



SUBLIME FINANCIAL ADVISORY
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Manpasand Beverages Ltd (MBL)

Enhancing product portfolio to drive growth

Multibagger Report

Recommendation	:	Buy
CMP	:	Rs 705
Target	:	NA
% Allocation	:	5%

Sector	:	Consumption
Sensex	:	29620
Bloomberg code	:	MANB.IN
Reuters Code	:	MANB.BO

AT A GLANCE

52 Week High Low	:	:777.00/437.10
Mkt. Cap (Rs. in Crs)	:	:4045
Major Shareholders	:	
Promoters (%)	:	:44.14%
Free Float (%)	:	:55.86%

Background: Manpasand Beverages Limited (MBL) is engaged in the business of manufacturing of fruit juices in the beverages segment. The Company's flagship brand is Mango Sip. It offers mango based fruit drink under the Mango Sip brand. Its other brands include Fruits Up and Manpasand ORS. Under the Fruits Up brand, the Company offers differentiated carbonated fruit drinks with real fruit content and fruit drink with relatively higher fruit content of pulp. Carbonated fruits drinks is available in grape, orange and lemon flavors while fruit drinks is available in mango, apple, guava, litchi, orange and mixed fruits flavors. Manpasand ORS consists of rehydration salts and fruits contents, and is available in two flavors, apple and orange.

Enhancing Product Portfolio

MBL embarked on a journey of adding new product categories. It launched its new brand Fruits Up, a premium fruit drink with pulp content of 16–17% in multiple flavors both in the Carbonated and non-Carbonated variety.

Fruits up- Strong Potential

Concerns associated with colas and other flavored non fruit beverages has seen a steady shift in consumer preferences to natural fruit based drinks, including carbonated fruit drinks. MBL sensing a tremendous opportunity launched its brand Fruits Up across a plethora of fruit based flavors viz mango, apple, guava, litchi, orange and mixed fruit. In 2 years of its launch, the company has registered a turnover of INR 1.1bn with about 70% from non-carbonates and 30% from carbonates in FY16 without any pan India marketing campaign.

Outlook & Valuation

We Initiate coverage of MBL with a **BUY** rating. Given the Increasing Capacity, Increasing Capacity Utilization, Expanding product portfolio, Lower of debt and increasing market share are key positives for the stock. At the CMP of INR 705, the stock trades at 60.53x EPS of FY16. **Key Risks** to our recommendation include any steep increase in competition from peer companies and high revenue contribution from IRCTC are key risks which might adversely impact the company.

Investment Arguments

Company Profile: Manpasand Beverages Limited (MBL) is engaged in the business of manufacturing of fruit juices in the beverages segment. The Company's flagship brand is Mango Sip. It offers mango based fruit drink under the Mango Sip brand. Its other brands include Fruits Up and Manpasand ORS. Under the Fruits Up brand, the Company offers differentiated carbonated fruit drinks with real fruit content and fruit drink with relatively higher fruit content of pulp. Carbonated fruits drinks is available in grape, orange and lemon flavors while fruit drinks is available in mango, apple, guava, litchi, orange and mixed fruits flavors. Manpasand ORS consists of rehydration salts and fruits contents, and is available in two flavors, apple and orange. The Company offers its products in pet bottles and tetra packs. The Company's plants are located at Vadodara, Gujarat; Varanasi, Uttar Pradesh, and Dehradun, Uttarakhand. MBL has the unique distinction of being the sole listed company in the beverages sector. The company's revenue expanded at a CAGR of 32% over FY13–16, while net profit grew 31% during the same period.

Currently MBL 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 which is expected to be commissioned by June FY17 to cater to markets in north and northeast India. MBL is setting 4 new plants in Sri City (Hyderabad), Vadodara (Gujarat), Varanasi (UP) and in eastern India, with each having a production capacity of 50,000 cases per day with a CAPEX of 500 crs through QIP process.

Key brands of Manpasand



Expanding Product Portfolio:

Emboldened by the success of Mango-Sip, Manpasand embarked on a journey of adding new product categories. It launched its new brand Fruits Up, a premium fruit drink with pulp content of 16–17% in multiple flavors (both in the Carbonated and non-Carbonated variety) in FY15. Fruits Up has been a huge success for MBL clocking a turnover of Rs ~110 cr (FY16) in just 2 years post launch, that too without an aggressive marketing campaign. Fruits up being a

premium category drink was launched in the urban centres and will gradually move to rural markets.



Distribution Focus:

MBL'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, MBL offers higher margins of 30– 35% vis-à-vis 20–22% for global MNCs. MBL 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 MBL has started tapping urban markets by offering its products through modern trade and on-trade channels.

Fruits Up - Strong Potential

Concerns associated with colas and other flavored non fruit beverages has seen a steady shift in consumer preferences to natural fruit based drinks, including carbonated fruit drinks. MBL sensing a tremendous opportunity launched its brand Fruits Up across a plethora of fruit based flavors viz mango, apple, guava, litchi, orange and mixed fruit. It has also launched fizzy variants in the carbonated fruit drinks market in multiple flavors of grape, orange and lemon.

In 2 years of its launch, the company has registered a turnover of INR 1.1bn with about 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.

Coco SIP - Steady performer

Coconut water is a popular beverage amongst all age categories in India. Coconut being predominantly a coastal grown fruit, sees its yield diminishes as we move up-north. Sensing an opportunity MBL has ventured into packaged coconut water under its new brand Coco Sip. Coco Sip will be the first of its kind natural coconut water without any preservatives in it. The product will be available across SKU sizes at affordable prices starting at Rs 10 and will be manufactured through an outsourcing model.



Pure SIP - Bottled Water

MBL 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. We believe 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.

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

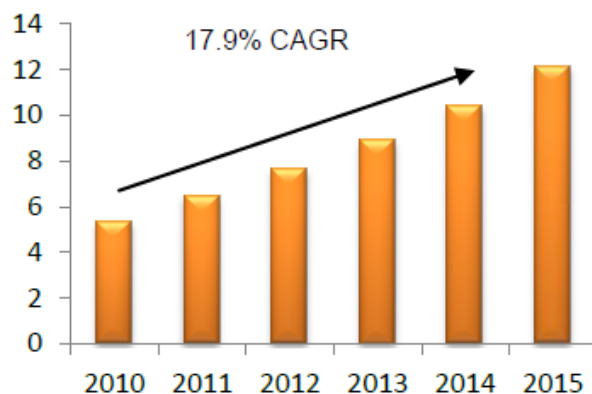
Industry Overview

Soft drinks market in India

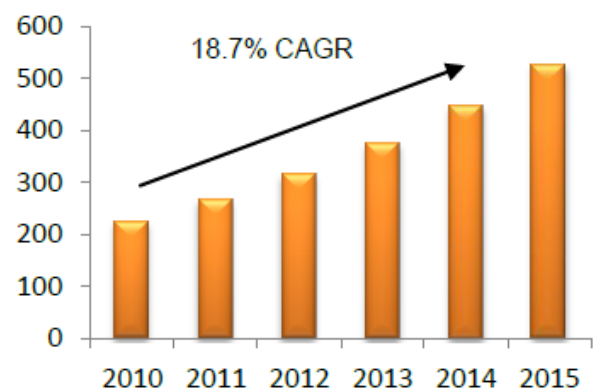
The global juice market is on a secular increasing trajectory as consumption of juices is increasing due to increasing awareness on the health and fitness aspects. The juice industry is riding a two-tier growth story, as it is recording a slower growth in developed countries where packaged juices and fresh juices have achieved a reasonable strong penetration whereas on the other side, developing countries are showing a huge potential in the juice market with their shift from carbonated to non-carbonated beverages globally.

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.

Soft drinks volume trend (bn litres)



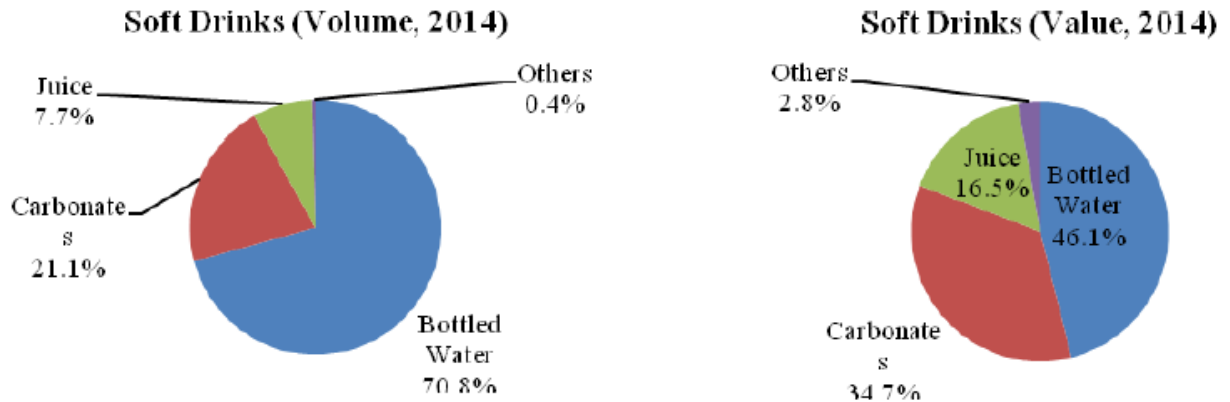
Soft drinks value trend (Rs. Bn)



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%.

In terms of distribution channels, the soft drinks market is divided into off-trade and on-trade. Off-trade sales are those which take place at retail outlets such as grocery stores, hypermarkets, super markets etc. On-trade sales, on the other hand, are those taking place at food service outlets, restaurants, bars, clubs, etc. The distinction between the off-trade and on-trade channels holds particular relevance in the soft drinks industry, since on-trade sales generally take place at higher sales prices, and hence, impact the analysis of any value based sales data.

Off-trade sales of soft drinks in India aggregated to 13,750.3 million litres in 2014 (about 68.73%), whereas on-trade sales, aggregated to 6,256.8 million litres (about 31.27%) in the same period. On account of higher sale price for ontrade sales, however, the percentage split in terms of value between off-trade and on-trade sales of soft drinks was about 52.33% and 47.67% respectively, in 2014.



Shift in consumer preference towards non-carbonated fruit beverages, with rising concerns over obesity and other health issues, changes in lifestyle, affordability and availability of packaged juices in the optimal SKUs are some of the reasons behind the rise of the packaged fruit juice market. They are slowly becoming a staple part of family breakfast, and even a must at social dos. The untapped markets in the tier-II and tier-III cities can be epicenter of growth for this sector as people in these cities still prefer fresh juices over packaged ones.

The packaged fruit juices market can be divided into three sub-categories: fruit drinks, juices, and nectar drinks. Fruit drinks, which have a maximum of 30% fruit content, are the highest-selling category, with a 60% share of the market. Frooti, Jumpin, Maaza, and so on are the most popular products in this category. Fruit juices, meanwhile, are 100% composed of fruit content, and claim a 30% market share at present. In contrast, nectar drinks have between 25 and 90% fruit content, but account for only about 10% of the market.

Juice Consists of three categories

Category	Fruit content	Target Income segment	Off trade Value CAGR 2010-15
100% Juice	100%	High	31%
Nectors	25% and above	Mid-High	26%
Juice Drinks	Up to 24%	Low-Mid	27%

There are several reasons behind the growth of the Indian packaged juices category: Changing consumer lifestyles, increased health awareness, hygiene concerns, growing category of informed buyers, rising disposable incomes, booming modern retail, habitual purchase, and introduction to new flavours. Packaged juices are gradually cementing their place in the urban household in the metros and tier-I cities; however, replicating the same success in tier- II and -III cities is still a struggle as residents in these regions still prefer fresh juices over packaged ones because they are comparatively cheaper, and also in sync with the traditional belief that juices are best consumed freshly pressed.

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.

Mango is the largest selling flavor in the juice drink category, contributing 85% to off-trade volumes. MBL is a player in this segment, which was estimated at INR 95bn as of 2015 and is

expected to reach INR327bn by 2020. 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.

Off Trade Juice drinks markets to post value CAGR

	By volume (in mn litres)			By Value (Rs. In Bn)		
	2015	2020	CAGR 2015-20	2015	2020	CAGR 2015-20
100% Juice	93.3	224.7	19.2%	12.0	38.1	26.1%
Juice Drinks	1478.8	4151.1	22.9%	95.4	327.3	28.0%
Nectors	229.6	389.8	11.2%	24.2	51.9	16.5%
Total	1801.6	4765.6	21.5%	131.5	417.3	26.0%

MBL operates in the Indian packaged juice industry whose size is about Rs. 8,000 crore and it has been growing at more than 30% per annum in last few years and will maintain that pace in future as well. The growth potential for organized packaged fruit drink players is very high due to low penetration and small share of the total market which is largely catered to by unorganized players.

Financials

Profit & Loss

Particulars(Rs.Cr)	FY16	FY17E	FY18E
Net Sales	556.7	811.0	1141.8
EBDITA	110.4	154.9	224.9
Depreciation	57.1	81.2	98.6
Interest	5.7	0.5	0.3
PBT	56.7	76.5	130.6
PAT	50.6	68.1	116.2
EPS	10.1	13.6	23.2

Balance Sheet

Particulars(Rs.Cr)	FY16	FY17E	FY18E
Share Capital	50.1	50.1	50.1
Reserves & Surplus	551.5	607.5	708.6
Long term Debt	0	0	0
Total Liabilities	601.6	657.6	758.7
Net Fixed Assets	250.3	319.1	370.5
CWIP	152.0	80.0	100.0
Net Current Assets	179.3	241.5	273.2
Long term loans & advances	20	17.0	15.0
Total Assets	601.6	657.6	758.7

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