Initiating Coverage | 24 June 2016
Sector: Consumer

Manpasand Beverages

Juicing it up

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Manpasand Beverages

CMP: INR520 TP: INR750 (+44%) Buy

BSE Sensex	S&P CNX
26,398	8,089

Stock Info

Bloomberg	MANB IN
Equity Shares (m)	50.1
52-Week Range (INR)	588/286
M.Cap. (INR b)	26.1
M.Cap. (USD b)	0.4
1, 6, 12 Rel. Per (%)	-3/16/-
Avg Val, (INR m)	31
Free float (%)	49.6

Financial Snapshot (INR b)

Y/E Mar	2016	2017E	2018E
Sales	5.6	8.4	12.3
EBITDA	1.1	1.7	2.5
NP	0.5	0.8	1.3
EPS (Rs)	10.1	16.7	26.8
EPS Gr. (%)	26.7	65.0	60.6
BV/Sh. (INR)	120.2	135.2	159.3
RoE (%)	11.4	11.6	16.2
RoCE (%)	12.2	13.1	18.2
P/E (x)	51.5	31.2	19.4
P/BV (x)	4.3	3.8	3.3

Shareholding pattern (%)

As On	Mar-16	Dec-15	Sep-15
Promoter	50.4	50.4	50.4
Public	49.6	49.6	49.6
Others	-	-	-

Manpasand Beverages

Juicing it up

Please click here for Video Link

Manpasand Beverages (MANB) is leading player in beverages segment through its flagship product Mango Sip, a mango-based fruit drink launched in 1997. The product contributed 80% to revenues in FY16 (97% in FY14). To diversify the portfolio, MANB launched Fruits Up in FY15, a premium fruit drink (Carbonated and non-carbonated) in mango, litchi, guava, apple, orange and mixed fruit flavors. It recently launched its natural coconut water through brand Coco Sip in May 2016. In 2015, it raised INR 4b through IPO to set up a manufacturing facility in Haryana (INR.1.5b), modernization of existing plants and repay the entire long-term debt (INR1b).

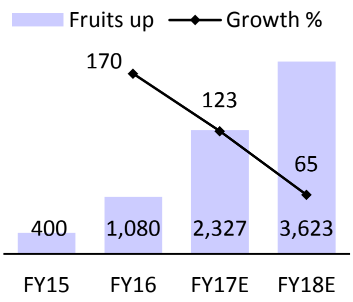
Juicing it up

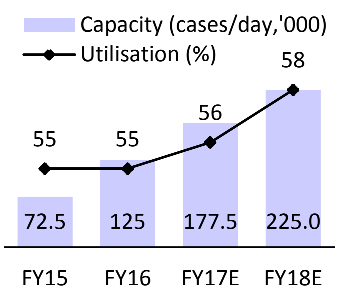
Expanding capacity by 80% over FY16-18 to bolster growth

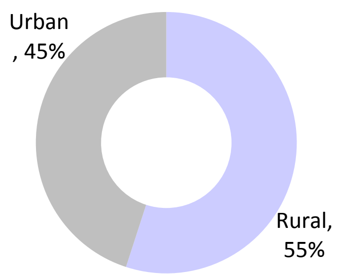
- **MANB is expected to improve its market share from 5% in 2016 and 7.5% in 2018 in INR 132bn fruit juice market.**
- **Low penetration of 30% and per capita annual consumption of soft drinks in India at 16 ltrs v/s 166 ltrs in the US, provide significant market opportunities for growth.**
- **Mango sip has been able to gain significant market share over last few years on back of its strategy to focus on rural India which contributes 55% of revenues.**
- **MANB expanded the product portfolio by launching Fruits Up (Carbonated and non-carbonated) in FY15 which now contributes 20% 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 where it has a low penetration.**
- **Strategically expanding its capacities by 80% over FY16-18 (capex of INR3.2b) into north and south India will not only address the supply side issues but also help to reduce logistics cost and improve working capital cycle going forward.**
- **MANB to clock 49% revenue CAGR and 63% PAT CAGR over FY16-18E. We value the stock at PE of 28x FY18 EPS (~0.3x PEG v/s ~ 1.6x of consumer peers). We initiate coverage with a 'Buy' with TP of INR750 (~44% upside).**

Set to gain market share in INR 132b fruit juice market

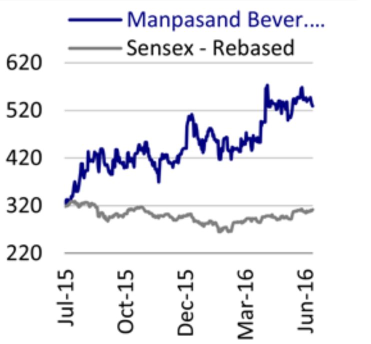
Within overall soft drink market size of INR524b (as on 2015), MANB participates in fruit juice category, an INR132b size market with expected growth of 19% CAGR over 2015-18. We expect MANB to grow at 49% CAGR driven by new product launches, increased distribution reach and increased capacities leading to increase its market share from 5% in 2016 to 7.5% by 2018. With 70% of the market being untapped and per capita consumption of soft drinks in India is just 16 ltrs v/s 166 ltrs in the US, opportunities is very significant. Gestation in the beverages space is long as brands take longer time to develop and withstand competition, resulting in the survival of few players.







Stock Performance (one-year)



Ramp up of new products to drive utilization, beat seasonality

After stellar success of Mango Sip with a view to diversify its product portfolio MANB launched Fruits Up (Carbonated and non-Carbonated) in FY15, a premium fruit drink (pulp content of 16–17%) in multiple flavors. We believe Fruits Up will move from urban to rural vis a vis Mango Sip which will move from rural to urban over the medium to long term. We believe Fruits Up is positioned to tap the shift in consumption pattern from artificial flavor based drinks (Coke and Pepsi) to natural fruit based drink providing huge opportunity. MANB recently launched Coco Sip first of its kind natural coconut water in May 2016 for non-south markets to be manufactured through outsourcing model. The company derives ~70% of revenues during 1Q and 4Q owing to seasonality of Mango Sip. With expansion of product portfolio over last 2 years we expect capacity utilization to inch up from 55% in FY16 to ~58% in FY18 on expanded capacity as Fruits Up and Coco Sip would be marketed as a year round product. MANB has a strong product pipeline of newer product launches over next few years in the funnel which will help MANB further diversify its product concentration and reduce seasonality.

Expanding capacities by 80% over FY16–18 to address supply side issues

MANB has planned to increase its capacity by 80% over FY16–18 (58% increase for fruit drinks and 300% for carbonated fruit drinks) increasing capacity from 125,000 in FY16 to 225,000 cases per day in FY18. New facilities in Haryana, Dehradun and existing Varanasi plant, would cater to north and north east, while facilities in Vadodara would cater to west and south. It also plans to set up new capacities in south India in FY18. Capacity constraints and preference for geographical diversity vis-à-vis regional concentration led to stock out situation for both Mango Sip and Fruits Up over last few years. We believe MANB strategy to open new facilities in north and south India will not only address the supply side issues but also reduce logistics cost and improve working capital cycle going forward.

Increased focus on distribution to result in higher visibility

MANB's key differentiator vis-à-vis global MNCs is presence at a lower price point through wide range of SKUS of 80–100 ml tetra packs (INR10) and pet bottle of 250 ml (INR15) and strong rural focus. In addition, MANB offers higher margins of 30–35% vis-à-vis 20–22% for global MNCs. MANB has a strong presence in railways, which accounts for ~20% of revenues and enhances visibility. It has 200,000 retailers, 2,000 distributors, 200+ super stockists, and expects to add 500–1000 distributors in the medium term with higher focus on less penetrated south India market. Leaders in the space like Coca Cola and Pepsico have reach of 2.6m and 2.5m retails outlets respectively. Recently MANB has started tapping urban markets by offering its products through modern trade and on-trade channels.

Valuation and view; At an inflexion point, Growth set to accelerate

MANB is on the cusp of a high growth cycle, led by 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. Launch of Fruits Up and Coco Sip is expected to beat seasonality and ramp up capacity utilization thereby driving margins higher. We expect sales and PAT CAGR of 49% and 63% respectively. The stock trades at PE of 31x/19x FY17/18E EPS. We value the stock at PE of 28x FY18 EPS (~0.3x PEG v/s ~ 1.6x of consumer peers). We initiate coverage with a '**Buy**' with TP of INR750 (~44% upside).

Company overview

Sole beverage player listed in India

MANB has the unique distinction of being the sole listed company in the beverages sector. The company's revenue expanded at a CAGR of 60% over FY12–16, while net profit grew 70% during the same period.

India's leading beverage manufacturer

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: MANB's brands

Source: Company, MOSL

To diversify the portfolio, the company launched Fruits Up and Manpasand ORS as well as commenced the marketing of Pure Sip bottled water in July 2014. Under Fruits Up, MANB offers premium fruit and carbonated drinks in various flavors; through Manpasand ORS, the company provides fruit drinks (apple and orange flavors) with energy-replenishing qualities across northeast India. Fruits Up is currently available in mango, apple, guava, litchi, orange and mixed fruit flavors; the packaging of Fruits Up carbonated fruit drinks, available in grape, orange and lemon flavors, is similar to Thums Up, Mirinda and Sprite.

Five manufacturing facilities by FY18

MANB had three manufacturing facilities at the end of FY16: two at Vadodara and one in Varanasi; the second unit at Vadodara commenced production in April 2015. The company is also setting up a facility in Haryana (expected to be commissioned by June FY17) to cater to markets in north and northeast India. Another facility in Dehradun is scheduled to start production by Q4FY17. Management has highlighted plans to commission a facility in South India as well towards end of FY18.

IPO proceeds to be primarily utilized for Haryana facility and paring debt

In 2015, MANB raised INR4b through an IPO, primarily to set up a manufacturing facility at Haryana (INR1.5b) and pare long-term debt (totaling INR1b). The Haryana facility has a production capacity of 10,000 tetra pack cases (TPC) and 20,000 pet bottle cases (PBC) per day of fruit drinks and 20,000 PBC per day of carbonated fruit drinks. MANB turned debt-free in 4QFY16 by repaying the long-term debt of INR1b from IPO proceeds. The balance proceeds are expected to be utilized for modernization of facilities at Vadodara and Varanasi (INR0.4b), and setting up a corporate office at Vadodara (INR0.2b). Going forward, management expects working capital-related borrowings to be the only debt.

Exhibit 2: Summary of utilization of IPO proceeds

	INR m
IPO proceeds	4,000
New manufacturing facility – Ambala, Haryana	(1,523)
Paring debt	(1,009)
Modernization of existing manufacturing facilities – Vadodara I and Varanasi	(389)
New corporate office at Vadodara	(221)
General corporate expenses	(857)

Source: MOSL, Company

Fruits Up and Coco Sip to reduce seasonality and improve utilization

Additions to product portfolio for enhancing market presence

- **Mango Sip has been the company's flagship product since the launch in 1997 in Uttar Pradesh, and slowly extended to other parts of India (24 states).**
- **Revenues from Mango Sip registered a robust CAGR of 51% over FY12–16, led by the 4.5x increase in capacity and increased distribution network.**
- **MANB launched Fruits Up range of premium fruit drinks (pulp content of 16–17%) and fruit-based carbonate drinks in 2015 that expand opportunity size.**
- **While Mango Sip was targeted as a rural product, Fruits Up with premium flavors (such as guava and litchi) and fruit-based carbonates are considered more urban in nature.**
- **As capacities are fungible, addition of products would help beat seasonality and ramp up utilization from 55% in FY16 to ~58% in FY18, along with expanded capacities in fruit drinks, and carbonates.**
- **Expansion of the product portfolio lowers risks related to seasonality, since Fruits Up will be marketed as a year round product compared to Mango Sip.**

Mango Sip – an existing money spinner with strong presence in rural India

MANB launched Mango Sip, a mango-based drink, in 1997. The product was initially introduced in Uttar Pradesh, and then gradually diversified across the north and other parts of India, such that it is now available in 24 states. Mango Sip was largely targeted at Tier II and Tier III cities and has a strong rural presence (55–56% of sales from this channel). Besides, IRCTC comprises 20–22% of revenues, with urban areas accounting for the rest. A strong rural focus reduces competition as Tier II and Tier III cities are not focus areas for Maaza and Slice that are more urban-centric.

Exhibit 3: SKU-wise comparison of Mango Sip with peers (INR)

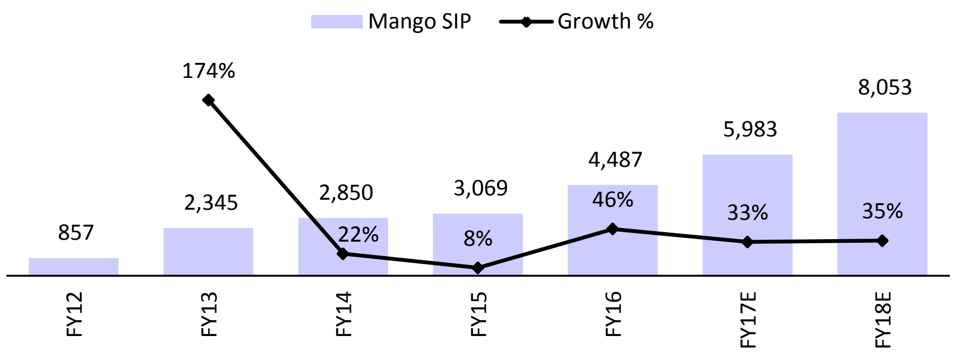
SKU (ml)	Mango Sip	Frooti	Tropicana Slice	Maaza
80–100	5	5	Not present	Not present
160	10	10	Not present	Not present
200	14	14	14	17
500–600	35	34	32	33
1200	60	62	64	64
Pulp content	14%	16%	13.6%	19%

Source: Company, MOSL

Key reasons for Mango Sip gaining market share as per our channel checks are as follows:

1) Company has around 75 SKUs for Mango Sip and Fruits Up put together, highest by any player in the market.
2) MANB derives 40% of revenues from below 200ml size of SKUs, an area where competition like Maaza and Slice is not present.
3) MANB provides higher distributor and retail margins to the tune of 35% v/s 22% for MNC players.
4) MANB keeps the channel starving for products thereby generating pricing power.

Exhibit 4: Mango Sip revenues to post 34% CAGR over FY16–18



Source: Company, MOSL

Differentiated product strategy in affordable small packs

MANB offers fruit drinks in small packs—small tetra packs (also known as tetra classic aseptic) of 80–100 ml, and pet bottle and tetra pack of 160 ml—where global competitors are not present. The segmental margins are inferior due to lower prices and proportionately higher costs, such as packaging, which discourages global giants like Coca Cola (Maaza) and Pepsico (Tropicana Slice). With Mango Sip, largely a rural focused drink, MANB's offering at affordable prices (INR5 for 80–100 ml and INR10 for 160 ml) helps in acquiring customers and retaining them at a lower price point.

Exhibit 5: Small packs a key differentiator

SKU (ml)	Mango Sip	Frooti	Tropicana Slice	Maaza
80–100	5	5	Not present	Not present
160	10	10	Not present	Not present

Source: Company, MOSL

Exhibit 6: Various SKUs of Mango Sip: From 80 ml small tetra classic pack to 1200 ml PET bottle

Source: Company, MOSL

Fruits Up – Positioned to capitalize on shift from flavored based drinks

MANB intends to capitalize on the gradual shift in consumer preferences from flavored based drinks (Coke and Pepsi) to natural fruit based drinks, including carbonated fruit drinks, and thereby expand market share and products. Accordingly, the company launched Fruits Up, a premium fruit drink under various flavors, including versions of carbonated beverages in FY15. Fruits Up is available in mango, apple, guava, litchi, orange and mixed fruit flavors, while Fruits Up carbonated fruit drinks are available in grape, orange and lemon flavors.

In 2 years of its launch, the company has registered a turnover of INR 1.1bn (70% from non-carbonates and 30% from carbonates) in FY16 without any pan India marketing campaign. Also the company has set up separate dedicated distribution network for Fruits Up which will help individual teams to focus on scaling up the brand. We believe Fruits Up will move from urban to rural vis a vis Mango Sip which will move from rural to urban over the medium to long term.

Exhibit 7: SKUs for Fruits Up fruit drinks

Source: Company, MOSL

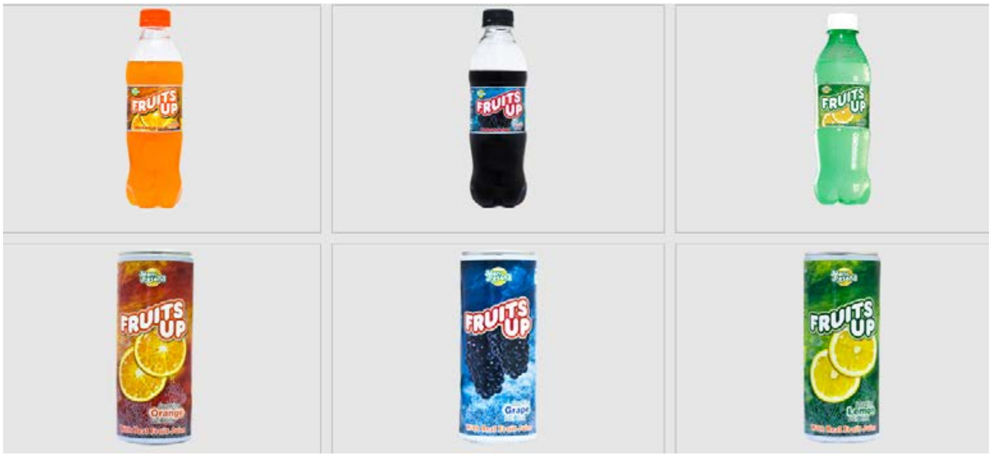
Packaging for carbonated drinks resembles famous brands such as Thums Up, Mirinda and Sprite. The product is expected to draw good response from health-conscious consumers seeking alternatives to cola drinks.

Exhibit 8: Comparison of Fruits Up carbonates with peers (INR)

SKU	MANB	Pepsi	Coke	Thums up
250 ml PET	15	10	10	10
600 ml PET	40	34	30	34
250 ml CAN	30	25	25	25

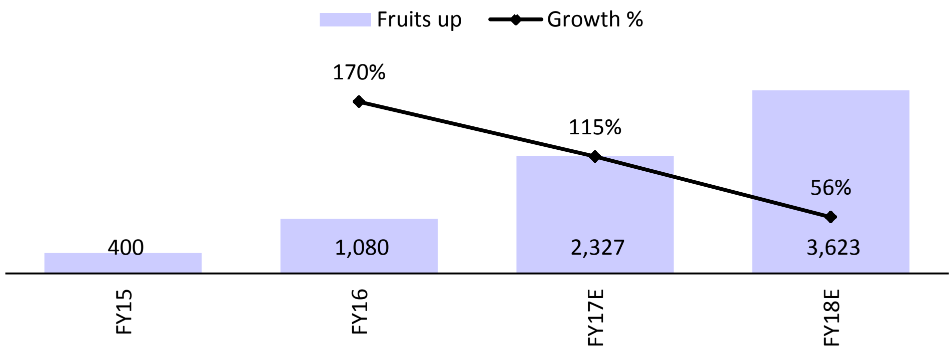
Source: MOSL, Company

Exhibit 9: Fruits Up carbonates



Source: Company, MOSL

Exhibit 10: Fruits Up to post 83% CAGR over FY16–18E



Source: Company, MOSL

Coco Sip- Virgin market with huge opportunity

MANB in May 2016 launched its new product Coco Sip targeted for non-south markets. Coco Sip will be first of its kind natural coconut water without having any preservatives in it. The product will be available across SKUs size at affordable pricing starting INR 10 and will be manufactured through outsourcing model. Our channel checks suggest fresh coconut (water) in non-south markets are sold at INR 30-40 per coconut water and most of them are very small in size. It roughly costs around INR80k per truck to bring coconut water from south India to North India. Hence we believe there is a huge opportunity for MANB to launch natural coconut water at INR10 and grand the entire non-south market. We believe Coco Sip will clock revenues of INR 500mn in FY18 with margins of 20 %.

Pure Sip – Bottled water

MANB commenced the marketing of Pure Sip bottled water in July 2014. The product is currently manufactured through a third-party in Vadodara. As of date, Pure Sip is being used as a trade incentive: as a combined offer with fruit drinks to distributors and retailers. Based on our discussion with management, we understand this initiative is for a longer term horizon of 4–5 years, and the company aims to diversify the product base and gradually gain visibility.

Exhibit 11: Pricing for Pure Sip vs. peers

Brand	MRP (INR)	SKU (ml)
Pure Sip	20	1,000
Bisleri	20	1,000
Bailey	20	1,000
Aquafina	20	1,000
Kinley	20	1,000

Source: MOSL, Company

Manpasand ORS – An energy replenishing drink targeting the northeast

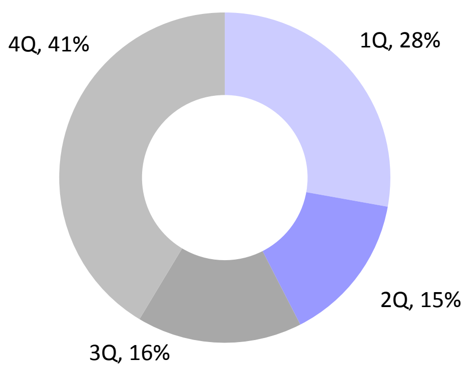
The company launched Manpasand ORS fruit drinks with energy-replenishing qualities (apple and orange flavors) in July 2014. It is targeted at the northeastern markets. The product contributed 3.8% to total revenues in FY15. Mary Kom is the brand ambassador for Manpasand ORS. Management highlights the market size for ORS drinks is about INR2b, expanding at a CAGR of 10%. However, management has commented it is primarily focusing on Mango Sip and Fruits Up.

Portfolio diversification helps mitigate seasonality risks, ramp up utilization

Seasonally, the first and fourth quarters are the strongest for sales of mango-based drinks; for MANB, the two quarters account for ~70% of annual sales. Inclusion of Fruits Up would help de-risk seasonality as it would be sold through the year. Capacities for fruit drinks are fungible; hence, addition of products to the portfolio shall further augment capacity utilization. It would also aid in addition of other fruit drink products on an annual basis. Given significant demand in Fruits Up the management has proponed its capex in Ambala from Sep 2016 initially to June 2016. MANB is also likely to launch and ad campaign for Fruits Up starting June 2016 colliding it with commissioning of new capex.

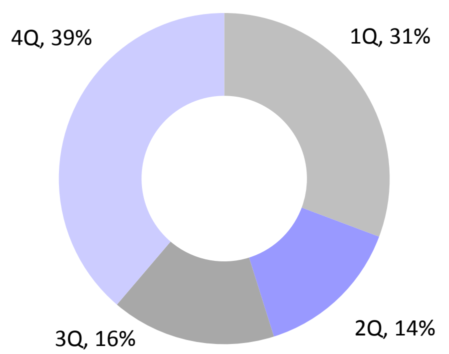
Considering the low base and strong market opportunity, we expect robust growth for Fruits Up (Non-carbonates and carbonates) in the future. With Fruits Up expected to grow its sales by 3.4x to INR 3.6bn in FY18E, we believe that capacity utilization in the lean quarters i.e Q2 and Q3 is set to improve there by leading to improvement in utilization rates from 55% in FY16 to 58% in FY18E on expanded capacities.

Exhibit 12: Break-up of quarterly revenue (FY16)



Source: Company, MOSL

Exhibit 13: Break-up of quarterly EBITDA (FY16)



Source: Company, MOSL

Expanding capacities by 80% over FY16-18

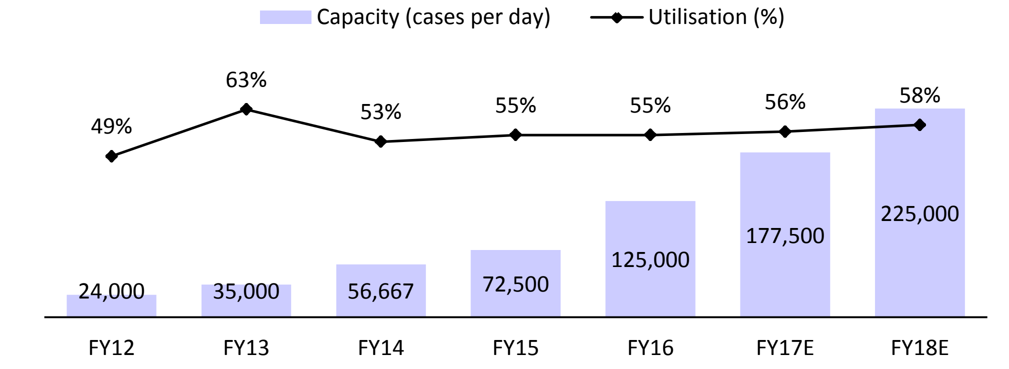
Expect CAGR of 49% in revenue, supply side issues to get addressed

- **MANB plans to aggressive expand its capacities by 80% over FY16–18. Fruit drinks and carbonate capacity is expected to increase 58% and ~300%, respectively, which should address supply side constraints to match up to increasing demand.**
- **MANB's existing capacities are situated in Varanasi and Vadodara. New capacities to come in Haryana and Dehradun which would aid geographical diversification. It also plans to set up new capacity in south India in FY18.**
- **We believe MANB strategy to open new facilities in north and south India will not only address the supply side issues but also help to reduce logistics cost and improve working capital cycle going forward**
- **Due to the lack of capacities in the past, there were MANB has been facing stock out situation for its products last few years. With an increase in capacities and ramping up of production, MANB is on the cusp of a strong supply-led growth.**

Capacity to increase by 80% over FY16–18 to drive growth

MANB plans to aggressive expand its capacities by 80% over FY16–18. The company aims to increase capacity from 1,25,000 cases per day in FY16 to 2,25,000 cases per day in FY18. Fruit drink and carbonated fruit drink capacities are projected to increase 58% and 300%, respectively, during the same period. The company had existing facility in Vadodara and Varanasi and commenced another facility in Vadodara in April 2015, yet continued to face stock out situation for its products. Given the huge demand, it has now proponed its capex in Ambala, Haryana, by Sep 2016 to June 2016 to cater to north and northeastern India. The facility is expected to produce the entire range of fruit as well as carbonated drinks: Mango Sip and Fruits Up. It plans to expand in south India in FY18.

Exhibit 14: Utilizations to inch up on expanded capacity



Source: Company, MOSL

We expect capacity expansion to aid robust growth in supply, with revenue increasing at a CAGR of 49% over FY16–18. The company's preference for geographical diversity (presence in 24 states) over regional concentration led to product shortage in the past. We believe MANB strategy to open new facilities in north and south India will not only address the supply side issues but also help to reduce logistics cost and improve working capital cycle going forward.

Exhibit 15: MANB's Vadodara-II plant

Capacity expansion strategically geared toward geographical diversification

MANB intends to set up manufacturing facilities across India; among the existing facilities, Vadodara caters to western and southern India, while Varanasi supplies to northern and eastern parts of the country. Vadodara and Varanasi contributed ~60% and ~40% to volumes, respectively, in FY16. Capacity expansion would aid geographical diversification, since the facility in Haryana is strategically located to cater to the north and northeastern markets. The facility at Dehradun, with a relatively smaller capacity of 5,000 PBC per day, would supply to Uttarakhand and Himachal Pradesh. The company has also planned to set up a facility in southern India in FY18.

FMCG products require dispersed and geographically diversified manufacturing to decrease transportation costs. Logistics costs, as a percentage of revenues, averaged ~4% over FY12–16. With expansion in north India and south India we believe that MANB will not only be able to save logistics cost but would be able to supply to market much quicker thereby improving turnaround time leading to higher growth .

Considerable benefits in direct and indirect taxes

MANB enjoys considerable advantages in direct and indirect taxes as it operates in the food processing industry. Under the Income Tax Act (Section 80IB 11A), the company receives 100% exemption on profits from a new facility for first five years, followed by 30% for the next five years. Accordingly, Vadodara-I facility would have an income-tax exemption on 30% of profits over FY16–20, while Vadodara-II will have 100% exemption until FY20 and 30% until FY25. The Varanasi facility is entitled to 100% exemption until FY16 and 30% until FY21. The facility in Haryana, expected to commence operations in FY17, shall be exempt from tax for the first five years and 30% thereafter. In terms of indirect taxes, the excise duty stands at 2%, while blended VAT is 5%, which are low as the company operates in the food processing industry.

Exhibit 16: Facility wise direct tax benefits – Exemptions from profits

	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E	FY19E	FY20E
Vadodara I	100%	100%	100%	100%	100%	30%	30%	30%	30%	30%
Vadodara II	N.A	N.A	N.A	N.A	N.A	100%	100%	100%	100%	100%
Varanasi	N.A	100%	100%	100%	100%	100%	30%	30%	30%	30%
Haryana	N.A	N.A	N.A	N.A	N.A	N.A	100%	100%	100%	100%

Source: MOSL, Company

Distribution thrust to enhance brand visibility

Focus on expanding newer channels like modern retail and on trade tieups

- **MANB has over 200,000 retailers, 2000 distributors, and 200+ super stockists. The company plans to add 500–1000 distributors in the near to medium term with significant focus to expand in South India.**
- **MANB offers higher margins of 30–35% compared to 20–22% by global MNCs such as Pepsi and Coca Cola.**
- **The company has entered into tie-ups with IRCTC's vendors for the supply of products in trains and railway stations, and derives ~20–22% of sales through this channel. In our opinion, the channel not only has a significant share in sales, but also acts as an effective mode of communication and increases brand visibility.**
- **It has set up separate distribution network for fruits Up and Coco Sip. It plans to enhance the network to ~200–250 with a supply of ~2000 vans in the medium term**
- **Focus on tapping urban markets through inclusion of fruit flavors such as guava and litchi in Fruits Up, and strengthening presence in modern trade and on-trade through tie-ups with Metro Cash & Carry, Havmor as well as Baskin & Robbins shall augur well for urban presence, as MANB focused on rural areas, Tier II and Tier III cities earlier.**
- **We believe expansion in capacity and distribution would lead to higher visibility and brand building, thereby indicating sales would be gradually led by brand pull than supply push.**

MANB viewed as a pan-India player with brand pull vis-à-vis supply push

Initially, the company focused on rural areas for the sale of beverages, with Mango Sip marketed in Uttar Pradesh, and thereafter across north India. Gradually, the company moved to rural areas, Tier II and Tier III cities, and non-metros across the country. MANB is now looking to strengthen presence in urban areas, as highlighted earlier, through additional tie-ups in modern trade, on-trade, launch of Fruits Up, raising ad spends and promotions as well as expanding the distributor base. Moreover, it is undertaking specific steps such as introducing large-size family pack for Mango Sip and Fruits Up in guava and litchi flavors (considered more urban in nature). In our opinion, an increase in supply and distributorship could result in higher visibility and brand building that, in turn, would drive long-term sales through brand pull than supply push.

Distributor-led strategy with higher margins and incentives

MANB's distribution network is spread across 24 states in India. The company offers higher margins (15% distributor and 20% retailer margins) to distributors compared to peers. It also provides incentives like selling the 'Pure Sip' brand of bottled water in conjunction with fruit drinks and carbonates. MANB also offers certain free packs of Mango Sip and Fruits Up, and combo offers in retail to increase volumes. Management reiterated plans to focus on topline growth through higher channel margins, even if it is at the cost of restricting profitability.

MANB currently has over 200,000 retailers, 2000 distributors, and 200+ super stockists. The company plans to add 500–1000 distributors in the near to medium term. For Mango Sip, it adopted a unique strategy of penetrating Tier II and Tier III cities initially, and thereafter strengthening presence in urban markets. MANB plans to operate across all 29 states in next 5 years. It also plans to achieve 100% penetration in existing 24 states where it operates in next 2-3 years

Exhibit 17: Highest channel margins vs. peers (approx.)

	Distributor margin	Retailer margin
Pepsi	7%	15%
Coca Cola	7%	15%
Parle Agro	10%	16%
Manpasand Beverages	**15%**	**20%**

Source: MOSL, Company

Exhibit 18: Distribution reach vs. peers offers scope for growth

	Retail outlets (mn)
Pepsi	2.5
Coca Cola	2.6
Manpasand Beverages	**0.2**

Source: MOSL, Company

Dedicated distribution for Fruits Up and Coco Sip

MANB has adopted a dedicated distribution strategy for Fruits Up; the company's ~40–50 distributors are actively engaged in supply through vans. MANB plans to enhance the distributorship to ~200–250 with a supply of ~2000 vans in the medium term. Similarly the company has already appointed multiple distributor in north India before launching the product and plans to expand its distributorship by around 100 distributors in the near term.

Sales through railways aids higher penetration

Currently, Indian Railways contributes ~20–22% to total revenues and rural areas account for 52–56%. MANB is empaneled with the IRCTC for direct selling to vendors approved by the former. Apart from being an additional sales channel, we believe this strategy would also help the company cater to a wider audience. Given the penetration of Indian Railways, it is as an effective communication mode to enhance visibility. Furthermore, this tie-up is expected to bolster sales of Mango Sip in Tier II and Tier III cities, which are prime focus areas for the product. MANB's products have high visibility at railway stations and in trains.

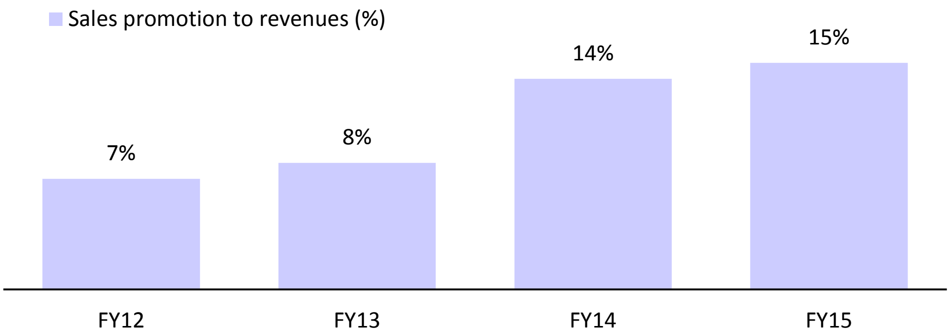
Exhibit 19: Renowned celebrities as ambassadors

Source: Company, MOSL

Spends on brand building and business promotion set to increase

MANB spends around 3.5-4% of its sales on advertisement. The company plans to launch ad campaign for Fruits Up in June 2016 as new capacities are commissioned. Though rural and smaller cities would continue to be the prime focus areas, management plans to aggressively tap urban markets and metro cities through Fruits Up and Coco Sip. The company has roped in Bollywood actor Sunny Deol for promoting the Mango Sip brand and would be unveiling the advertising campaign for Fruits Up in June 2016.

Exhibit 20: Sales promotion expenses to remain between ~15%



Source: Company, MOSL

Tapping on-trade channel to gain traction

While the on-trade channel for fruit drinks is low at 31%, it is significantly higher for carbonated beverages (~59%). MANB strives to use the existing outlets of several branded products by entering into contracts. The company is tapping the on-trade channel through tie-ups with QSRs such as Baskin & Robbins, Costa Coffee, Barista, Havmor and Goli Vadapav. MANB's products – Mango Sip and Fruits Up – are available at Havmor's 209 food outlets in Gujarat (164), Mumbai (28) and Punjab (17). MANB plans to extend the tie-up with Havmor's other food outlets in Rajasthan, Madhya Pradesh and rest of Maharashtra in the future. Also, the company entered into a contract with Baskin & Robbins (Graviss Foods Pvt. Ltd.) to sell Mango Sip and Fruits Up at the latter's outlets.

Growing presence in modern trade

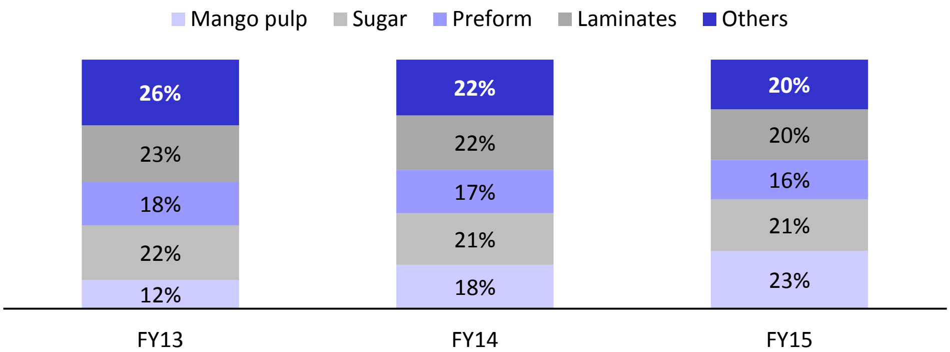
MANB seeks to tap newer modern trade channels, which account for a higher revenue share in the packaged juice segment vis-à-vis the overall FMCG market in urban India. This channel would be an effective way to gain ground in urban areas. The company recently tied up with Germany-based wholesale major, Metro Cash & Carry, to tap urban markets—this is MANB's first major tie up with an international retail brand. Metro Cash & Carry works on an exclusive business-to-business wholesale concept, where MANB will supply Mango Sip and Fruits Up in varied sizes to the former's outlets.

Multiple suppliers de-risk raw material requirements

Of the total raw material cost, packaging material (35%) accounts for a major share, followed by mango pulp (23%) and sugar (21%). The normal industry trend is to use Totapuri variety of mangoes as pulp for fruit drinks. Totapuri is grown in southern and western India, and MANB procures the fruit from Jain Irrigation, Capricorn Group, Mother Dairy and few other suppliers in Andhra Pradesh, Karnataka and

Maharashtra. For other fruit juices, the company procures concentrates from various suppliers in Maharashtra. Mango pulp, which has a shelf life of more than 12–18 months, is supplied in frozen sterilized aseptic bags or cans. Sugar is procured from multiple sugar co-operatives and wholesale distributors in Gujarat and Uttar Pradesh. The principal packaging materials are tetra packs, PET bottles and caps. The packaging material for aseptic tetra packs is procured from Tetra Pak India Private Limited, while PET bottles and caps are bought from some suppliers in Gujarat and Uttar Pradesh.

Exhibit 21: Break-up of total raw material cost



Source: Company, MOSL

SWOT Analysis

- ☑ Strong rural presence (55–56% of revenues)
- ☑ Effective tapping of railways channel (20–22% of revenues)
- ☑ Presence in small packs segment: key focus where MNCs are not present
- ☑ Fruit-based carbonates a healthier alternative

- ☑ Lack of presence in urban areas
- ☑ Lack of resources and muscle power compared to MNCs
- ☑ Seasonality in revenues
- ☑ Higher channel margins and increased promotion spends

- ☑ Large market worth INR524b with growth rates upward of 11%
- ☑ Tapping the fruit-based carbonates segment
- ☑ Shifting of consumer preferences from global MNC fruit drinks and colas to locally manufactured drinks
- ☑ Increasing consumer spends
- ☑ Per capita consumption in India just 16 liters vis-à-vis 160 in the US

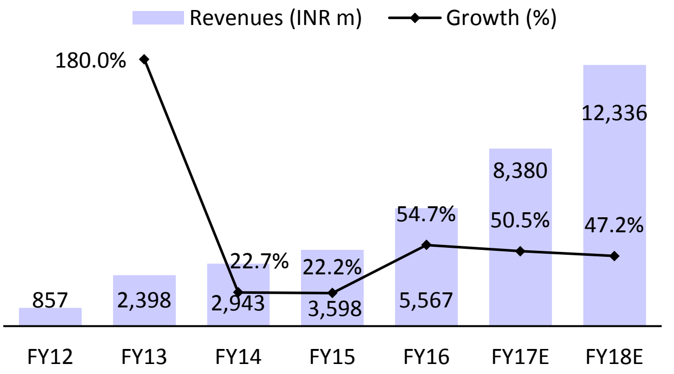
- ☑ Competitive intensity with MNCs launching smaller packs and lower fruit content
- ☑ Rising competition from unorganized and regional companies
- ☑ Concentration of revenues with Railways

Earnings to post 63% CAGR over FY16–18

Capacity expansion to lead topline growth; margin expansion and deleveraging to drive PAT

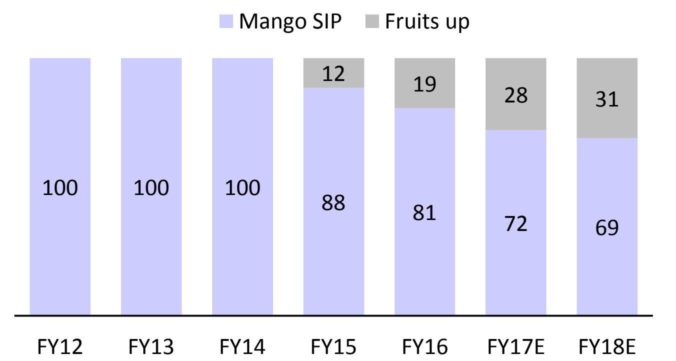
We expect PAT to post a CAGR of 63% over FY16–18, led by the 49% CAGR in revenue due to capacity expansions. Revenue growth will be driven by 34% revenue CAGR in Mango SIP while Fruits Up to post higher revenue CAGR of 83% over the same period. Accordingly, we expect Fruits Up to increase its share from 19% in FY16 to 31% in FY18E. Seasonally, the first and fourth quarters are the strongest for sales of mango-based drinks; for MANB, the two quarters account for ~70% of annual sales. Inclusion of Fruits Up would help de-risk seasonality as it would be sold through the year. Capacities for fruit drinks are fungible; hence, addition of products to the portfolio shall further augment capacity utilization. It would also aid in addition of other fruit drink products on an annual basis.

Exhibit 22: Revenues to post 49% CAGR over FY16–18



Source: Company, MOSL

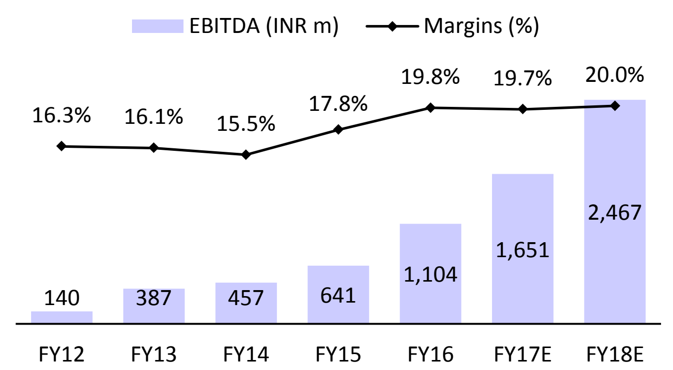
Exhibit 23: Diversification into new products (% share)



Source: Company, MOSL

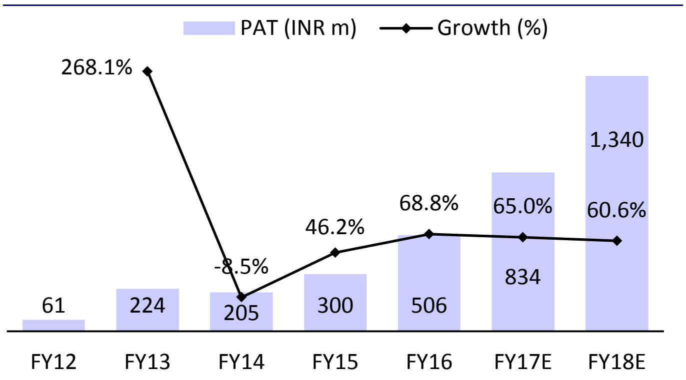
We expect EBITDA margins to largely remain unchanged over FY16-18E as company is likely to pass on the benefits of higher utilization towards promotional spends. The PAT margins will expand from 9.1% in FY16 to 10.9% in FY18 on account of deleveraging of balance sheet as company has retired its debt through IPO proceeds in FY16. Additionally, the company will continue to enjoy lower tax rate of 11% due to tax benefits under Income Tax Act (section 80IB 11A) and lower indirect taxes.

Exhibit 24: EBITDA to register a CAGR of 49% over FY16–18



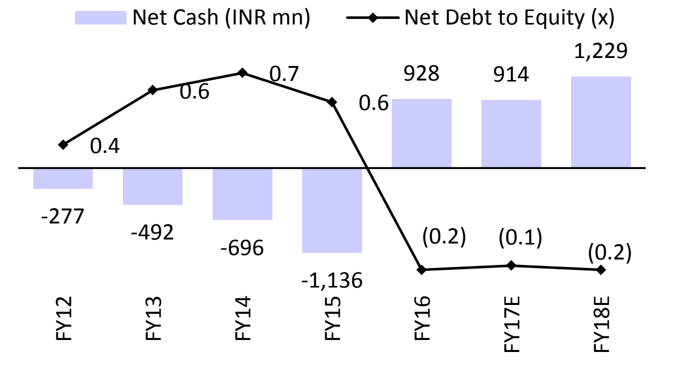
Source: Company, MOSL

Exhibit 25: PAT to record a CAGR of 63% during FY16–18



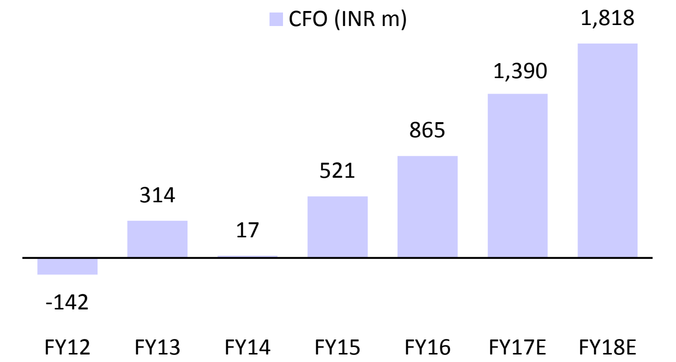
Source: Company, MOSL

Exhibit 26: Continue to remain debt free



Source: Company, MOSL

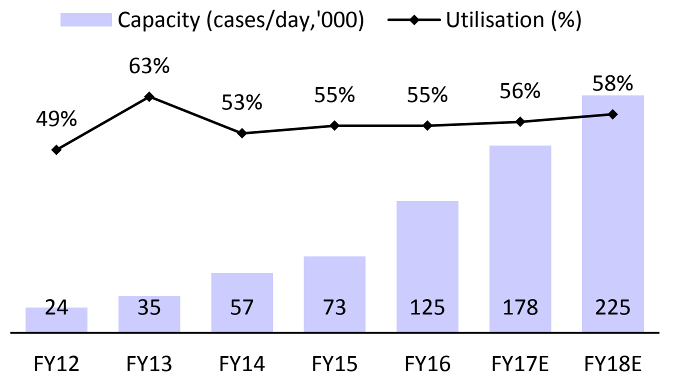
Exhibit 27: Cash flow from operations set to increase



Source: Company, MOSL

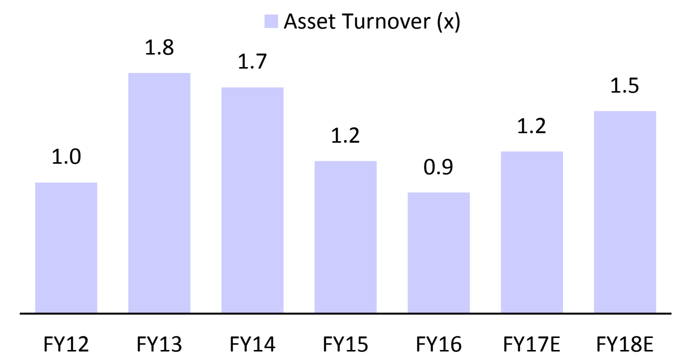
High topline growth will be supported by expansion of capacities by 80% over FY16-18. It aims to increase capacity from 125,000 cases per day in FY16 to 225,000 cases per day in FY18. The new capacities will come up in Ambala (Haryana) with 50,000 cases per day in FY17 and another 10,000 cases per day in FY18. Remaining capacities to come up in Vadodara unit 2 and Varanasi.

Exhibit 28: Utilization to grow on expanded capacities



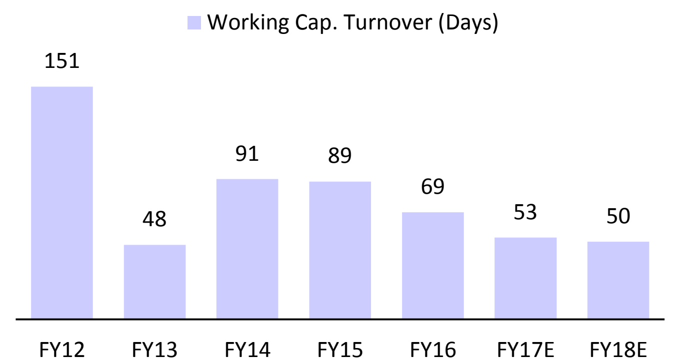
Source: Company, MOSL

Exhibit 29: Asset turnover to improve to 1.5x in FY18



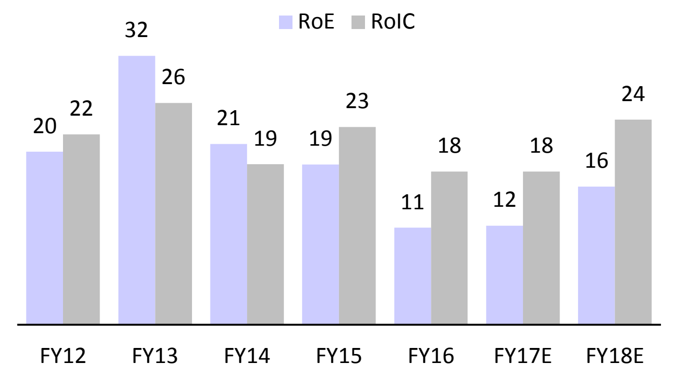
Source: Company, MOSL

Exhibit 30: Management to focus on reducing WC



Source: Company, MOSL

Exhibit 31: Higher utilization to improve return ratios



Source: Company, MOSL

Valuation and view

Initiate with a Buy

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 increase its capacity by 80% over FY16–18 (58% increase for fruit drinks and 300% for carbonated fruit drinks) 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 now contributes 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 believe, margins will remain resilient at 20% as the contribution of high margin Fruits Up business will increase from 19% in FY16 to 31% in FY18E. Additionally, company has also recently increased prices of its products to neutralize the impact of increase in raw material prices and inspite of it the company continues to face stock out situation at many instances. This also signifies pricing power and company will be in a situation to pass on any further increase in raw material prices.
- The RoIC for the company will increase from 18% in FY16 to 24% in FY18E which has further scope of expansion as the capacities will get fully utilized over next 3-4 years as the contribution of Fruits Up will increase. Higher contribution from Fruits Up over a period of time will help to reduce the seasonality attached to utilization. Over FY16-18E, utilization will increase from 55% to 58% on an increased capacity from 125,000 cases per day to 225,000 cases per day over FY16-18.
- We expect sales and PAT CAGR of 49% and 63% respectively over FY16-18 translating into improvement of post tax ROIC/ ROE from 18%/11% in FY16 to 24%/16% respectively in FY18. At current levels, the stock trades at PE of 31x/19x FY17/18E EPS. We value the stock at PE of 28x FY18 EPS of INR26.8 which is justified based on low PEG ratio of 0.3x compared average PEG ratio of 1.6x of peer companies, debt free status and strong CFO generation of INR1.4b/1.8b in FY17/18. **We initiate coverage with a 'Buy' arriving at a price target of INR750**, implying 44% upside from current levels

Exhibit 32: Assumption sheet

	FY12	FY13	FY14	FY15	FY16	FY17E	FY18E
Installed Capacity per day							
Tetra Pak Case - Fruit Drinks	12,000	19,750	26,667	30,000	40,000	50,000	50,000
Pet Bottle Case - Fruit Drinks	12,000	15,250	30,000	32,500	67,500	85,000	120,000
Pet Bottle Case - Carbonates	-	-	-	10,000	17,500	42,500	55,000
Revenues (INR m)	**857**	**2,396**	**2,932**	**3,622**	**5,567**	**8,380**	**12,336**
Fruit Drinks	857	2,345	2,850	3,332	5,243	7,437	10,724
Carbonates	-	-	-	137	324	960	1,358
Others	-	52	81	153	-	150	500
Revenue Growth (%)		**180%**	**22%**	**24%**	**54%**	**54%**	**47%**
Fruit Drinks		174%	22%	17%	57%	40%	40%
Carbonates					136%	196%	41%

Source: Company, MOSL

(**One tetra pack case** contains 27 pieces of 200 ml or 160 ml each or 64 cases of 100 ml each, while **one PET bottle case** contains: a) six PET bottles of two liters each, or b) 12 PET bottles of 1,200 ml each, or c) 24 PET bottles of 160/200/250/500/600 ml each, or d) 50 PET bottles of 125 ml each.)

Exhibit 33: Peer valuation

Company Name	PE		EV/EBITDA		RoE %		RoCE %		EV/Sales		PEG		Sales CAGR FY16-18E	PAT CAGR FY16-18E
	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E	FY17E	FY18E		
Dabur India Ltd	36	31	30	26	31	30	29	28	5	5	2.3	2.1	13	15
Britannia Industries Ltd	34	29	23	20	46	42	42	37	3	3	2.5	1.4	13	17
Hindustan Unilever Ltd	39	34	27	23	114	129	177	209	5	4	3.1	2.1	11	14
Jubilant Foodworks Ltd	47	34	20	15	20	23	22	26	2	2	1.2	0.9	22	38
Manpasand Beverages Ltd*	**31**	**19**	**15**	**10**	**12**	**16**	**13**	**18**	**3**	**2**	**0.5**	**0.3**	**49**	**63**

*MOSL Estimates

Bull & Bear case

Bull case

- Our bull case assumptions have positive impact on sales growth and operating margins. We assume higher capacity utilization on account strong traction in Fruits Up. Additionally, we assume prices of critical raw material like mango pulp and sugar decrease for FY17E and FY18E.
- Instead of assuming a flattish EBITDA margins over FY16-18E in the base case due to raw material prices remaining steady, we are assuming 100bps YoY improvement each for FY17E and FY18E and 5% increase in sales each year over base case. In the base case we are expecting over 20 bps increase in EBITDA margin over FY16-18E.
- In the bull case we are assuming that company will not pass on benefit on lower raw material prices and thus enjoy higher margins. Company has recently taken price increases to neutral the impact of recent price increase in raw material.
- There is an increase of 16% in FY17E EPS and 24% in FY18E EPS over the base case EPS to INR19.3 and INR33.2 respectively.
- Assuming the same 28x target multiple that we have taken for the base case, we get a bull case target price of INR929 (upside of 79% to CMP) based on FY18 EPS instead of the base case target price of INR750, upside of 44%.

Exhibit 34: Bull case scenario

	FY16	FY17E	FY18E
Sales (INR m)	5,567	8,691	12,972
Sales growth (%)	54.7	56.1	49.3
EBITDA (INR m)	1,104	1,799	2,828
EBITDA Margin (%)	19.8	20.7	21.8
EBITDA growth (%)	72.2	62.9	57.2
PAT (INR m)	506	966	1,661
PAT Margin (%)	9.1	11.1	12.8
PAT growth (%)	68.8	91.1	71.9
EPS (INR)	10.1	19.3	33.2
Target multiple (x)			28
Target price (INR)			929
Upside/downside (%)			79

Source: Company, MOSL

Bear case

- Our bear case assumptions mainly have a negative impact on both sales growth and operating margins for FY17E and FY18E.
- We are assuming a EBITDA margin decline of 140bp over FY16-18E in the bear case and sales decline of 14%/20% in FY17E/FY18E over our base case.
- In our bear case, we assume that new capacities get delayed which has a negative impact of sales volume growth and also impacts the growth of high margin Fruits Up business. Additionally, we assume the company is unable to pass on the increase in raw material prices and the benefits of operating leverage will also get delayed.
- This will lead to decrease of 33% in FY17E EPS and 43% decrease in FY18E EPS over the base case to INR11.3 and INR15.2 respectively.

- Assuming the same 28x target multiple that we have taken for the base case, we get a bear case target price of INR424 (downside of 18% to CMP) based on FY18 EPS instead of the base case target price of INR750, upside of 44%.

Exhibit 35: Bear case scenario

	FY16	FY17E	FY18E
Sales (INR m)	5,567	7,197	9,856
Sales growth (%)	54.7	29.3	36.9
EBITDA (INR m)	1,104	1,346	1,814
EBITDA Margin (%)	19.8	18.7	18.4
EBITDA growth (%)	72.2	21.9	34.7
PAT (INR m)	506	563	758
PAT Margin (%)	9.1	7.8	7.7
PAT growth (%)	68.8	11.4	34.7
EPS (INR)	10.1	11.3	15.2
Target multiple (x)			28
Target price (INR)			424
Upside/downside (%)			-18

Source: Company, MOSL

Industry overview

Beverages market presents a huge opportunity with rising consumer spends

Soft drinks represent significant market opportunity

The Indian soft drinks market was pegged at 12b liters in volume terms and INR524b in value terms in 2015, implying a CAGR of 17.9% and 18.7%, respectively, over 2010–15. Per capita consumption of soft drinks stood at ~10 liters per annum compared to ~160 liters in the US, indicating significant growth potential.

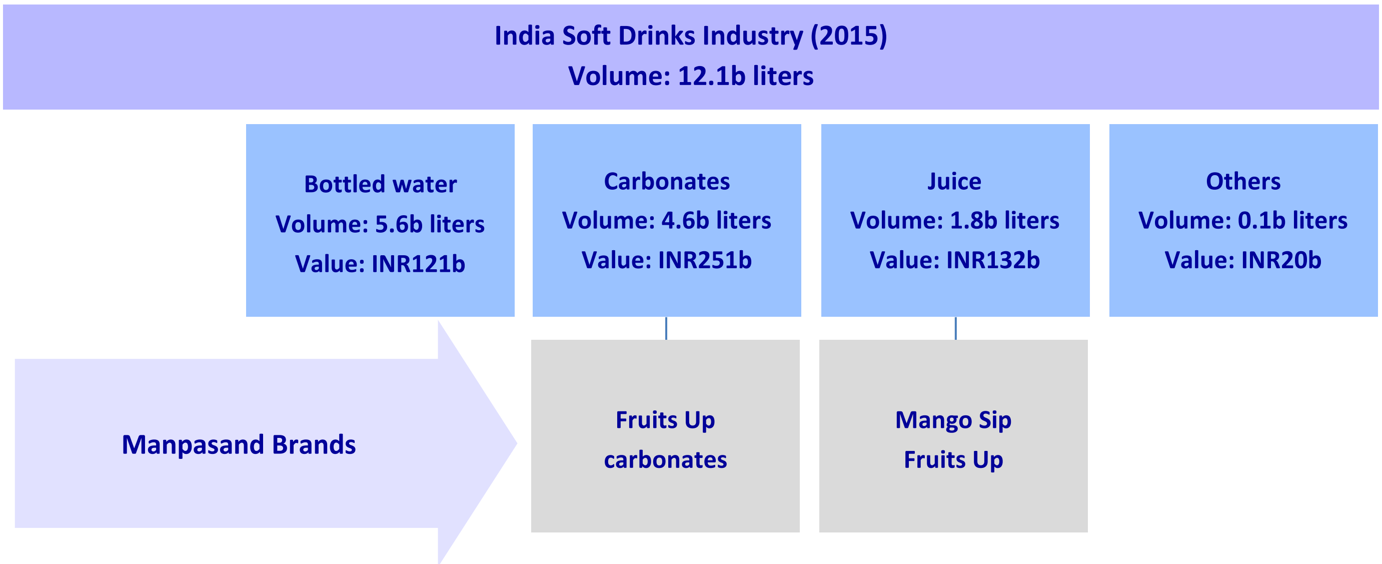
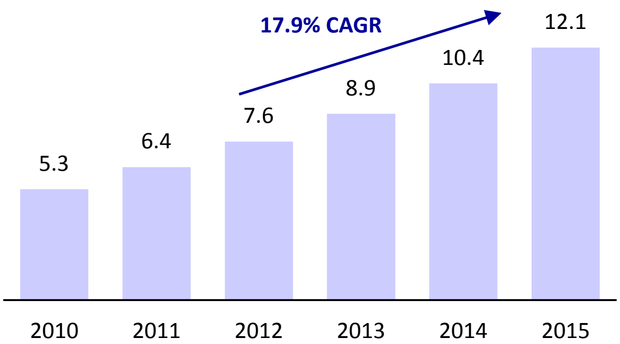
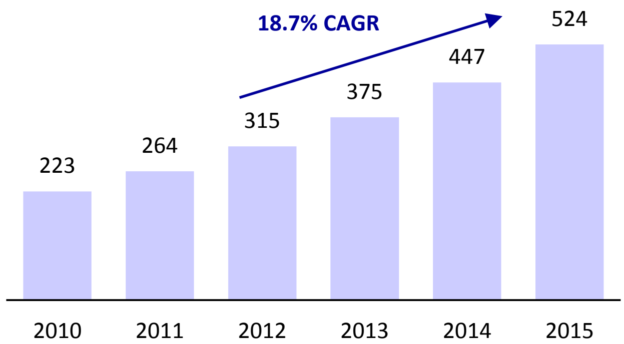


Exhibit 36: Soft drinks volume trend (bn litres)



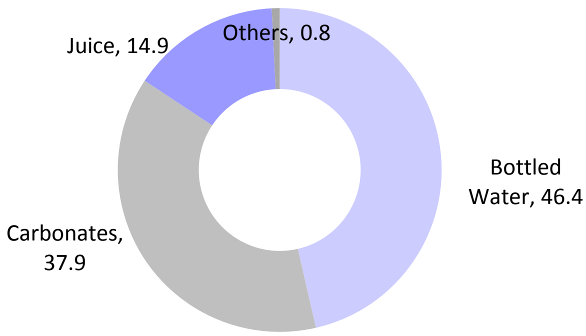
Source: Euromonitor International March 2016

Exhibit 37: Soft drinks value trend (INR bn)



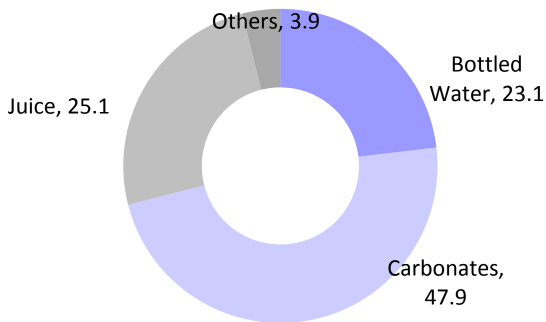
Source: Euromonitor International March 2016

Exhibit 38: Soft drinks volume mix (%) - 2015



Source: Euromonitor International March 2016

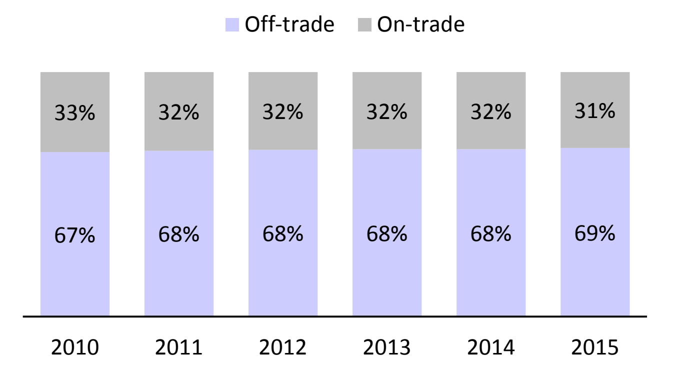
Exhibit 39: Soft drinks value mix (%) - 2015



Source: Euromonitor International March 2016

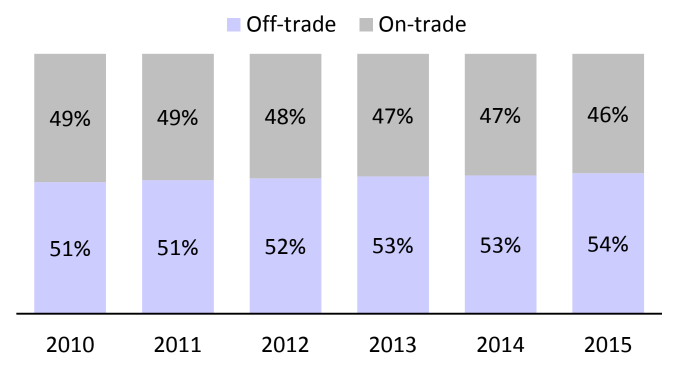
In terms of distribution channels, the soft drinks market is divided into off-trade and on-trade**. Off-trade sales** refer to those undertaken at retail outlets such as grocery stores, hypermarkets, supermarkets etc. **On-trade sales** consist of sales at food service outlets, restaurants, bars, and clubs, among others. The distinction between off-trade and on-trade channels is significant as the latter generally takes place at higher sales prices, and hence, impacts the break-up in value terms.

Exhibit 40: Off-trade vs On-trade volume mix



Source: Euromonitor International March 2016

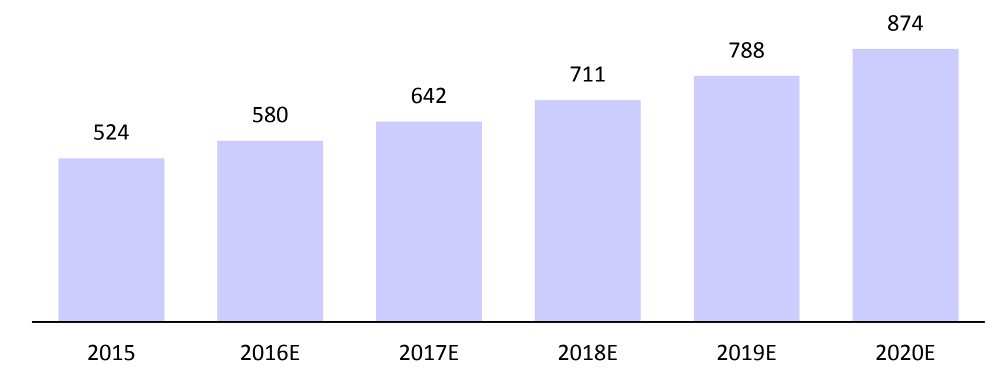
Exhibit 41: Off-trade vs On-trade value mix



Source: Euromonitor International March 2016

As per Euromonitor International March 2016 International March 2016, the soft drinks market is expected to post a CAGR of 10.8% over 2015–20 and reach INR874b, with on-trade rising 8.2% and off-trade growing 12.8%. Overall, volume CAGR is estimated at 22%.

Exhibit 42: Soft drinks market to post 11% CAGR over 2015-20



Source: Euromonitor International March 2016

Juice market pegged at INR132b

The Indian juice industry was pegged at INR132b in 2015, with 77% being off-trade (INR101b) and the remaining on-trade. The juice market is divided into three categories: 100% juice, nectars and Juice drinks.

Exhibit 43: Juice consists of three categories

Category	Fruit content	Target income segment	Off-trade value CAGR 2010–15
100% juice	100%	High	31%
Nectars	25% and above	Mid-high	26%
Juice drinks	Up to 24%	Low-mid	27%

Source: Euromonitor International March 2016

Under off-trade, the juice drink market was the largest segment at 71% in value terms and 81% in volume terms in 2015. Juice drinks posted a value CAGR of 27.2% and volume CAGR of 22.4% over 2010–15.

Manpasand is present in Juice drinks market through its brands Mango SIP and Fruits Up

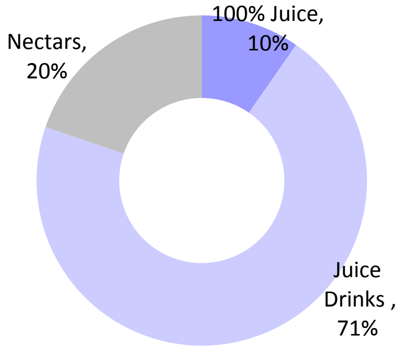
Exhibit 44: Summary of the juice market (2015)

	INR b
On trade	**30**
Off-trade	**101**
100% Juice	10
Juice Drinks	**72**
Nectars	20
Total	**132**

Source: Euromonitor International March 2016

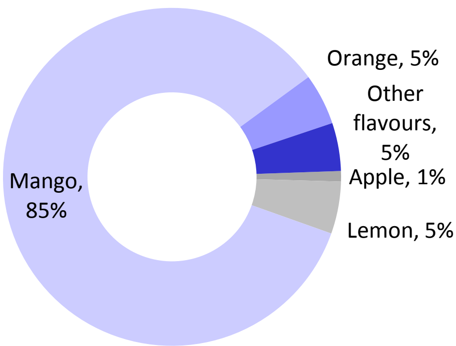
Mango is the largest selling flavor in the juice drink category, contributing 85% to off-trade volumes. MANB is a player in this segment, which was estimated at INR72b (off-trade) as of 2015 and is expected to reach INR191b by 2020.

Exhibit 45: Juice drinks account for 71% market share



Source: Euromonitor International March 2016

Exhibit 46: Mango contributes 85% to off-trade volumes

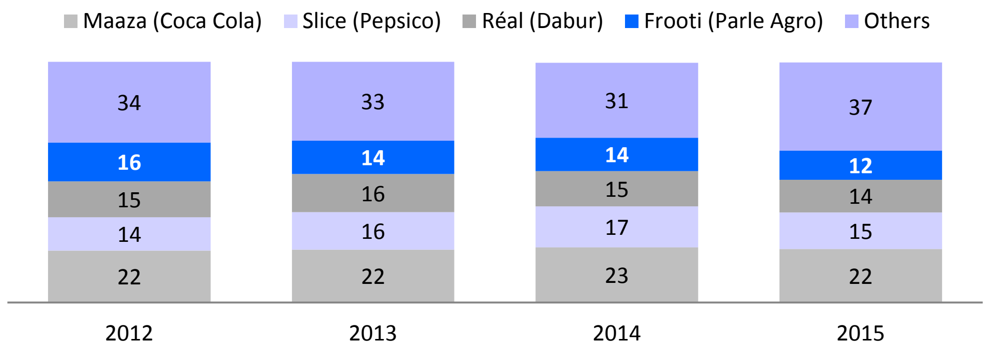


Source: Euromonitor International March 2016

Maaza leads the juice drinks market

In value terms, Maaza by Coca Cola led the off-trade market with a 22% share in 2015, followed by Slice by Pepsico (15%). MANB, along with other smaller players, accounted for 20%.

Exhibit 47: Brandwise value market share change (%) – Off-trade



Source: Euromonitor International March 2016

Indian off-trade juice drink market expected to reach INR192b by 2020

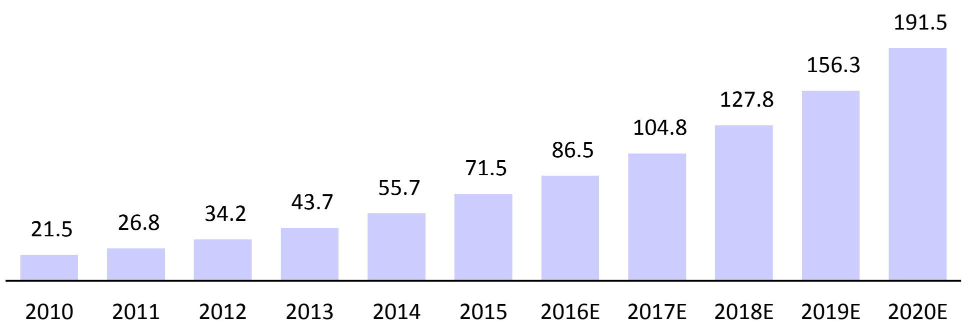
The off-trade juice drink market (71% of the total off-trade juice market in 2015 in value terms) is expected to reach INR192b by 2020. MANB's target category (juice drinks) is projected to increase 23.6% in volume and 21.8% in value. Consumers are expected to shift from carbonated drinks to juices due to rising health awareness and changing food habits. Growth in nectars and juice drinks is estimated to be at a faster pace, vis-à-vis 100% juice, as higher prices and stressful lifestyles may restrict demand for the latter.

Exhibit 48: Category-wise breakdown of expected growth rates in the off-trade market over 2015–20

Product	Volume CAGR	Value CAGR
100% juice	19.0%	18.5%
Juice drinks	**23.6%**	**21.8%**
Nectars	11.2%	9.8%
Overall juice market	**22.0%**	**19.4%**

Source: Euromonitor International March 2016

Exhibit 49: Off-trade Juice drinks market to post value CAGR of 21.8% (2015-20)

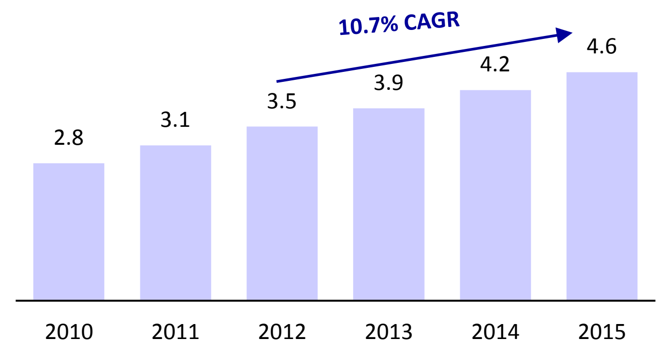


Source: Euromonitor International March 2016

Indian carbonates market pegged at INR251b

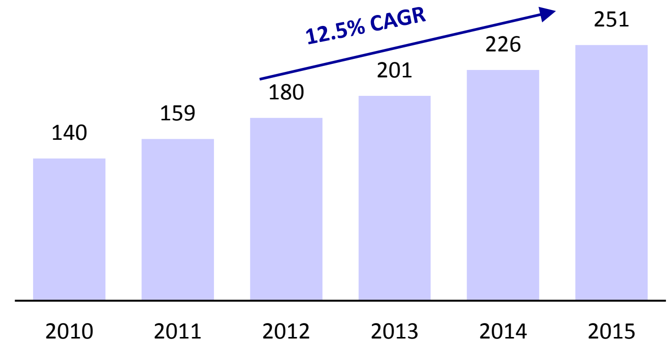
The carbonates market was worth INR251b in 2015, with volumes aggregating 4.6b liters growing at 10.7% CAGR on volume terms and 12.5%in value terms.

Exhibit 50: Carbonates volume trend (bn litres)



Source: Euromonitor International March 2016

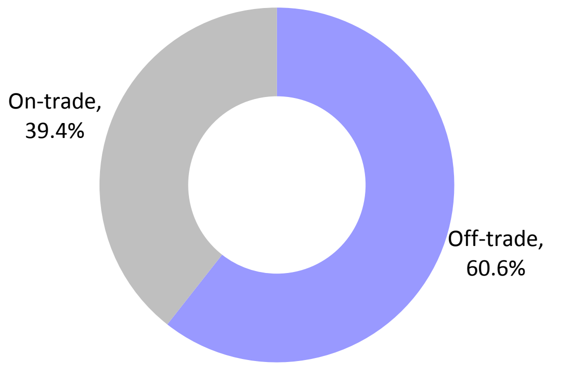
Exhibit 51: Carbonates value trend (INR bn)



Source: Euromonitor International March 2016

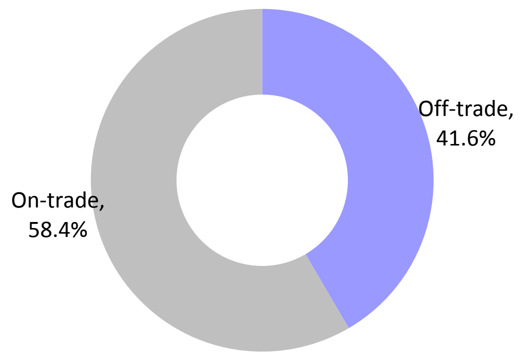
The off-trade channel contributed 60.6% by volume, but just 41.6% by value. Consequently, on-trade accounted for majority of sales owing to higher prices in QSRs, multiplexes, clubs, etc. The consumption trend in such places is greater for a segment like carbonates.

Exhibit 52: Carbonates off-trade vs on-trade mix (Volume)



Source: Euromonitor International March 2016

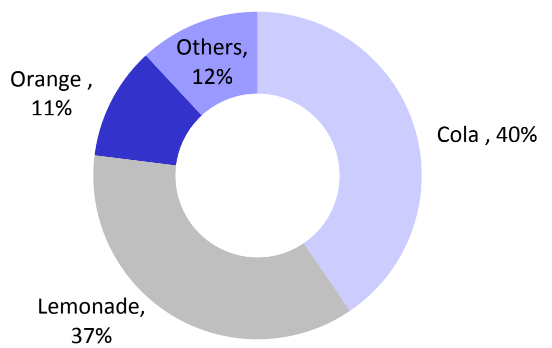
Exhibit 53: Carbonates off-trade vs on-trade mix (INR bn)



Source: Euromonitor International March 2016

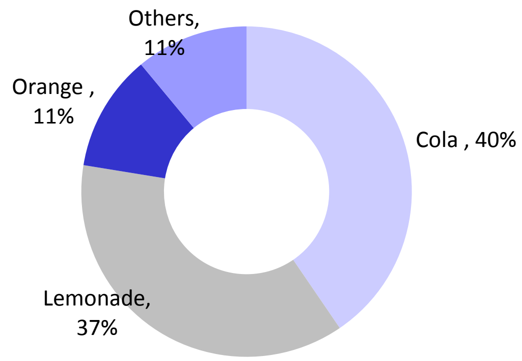
Cola-based carbonates contributed 40%, while lemonade/lime-based carbonates accounted for 37% of the off-trade carbonate volume; a similar pattern was visible in value terms.

Exhibit 54: Off-trade volume break up



Source: Euromonitor International March 2016

Exhibit 55: Off-trade value break up

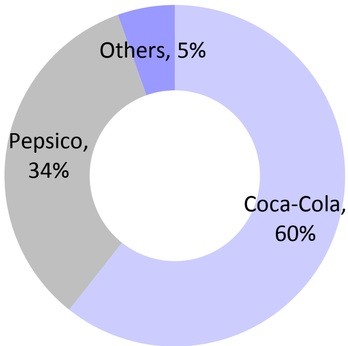


Source: Euromonitor International March 2016

Carbonates market dominated by Coca Cola and Pepsi

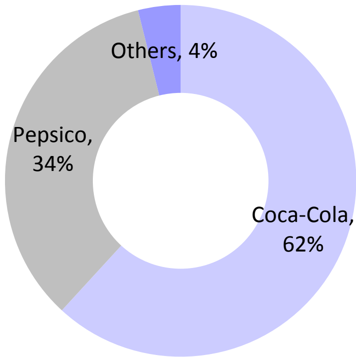
The carbonates market in India is duopolistic in nature; in terms of volume, Coca Cola and Pepsi accounted for 95% of the total off-trade market in 2015. Coca Cola contributed 60%, with a strong product portfolio including Sprite, Thums Up, Coca-Cola, Limca and Fanta, while Pepsi (34%) was the second largest player.

Exhibit 56: Off-trade value share (2015)



Source: Euromonitor International March 2016

Exhibit 57: Off-trade volume share (2015)



Source: Euromonitor International March 2016

Exhibit 58: Brand-wise value market share (2015)

Brand	Market share
Sprite (Coca-Cola)	20%
Thums Up (Coca-Cola)	16%
Pepsi	14%
Limca (Coca-Cola)	9%
Coca-Cola	9%
Mountain Dew (Pepsi)	7%
7-Up (Pepsi)	6%
Mirinda (Pepsi)	5%
Fanta (Coca-Cola)	5%
Others	9%

Source: Euromonitor International March 2016

Off-trade carbonates market expected to reach INR125b in 2020

In the off-trade market, carbonates posted a CAGR of 12.8% in value terms and 10.9% in volume terms during 2010–15. Lemonades registered a strong growth of 17.5% during the same period, while cola carbonates rose 11.4%. Going forward, growth is expected to normalize, with volumes expanding at a CAGR of 7.7% over 2010–15, resulting in a value CAGR of 3.8%. Lemonade/lime-based carbonate volume is forecast to register a CAGR of 11% (6.4% in value) and cola-based carbonates at 5.6% (2.1% in value).

Manpasand has a differentiated offering in the category with fruit based carbonates under brand Fruits Up

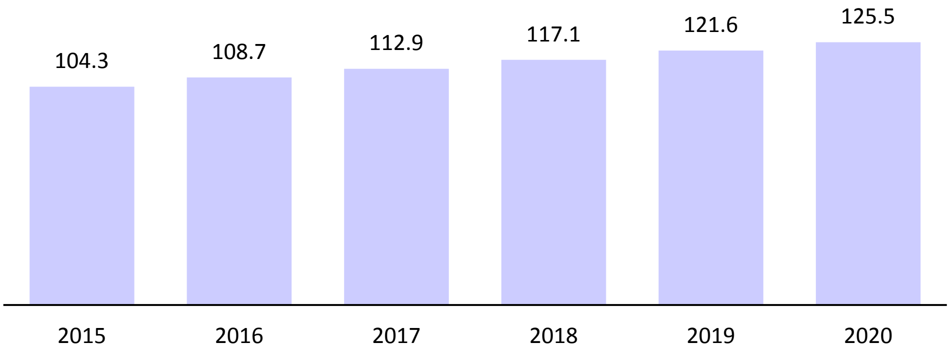
Exhibit 59: Expected growth in off-trade carbonates over FY14–19

Product	Volume CAGR	Value CAGR
Cola	5.6%	2.1%
Lime/Lemonade	11.0%	6.4%
Orange	1.9%	-1.7%
Carbonates overall	**7.7%**	**3.8%**

Source: Euromonitor International March 2016

Growth in lemonade/lime-based carbonates is expected to outpace that in cola and the overall carbonates market as they are perceived to be healthier options. The shift in preferences to healthier alternatives shall augur well for brands offering carbonates with fruit contents.

Exhibit 60: Off-trade carbonates market to grow at CAGR of 4% over 2015-20 (INR b)



Source: Euromonitor International March 2016

Key risks

Competitive intensity

MANB competes with global multinationals such as Coca Cola and Pepsico as well as large-sized Indian companies like Parle, Dabur, etc. Competitors are larger in scale and have significant resources at their disposal.

Product concentration

Mango Sip contributed 97% to revenues in FY14 and 80% in FY16. MANB was largely a single product entity until FY14, wherein the company launched Fruits Up and Manpasand ORS. Though we are optimistic about the prospects of a ramp-up in new products, Mango Sip would continue to remain the major revenue contributor.

Channel concentration

MANB gains 20–22% of revenues from IRCTC's empaneled vendors. In the past, IRCTC shifted to its brand of bottled water from other brands. While we believe such a step in fruit drinks is less likely, any such policy change can impact MANB's revenues. However, there exists sufficient alternate sales channels.

Slowdown in economy

The company's products are a part of discretionary spending and might have tepid demand in the event of an economic slowdown.

Seasonality and weather impact

MANB's sales are subject to seasonal variations, where sales in the first and fourth quarters comprise ~68–69% of revenues due to the summer season. However, the weather also has an impact on demand, which is generally lower at times of a cooler summer, strong monsoon and winter.

Management overview

Mr Dhirendra Singh, Chairman & Managing Director

Mr Singh, promoter and founder of the company, serves as Chairman and Managing Director. He holds a BA degree and was previously employed at ONGC and Petrofils Limited. He has 15+ years of experience in the food and beverages industry.

Mr Abhishek Singh, Whole-time Director

Mr Abhishek Singh, son of Dhirendra Singh and a Whole-time Director, has been associated with MANB since incorporation. He holds a Bachelor of Engineering degree in Food Technology and has three years of experience in the food & beverages industry. He oversees operations, with a special focus on marketing.

Mr Dharmendra Singh, Whole-time Director

Mr Dharmendra Singh, brother of Dhirendra Singh, is a Whole-time Director and has been associated with the company since November 2011. He holds a Bachelor of Arts degree.

Mr Dhruv Agrawal, Director – Finance and Investor Relations

Mr Agrawal serves as a Non-executive, Non-independent Director of MANB. He is a Chartered Accountant and is responsible for investor relations.

Mr Paresh Thakkar, Chief Financial Officer

Mr Thakkar holds the position of Chief Financial Officer in the company.

Financials and Valuation

Standalone - Income Statement							(INR Million)
Y/E March	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17E**	**FY18E**
Total Income from Operations	**857**	**2,398**	**2,943**	**3,598**	**5,567**	**8,380**	**12,336**
Change (%)		180.0	22.7	22.2	54.7	50.5	47.2
Total Expenditure	**717**	**2,011**	**2,486**	**2,956**	**4,463**	**6,729**	**9,869**
% of Sales	83.7	83.9	84.5	82.2	80.2	80.3	80.0
EBITDA	**140**	**387**	**457**	**641**	**1,104**	**1,651**	**2,467**
Margin (%)	16.3	16.1	15.5	17.8	19.8	19.7	20.0
Depreciation	46	102	149	205	571	823	1,093
EBIT	**94**	**286**	**308**	**436**	**533**	**828**	**1,374**
Int. and Finance Charges	30	43	77	107	57	0	0
Other Income	4	3	1	4	91	110	131
PBT	**68**	**246**	**231**	**334**	**567**	**938**	**1,506**
Current Tax	7	25	24	36	62	103	166
Deferred Tax	0	-2	2	-2	0	0	0
Tax Rate (%)	10.7	9.1	11.5	10.2	10.9	11.0	11.0
PAT	**61**	**224**	**205**	**300**	**506**	**834**	**1,340**
Change (%)		268.1	-8.5	46.2	68.8	65.0	60.6
Margin (%)	7.1	9.3	7.0	8.3	9.1	10.0	10.9

Standalone - Balance Sheet							(INR Million)
Y/E March	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17E**	**FY18E**
Equity Share Capital	25	25	25	376	501	501	501
Total Reserves	502	722	923	1,534	5,515	6,266	7,472
Net Worth	**536**	**756**	**957**	**1,909**	**6,016**	**6,767**	**7,973**
Deferred Tax Liabilities	1	0	1	0	0	0	0
Total Loans	318	548	743	1,179	0	0	0
Capital Employed	**855**	**1,304**	**1,701**	**3,088**	**6,016**	**6,766**	**7,973**
Gross Block	399	927	1,213	1,345	3,573	5,323	6,823
Less: Accum. Deprn.	0	0	294	499	1,070	1,892	2,986
Net Fixed Assets	**399**	**927**	**919**	**847**	**2,503**	**3,430**	**3,837**
Capital WIP	0	0	0	1,316	1,520	1,200	1,200
Total Investments	**60**	**2**	**2**	**0**	**6**	**6**	**6**
Curr. Assets, Loans & Adv.	**528**	**707**	**1,036**	**1,341**	**2,579**	**3,205**	**4,555**
Inventory	160	207	416	424	704	1,106	1,649
Account Receivables	204	326	478	593	677	849	1,183
Cash and Bank Balance	41	56	47	43	928	914	1,229
Loans and Advances	123	118	95	280	270	335	493
Curr. Liability & Prov.	**133**	**334**	**257**	**417**	**593**	**1,076**	**1,627**
Account Payables	79	184	176	225	450	701	1,082
Other Current Liabilities	38	95	56	95	130	251	370
Provisions	16	56	26	98	13	124	175
Net Current Assets	**395**	**373**	**779**	**924**	**1,986**	**2,129**	**2,928**
Deferred Tax assets	1	2	1	1	1	1	1
Appl. of Funds	**855**	**1,304**	**1,701**	**3,088**	**6,016**	**6,766**	**7,973**

E: MOSL Estimates

Financials and Valuation

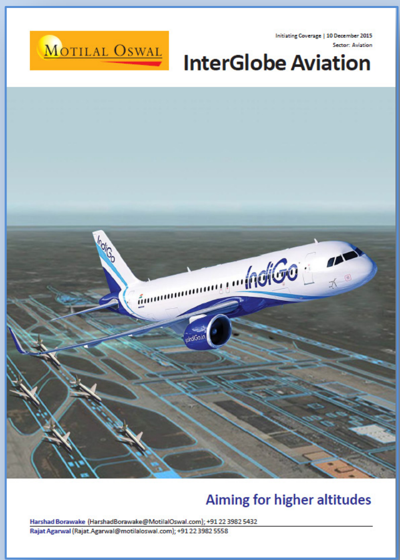
Ratios							
Y/E March	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17E**	**FY18E**
Basic (INR)							
EPS	**1.6**	**6.0**	**5.5**	**8.0**	**10.1**	**16.7**	**26.8**
Cash EPS	2.8	8.7	9.4	13.4	21.5	33.1	48.6
BV/Share	14.3	20.1	25.5	50.8	120.2	135.2	159.3
DPS	0.0	0.1	0.1	1.3	1.0	1.7	2.7
Payout (%)	0.0	1.7	1.9	19.7	9.9	10.0	10.0
Valuation (x)							
P/E				65.2	51.5	31.2	19.4
P/BV				10.2	4.3	3.8	3.3
EV/Sales				5.7	4.5	3.0	2.0
EV/EBITDA				32.2	22.7	15.2	10.1
Dividend Yield (%)				0.3	0.2	0.3	0.5
FCF per share				-28.2	-38.3	-0.8	6.4
Return Ratios (%)							
RoE	20.3	31.5	21.2	18.8	11.4	11.6	16.2
RoCE	20.5	24.3	18.2	16.5	12.2	13.1	18.2
RoIC	22.3	26.0	18.8	23.2	18.0	18.0	24.0
Working Capital Ratios							
Asset Turnover (x)	1.0	1.8	1.7	1.2	0.9	1.2	1.5
Inventory (Days)	68	32	52	43	46	48	49
Debtor (Days)	86	49	58	59	44	36	34
Creditor (Days)	34	28	22	23	30	31	32
Working Cap. Turnover (Days)	151	48	91	89	69	53	50
Leverage Ratio (x)							
Debt/Equity	0.6	0.7	0.8	0.6	0.0	0.0	0.0

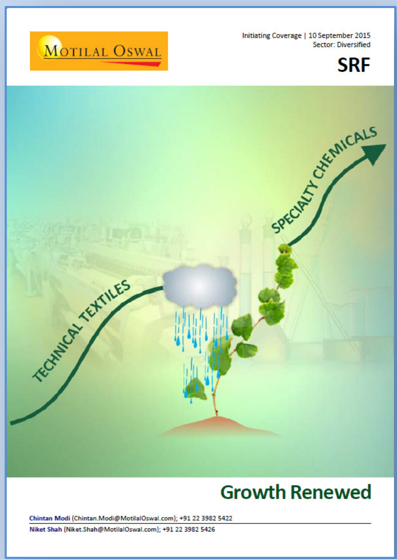
Standalone - Cash Flow Statement							(INR Million)
Y/E March	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**	**FY17E**	**FY18E**
OP/(Loss) before Tax	68	247	232	333	567	938	1,506
Depreciation	46	102	149	205	571	823	1,093
Interest & Finance Charges	27	40	77	102	-34	-110	-131
Direct Taxes Paid	-3	-61	-28	-55	-62	-103	-166
(Inc)/Dec in WC	-279	-13	-412	-65	-177	-157	-484
CF from Operations	**-142**	**314**	**17**	**521**	**865**	**1,390**	**1,818**
Others	2	5	6	6	-349	0	0
CF from Operating incl EO	**-140**	**319**	**23**	**527**	**516**	**1,390**	**1,818**
(Inc)/Dec in FA	-521	-553	-147	-1,586	-2,431	-1,430	-1,500
Free Cash Flow	**-660**	**-234**	**-124**	**-1,059**	**-1,915**	**-40**	**318**
CF from Investments	**-577**	**-492**	**-146**	**-1,582**	**-2,346**	**-1,320**	**-1,369**
Issue of Shares	475	0	0	263	4,000	0	0
Inc/(Dec) in Debt	318	230	195	436	-1,179	0	0
Interest Paid	-30	-43	-77	-101	-57	0	0
Dividend Paid	0	0	0	-4	-50	-83	-134
Others	-29	0	-4	458	0	0	0
CF from Fin. Activity	**734**	**187**	**114**	**1,051**	**2,714**	**-83**	**-134**
Inc/Dec of Cash	**18**	**15**	**-9**	**-4**	**884**	**-13**	**315**
Opening Balance	23	41	56	47	43	927	914
Closing Balance	**41**	**56**	**47**	**43**	**927**	**914**	**1,229**

E: MOSL Estimates

REPORT GALLERY

RECENT INITIATING COVERAGE REPORTS





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SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudge violation of SEBI Regulations; MOSL replied to the Show Cause Notice whereby SEBI granted us an opportunity of Inspection of Documents. Since all the documents requested by us were not covered we have requested to SEBI vide our letter dated June 23, 2015 to provide pending list of documents for inspection.

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