

# Manpasand Beverages

BSE SENSEX 31,771  
 S&P CNX 9,897

**CMP: INR807 TP: INR926(+15%) Buy**

Motilal Oswal values your support in the Asiamoney Brokers Poll 2017 for India Research, Sales and Trading team. We request your ballot.



	MANB IN
Bloomberg Equity Shares (m)	57
M.Cap.(INRb)/(USDb)	40.1 / 0.6
52-Week Range (INR)	886 / 507
1, 6, 12 Rel. Per (%)	5/4/2
Avg Val, INRm	74
Free float (%)	55.9

## Financials & Valuations (INR b)

Y/E Mar	2017	2018E	2019E
Net Sales	7.2	10.5	15.3
EBITDA	1.4	2.1	3.0
PAT	0.7	1.2	1.8
EPS (INR)	12.7	20.2	30.9
Gr. (%)	25.8	58.8	53.2
BV/Sh (INR)	201.6	216.8	240.1
RoE (%)	7.3	8.5	13.5
RoCE (%)	8.4	9.6	15.4
P/E (x)	63.6	40.0	26.1
P/BV (x)	4.0	3.7	3.4

Estimate change ↔

TP change ↔

Rating change ↔

## Sound performance despite GST transitional concerns; Growth intact

- Revenue in-line, PAT exceeds estimates:** MANB's overall revenue increased 27% YoY to INR3,015m (est. of INR2,981m) in 1QFY18. EBITDA margin contracted 40bp YoY to 18.7% (est. of 19.8%) on account of an increase in raw material cost (+90bp) and employee expenses (+40bp). EBITDA rose 24% YoY to INR563m (est. of INR590m) in the quarter. Accordingly, adj. PAT rose 25.3% YoY to INR359m (est. of INR323m), led by higher-than-expected other income of INR98m (est. of INR24m).
- Smooth transition to GST regime:** Due to its seasonal nature, MANB's business witnesses reduced stock at the channel end in the month of June every year. The destocking in June 2017 coincided with the implementation of GST, and thus, 1QFY18 had no major impact from GST transition. However, the rollout of GST delayed the supply of Mango Sip to distributors of Parle Products, which is now expected to commence in 2QFY18. Going forward, the continuous expansion of distribution network, both organically and via tie-ups, is expected to keep growth intact.
- New product launches alongside capacity expansion to aid growth:** 1QFY18 witnessed strong growth of 18% and 46% YoY in Mango Sip and Fruits Up revenues, respectively. However, the company intends to ramp-up other products as well. With the upcoming capacity in Sri City, the company plans to add a dedicated line for Coco Sip, which would eliminate supply constraints and aid in growth of the product. Further, the company is expected to launch a new health-based product in FY18 to aid utilization.
- Valuation and view:** We largely maintain our estimates, and expect sales/PAT CAGR of 46%/56% over FY17-19E. We believe that the company will benefit from its expanding distribution network, leading to better capacity utilization. We value the stock at P/E of 30x FY19E EPS, with a target price of INR926 (15% upside). Maintain **Buy**.

## Standalone - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18E	FY18	Var
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	1QE	1QE	(%)
Net Sales	2,369	1,025	1,025	2,734	3,015	1,486	1,639	4,320	7,171	10,461	2,981	1
YoY Change (%)	63.1	34.6	11.6	28.6	27.2	45.0	60.0	58.0	34.8	45.9	30.0	
Total Expenditure	1,917	803	844	2,217	2,451	1,186	1,329	3,443	5,773	8,400	2,391	
EBITDA	453	222	181	518	563	300	310	877	1,398	2,061	590	-5
Margins (%)	19.1	21.7	17.6	18.9	18.7	20.2	18.9	20.3	19.5	19.7	19.8	
Depreciation	149	171	177	241	237	230	230	260	738	965	250	
Interest	1	8	2	1	4	2	1	1	12	0	1	
Other Income	17	17	60	85	98	21	46	50	179	215	24	
PBT	320	61	61	361	421	89	125	666	827	1,311	363	16
Tax	33	7	13	48	62	11	20	79	101	157	40	
Rate (%)	10.4	10.8	21.9	13.2	14.7	11.8	16.2	11.8	12.2	12.0	11.1	
Minority Interest & Profit/Loss of Asso.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	286	54	48	313	359	79	105	587	726	1,153	323	11
Adj PAT	286	54	48	313	359	79	105	587	726	1,153	323	11
YoY Change (%)	82.5	24.5	-1.4	22.5	25.3	45.4	118.2	87.4	43.8	58.8	12.7	
Margins (%)	12.1	5.3	4.7	11.5	11.9	5.3	6.4	13.6	10.1	11.0	10.8	

E: MOSL Estimates

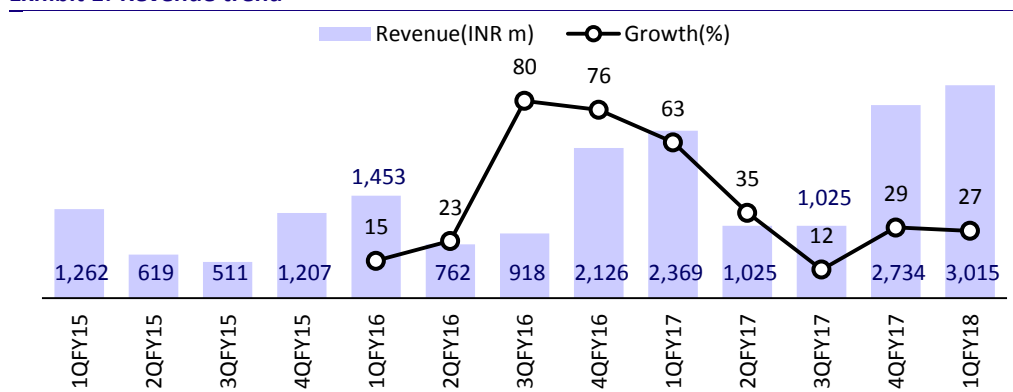
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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

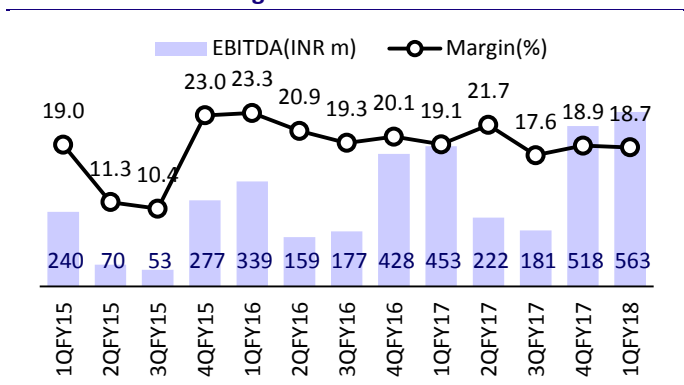
Motilal Oswal research is available on [www.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Exhibit 1: Revenue trend**



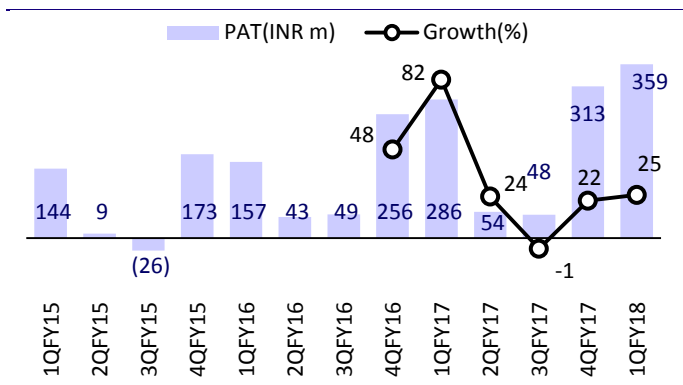
Source: Company, MOSL

**Exhibit 2: EBITDA margins trend**



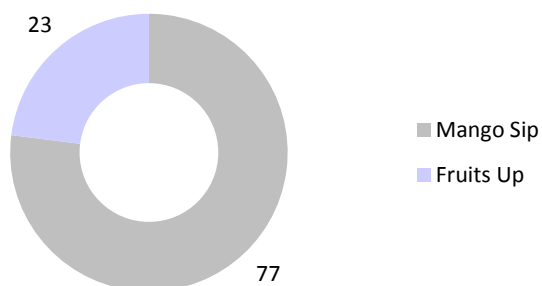
Source: Company, MOSL

**Exhibit 3: PAT trend**



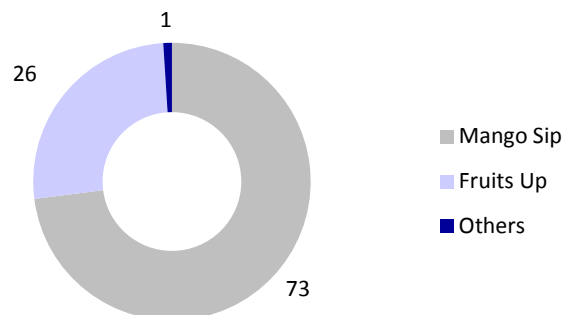
Source: Company, MOSL

**Exhibit 4: Revenue mix in 1QFY17**



Source: Company, MOSL

**Exhibit 5: Revenue mix in 1QFY18**



Source: Company, MOSL

**Coco sip and Jeera sip to benefit from capacity expansion**

- MANB used to outsource the manufacturing of its product Coco sip which led to supply constraints, hence witnessing a muted growth in the product.
- However, with the commissioning of the plant in Sri City, the company intends to have a dedicated line of production for Coco sip which would eliminate the supply constraints and revive the product going forward.
- Moreover, the company is also expected to cut the price of the product as production ramps up. At present, a SKU of 200ml of Coco sip is priced at INR40, which would be reduced going forward.

- The company launched Jeera sip in 1QFY18 which is witnessing traction in the market. Going forward, the company plans to utilize additional carbonated capacity of Fruits up to produce Jeera sip as well.
- As of now, Jeera sip is being supplied to ~5 states. The company expects to ramp up its production on the back of fungible capacities of Fruits up.

#### Key concall highlights

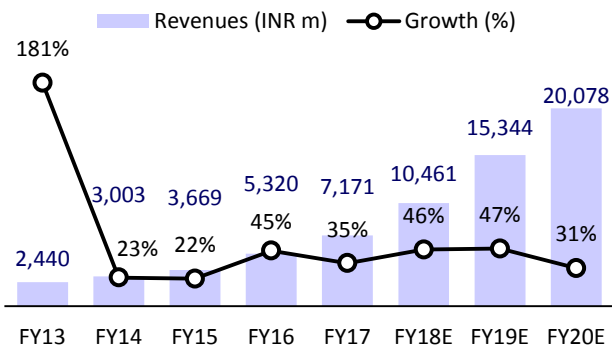
- The branding and advertisement expense stood at INR22cr, growth of 22% QoQ.
- Revenue from Mango sip witnessed an increase of 18% YoY and Fruits up increased by 46% YoY, with the split between carbonated and non-carbonated being 50-50.
- Growth in 1QFY18 was driven by 20% growth in volume and 5% in value.
- Supply to the distributors of Parle Products was delayed on account of GST rollout. The company expects to commence the supply in 2QFY18.
- Capacity in Vadodara is expected to commence by end-December 2017. Other capacities in Varanasi and Sri City are expected to commence by 1QFY19.
- 1QFY18 witnessed a considerable increase of 240bp in employee cost YoY on account of commissioning of Ambala plant, apart from normal annual wage increment.
- The company plans to increase the number of distributors on commissioning of new plants.
- The company is expected to launch a new health-based product in FY18.
- MANB's focus would be to reduce working capital cycle by focusing on reducing debtor days.

#### Valuation and view

We largely maintain our estimates and expect sales and PAT CAGR of 46% and 56%, respectively, over FY17-19E. We believe that the company will benefit from its expanding distribution network which would lead to better capacity utilization. We value the stock at P/E of 30x FY19 EPS, with target price of INR926 (15% upside) and maintain our Buy rating.

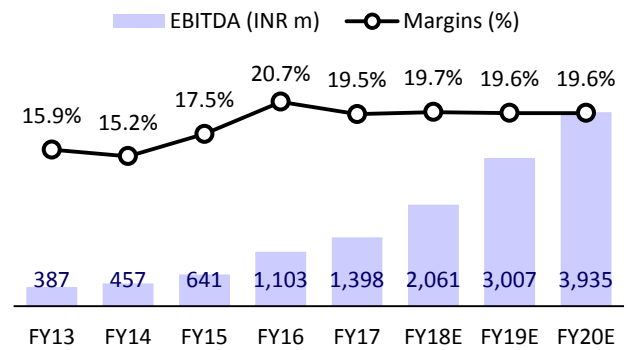
Story in charts

Exhibit 6: Revenues to post 46% CAGR over FY17-19E



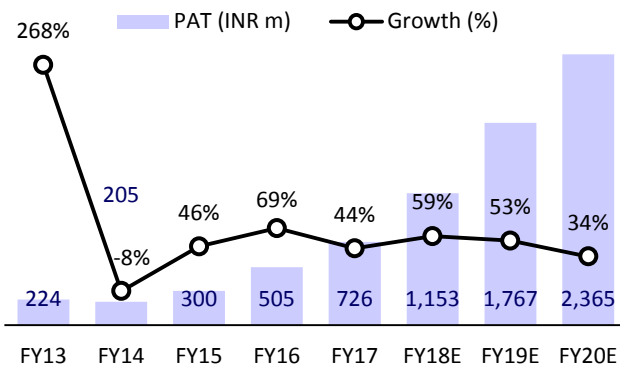
Source: MOSL, Company

Exhibit 7: Margins to remain stable



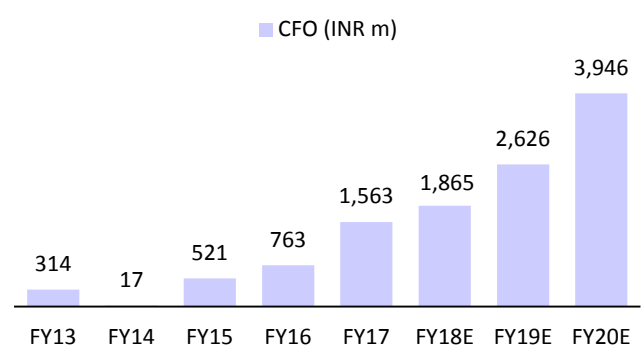
Source: MOSL, Company

Exhibit 1: PAT to post 56% CAGR over FY17-19E



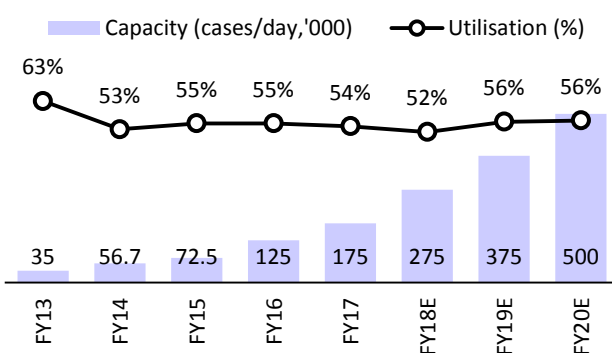
Source: MOSL, Company

Exhibit 2: Healthy cash flow generation



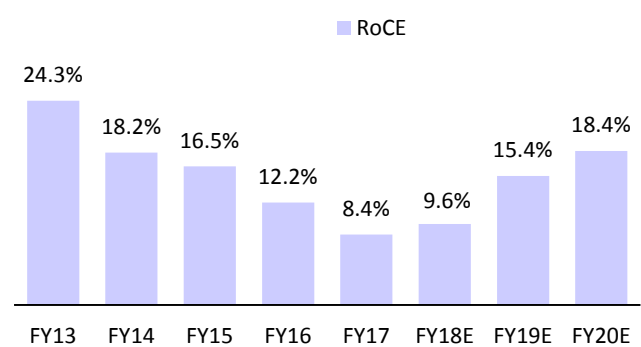
Source: MOSL, Company

Exhibit 8: Utilizations to grow on expanded capacities



Source: MOSL, Company

Exhibit 9: RoCE to pick up



Source: MOSL, Company

**Exhibit 10: 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>	<b>2,396</b>	<b>2,932</b>	<b>3,597</b>	<b>5,567</b>	<b>7,015</b>	<b>10,461</b>	<b>15,344</b>
Fruit Drinks	2,345	2,850	3,332	5,233	6,040	8,213	11,404
Carbonates	-	-	113	334	900	2,048	3,640
Others	52	81	153	-	75	200	300
<b>Revenue Growth (%)</b>	<b>180%</b>	<b>22%</b>	<b>23%</b>	<b>55%</b>	<b>26%</b>	<b>49%</b>	<b>47%</b>
Fruit Drinks	174%	22%	17%	57%	15%	36%	39%
Carbonates				196%	169%	128%	78%

Source: Company, MOSL

## Financials and Valuations

### Standalone - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Total Income from Operations</b>	<b>2,440</b>	<b>3,003</b>	<b>3,669</b>	<b>5,320</b>	<b>7,171</b>	<b>10,461</b>	<b>15,344</b>	<b>20,078</b>
<b>EBITDA</b>	<b>387</b>	<b>457</b>	<b>641</b>	<b>1,103</b>	<b>1,398</b>	<b>2,061</b>	<b>3,007</b>	<b>3,935</b>
Margin (%)	15.9	15.2	17.5	20.7	19.5	19.7	19.6	19.6
Depreciation	102	149	205	571	738	965	1,257	1,557
<b>EBIT</b>	<b>286</b>	<b>308</b>	<b>436</b>	<b>533</b>	<b>660</b>	<b>1,096</b>	<b>1,750</b>	<b>2,378</b>
Int. and Finance Charges	43	77	107	57	12	0	0	0
Other Income	3	1	4	91	179	215	258	309
<b>PBT bef. EO Exp.</b>	<b>246</b>	<b>231</b>	<b>334</b>	<b>567</b>	<b>827</b>	<b>1,311</b>	<b>2,008</b>	<b>2,687</b>
EO Items	0	0	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>246</b>	<b>231</b>	<b>334</b>	<b>567</b>	<b>827</b>	<b>1,311</b>	<b>2,008</b>	<b>2,687</b>
Current Tax	25	24	36	61	86	157	241	322
Deferred Tax	-2	2	-2	1	15	0	0	0
Tax Rate (%)	9.1	11.5	10.2	10.9	12.2	12.0	12.0	12.0
Less: Mionrity Interest	0	0	0	0	0	0	0	0
<b>Reported PAT</b>	<b>224</b>	<b>205</b>	<b>300</b>	<b>505</b>	<b>726</b>	<b>1,153</b>	<b>1,767</b>	<b>2,365</b>
<b>Adjusted PAT</b>	<b>224</b>	<b>205</b>	<b>300</b>	<b>505</b>	<b>726</b>	<b>1,153</b>	<b>1,767</b>	<b>2,365</b>
Change (%)	268.1	-8.5	46.2	68.6	43.8	58.8	53.2	33.8
Margin (%)	9.2	6.8	8.2	9.5	10.1	11.0	11.5	11.8

### Standalone - Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Equity Share Capital	25	25	376	501	572	572	572	572
Total Reserves	722	923	1,534	5,515	10,963	11,833	13,165	14,948
<b>Net Worth</b>	<b>756</b>	<b>957</b>	<b>1,909</b>	<b>6,016</b>	<b>11,535</b>	<b>12,405</b>	<b>13,737</b>	<b>15,520</b>
Deferred Tax Liabilities	0	1	0	0	0	0	0	0
Total Loans	548	743	1,179	0	3	3	3	3
<b>Capital Employed</b>	<b>1,304</b>	<b>1,701</b>	<b>3,088</b>	<b>6,016</b>	<b>11,538</b>	<b>12,407</b>	<b>13,739</b>	<b>15,522</b>
Gross Block	927	1,213	1,345	3,730	6,173	8,673	10,673	13,286
Less: Accum. Deprn.	0	294	499	1,069	1,807	2,772	4,029	5,587
<b>Net Fixed Assets</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>	<b>7,699</b>
Capital WIP	0	0	1,316	1,339	2,016	2,016	2,016	1,403
<b>Total Investments</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>6</b>	<b>2,054</b>	<b>2,054</b>	<b>2,054</b>	<b>2,054</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>707</b>	<b>1,036</b>	<b>1,341</b>	<b>2,451</b>	<b>3,665</b>	<b>3,498</b>	<b>4,692</b>	<b>7,199</b>
Inventory	207	416	424	704	616	875	1,284	1,681
Account Receivables	326	478	593	677	752	974	1,261	1,650
Cash and Bank Balance	56	47	43	973	2,248	1,544	1,993	3,667
Loans and Advances	118	95	280	97	49	105	153	201
<b>Curr. Liability &amp; Prov.</b>	<b>334</b>	<b>257</b>	<b>417</b>	<b>593</b>	<b>798</b>	<b>1,297</b>	<b>1,901</b>	<b>3,068</b>
Account Payables	184	176	225	448	672	978	1,437	1,880
Other Current Liabilities	95	56	95	135	121	314	460	602
Provisions	56	26	98	11	5	5	5	585
<b>Net Current Assets</b>	<b>373</b>	<b>779</b>	<b>924</b>	<b>1,858</b>	<b>2,867</b>	<b>2,201</b>	<b>2,791</b>	<b>4,131</b>
Deferred Tax assets	2	1	1	152	235	235	235	235
<b>Appl. of Funds</b>	<b>1,304</b>	<b>1,701</b>	<b>3,088</b>	<b>6,016</b>	<b>11,538</b>	<b>12,407</b>	<b>13,739</b>	<b>15,522</b>

## Financials and Valuations

### Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>6.0</b>	<b>5.5</b>	<b>8.0</b>	<b>10.1</b>	<b>12.7</b>	<b>20.2</b>	<b>30.9</b>	<b>41.3</b>
Cash EPS	8.7	9.4	13.4	21.5	25.6	37.0	52.9	68.5
BV/Share	20.1	25.5	50.8	120.2	201.6	216.8	240.1	271.2
DPS	0.1	0.1	1.3	1.0	1.3	4.0	6.2	8.3
Payout (%)	1.7	1.9	19.7	12.2	12.3	24.6	24.6	24.6
<b>Valuation (x)</b>								
P/E		148.0	101.2	80.0	63.6	40.0	26.1	19.5
Cash P/E		85.7	60.0	37.6	31.5	21.8	15.3	11.8
P/BV		31.7	15.9	6.7	4.0	3.7	3.4	3.0
EV/Sales		10.3	8.6	7.4	6.1	4.3	2.9	2.1
EV/EBITDA		67.9	49.0	35.7	31.4	21.7	14.7	10.8
Dividend Yield (%)	0.0	0.0	0.2	0.1	0.2	0.5	0.8	1.0
<b>Return Ratios (%)</b>								
RoE	31.5	21.2	18.8	11.4	7.3	8.5	13.5	16.2
RoCE	24.3	18.2	16.5	12.2	8.4	9.6	15.4	18.4
RoIC	26.0	18.8	23.2	17.5	13.0	16.1	21.3	
<b>Working Capital Ratios</b>								
Asset Turnover (x)	1.9	1.8	1.2	0.9	0.6	0.8	1.1	1.3
Inventory (Days)	31	51	42	48	31	31	31	31
Debtor (Days)	49	58	59	46	38	34	30	30
Creditor (Days)	27	21	22	31	34	34	34	34
<b>Leverage Ratio (x)</b>								
Debt/Equity	0.7	0.8	0.6	0.0	0.0	0.0	0.0	0.0

### Standalone - Cash Flow Statement

(INR Million)

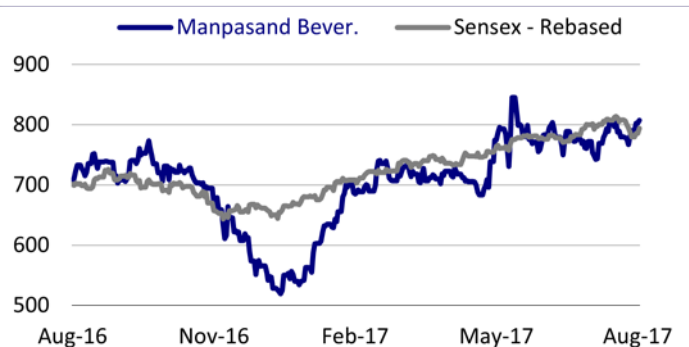
Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
OP/(Loss) before Tax	247	232	333	567	827	1,311	2,008	2,687
Depreciation	102	149	205	571	738	965	1,257	1,557
Interest & Finance Charges	40	77	102	-34	-167	-215	-258	-309
Direct Taxes Paid	-61	-28	-55	-154	-101	-157	-241	-322
(Inc)/Dec in WC	-13	-412	-65	-188	266	-38	-140	333
<b>CF from Operations</b>	<b>314</b>	<b>17</b>	<b>521</b>	<b>763</b>	<b>1,563</b>	<b>1,865</b>	<b>2,626</b>	<b>3,946</b>
Others	5	6	6	13	0	0	0	0
<b>CF from Operating incl EO</b>	<b>319</b>	<b>23</b>	<b>527</b>	<b>776</b>	<b>1,563</b>	<b>1,865</b>	<b>2,626</b>	<b>3,946</b>
(Inc)/Dec in FA	-553	-147	-1,586	-2,316	-3,120	-2,500	-2,000	-2,000
<b>Free Cash Flow</b>	<b>-234</b>	<b>-124</b>	<b>-1,059</b>	<b>-1,540</b>	<b>-1,557</b>	<b>-635</b>	<b>626</b>	<b>1,946</b>
(Pur)/Sale of Investments	60	0	0	-6	-2,048	0	0	0
Others	1	1	4	72	179	215	258	309
<b>CF from Investments</b>	<b>-492</b>	<b>-146</b>	<b>-1,582</b>	<b>-2,250</b>	<b>-4,989</b>	<b>-2,285</b>	<b>-1,742</b>	<b>-1,691</b>
Issue of Shares	0	0	263	4,000	5,001	0	0	0
Inc/(Dec) in Debt	230	195	436	-1,179	3	0	0	0
Interest Paid	-43	-77	-101	-63	-12	0	0	0
Dividend Paid	0	0	-4	-110	-89	-284	-435	-582
Others	0	-4	458	-244	-201	0	0	0
<b>CF from Fin. Activity</b>	<b>187</b>	<b>114</b>	<b>1,051</b>	<b>2,404</b>	<b>4,701</b>	<b>-284</b>	<b>-435</b>	<b>-582</b>
<b>Inc/Dec of Cash</b>	<b>15</b>	<b>-9</b>	<b>-4</b>	<b>930</b>	<b>1,275</b>	<b>-704</b>	<b>449</b>	<b>1,674</b>
Opening Balance	41	56	47	43	973	2,248	1,544	1,993
<b>Closing Balance</b>	<b>56</b>	<b>47</b>	<b>43</b>	<b>973</b>	<b>2,248</b>	<b>1,544</b>	<b>1,993</b>	<b>3,667</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 (%)

	Jun-17	Mar-17	Jun-16
Promoter	44.1	44.1	50.4
DII	30.0	30.4	38.5
FII	21.0	21.2	6.0
Others	4.9	4.3	5.1

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	5.7
MOTILAL OSWAL MOST FOCUSED MULTICAP 35 FUND	4.4
BARON EMERGING MARKETS FUND	3.9
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 (%)
FY17	14.9	15.4	-2.8
FY18	23.8	22.2	7.1
FY19	39.0	30.6	27.7

Source: Bloomberg



NOTES

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