

IPO Note: Manpasand Beverages Ltd.

Industry: Soft Drinks

Recommendation: Avoid

Date: June 19, 2015

Issue Snapshot

Company Name	Manpasand Beverages Ltd.
Issue Opens	June 24, 2015 to June 26, 2015
Price Band	Rs. 290 to Rs. 320
Bid Lot	45 Equity Shares and in multiples of 45 Equity Shares thereafter.
The Offer	Public issue of 1.25 – 1.38 crore Equity Shares (Comprising of fresh issue)
Issue Size	Rs. 400 Crore
IPO Process	100% Book Building
Face Value	Rs. 10.00
IPO Grading	NA
Exchanges	NSE & BSE
BRLM	Kotak Mahindra Capital Company Limited, IIFL Holdings Limited, ICICI Securities Limited
Registrar	Karvy Computershare Private Limited

Objects of the Offer

The objects of the Issue are:

- Setting-up of a new manufacturing facility in the state of Haryana;
- Modernization of existing manufacturing facilities i.e. Vadodara 1 Facility and Varanasi Facility;
- Setting-up of a new corporate office at Vadodara;
- Repayment/prepayment of certain borrowings availed by the Company; and
- General corporate purposes.

Issue Break up

Issue Size	Allocation	Equity Shares*
QIB	75%	9,375,000
HNI	15%	1,875,000
RII	10%	1,250,000
Total	100%	12,500,000

* Based on higher price band @ Rs. 320

About the company

Launched in 1997 by the Promoter, Mr. Dharendra Singh, Manpasand Beverages Limited, a fruit drink manufacturing company with a primary focus on mango fruit, which is the leading flavour for juice drinks in India (Source: Euromonitor Report). Their mango based fruit drink, 'Mango Sip', is flagship brand, which is strategically focused towards customers primarily based in semi urban and rural markets, they offer 'Mango Sip' drink in varied sizes at competitive prices across 24 states in India. With a view to expand the product portfolio, they have recently launched two new brands, 'Fruits Up' and 'Manpasand ORS'. The Company currently offers fruit drinks in mango and other flavours and carbonated fruit drinks, in different packaging types and sizes.

The Company is currently manufacturing its products at facilities located at Vadodara, Gujarat ("Vadodara 1 Facility"), Varanasi, Uttar Pradesh ("Varanasi Facility") and new facility located at Vadodara, Gujarat ("Vadodara 2 Facility"), where the Company commence commercial production from April 2015. Further, the company has entered into with U.K. Agro to acquire the facility at Dehradun, Uttarakhand ("Dehradun Facility"), which is yet to be started. The combined installed capacity for manufacturing facilities is 40,000 Tetra Pak Cases per day and 65,000 PET Bottle Cases per day for fruit drinks and 15,000 PET Bottle Cases per day for carbonated fruit drinks. The Company has a wide distribution network that as on March 31, 2015, includes 73 consignee agents and 654 distributors spread across 24 states in India to whom they sell directly. Their distribution network has an especially strong focus in certain semi urban and rural markets in India. In addition to sale through their distribution network, they also sell directly to Indian Railway Catering and Tourism Organization (IRCTC) approved vendors.

The company's net sales has increased from Rs. 85.7 crore in FY12 to Rs. 294.3 crore in FY14 registering a CAGR of 85.29%. EBITDA has increased from Rs. 14.3 crore in FY12 to Rs. 45.7 crore registering a CAGR of 78.63%. Profit after tax has increased from Rs. 6.1 crore in FY12 to Rs. 20.4 crore in FY14, registering a CAGR of 83.48%. For the nine month period ended December 31, 2014, net sales were Rs. 239.1 crore, EBITDA was Rs. 36.7 crore and profit after tax was Rs. 12.7 crore.

Given the weak set of financial numbers, the valuation is looking expensive, although it has no listed peers and is the first to go for listing with this kind of business model. On P/E multiple basis, at higher price band after annualizing its earnings and post IPO, the company is demanding a valuation of 95x of FY15 annualized earnings. Post dilution Price to Book Value is expected to be ~3x with RoNW at ~3%. Thus in our view, the IPO looks expensive, so we recommend to AVOID this IPO.

Financial Statement

Income Statement

(In Rs. Cr)	Mar-12	Mar-13	Mar-14	9MFY15
Total revenue	857.3	2402.4	2943.1	2391.0
Total expenses	717.5	2015.3	2486.1	2027.3
Depreciation	45.5	101.6	148.9	149.1
Finance costs	30.1	42.8	77.1	77.6
Adj. Profit	60.7	224.2	204.3	126.9

Asset Liability Statement

(In Rs. Cr)	Mar-12	Mar-13	Mar-14	9MFY15
Equity & Liabilities				
Net Worth	501.7	721.9	922.8	1473.1
Long-term borrowings	170.0	299.8	258.7	385.4
Other Non-current liabilities	2.4	1.6	2.7	3.6
Short-term borrowings	103.9	174.9	391.8	500.0
Other Current liabilities	175.0	405.6	376.4	547.7
Total Equity & Liabilities	986.9	1637.8	1986.3	3285.3
Assets				
Fixed assets	399.0	926.5	919.4	1847.6
Other Non-current assets	104.8	53.4	68.7	454.3
Total Current assets	483.1	657.9	998.3	983.5
Total Assets	986.9	1637.8	1986.3	3285.3

Peer Comparison

The Company believes that none of the listed companies in India are engaged exclusively in the fruit drinks manufacturing business

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