1,321	2,190
Adjusted PAT	61	224	205	300	506	852	1,321	2,190
Change (%)	0.0	268.1	-8.5	46.2	68.8	68.5	55.0	65.7

Balance Sheet						(INR Million)		
Y/E Mar	2012	2013	2014	2015	2016	2017E	2018E	2019E
Share Capital	25	25	25	376	501	571	571	571
Reserves	502	722	923	1,534	5,515	11,123	12,111	13,644
Net Worth	527	747	948	1,909	6,016	11,694	12,683	14,215
Debt	327	557	752	1,179	0	0	0	0
Deferred Tax	0	-2	0	-1	-1	-1	-1	-1
Total Capital Employed	854	1,302	1,701	3,087	6,015	11,693	12,682	14,215
Gross Fixed Assets	399	927	1,213	1,345	3,732	5,532	11,532	13,032
Less: Acc Depreciation	0	0	294	499	1,049	1,748	2,857	4,515
Net Fixed Assets	399	927	919	847	2,684	3,784	8,675	8,517
Capital WIP	0	0	0	1,316	1,339	1,200	1,200	1,200
Investments	60	2	2	0	6	6	6	6
Current Assets	528	707	1,036	1,341	2,579	7,788	4,536	7,503
Inventory	160	207	416	424	704	1,017	1,564	2,629
Debtors	204	326	478	593	678	1,052	1,625	2,845
Cash & Bank	41	56	47	43	928	5,412	872	1,231
Loans & Adv, Others	123	118	95	280	270	307	475	799
Curr Liabs & Provns	133	334	257	417	593	1,085	1,735	3,012
Curr. Liabilities	117	278	231	319	580	908	1,399	2,352
Provisions	16	56	26	98	13	177	336	660
Net Current Assets	395	373	779	924	1,986	6,703	2,800	4,491
Total Assets	854	1,302	1,701	3,087	6,015	11,694	12,682	14,215

Financials and Valuations

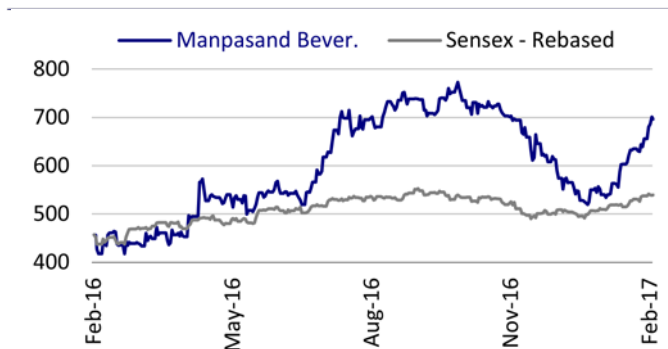
Ratios								
Y/E Mar	2012	2013	2014	2015	2016	2017E	2018E	2019E
Basic (INR)								
EPS	1.6	6.0	5.5	8.0	10.1	14.9	23.1	38.3
Cash EPS	2.8	8.7	9.4	13.4	21.5	27.2	42.5	67.3
Book Value	14.3	20.1	25.5	50.8	120.2	204.6	221.9	248.8
DPS	0.0	0.1	0.1	1.3	1.0	2.5	4.9	9.6
Payout (incl. Div. Tax.)	0.0	1.7	1.9	19.7	12.2	20.4	25.2	30.0
Valuation(x)								
P/E				87.8	69.3	46.9	30.3	18.3
Price / Book Value				13.8	5.8	3.4	3.2	2.8
EV/Sales				7.6	6.1	4.5	3.3	1.9
EV/EBITDA				42.8	30.9	23.1	16.7	9.8
Dividend Yield (%)				0.2	0.1	0.4	0.7	1.4
Profitability Ratios (%)								
RoE	20.3	31.5	21.2	18.8	11.4	8.6	9.6	16.3
RoCE	20.5	24.3	18.2	16.5	12.2	9.7	10.8	18.3
RoIC	22.3	26.0	18.8	23.2	17.4	16.1	14.1	18.4
Turnover Ratios (%)								
Asset Turnover (x)	1.0	1.8	1.7	1.2	0.9	0.7	0.9	1.4
Debtors (No. of Days)	86	49	58	59	44	49	49	51
Inventory (No. of Days)	68	32	52	43	46	48	48	48
Creditors (No. of Days)	34	28	22	23	30	32	32	32
Leverage Ratios (%)								
Net Debt/Equity (x)	0.4	0.6	0.7	0.6	-0.2	-0.5	-0.1	-0.1
Cash Flow Statement								
Y/E Mar	2012	2013	2014	2015	2016	2017E	2018E	2019E
(INR Million)								
Adjusted EBITDA	140	387	457	641	1,104	1,498	2,349	3,973
Non cash opr. exp (inc)	0	1	0	0	1	0	0	0
(Inc)/Dec in Wkg. Cap.	-279	-13	-412	-65	-188	-233	-638	-1,331
Tax Paid	-3	-61	-28	-55	-154	-105	-163	-271
Other operating activities	2	5	6	6	13	0	0	0
CF from Op. Activity	-140	319	23	527	776	1,160	1,548	2,371
(Inc)/Dec in FA & CWIP	-521	-553	-147	-1,586	-2,316	-1,661	-6,000	-1,500
Free cash flows	-660	-234	-124	-1,059	-1,540	-501	-4,452	871
(Pur)/Sale of Invt	-60	60	0	0	-6	0	0	0
Others	4	1	1	4	72	169	245	145
CF from Inv. Activity	-577	-492	-146	-1,582	-2,250	-1,492	-5,755	-1,355
Inc/(Dec) in Net Worth	475	0	0	263	4,000	5,000	0	0
Inc / (Dec) in Debt	318	230	195	436	-1,179	0	0	0
Interest Paid	-30	-43	-77	-101	-63	-10	0	0
Divd Paid (incl Tax) & Others	-29	0	-4	454	-400	-174	-333	-657
CF from Fin. Activity	734	187	114	1,051	2,359	4,816	-333	-657
Inc/(Dec) in Cash	18	15	-9	-4	885	4,484	-4,540	360
Add: Opening Balance	23	41	56	47	43	928	5,412	872
Closing Balance	41	56	47	43	928	5,412	872	1,231

Corporate profile

Company description

MANB has the unique distinction of being the sole listed company in the beverages sector. MANB primarily focuses on mango-based drinks. Mango Sip, launched in 1997, is the company's flagship product, contributing 80% to revenues in FY16 (97% in FY14). Mango Sip is strategically focused on semi-urban and rural markets; MANB derives ~55% of revenues from rural areas, 20–22% through railways and the remaining from urban areas.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Dec-16	Sep-16	Dec-15
Promoter	44.1	44.1	50.4
DII	31.7	33.0	40.0
FII	20.1	19.4	6.4
Others	4.1	3.5	3.2

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
Saif Partners India Iv Limited	17.6
Sbi Magnum Multiplier Fund	5.3
Motilal Oswal Most Focused Dynamic Equity Fun	4.8
New Horizon Opportunities Master Fund	2.6
Baron Emerging Markets Fund	1.9

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Dhirendra Singh	Chairman & Managing Director
Bhavesh Jingar	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Bharatkumar Vyas	Bharti Naik
Chirag Doshi	Dhruv Agarwal
Milindkumar Babar	Vishal Sood
Abhishek Singh	

*Independent

Exhibit 6: Auditors

Name	Type
Deloitte Haskins & Sells	Statutory
Niraj Trivedi	Secretarial Audit
Sharp & Tannan Associates	Internal

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY17	14.9	15.4	-3.2
FY18	23.1	22.2	4.1
FY19	38.3	30.6	25.2

Source: Bloomberg

NOTES

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