Press Release

Manpasand Beverages Limited

May 20, 2019

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Proposed Long Term Fund Based Limits	100.00	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)
2.	Proposed Long Term Debt – Term Loan	150.00	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)
	Total	**250.00**	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experienced promoter and management, healthy growth in operation, healthy profitability margins, comfortable capital structure, efficient working capital management, locational advantage and joint distribution arrangement with Parle Products Pvt. Ltd. The rating however is constrained by volatility in the prices of raw materials, high ongoing capex and industry dominated with fierce competition. Scale of operation and profitability, working capital management, sustainability of market share and product innovation are the key rating sensitivities.

List of key rating drivers with detailed description

Key Rating Strengths

Experienced promoter and management

The company was incorporated in 1997 by Mr. Dhirendra Singh, a first generation entrepreneur. He is the Chairman & Managing Director of the company. He has an experience of over two decades in the industry. His son, Mr. Abhishek Singh is a Whole Time Director in the company. Other members in the Board (including four independent directors) are qualified & experienced, adding credence & professionalism in governance of the company.

Healthy growth in operation

The company has witnessed significant growth in total operating income in the past three years growing at a CAGR of 22.23% in FY16-FY18. The scale of operation increased significantly in FY18 primarily due to enhancement in overall manufacturing capacities done by company in the past one year and joint distribution arrangement with a confectionery giant to expand the reach of company's products.

Healthy profitability margins

The profitability margins of the company have remained healthy over the last three years. The EBITDA margin and PAT margin remained comfortable over the last three years.

Comfortable capital structure

The company has a comfortable capital structure in the absence of long term debt. The overall gearing ratio was comfortable as on March 31, 2018. Also, TOL/TNW of less than 0.15x as on the last three account closing dates indicates very comfortable leverage position on an overall basis. Other debt coverage parameters were comfortable as on last three account closing days.

Efficient working capital management

Operating cycle of the company is comfortable, being in the range of 40-60 days during last three years. The average receivable collection days and average inventory days were moderate.

Locational advantage

The manufacturing facilities of the company are spread across different geographies (Ambala, Dehradun, Varanasi and Vadodara) across the country. The company leverages the strategic location of its facilities to sells its products across the country (still within the vicinity of the manufacturing facilities locally) to negate the effect of any geographical concentration risk.

Joint distribution arrangement with confectionary giant

The company has entered into a joint distribution agreement with Parle Products Pvt. Ltd. in FY17 in order to expand the reach the availability of its products. This arrangement has given the company access to the sixty lakh retail outlets and 10,000 distributors of Parle across the country increasing the penetration of MBL in the rural markets.

Key Rating Weakness

Volatility in the prices of raw materials

The company is highly dependent on prices and availability of fruits, particularly mango (primary raw material) for manufacturing its products. The cost of raw materials has been volatile in nature over the last three years, while the output prices has been more or less constant. Also, the output prices of fruit beverages are significantly dependent on the pricing strategies followed by market leaders impacting the margins of other players in the industry.

High ongoing capex

The company has incurred significant capex in the past and is presently undertaking capex of ~Rs.220 crore this fiscal in order to increase the overall manufacturing capacities. This capex is proposed to be partly funded by a term loan and partly by internal accruals of the company. However, the incremental external debt aggregating to Rs.250 crore is not expected to impact the debt coverage metrics of the company significantly.

High industry competition

The FMCG sector is highly competitive due to the presence of organized as well as unorganized players. Of late, many MNC's have also launched products similar to that of MBL. This has increased competition among players in the already competitive sector. Sustainability of the market share remains a key rating sensitivity. However, given the long industry experience of the promoters, the company is placed in a comfortable position to withstand the intense competition within the industry.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company has been earning a comfortable level GCA for the last few years and the same is expected to increase further with increase in scale of operation. The company had no major long term debt for scheduled repayment as on March 31, 2018. MBL is proposing to avail long term debt for undertaking capex in FY20. The company maintains sufficient cash and bank balance to meet its liquidity requirements. The projected DSCR and ICR indicate comfortable liquidity position of the company in meeting its debt obligations.

About the Company

Manpasand Beverages Limited (MBL) was promoted by Mr. Dhirendra Singh, a first generation entrepreneur in 1997. Manpasand Beverages Limited is a fruit beverage manufacturing company, based out of Gujarat. The company has been in operation for over two decades and has a strong presence in tier II and rural markets of the country. The entity started its operation with the fruit drink named "Mango Sip" in 1997 and since then has launched various drinks over the years. Mr. Dhirendra Singh is the Chairman & Managing Director of the company. Initially, the entity started its operations of manufacturing fruit beverages under a proprietorship firm in the name of Manpasand Agro Food. The constitution of the entity was changed from a proprietorship firm to a private limited company in 2011. The constitution was further changed to a public limited company in 2014. The company was listed on stock exchange in 2015. The company has undertaken massive capital expenditure in the past 3-4 years to cater to the growing demand of fruit beverages in the country. The company already has seven operational facilities (three at Vadodara, two at Varanasi and one each in Dehradun & Ambala). The company is presently undertaking capex of ~Rs.220 crore this fiscal to set-up two additional facilities. The company entered into a joint distribution network with Parle Products Pvt. Ltd. in 2017 to expand the reach of MBL's products in the rural and semi-urban markets. The products of the company are sold in over 20 states across the country.

Financials (Standalone) **(Rs. crore)**

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	719.26	974.30
EBITDA	157.57	203.45
PAT	72.64	100.00
Total Debt	0.35	95.53
Tangible Networth	1131.17	1216.69
EBITDA Margin (%)	21.91	20.88
PAT Margin (%)	10.10	10.22
Overall Gearing Ratio (x)	0.00	0.08

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Proposed Term Loan	Long Term	150.00	IVR A-/Stable Outlook	--	--	--
2.	Proposed Cash Credit	Long Term	100.00	IVR A-/Stable Outlook	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	**Date of Issuance**	**Coupon Rate/ IRR**	**Maturity Date**	**Size of Facility (Rs. Crore)**	**Rating Assigned/ Outlook**
Proposed Term Loan	--	--	--	150.00	IVR A-/Stable Outlook
Proposed Cash Credit	--	--	--	100.00	IVR A-/Stable Outlook