

Manpasand Beverages

BSE SENSEX

29,993

S&P CNX

9,317



Stock Info

Bloomberg	MANB IN
Equity Shares (m)	57.1
52-Week Range (INR)	776 / 493
1, 6, 12 Rel. Per (%)	-2/-9/16
M.Cap. (INR b)	39.9
M.Cap. (USD b)	0.6
Avg Val, INRm	73
Free float (%)	55.9

Financials Snapshot (INR b)

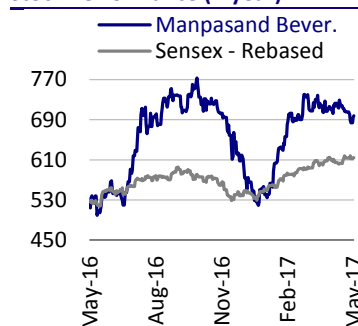
Y/E Mar	FY17E	FY18E	FY19E
Sales	7.6	11.4	16.9
EBITDA	1.5	2.3	3.4
NP	0.8	1.3	1.8
EPS (INR)	13.3	22.0	31.1
EPS Gr. (%)	31.7	65.3	41.6
BV/Sh. (INR)	203.4	219.8	241.6
RoE (%)	7.7	9.3	13.5
RoCE (%)	8.7	10.4	15.2
P/E (x)	52.5	31.7	22.4
P/BV (x)	3.4	3.2	2.9

Shareholding pattern (%)

As On	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

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR698
TP: INR841(+20%)
Buy
Growth continues to remain strong; Maintain buy
Cutting estimates on delay in fourth plant

- **Part of new capex to be delayed:** Post QIP of INR5b, Manpasand Beverages' (MANB) plan to double capacity from 177,500cpd to 377,500cpd is largely on track. The company has already finalized land for three work-in-progress plants at Vadodara, Varanasi and Sri City (South). Each of these plants is expected to contribute capacity of 50,000 cases per day (cpd). The Vadodara plant is expected to be commissioned in 4QFY18, while the Varanasi and Sri City plants are scheduled for commissioning in 1QFY19. The fourth plant planned to be set up in Jharkhand/Orissa to cater to the north-east region is expected to be delayed (by one year to 4QFY19/1QFY20) with land not yet finalized.
- **Fruits Up on strong footing:** Our channel checks suggest that growth in Fruits Up remains strong, driven by the company's focus on advertisement/promotion and the launch of Fruits Up mini pack (160ml) in the carbonates category at an attractive price point of INR10/bottle. The company focuses on advertisement through print/television, and is also active on various social media platforms. Fruits Up contributed 23% of revenue in 3QFY17 (v/s 20% in the year-ago period), with the share expected to increase further to ~30% by FY19. Focusing on the health agenda, the company is planning to launch a drink based on a mix of vegetables and fruits in FY18.
- **Summer season demand very strong, expecting stockouts:** Post adverse impact of demonetization in 3QFY17, MANB is expected to bounce back sharply, aided by the addition of new capacities at the Ambala facility (came on stream in August 2016). Our channel checks suggest that demand at the onset of summer is very encouraging, with most dealers facing stockouts. We observe that its key SKU of 250ml and below continues to be in good demand, especially in the Mango SIP category. In our view, MANB continues to operate at full utilization to cater to growing demand.
- **Valuation and view:** We believe strong summer, along with the focus on advertisement, will drive superior performance at MANB. Demand continues to be strong in the fruit drinks category. However, on account of capacity delay of the fourth plant, we cut earnings estimates by 19% for FY19. The company's presence in low-ASP/SKU products, addition of new capacities and foray into newer geographies provide comfort. Also, the planned advertisement campaign for Fruits Up should complement its recent Fruits Up capacity addition at Ambala. Thus, we expect a robust revenue and PAT CAGR of 45% and 52%, respectively, over FY16-19E. We value the stock at a P/E of 27x FY19E EPS, with a target price of INR841 (20% upside). Reiterate **Buy**.

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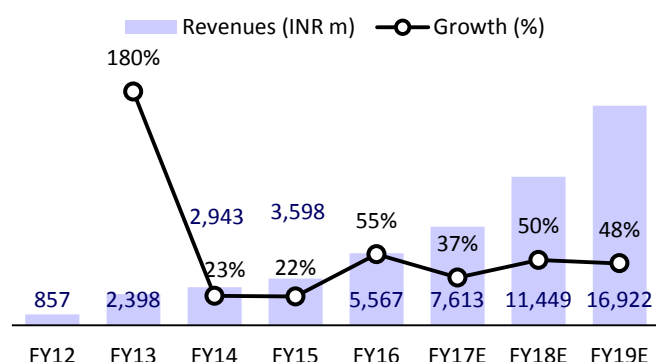
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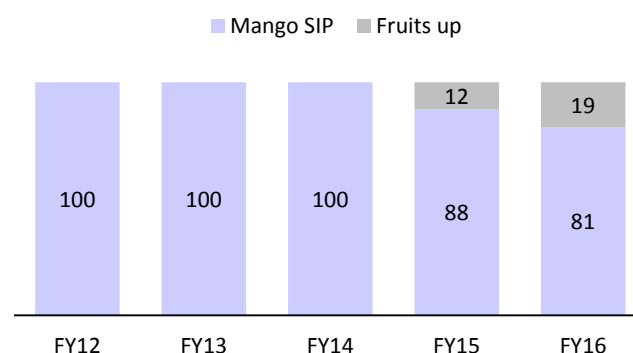
Story in charts

Exhibit 1: Revenues to post 45% CAGR over FY16–19E



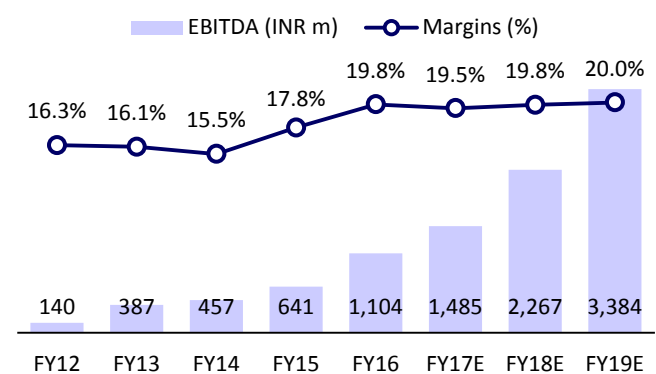
Source: MOSL, Company

Exhibit 2: Increasing contribution from Fruits Up brand



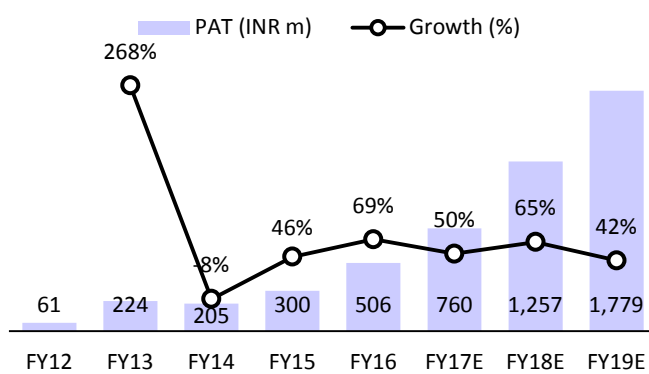
Source: MOSL, Company

Exhibit 3: Margins to remain stable



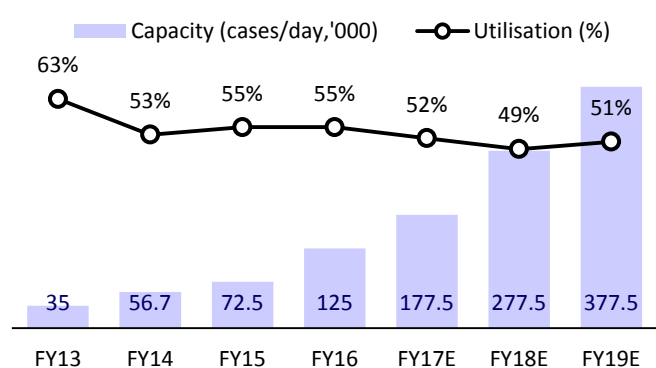
Source: MOSL, Company

Exhibit 4: PAT to post 52% CAGR over FY16–19E



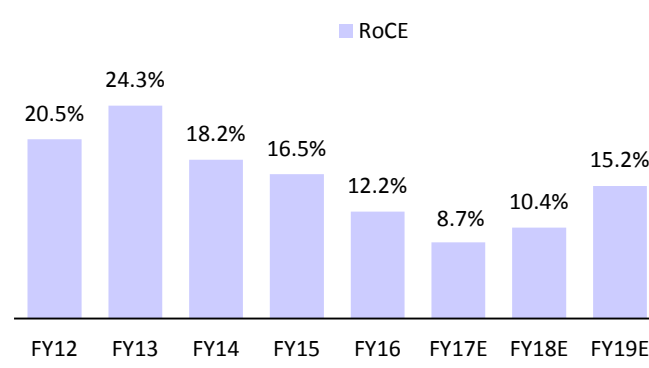
Source: MOSL, Company

Exhibit 5: Utilizations to grow on expanded capacities



Source: MOSL, Company

Exhibit 6: RoCE softened due to fund raising in FY17



Source: MOSL, Company

Exhibit 7: Key assumptions (INR m)

	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
Installed Capacity cases per day							
Tetra Pak Case - Fruit Drinks	19,750	26,667	30,000	40,000	50,000	50,000	50,000
Pet Bottle Case - Fruit Drinks	15,250	30,000	32,500	67,500	85,000	135,000	185,000
Pet Bottle Case - Carbonates	-	-	10,000	17,500	42,500	92,500	142,500
Total	35000	56667	72500	125,000	177,500	277,500	377,500
Revenues Gross (INR m)	2,396	2,932	3,597	5,567	7,763	11,673	17,254
Fruit Drinks	2,345	2,850	3,332	5,233	6,843	9,592	13,697
Carbonates	-	-	113	334	845	1,881	3,257
Others	52	81	153	-	75	200	300
Revenue Growth (%)	180%	22%	23%	55%	39%	50%	48%
Fruit Drinks	174%	22%	17%	57%	31%	40%	43%
Carbonates				196%	153%	123%	73%

Source: Company, MOSL

Financials and Valuations

Standalone - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
Total Income from Operations	2,398	2,943	3,598	5,567	7,613	11,449	16,922
Change (%)	180.0	22.7	22.2	54.7	36.8	50.4	47.8
EBITDA	387	457	641	1,104	1,485	2,267	3,384
Margin (%)	16.1	15.5	17.8	19.8	19.5	19.8	20.0
Depreciation	102	149	205	571	750	1,055	1,535
EBIT	286	308	436	533	734	1,212	1,849
Int. and Finance Charges	43	77	107	57	10	0	0
Other Income	3	1	4	91	130	200	150
PBT bef. EO Exp.	246	231	334	568	854	1,412	1,999
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	246	231	334	568	854	1,412	1,999
Current Tax	25	24	36	61	94	155	220
Deferred Tax	-2	2	-2	1	0	0	0
Tax Rate (%)	9.1	11.5	10.2	10.9	11.0	11.0	11.0
Reported PAT	224	205	300	506	760	1,257	1,779
Adjusted PAT	224	205	300	506	760	1,257	1,779
Change (%)	268.1	-8.5	46.2	68.8	50.3	65.3	41.6
Margin (%)	9.3	7.0	8.3	9.1	10.0	11.0	10.5

Standalone - Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
Equity Share Capital	25	25	376	501	571	571	571
Total Reserves	722	923	1,534	5,515	11,049	11,990	13,235
Net Worth	756	957	1,909	6,016	11,621	12,561	13,806
Deferred Tax Liabilities	0	1	0	0	0	0	0
Total Loans	548	743	1,179	0	0	0	0
Capital Employed	1,304	1,701	3,088	6,016	11,621	12,561	13,806
Gross Block	927	1,213	1,345	3,732	5,532	11,532	13,032
Less: Accum. Deprn.	0	294	499	1,049	1,799	2,853	4,389
Net Fixed Assets	927	919	847	2,684	3,733	8,679	8,643
Capital WIP	0	0	1,316	1,339	1,200	1,200	1,200
Total Investments	2	2	0	6	6	6	6
Curr. Assets, Loans&Adv.	707	1,036	1,341	2,579	7,739	4,345	6,484
Inventory	207	416	424	704	1,007	1,509	2,225
Account Receivables	326	478	593	678	1,043	1,568	2,411
Cash and Bank Balance	56	47	43	928	5,384	810	1,171
Loans and Advances	118	95	280	270	305	458	677
Curr. Liability & Prov.	334	257	417	593	1,058	1,670	2,529
Account Payables	184	176	225	463	672	1,006	1,484
Other Current Liabilities	95	56	95	117	228	343	508
Provisions	56	26	98	13	158	320	537
Net Current Assets	373	779	924	1,986	6,681	2,675	3,956
Deferred Tax assets	2	1	1	1	1	1	1
Appl. of Funds	1,304	1,701	3,088	6,016	11,621	12,561	13,806

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
Basic (INR)							
EPS	6.0	5.5	8.0	10.1	13.3	22.0	31.1
Cash EPS	8.7	9.4	13.4	21.5	26.4	40.5	58.0
BV/Share	20.1	25.5	50.8	120.2	203.4	219.8	241.6
DPS	0.1	0.1	1.3	1.0	2.3	4.6	7.8
Payout (%)	1.7	1.9	19.7	12.2	20.4	25.2	30.0
Valuation (x)							
P/E		128.0	87.5	69.1	52.5	31.7	22.4
Cash P/E		74.1	51.9	32.4	26.4	17.3	12.0
P/BV		27.4	13.7	5.8	3.4	3.2	2.9
EV/Sales		9.1	7.6	6.1	4.5	3.4	2.3
EV/EBITDA		58.9	42.6	30.8	23.2	17.2	11.4
Dividend Yield (%)	0.0	0.0	0.2	0.1	0.3	0.7	1.1
FCF per share	-6.2	-3.3	-28.2	-30.8	-8.9	-78.0	13.0
Return Ratios (%)							
RoE	31.5	21.2	18.8	11.4	7.7	9.3	13.5
RoCE	24.3	18.2	16.5	12.2	8.7	10.4	15.2
RoIC	26.0	18.8	23.2	17.4	14.9	13.9	15.0
Working Capital Ratios							
Asset Turnover (x)	1.8	1.7	1.2	0.9	0.7	0.9	1.2
Inventory (Days)	32	52	43	46	48	48	48
Debtor (Days)	49	58	59	44	49	49	51
Creditor (Days)	28	22	23	30	32	32	32
Working Cap. Turnover (Days)	48	91	89	69	62	59	60
Leverage Ratio (x)							
Current Ratio	2.1	4.0	3.2	4.3	7.3	2.6	2.6
Interest Cover Ratio	6.7	4.0	4.1	9.3	-	-	-
Debt/Equity	0.7	0.8	0.6	0.0	0.0	0.0	0.0

Standalone - Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
OP/(Loss) before Tax	247	232	333	567	854	1,412	1,999
Depreciation	102	149	205	571	750	1,055	1,664
Interest & Finance Charges	40	77	102	-34	-120	-200	-150
Direct Taxes Paid	-61	-28	-55	-154	-94	-155	-220
(Inc)/Dec in WC	-13	-412	-65	-188	-239	-569	-919
CF from Operations	314	17	521	763	1,152	1,542	2,375
Others	5	6	6	13	0	0	-129
CF from Operating incl EO	319	23	527	776	1,152	1,542	2,246
(Inc)/Dec in FA	-553	-147	-1,586	-2,316	-1,661	-6,000	-1,500
Free Cash Flow	-234	-124	-1,059	-1,540	-509	-4,458	746
(Pur)/Sale of Investments	60	0	0	-6	0	0	0
Others	1	1	4	72	130	200	150
CF from Investments	-492	-146	-1,582	-2,250	-1,531	-5,800	-1,350
Issue of Shares	0	0	263	4,000	5,000	0	0
Inc/(Dec) in Debt	230	195	436	-1,179	0	0	0
Interest Paid	-43	-77	-101	-63	-10	0	0
Dividend Paid	0	0	-4	-110	-155	-317	-534
Others	0	-4	458	-289	0	0	0
CF from Fin. Activity	187	114	1,051	2,359	4,835	-317	-534
Inc/Dec of Cash	15	-9	-4	885	4,456	-4,574	362
Opening Balance	41	56	47	43	928	5,384	810
Closing Balance	56	47	43	928	5,384	810	1,171

E: MOSL Estimates

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MANPASAND BEVERAGES

- Analyst ownership of the stock
- Served as an officer, director or employee -

No
No

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Target Price ` 1067

CMP ` 719

FY20E PE 21X

Index Details

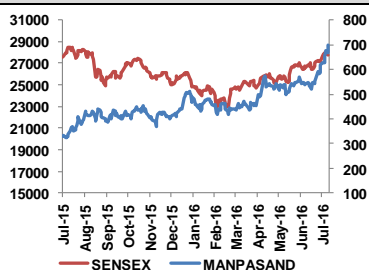
Sensex	29,328
Nifty	9,107
Industry	Beverages

Scrip Details

MktCap (` cr)	4,097
BVPS (`)	106.4
O/s Shares (Cr)	5.0
AvVol	4,882
52 Week H/L	775.8/493
Div Yield (%)	0.1
FVPS (`)	10.0

Shareholding Pattern

Shareholders	%
Promoters	44.1
Public	55.9
Total	100.0

Manpasand vs. Sensex


We spoke to the Manpasand management to get an update on the capacity expansion timeline and new business opportunities emerging. The key takeaways are as under:

1. The company recently completed a private placement of Rs 500 crore to part fund the Rs 600 crore capex for capacity addition (balance to be met from internal accruals). This entire Rs 600 crore expansion is expected to double the bottling capacity over the next 18-24 months. Capacities are expected to come up in Vadodara (Q3FY18), Sricity in Andhra Pradesh and Varanasi (both of which are expected to come up in Q1FY19).

Another plant is expected to come up in the east and will be a while before it is set up. Land is not yet identified for the same.

2. Manpasand's flagship brand, Mango Sip is growing by leaps and bounds and is expected to grow at a CAGR of 33.1% to Rs 1,408 crore by FY20. The recent backlash against carbonated cola drinks especially in the south and the upcoming Sricity facility (45-50,000 units on a 3 shift basis) will help mark the foray of Manpasand in the southern markets. This coupled with the shift in user preferences to healthier fruit based beverages would mean better demand dynamics for the company. This will not only add to revenues but help diversify its markets from being primarily north and west dependant.

3. FruitsUP, its fuzzy fruit drink has achieved great success with its Rs 10 sku. We estimate revenues from the same to grow at a CAGR of 42% to Rs 439.4 crore by FY20 from the current Rs 108 crore in FY16.

Key Financials (` in Cr)

Y/E Mar	Net Sales	EBITDA	PAT	EPS (`)	EPS Growth (%)	RONW (%)	ROCE (%)	P/E (x)	EV/EBITDA (x)
2016	556.7	110.4	50.6	10.1	26.7	12.8	13.7	70.0	22.0
2017E	755.3	149.2	78.2	13.7	35.5	8.9	10.0	51.7	26.4
2018E	1,032.6	200.8	88.1	15.4	12.7	7.4	8.3	45.9	19.5
2019E	1,426.1	275.2	122.2	21.4	38.7	9.6	10.9	33.1	14.1
2020E	1,869.3	368.2	192.2	33.6	57.2	13.6	15.7	21.0	11.2

4. Coco Sip is facing sourcing issues and hence we do not expect much revenue traction here. Remains a non-starter.
5. Distribution is expected to be doubled to reach 4 lakh touch points from the existing 2 lakh units over the next three years.
6. Overall we expect revenues to grow at a CAGR of 35.4% to Rs 1,869.3 crore by FY20. Margins are expected to remain in the range of 8.5-10.4%. We expect net earnings to grow at a CAGR of 39.6% to Rs 192.2 crore by FY20.
7. We have introduced FY20 estimates in our model. We have scaled down our earnings estimates for the forecast period given the capex and foray into the southern geography which should increase A&P spend. We retain our BUY recommendation with a revised price objective of Rs. 1067. At the CMP of 719, the stock is available at 21X FY20 earnings and represents an upside of 48.4% over the next 30 months.

Variance of Estimates (Rs in crore)			
Particulars	Earlier Estimate	Revised Estimate	Variance
2017E			
Sales	811.0	755.3	-6.9%
EBITDA	154.9	149.2	-3.7%
PAT	68.1	78.2	14.8%
2018E			
Sales	1,141.8	1,032.6	-9.6%
EBITDA	224.9	200.8	-10.7%
PAT	116.2	88.1	-24.2%
2019E			
Sales	1,538.5	1,426.1	-7.3%
EBITDA	306.2	275.2	-10.1%
PAT	190.2	122.2	-35.7%
2020E *			
Sales	-	1,869.3	100.0%
EBITDA	-	368.2	100.0%
PAT	-	192.2	100.0%

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***FY20 estimates were not provided in the earlier estimates.**

Financials and Projections

Y/E March, Fig in ` Cr	FY16	FY17E	FY18E	FY19E	FY20E
Profit & Loss Statement					
Net Sales	556.7	755.3	1032.6	1426.1	1869.3
% Chg.		35.7	36.7	38.1	31.1
Total Expenditure	446.3	606.1	831.7	1150.8	1501.0
% Chg.		35.8	37.2	38.4	30.4
EBDITA	110.4	149.2	200.8	275.2	368.2
EBDITA Margin %	19.8	19.8	19.5	19.3	19.7
Other Income	9.1	17.4	14.3	16.3	23.2
PBDIT	119.5	166.5	215.2	291.5	391.5
Depreciation	57.1	78.5	116.0	152.3	170.3
Interest	5.7	0.2	0.2	0.3	0.3
Exceptional items	0.0	0.0	0.0	0.0	0.0
PBT	56.7	87.9	99.0	138.9	220.9
Tax Provisions	6.2	9.7	10.9	16.7	28.7
Reported PAT	50.6	78.2	88.1	122.2	192.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
PAT	50.6	78.2	88.1	122.2	192.2
PAT Margin (%)	9.1	10.4	8.5	8.6	10.3
Other opr Exp / Sales (%)	0.0	0.0	0.0	0.0	0.0
Tax Rate (%)	10.9	11.0	11.0	12.0	13.0
Balance Sheet					
Share Capital	50.1	57.1	57.1	57.1	57.1
Reserves & Surplus	551.5	1105.3	1172.7	1270.7	1431.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Long Term Borrowings	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liability	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	0.0	0.0	0.0	0.0	0.0
Total Liabilities	601.6	1162.5	1229.8	1327.9	1488.9
Gross Block	373.2	523.2	773.2	923.2	973.2
Less: Acc. Depreciation	-104.9	-183.3	-299.3	-451.6	-622.0
Net Block	268.4	339.9	473.9	471.6	351.3
Capital Work in Progress	133.9	136.4	108.4	96.4	128.4
Non Current Investments	0.0	0.0	0.0	0.0	0.0
Net Current Assets	179.5	673.7	640.5	755.2	1007.1
Long term Loans & Advances	19.8	12.5	7.0	4.5	2.0
Total Assets	601.6	1162.5	1229.8	1327.9	1488.9
Per Share Data (Rs)					
Adj. EPS	10.1	13.7	15.4	21.4	33.6
Cash EPS	21.5	27.4	35.7	48.0	63.4
DPS	1.0	2.5	3.0	3.5	4.5
Book Value	120.1	203.9	215.8	233.0	261.2
Capital, Liquidity, Returns Ratio					
Debt / Equity (x)	0.0	0.0	0.0	0.0	0.0
Current Ratio (x)	4.0	9.0	5.9	5.1	5.4
ROE (%)	12.8	8.9	7.4	9.6	13.6
ROCE (%)	13.7	10.0	8.3	10.9	15.7
Dividend Yield (%)	0.1	0.4	0.4	0.5	0.6
Valuation Ratio (x)					
P/E	70.0	51.7	45.9	33.1	21.0
P/BV	5.9	3.5	3.3	3.0	2.7
EV/Sales	4.4	5.2	3.8	2.7	2.2
EV/EBIDTA	22.0	26.4	19.5	14.1	11.2
Efficiency Ratio (x)					
Inventory (days)	46.2	52.9	65.7	61.1	58.4
Debtors (days)	43.8	52.2	56.7	58.5	55.8
Creditors (days)	36.8	38.0	42.6	43.6	41.3
Cash Flow Statement					
Profit Before Tax	56.7	87.9	99.0	138.9	220.9
Depreciation	57.1	78.5	116.0	152.3	170.3
Working Capital Changes	-34.6	-461.2	27.8	-89.4	-228.2
Others	-9.6	-26.8	-25.0	-32.6	-51.6
Operating Cash Flow	69.7	-321.7	217.8	169.2	111.3
Capital Expenditure	-241.0	-152.5	-222.0	-138.0	-82.0
Other Investment Activities	9.1	17.4	14.3	16.3	23.2
Cash Flow from Investing	-231.8	-135.1	-207.7	-121.7	-58.8
Changes in Share Capital	366.8	500.0	0.0	0.0	0.0
Changes in Borrowings	-101.7	0.0	0.0	0.0	0.0
Dividend and Interest	-11.8	-17.5	-20.9	-24.5	-31.4
Cash Flow from Financing	253.4	482.5	-20.9	-24.5	-31.4
Net Change in Cash	91.2	25.7	-10.8	22.9	21.1
Opening Cash Balance	3.5	92.5	118.5	107.7	130.7
Closing Cash Balance	92.5	118.5	107.7	130.7	151.8

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