

MANPASAND BEVERAGES LTD.

BUY

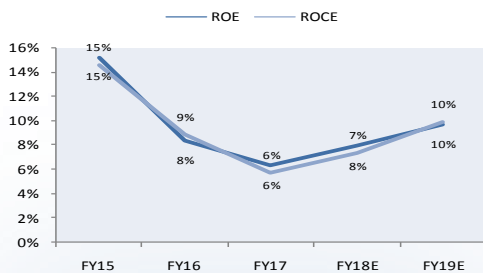
01-Feb-18

INDUSTRY - Con. Staples
 BLOOMBERG ID MANB IN
 BSE Code - 539207
 NSE Code - MANPASAND
 NIFTY - 11028

Company Data

CMP	378
Target Price	533
Previous Target Price	540
Upside	41%
52wk Range H/L	512/310
Mkt Capital (Rs Cr)	4,321
Av. Volume (,000)	191

RoE & ROCE

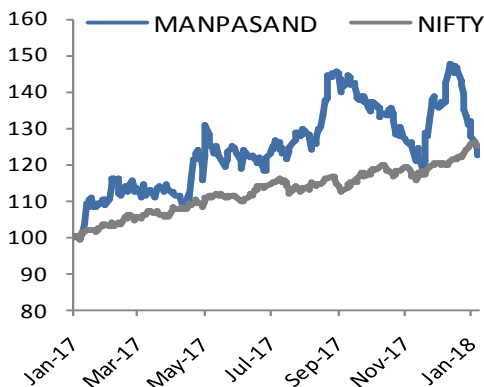


Shareholding patterns %

	3QFY18	2QFY18	1QFY18
Promoters	44	44	44
Public	56	56	56
Others	-	-	-
Total	100	100	100

Stock Performance %

	1Mn	3Mn	1Yr
Absolute	(13.1)	(14.9)	19.4
Rel.to Nifty	(18.2)	(21.7)	(8.8)



Key Highlights of the Report:

- ✓ Manpasand has reported robust sets of numbers for Q3FY18. Sales grew by 35% YoY to Rs 143 cr(vs expect. Rs 130 cr) while PAT has shown growth of 65% to Rs 12 cr.
- ✓ Gross and EBITDA margin contracted by 98 and 66 bps YoY to 39.2% and 18.7% respectively.
- ✓ The company has completed its Vadodara (unit-3) plant which has Capacity of ~50000 cases per day(cpd) in this quarter.
- ✓ Management thrust on improvement in working capital will improve operating cash flow which could be used for company's future expansion plans. Considering strong Q3FY18 performance and visibility related to volume growth with the outlook of better margin going ahead, we recommend BUY on MANPASAND with the target price of Rs 533(4.5x FY19's book value(BV)).

Financials/Valu	FY15	FY16	FY17	FY18E	FY19E
Net Sales	360	532	717	965	1,317
EBITDA	64	110	140	176	246
EBIT	44	53	66	93	137
PAT	30	50	73	98	132
EPS (Rs)	4	5	6	9	11
EPS growth (%)	NA	26%	25%	35%	34%
ROE (%)	15%	8%	6%	8%	10%
ROCE (%)	15%	9%	6%	7%	10%
BV	26	60	101	109	119
P/B (X)	NA	4	3	3	3
P/E (x)	NA	42	49	44	33

MANPASAND's initiatives and future plans :

- ✓ Update on Parle's initiatives: The Company had started its pilot launch with Parle in West Bengal two quarters back. In first phase 150 distributors are profiled which covered 30000 outlets. In second phase, company has started it in Orissa, Bihar, Jharkhand and North Eastern state and added 200 distributors. The company targets adding 1000 distributors and expanding its reach to 500000 outlets by March 18.
- ✓ The company has launched Sinal brand drink in Q2FY18 which is as of now in the test marketing stage. Launch it commercially soon .
- ✓ The company had launched Jeera Sip in the month of May, 2017 which is doing very well. Company is expanding its distribution network in other part of the country apart from west.
- ✓ The company is planning to go more aggressive in water business going ahead.

RAJEEV ANAND
 rajeev.anand@narnolia.com

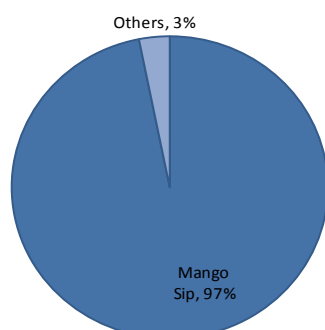
Quarterly Performance

Financials	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY %	QoQ%	FY16	FY17	YoY %
Net Sales	106	273	301	126	143	35%	14%	532	717	35%
Other Income	6	9	10	6	5	-12%	-18%	9	18	96%
COGS	63	182	194	77	87	37%	12%	336	459	36%
Employee Cost	5	7	7	6	6	27%	0%	16	21	32%
Other Expenses	17	33	44	21	23	34%	12%	69	97	40%
EBITDA	21	52	56	22	27	30%	24%	110	140	27%
Depreciation	18	24	24	17	18	-1%	4%	57	74	29%
Interest	0	0	0	1	1	129%	-38%	6	1	-79%
PBT	9	36	42	10	14	62%	37%	57	83	46%
Tax	1	5	6	1	2	45%	59%	6	10	63%
PAT	7	31	36	9	12	65%	34%	50	73	44%

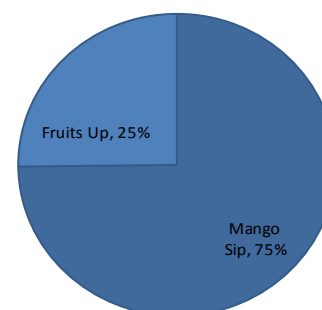
Reported solid sales and PAT growth while margin remained tad lower :

- ✓ Manpasand has reported robust sets of numbers for Q3FY18. Sales grew by 35% YoY to Rs 143 cr(vs expect. Rs 130 cr) led by strong volume growth of 35%.
- ✓ Sales of Mango Sip grew by 43% YoY to Rs 107 cr while Fruits Up growth remained 33%to Rs 36 cr.
- ✓ Margin remained tad lower than our expectation, gross margin contracted by 98 bps YoY to 39.2% due to change in product mix and slight increase in the prices of mango pulp and sugar.
- ✓ EBITDA margin for this quarter declined by 66 bps YoY to 18.7% on the back of higher COGS (up by 98 bps YoY). Employee and other expenses declined by 26 and 7 bps YoY respectively in Q3FY18.
- ✓ Current cash balance in the books of company: Rs 200 cr .
- ✓ Volume growth for this quarter remained 35% while value growth was 5%.
- ✓ PAT margin expanded by 155 bps YoY to 8.4% while PAT growth for this quarter remained 65%to Rs 12 cr. Tax provisioning for this quarter declined by 168 bps YoY to 13.9%.

Revenue mix in FY14:



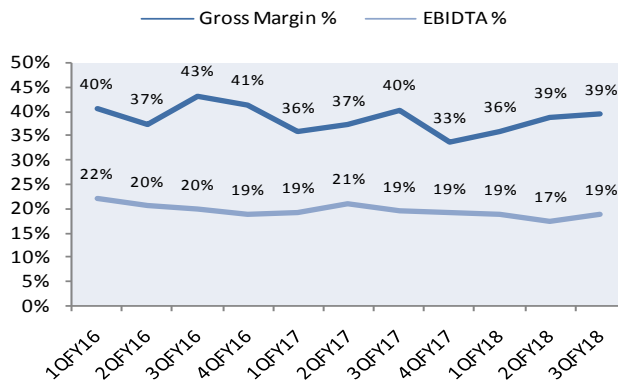
Revenue mix in Q3FY18:



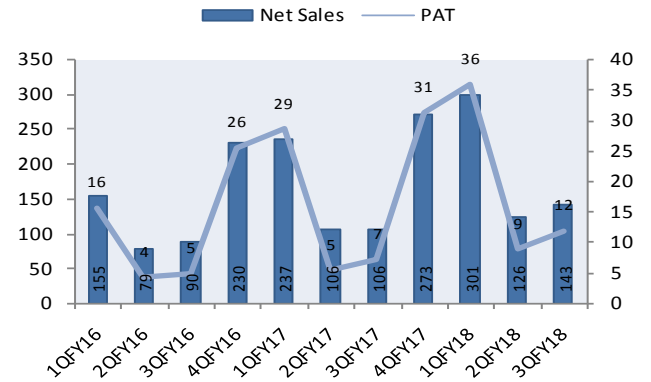
Margin %	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	YoY(+/-)	QoQ(+/-)	FY16	FY17	YoY(+/-)
Gross Margin	40.2%	33.5%	35.7%	38.6%	39.2%	-0.98%	0.68%	36.8%	36.0%	-0.79%
EBITDA Margin	19.3%	18.9%	18.7%	17.1%	18.7%	-0.66%	1.55%	20.7%	19.5%	-1.24%
PAT Margin	6.8%	11.5%	11.9%	7.1%	8.4%	1.55%	1.25%	9.5%	10.1%	0.64%

- ✓ Margin remained tad lower than our expectation, gross margin contracted by 98 bps YoY to 39.2% due to change in product mix and slight increase in the prices of mango pulp and sugar.
- ✓ EBITDA margin for this quarter declined by 66 bps YoY to 18.7% on the back of higher COGS (up by 98 bps YoY). Employee and other expenses declined by 26 and 7 bps YoY respectively in Q3FY18.
- ✓ PAT margin expanded by 155 bps YoY to 8.4% while PAT growth for this quarter remained 65% to Rs 12 cr. Tax provisioning for this quarter declined by 168 bps YoY to 13.9%.

EBITDA margin contracted by 66 bps YoY to 18.7%.



Manpasand's sales for this quarter grew by 35% YoY.



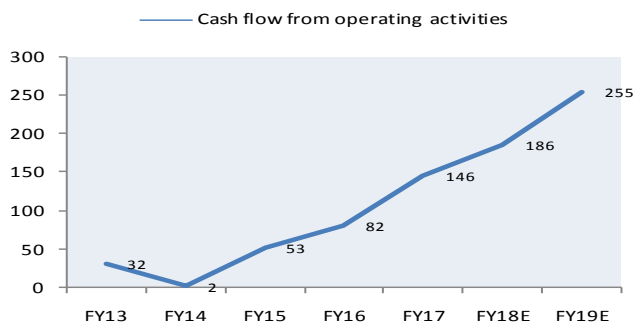
Concall & Mgt. Highlights(Q3FY18):

- ✓ Management expects sales growth in the range of 30-35% going forwards.
- ✓ Gross Margin decline in Q3FY18 is temporary. On full year basis margin will be higher than previous year number.
- ✓ Management sees reduction in receivable days in FY19.
- ✓ New plants will touch its capacity utilization of ~55% in FY19 itself.
- ✓ Lower sugar price will help in improving margin going ahead.
- ✓ Capex for FY19 to remain at Rs 200cr.
- ✓ Tax rate: in the range of 14-15% in coming 2-3 years.
- ✓ Vadodara (unit-3) plant (Capacity 45000-50000 cases per day) is completed, Varanasi Plant will complete in April and Sri City Plant will be complete by July2018.
- ✓ There is no plan of equity dilution in near term.
- ✓ Cash in balance sheet: Rs 200cr.
- ✓ Management will focus on UP, Gujarat and Maharashtra for further growth going ahead.

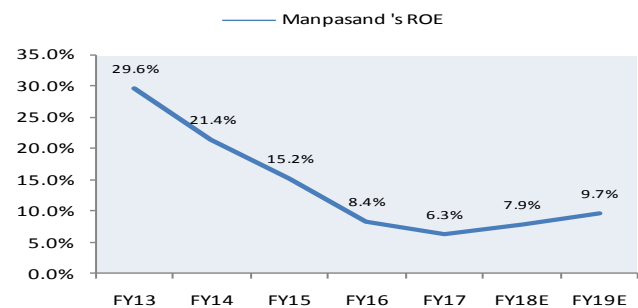
Investment Arguments:

- ✓ **Huge growth opportunity going ahead:** The Indian packaged juice industry's size is estimated at over Rs 10000 cr and it has been growing at the rate of above 30% per annum which opens lots of opportunity for players like Manpasand. Manpasand's sales grew at the CAGR of 31% over last 4 years and expected to be in a similar range going ahead. Tie up with Parle, Walmart, Aditya Birla Retail, Reliance Mart and SPAR will ensure volume growth. The company has also tied up with WH Smith and RELAY to expand presence in Airport retail space. The company has started supplying Mango sip through Parle's distribution network, presently in West Bengal, now plans for entire Eastern
- ✓ **New product launches to drive growth:** In last 3-4 years, company has drastically reduced its overdependence on single brand Mango Sip which had contributed ~97% in the total revenue in FY14. Presently its contribution has been reduced to ~77%. Manpasand had launched fruit up on Sept. 2014 and in a just 2 years its sales inched up to over Rs 180cr. The company has also launched Coco Sip and Jeera Sip. Now It has developed new product Siznal which is expected to launch in FY18. Company's thrust on new products launched gives us confidence about future growth of the company.
- ✓ **Enough Capacity is in place:** In recent concall Q3FY18, management has indicated that company is on the track of building capacity. Vadodara facility is completed currently which will enhance capacity by 50000 cases per day. Varanashi facility is expected to complete in April 2018 while Sri City plants will be commissioned by July 2018. Hence the company will have enough capacity to cater the demand in summer.

We expect strong operating cash generation going ahead.



ROE is expected to improve by 338 bps to 9.68% in FY19E.



View & Valuation

MANPASAND has reported robust sets of numbers for Q3FY18. Sales grew by 35% YoY to Rs 143 cr (vs expect. Rs 130 cr) while PAT has shown growth of 65% to Rs 12 cr. Margin remained tad lower than our expectation, gross margin contracted by 98 bps YoY to 39.2% due to change in product mix and slight increase in the prices of mango pulp and sugar. According to management, this is temporary and on full year basis margin will be higher than previous year number. On distribution front, since pilot launch of product with Parle in West Bengal, company is adding distributors rapidly. Present distributor strength is 350 (related to tie up with Parle) while company plans to expand it to 1000 with the coverage of 5 lac outlets by March 18. Vadodara (unit-3) plant has been completed currently while Varanasi and Sri City plant will be completed by April and July respectively which will expand capacity by almost double. New capacity addition will remove bottleneck related to supply while expansion of distribution reach will ensure better volume growth for MANPASAND going ahead. Declining sugar prices and tie up with Parle which may improve capacity utilization to 60-65%, could boost margin going ahead. Management thrust on improvement in working capital will further improve operating cash flow which could be used for company's future expansion plans. Considering strong Q3FY18 performance and visibility related to volume growth with the outlook of better margin going ahead, we recommend BUY on MANPASAND with the target price of Rs 533 (4.5x FY19's book value (BV)).

Financials Snap Shot

Income Statement		Rs in Crores			
Y/E March	FY16	FY17	FY18E	FY19E	
Revenue from Operation	532	717	965	1,317	
Change (%)	48%	35%	35%	36%	
<i>Other Operating Income</i>					
EBITDA	110	140	176	246	
Change (%)	72%	27%	26%	40%	
Margin (%)	21%	19%	18%	19%	
Dep & Amortization	57	74	83	109	
EBIT	53	66	93	137	
Interest & other finance cost	6	1	2	2	
Other Income	9	18	24	18	
EBT	57	83	114	153	
Exceptional Item	-	-	-	-	
Tax	6	10	16	21	
Minority Int & P/L share of Ass.	-	-	-	-	
Reported PAT	50	73	98	132	
Adjusted PAT	50	73	98	132	
Change (%)	69%	44%	35%	34%	
Margin(%)	9%	10%	10%	10%	

Balance Sheet		Rs in Crores			
Y/E March	FY16	FY17	FY18E	FY19E	
Share Capital	50	57	114	114	
Reserves	552	1,096	1,130	1,246	
Networth	602	1,154	1,245	1,360	
Debt	0	0	21	21	
Other Non Current Liab	-	-	-	-	
Total Capital Employed	602	1,154	1,266	1,381	
Net Fixed Assets (incl CWIP)	400	455	606	697	
Non Current Investments	-	-	-	-	
Other Non Current Assets	6	183	183	183	
Non Current Assets	435	785	937	1,027	
Inventory	70	62	66	72	
Debtors	68	75	79	79	
Cash & Bank	40	36	54	91	
Other Current Assets	48	276	245	279	
Current Assets	226	448	444	522	
Creditors	45	67	98	145	
Provisions	1	0	1	1	
Other Current Liabilities	14	12	16	22	
Curr Liabilities	59	80	115	168	
Net Current Assets	167	369	329	354	
Total Assets	661	1,234	1,381	1,550	

Key Ratios		FY16	FY17	FY18E	FY19E
Y/E March					
ROE		8%	6%	8%	10%
ROCE		9%	6%	7%	10%
Asset Turnover		0.8	0.6	0.7	0.8
Debtor Days		46	38	30	22
Inventory Days		48	31	25	20
Payable Days		31	34	37	40
Interest Coverage		9	56	41	61
P/E		42	49	57	42
Price / Book Value		4	3	4	4
EV/EBITDA		19	25	31	22
FCF per Share		(30)	(28)	(4)	5
Dividend Yield		0.5%	0.0%	0.1%	0.3%

Assumptions

Y/E March	FY16	FY17	FY18E	FY19E
Volume	NA	31%	33%	33%
Pricing growth	NA	5%	2%	3%

Cash Flow Statement		Rs in Crores			
Y/E March	FY16	FY17	FY18E	FY19E	
PBT	57	83	114	153	
(inc)/Dec in Working Capital	(15)	24	2	12	
Non Cash Op Exp	58	68	83	109	
Interest Paid (+)	6	1	2	2	
Tax Paid	(15)	(18)	(16)	(21)	
others	(9)	(11)	-	-	
CF from Op. Activities	82	146	186	255	
(inc)/Dec in FA & CWIP	(233)	(307)	(235)	(200)	
Free Cashflow	(151)	(162)	(48)	55	
(Pur)/Sale of Investment	(1)	(198)	55	-	
others	8	10	-	-	
CF from Inv. Activities	(312)	(623)	(179)	(200)	
inc/(dec) in NW	400	500	-	-	
inc/(dec) in Debt	(116)	0	1	-	
Interest Paid	(6)	(1)	(2)	(2)	
Dividend Paid (inc tax)	(11)	(1)	(7)	(16)	
others	(35)	(21)	-	-	
CF from Fin. Activities	232	477	(8)	(18)	
Inc/Dec) in Cash	1	(0)	(1)	37	
Add: Opening Balance	3	4	36	54	
Closing Balance	4	4	34	91	



Narnolia Securities Ltd

201 | 2nd Floor | Marble Arch Building | 236B-AJC Bose
Road | Kolkata-700 020 , Ph : 033-40501500

email: narnolia@narnolia.com,

website : www.narnolia.com

Risk Disclosure & Disclaimer: This report/message is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Narnolia Securities Ltd. (Hereinafter referred as NSL) is not soliciting any action based upon it. This report/message is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form. The report/message is based upon publicly available information, findings of our research wing "East wind" & information that we consider reliable, but we do not represent that it is accurate or complete and we do not provide any express or implied warranty of any kind, and also these are subject to change without notice. The recipients of this report should rely on their own investigations, should use their own judgment for taking any investment decisions keeping in mind that past performance is not necessarily a guide to future performance & that the value of any investment or income are subject to market and other risks. Further it will be safe to assume that NSL and /or its Group or associate Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise, individually or otherwise in the recommended/mentioned securities/mutual funds/ model funds and other investment products which may be added or disposed including & other mentioned in this report/message.