

# Manpasand Beverages

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
31,156	9,618
<b>Bloomberg</b>	<b>MANB IN</b>
Equity Shares (m)	57
M.Cap.(INRb)/(USDb)	44.0 / 0.7
52-Week Range (INR)	886 / 499
1, 6, 12 Rel. Per (%)	1/19/23
Avg Val, INRm	80
Free float (%)	55.9

**CMP: INR769**
**TP: INR900(+17%)**
**Buy**

## Tie-ups to expand distribution network; growth intact

- Revenue, EBITDA and PAT below estimates:** Overall revenue grew 28.6% to INR2,672m (est. of INR3,272m) in 4QFY17 from INR2,078m in 4QFY16. The topline had an impact of INR400mn on account of INDAS adjustment. EBITDA margin shrunk 120bp from 20.6% in 4QFY16 to 19.4% (est. of 18.5%) in 4QFY17, as other expenses increased significantly due to higher ad spends (7.2% of sales in FY17 v/s 6.5% in FY16, majority of which were incurred in 4QFY17). EBITDA rose 21% YoY to INR518m (est. of INR605m). Adj. PAT thus grew 22.5% from INR256m in 4QFY16 to INR313m (est. of INR347m) in 4QFY17. For FY17, revenue grew 35% to INR7b, EBITDA margin shrunk 30bp to 20% and adj. PAT grew 44% to INR726m.
- Tie-up with Parle Products to expand distribution network:** The tie-up will allow the company to access Parle's pan-India 4.5m outlets, where MANB's products will be sold under the brand name of 'Mango Sip Gold' (taking Gold from Parle-G Gold). Management expects to form a few more large-scale tie-ups with other companies in the near future (for products like Fruits Up and Jeera Sip), which would further expand its distribution network.
- New capex plans on track:** MANB, with a QIP of INR5b, had acquired land in Baroda, Varanasi and Sri City (AP), and one more such acquisition is planned in north-east to establish plants, which will double its capacity to 377,500cpd. The plant in Vadodara is likely to commence in March 2018, while those in Varanasi and Sri City are scheduled for commissioning in 1QFY19. The planned plant in north-east is expected to explore export opportunities in Nepal to beat seasonality and raise utilization.
- Valuation and view:** We largely maintain our estimates, and expect sales/PAT CAGR of 39%/54% over FY17-19E. We value the stock at P/E of 30x FY19E EPS, with a TP of INR900 (17% upside) and maintain **Buy** rating.

### Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	7.0	10.7	14.8
EBITDA	1.4	2.1	3.0
PAT	0.7	1.2	1.7
EPS (INR)	12.7	21.0	30.0
Gr. (%)	25.8	65.6	42.6
BV/Sh (INR)	201.6	217.5	240.1
RoE (%)	7.3	8.8	13.1
RoCE (%)	8.4	10.0	14.9
P/E (x)	60.6	36.6	25.7
P/BV (x)	3.8	3.5	3.2

Estimate change



TP change



Rating change



### Standalone - Quarterly Earning Model

Y/E March	(INR Million)											
	FY16				FY17				FY16	FY17	FY17	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE		
Net Sales	1,453	762	918	2,078	2,293	1,025	1,025	2,672	5,211	7,015	3,272	-18
YoY Change (%)	15.1	23.1	79.8	72.2	57.9	34.6	11.6	28.6	44.8	34.6	42.0	
Total Expenditure	1,114	602	741	1,650	1,841	803	819	2,154	4,108	5,617	2,666	
EBITDA	339	159	177	428	453	222	205	518	1,103	1,398	605	-14
Margins (%)	23.3	20.9	19.3	20.6	19.7	21.7	20.0	19.4	21.2	19.9	18.5	
Depreciation	123	135	153	159	149	171	177	241	570	738	253	
Interest	41	10	3	3	1	8	2	1	57	12	0	
Other Income	1	35	35	21	17	17	60	85	91	179	36	
PBT	175	49	56	287	320	61	86	361	567	827	388	-7
Tax	18	6	7	31	33	7	13	48	62	101	41	
Rate (%)	10.3	11.4	12.7	10.8	10.4	10.8	15.6	13.2	10.9	12.2	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	313	505	726	347	-10
Adj PAT	157	43	49	256	286	54	72	313	505	726	347	-10
YoY Change (%)	9.4	388.6	-287.6	47.8	82.5	24.5	49.0	22.5	68.5	43.8	36.0	
Margins (%)	10.8	5.7	5.3	12.3	12.5	5.3	7.1	11.7	9.7	10.4	10.6	

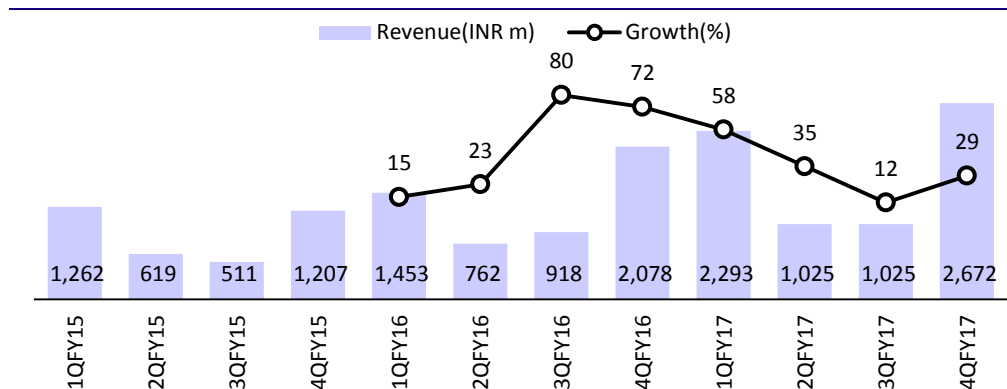
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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

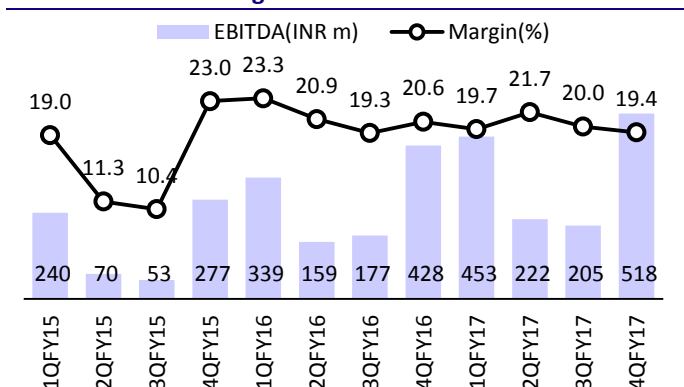
 Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Exhibit 1: Revenue trend**



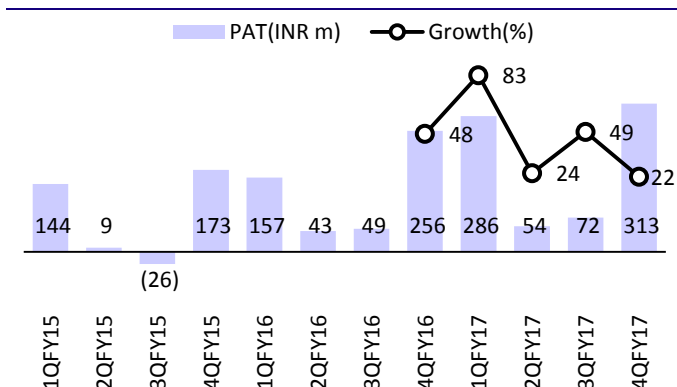
Source: Company, MOSL

**Exhibit 2: EBITDA margins trend**



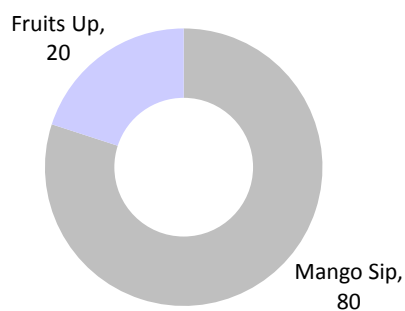
Source: Company, MOSL

**Exhibit 3: PAT trend**



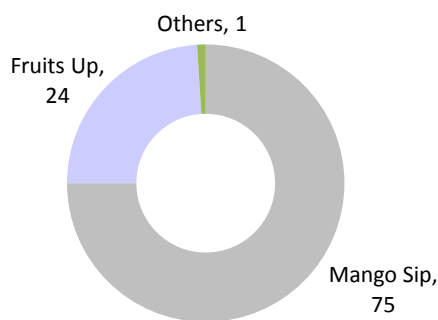
Source: Company, MOSL

**Exhibit 4: Revenue mix in FY16**



Source: Company, MOSL

**Exhibit 5: Revenue mix in FY17**



Source: Company, MOSL

**Key concall highlights:**

- The company currently pays an average effective indirect tax of 7% (2% excise, 5% VAT). Under GST, fruit based drinks have been categorized under 12% bracket
- Current capacity stands at 1.7 lakh cpd, and the upcoming 4 plants would further add 2 lakh cpd in the next 12-15 months
- The 4 new plants would require a capex of INR6b out of which INR2b have already been spent
- From QIP of INR5b, around INR2b is in investments in form of bank FDs and debt based MFs. The amount under 'non current assets' involves the advances paid for machinery
- The company is also in talks with 2 other companies for parle-like tie ups for products other than mango sip

- For the planned capacity addition of 2lakh cpd, fruits up to have substantial share with carbonated fruits up to have a share of 30-35%

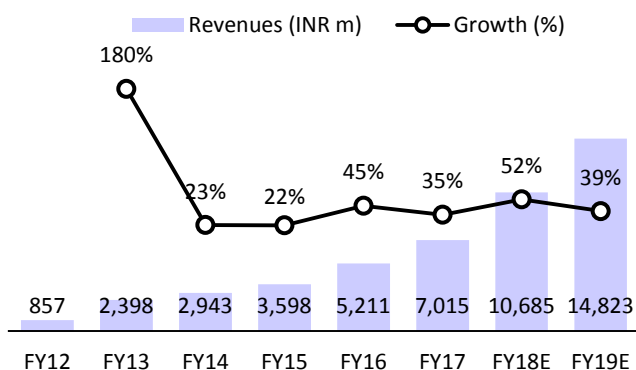
**Valuation and view**

We largely maintain our estimates and expect sales and PAT CAGR of 39% and 54%, respectively, over FY17-19E. 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 aided by tie-ups. We value the stock at P/E of 30x FY19 EPS, with target price of INR900 (17% upside) and maintain our Buy rating, which is justified by:

- 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 has doubled its retail outlet reach, which stands at 4-5 lakh retail outlets in FY17 compared to 2-2.5 lakh retail outlets in FY16.
- Debtor days reduced from 45 in FY16 to 37 in FY17 on account of good scalability and change in credit terms with new as well as existing customers

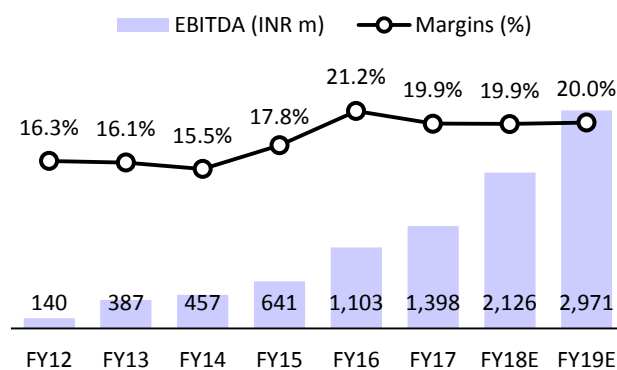
**Story in charts**

**Exhibit 6: Revenues to post 45% CAGR over FY17-19E**



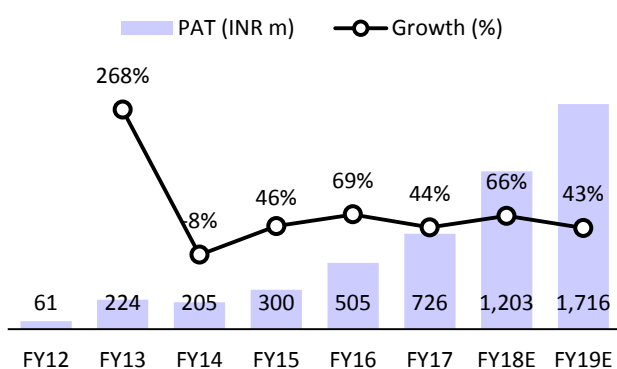
Source: MOSL, Company

**Exhibit 7: Margins to remain stable**



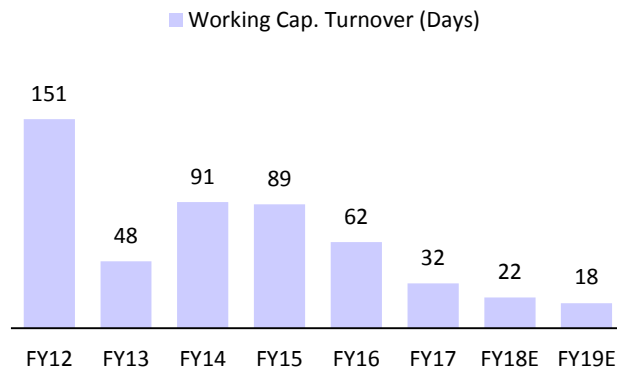
Source: MOSL, Company

**Exhibit 8: PAT to post 54% CAGR over FY17-19E**



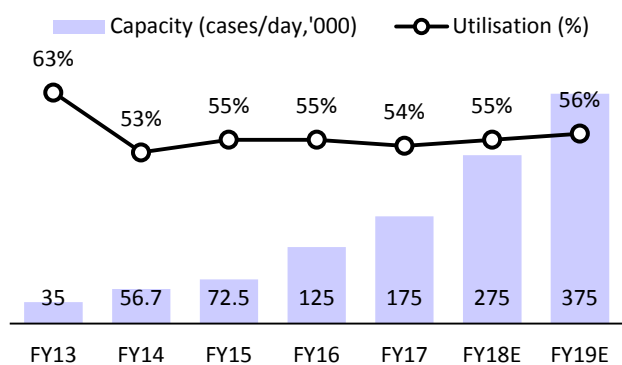
Source: MOSL, Company

**Exhibit 9: Working capital days to reduce further**



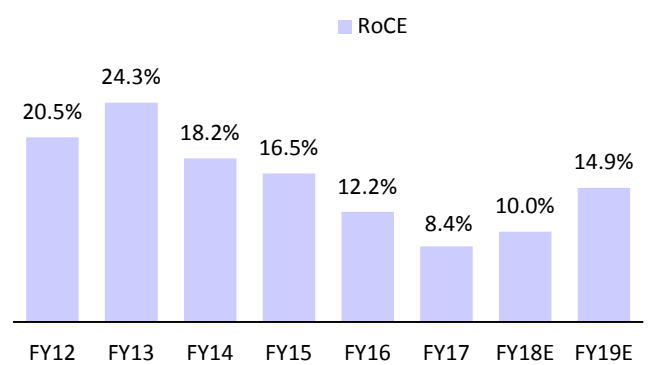
Source: MOSL, Company

Exhibit 10: Utilizations to grow on expanded capacities



Source: MOSL, Company

Exhibit 11: RoCE to soften due to fund raising of INR5b



Source: MOSL, Company

Exhibit 12: Key assumptions (INR m)

	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
<b>Installed Capacity cases per day</b>							
Tetra Pak Case - Fruit Drinks	19,750	26,667	30,000	40,000	50,000	50,000	50,000
Pet Bottle Case - Fruit Drinks	15,250	30,000	32,500	67,500	82,500	132,500	182,500
Pet Bottle Case - Carbonates	-	-	10,000	17,500	42,500	92,500	142,500
<b>Total</b>	<b>35,000</b>	<b>56,667</b>	<b>72,500</b>	<b>125,000</b>	<b>175,000</b>	<b>275,000</b>	<b>375,000</b>
<b>Revenues Gross (INR m)</b>							
Fruit Drinks	2,396	2,932	3,597	5,567	7,015	10,923	15,154
Carbonates	-	-	113	334	900	2,206	3,806
Others	52	81	153	-	75	200	300
<b>Revenue Growth (%)</b>							
Fruit Drinks	180%	22%	23%	55%	26%	56%	39%
Carbonates	-	-	-	196%	169%	145%	73%

Source: Company, MOSL

## Financials and Valuations

Income Statement							(INR Million)	
Y/E Mar	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
<b>Net Sales</b>	<b>857</b>	<b>2,398</b>	<b>2,943</b>	<b>3,598</b>	<b>5,211</b>	<b>7,015</b>	<b>10,685</b>	<b>14,823</b>
Change (%)		180.0	22.7	22.2	44.8	34.6	52.3	38.7
<b>EBITDA</b>	<b>140</b>	<b>387</b>	<b>457</b>	<b>641</b>	<b>1,103</b>	<b>1,398</b>	<b>2,126</b>	<b>2,971</b>
EBITDA Margin (%)	16.3	16.1	15.5	17.8	21.2	19.9	19.9	20.0
Depreciation	46	102	149	205	571	738	965	1,257
<b>EBIT</b>	<b>94</b>	<b>286</b>	<b>308</b>	<b>436</b>	<b>533</b>	<b>660</b>	<b>1,161</b>	<b>1,713</b>
Interest	30	43	77	107	57	12	0	0
Other Income	4	3	1	4	91	179	206	237
Extraordinary items	0	0	0	0	0	0	0	0
<b>PBT</b>	<b>68</b>	<b>246</b>	<b>231</b>	<b>334</b>	<b>567</b>	<b>827</b>	<b>1,367</b>	<b>1,950</b>
Tax	7	22	27	34	62	101	164	234
Tax Rate (%)	10.7	9.1	11.5	10.2	10.9	12.2	12.0	12.0
Min. Int. & Assoc. Share	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>61</b>	<b>224</b>	<b>205</b>	<b>300</b>	<b>505</b>	<b>726</b>	<b>1,203</b>	<b>1,716</b>
<b>Adjusted PAT</b>	<b>61</b>	<b>224</b>	<b>205</b>	<b>300</b>	<b>505</b>	<b>726</b>	<b>1,203</b>	<b>1,716</b>
Change (%)		268.1	-8.5	46.2	68.6	43.8	65.6	42.6

Balance Sheet							(INR Million)	
Y/E Mar	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
Share Capital	25	25	25	376	501	572	572	572
Reserves	502	722	923	1,534	5,515	10,963	11,870	13,164
<b>Net Worth</b>	<b>536</b>	<b>756</b>	<b>957</b>	<b>1,909</b>	<b>6,016</b>	<b>11,535</b>	<b>12,442</b>	<b>13,736</b>
Debt	318	548	743	1,179	0	3	3	3
Deferred Tax	1	0	1	0	0	0	0	0
<b>Total Capital Employed</b>	<b>855</b>	<b>1,304</b>	<b>1,701</b>	<b>3,088</b>	<b>6,016</b>	<b>11,538</b>	<b>12,445</b>	<b>13,738</b>
Gross Fixed Assets	399	927	1,213	1,345	3,730	6,173	8,673	10,673
Less: Acc Depreciation	0	0	294	499	1,069	1,807	2,772	4,029
<b>Net Fixed Assets</b>	<b>399</b>	<b>927</b>	<b>919</b>	<b>847</b>	<b>2,660</b>	<b>4,366</b>	<b>5,901</b>	<b>6,643</b>
Capital WIP	0	0	0	1,316	1,339	2,016	2,016	2,016
Investments	60	2	2	0	6	2,054	2,054	2,054
<b>Current Assets</b>	<b>528</b>	<b>707</b>	<b>1,036</b>	<b>1,341</b>	<b>2,451</b>	<b>3,665</b>	<b>3,647</b>	<b>4,717</b>
Inventory	160	207	416	424	704	616	891	1,234
Debtors	204	326	478	593	677	752	995	1,218
Cash & Bank	41	56	47	43	973	2,248	1,595	2,057
Loans & Adv, Others	123	118	95	280	97	49	107	148
<b>Curr Liabs &amp; Provns</b>	<b>133</b>	<b>334</b>	<b>257</b>	<b>417</b>	<b>593</b>	<b>798</b>	<b>1,350</b>	<b>1,868</b>
Curr. Liabilities	79	184	176	225	448	672	1,025	1,419
Provisions	16	56	26	98	11	5	5	5
<b>Net Current Assets</b>	<b>395</b>	<b>373</b>	<b>779</b>	<b>924</b>	<b>1,858</b>	<b>2,867</b>	<b>2,298</b>	<b>2,849</b>
<b>Total Assets</b>	<b>855</b>	<b>1,304</b>	<b>1,701</b>	<b>3,088</b>	<b>6,016</b>	<b>11,538</b>	<b>12,445</b>	<b>13,738</b>

## Financials and Valuations

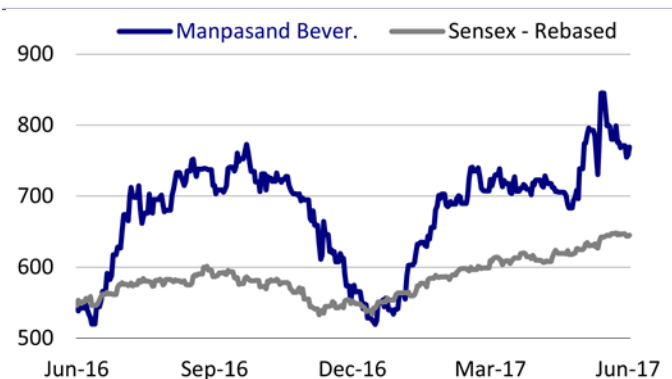
<b>Ratios</b>								
Y/E Mar	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
<b>Basic (INR)</b>								
EPS	1.6	6.0	5.5	8.0	10.1	12.7	21.0	30.0
Cash EPS	2.8	8.7	9.4	13.4	21.5	25.6	37.9	52.0
Book Value	14.3	20.1	25.5	50.8	120.2	201.6	217.5	240.1
DPS	0.0	0.1	0.1	1.3	1.0	1.3	4.2	6.0
Payout (incl. Div. Tax.)	0.0	1.7	1.9	19.7	12.2	12.3	24.6	24.6
<b>Valuation(x)</b>								
P/E			141.1	96.5	76.3	60.6	36.6	25.7
Price / Book Value			30.2	15.1	6.4	3.8	3.5	3.2
EV/Sales			10.1	8.3	7.2	6.0	4.0	2.8
EV/EBITDA			64.8	46.8	34.0	29.9	19.9	14.1
Dividend Yield (%)	0.0	0.0	0.0	0.2	0.1	0.2	0.5	0.8
<b>Profitability Ratios (%)</b>								
RoE	20.3	31.5	21.2	18.8	11.4	7.3	8.8	13.1
RoCE	20.5	24.3	18.2	16.5	12.2	8.4	10.0	14.9
RoIC	22.3	26.0	18.8	23.2	17.5	13.0	17.1	21.1
<b>Turnover Ratios (%)</b>								
Asset Turnover (x)	1.0	1.8	1.7	1.2	0.9	0.6	0.9	1.1
Debtors (No. of Days)	86	49	58	59	46	38	33	29
Inventory (No. of Days)	68	32	52	43	49	32	30	30
Creditors (No. of Days)	34	28	22	23	31	35	35	35
<b>Leverage Ratios (%)</b>								
Net Debt/Equity (x)	0.6	0.7	0.8	0.6	0.0	0.0	0.0	0.0
<b>Cash Flow Statement</b>							<b>(INR Million)</b>	
Y/E March	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
OP/(Loss) before Tax	68	247	232	333	567	827	1,367	1,950
Depreciation	46	102	149	205	571	738	965	1,257
Interest & Finance Charges	27	40	77	102	-34	-167	-206	-237
Direct Taxes Paid	-3	-61	-28	-55	-154	-101	-164	-234
(Inc)/Dec in WC	-279	-13	-412	-65	-188	266	-25	-89
<b>CF from Operations</b>	<b>-142</b>	<b>314</b>	<b>17</b>	<b>521</b>	<b>763</b>	<b>1,563</b>	<b>1,937</b>	<b>2,648</b>
Others	2	5	6	6	13	0	0	0
<b>CF from Operating incl EO</b>	<b>-140</b>	<b>319</b>	<b>23</b>	<b>527</b>	<b>776</b>	<b>1,563</b>	<b>1,937</b>	<b>2,648</b>
(Inc)/Dec in FA	-521	-553	-147	-1,586	-2,316	-3,120	-2,500	-2,000
<b>Free Cash Flow</b>	<b>-660</b>	<b>-234</b>	<b>-124</b>	<b>-1,059</b>	<b>-1,540</b>	<b>-1,557</b>	<b>-563</b>	<b>648</b>
(Pur)/Sale of Investments	-60	60	0	0	-6	-2,048	0	0
Others	4	1	1	4	72	179	206	237
<b>CF from Investments</b>	<b>-577</b>	<b>-492</b>	<b>-146</b>	<b>-1,582</b>	<b>-2,250</b>	<b>-4,989</b>	<b>-2,294</b>	<b>-1,763</b>
Issue of Shares	475	0	0	263	4,000	5,001	0	0
Inc/(Dec) in Debt	318	230	195	436	-1,179	3	0	0
Interest Paid	-30	-43	-77	-101	-63	-12	0	0
Dividend Paid	0	0	0	-4	-110	-89	-296	-422
Others	-29	0	-4	458	-244	-201	0	0
<b>CF from Fin. Activity</b>	<b>734</b>	<b>187</b>	<b>114</b>	<b>1,051</b>	<b>2,404</b>	<b>4,701</b>	<b>-296</b>	<b>-422</b>
<b>Inc/Dec of Cash</b>	<b>18</b>	<b>15</b>	<b>-9</b>	<b>-4</b>	<b>930</b>	<b>1,275</b>	<b>-653</b>	<b>462</b>
Opening Balance	23	41	56	47	43	973	2,248	1,595
<b>Closing Balance</b>	<b>41</b>	<b>56</b>	<b>47</b>	<b>43</b>	<b>973</b>	<b>2,248</b>	<b>1,595</b>	<b>2,057</b>

## 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 (%)

	Mar-17	Dec-16	Mar-16
Promoter	44.1	44.1	50.4
DII	30.4	31.7	40.0
FII	21.2	20.1	6.1
Others	4.3	4.1	3.5

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	5.8
MOTILAL OSWAL MOST FOCUSED MULTICAP 35 FUND	4.2
BARON EMERGING MARKETS FUND	3.5
NEW HORIZON OPPORTUNITIES MASTER FUND	2.6

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 (%)
FY18	21.0	19.2	9.4
FY19	30.0	27.9	7.5

Source: Bloomberg

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