Aditya Birla Money Ltd.

Manorama Industries Ltd – Initiating Coverage

Seeding growth with capacity expansion

Manorama Industries Ltd. (MIL) is engaged in the manufacture of speciality fats and butters derived from exotic seeds such as Shea (sourced from Africa) and Sal and Mango (sourced domestically), positioning it as a niche, differentiated player catering to the chocolate, confectionery and cosmetics industries. The company's distinctive waste-to-wealth business model, coupled with a marquee client base, has created a strong and sustainable competitive moat. Robust demand for its products has driven multi-fold capacity expansion from 15,000 MTPA in FY20 to 40,000 MTPA in FY25. Going forward as well the capacity is expected to almost double by FY28.

MIL's expanding global footprint, long-standing customer relationships, upcoming capex initiatives and multiple MoU signings are expected to serve as key growth drivers in the next phase of expansion. We expect Revenue/EBITDA/PAT to grow at a CAGR of 35%/ 39%/ 39% over FY26–28, supported by a strong ROCE of ~27%. In the near term, the LATAM JV and the 12,000 MTPA brownfield capacity expansion are key growth catalysts, while the planned greenfield fractionation & PMF capacity of ~52,500 MTPA, Palm Mid Fraction (PMF) foray and backward integration in Burkina Faso are expected to shape the company's growth trajectory beyond FY28.

Factoring in these growth drivers, we initiate coverage on MIL with a BUY rating and a target price of 1,755 per share, implying a valuation of 35x FY28 earnings.

Waste-to-Wealth model with decades of expertise: The company is the only supplier of Cocoa Butter Equivalents (CBE) in India. It manufactures CBE from exotic seeds like Shea, Sal, Mango, kokum, etc. which are abundant and freely available in nature & sourced from native tribal people in a way empowering them to earn their living. The production process is designed in such a way that the output or by-product of every process is monetized. The final product- CBE, is used in preparation of chocolates & confectionary items & also in cosmetics industry. The company exports ~70% of its total sales and caters to industry giants like Mondelez, Nestle, Ferrero Rocher, etc. The company has long standing relationships with its clients reflecting its ability for customization & product quality compliance.

Growth momentum continues backed by new capacities & diversifications: Global CBE market is about 5 lakh tonnes, growing at ~10% CAGR, with demand far outstripping supply. CBEs are 60–70% cheaper than cocoa butter and help mitigate cocoa price volatility. MIL has grown capacity at ~30% CAGR over the last 4 years, driven by strong customer demand and continuous R&D-led innovation. To support its next growth phase, the company in immediate course is expanding its fractionation capacity by ~12,000 MTPA & entering LATAM through a partnership with Dekel Group in Brazil for production of CBE in its Brazil facility marking itself as first ever player to manufacture CBE locally. In its next leg of expansion MIL is planning a ~52,500 MTPA greenfield facility for PMF & ESOS adjacent to its existing plant along with backward integration via a ~90,000 MTPA expeller plant in Burkina Faso in Africa. The company also plans to set up a Palm Mid Fraction (PMF) facility which is currently imported from Malaysia & Indonesia.

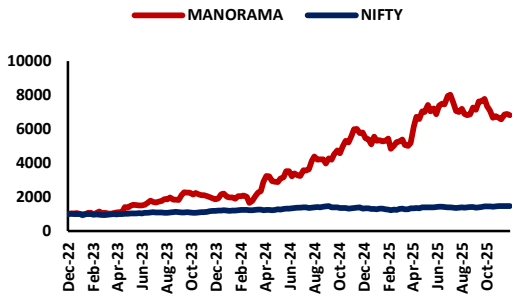
CMP (Rs)	**1,327**
TP (Rs)	**1,755**
Upside /Downside (%)	32%
52 week high/low (Rs)	1,774/736
Market cap (Rs cr.)	7,922
No. of shares (in cr)	5.97

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	54.42	54.41	54.32
FIIs	2.81	3.40	2.52
DIIs	5.14	4.61	4.45
Public	37.64	37.56	38.71

Financial & Valuations

Y/E Mar (₹ Cr.)	FY26E	FY27E	FY28E
Net Sales	1,204	1,491	1,908
EBITDA	316	382	515
Net Profit	192	228	299
EPS (Rs)	32.1	38.2	50.1
PER (x)	41.3	34.8	26.5
ROE (%)	29.4	25.9	25.4



Ninad Sarpotdar
Research Analyst
ninad.sarpotdar@adityabirlacapital.com
022-6819-0513

Vinit Agarwal
Research Analyst
Vinit.agarwal@adityabirlacapital.com
022-6819-0517

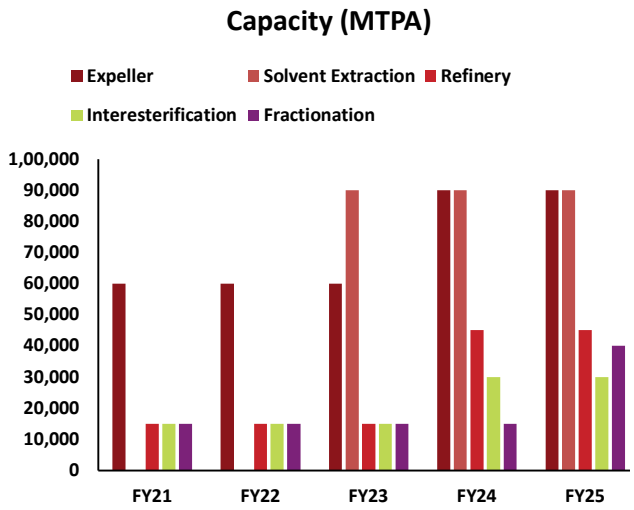
Strong sourcing channels via subsidiary network: The company procures Shea seeds from Western African countries. For this the company has set up 6 subsidiaries abroad with ~150-member team. The company has also planned a backward integration project which will yield savings in logistics cost & optimize inventory levels reflecting in some efficiencies. Shea seeds constitute up to 60% of company's raw material input & has amongst the highest butter content of ~45%. These are imported at the Vishakhapatnam Port which is ~450 kms from the company's facility in Chhattisgarh. Other seeds like Mango & Sal are procured domestically from a network of ~18,000+ collection centres. These seeds are abundant in nature and Manorama's procurement varies between ~5-10% across the types of seeds.

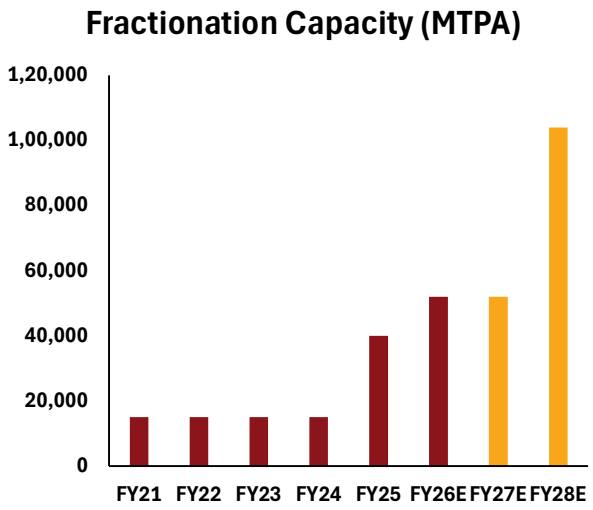
Track Record of value creation with robust financials: Company's revenue/ EBITDA & PAT grew at a CAGR of 40%/ 70% & 67% respectively led by strong growth in capacities & volumes. The company is debt free except for WC requirement which are high and an inherent aspect of the business. Going forward we expect the revenues to grow at a CAGR of 35% in line with capacity growth and EBITDA & PAT to grow hand in hand at 39% CAGR for next 3 years. The immediate levers will be the 12,000 MTPA of capacity addition & the tie up with Dekel group. We expect the margins to improve with operational efficiencies & better product mix. Further, key triggers of backward and forward integration efficiencies & growth remain beyond our forecast period. We assume some premium in valuations to factor these triggers in our TP.

Investment Thesis

1. Capacity ramp ups to continue providing growth visibility

Manorama has been continously expanding its capacities aggressively since past 4 years. The end step process capacity (fractionation capacity) has grown at a CAGR of 28% in past 4 years due to a 25,000 MTPA addition in FY25 to existing 15,000 MTPA.





Source: Company, ABML Research

Further, we expect the capacities to grow at a 34% CAGR to reach ~1,00,000+ MTPA by end of FY28 or H1 of FY29 along with ~90,000 MTPA of expeller capacity as a part of its backward integration strategy. The expansion is structured in the following way:

- ~12,000 MTPA is brownfield expansion which is currently underway and expected to go live in Q4FY26. The company expects to utilize this additional capacity to its peak levels by end of FY27.
- ~52,500 MTPA of greenfield capacity adjacent to existing facility. For this the company has already acquired a land parcel of 20 acres spending ~₹20.5cr & is negotiating further for additional 20 acres of land.
- For its backward integration, MIL has signed a MOU with the Government of Burkina Faso, Africa for investments in the country & as a part of it plans to add a ~90,000 MTPA of seed milling (expeller) capacity in Africa. **This will optimize the inventory and bring in efficiencies as only processed butter will then be imported instead of the whole seeds which will save on freight charges paid on non-butter content of those seeds.** This facility is also expected to come up within same timelines of the domestic greenfield facilities (FY28/29). The company is currently looking out for land parcels for this project in Burkina Faso.
- A PMF facility (included in capacity mentioned above) with an aim to backward integrate the palm mid fraction which is essential for blending with stearin for production of CBE. This is currently imported from markets like Malaysia & Indonesia.

The company estimates incremental capex requirements of ~₹450cr across these projects, of which ~₹150–180cr is earmarked for backward integration initiatives. The funding mix across internal accruals, debt and equity has not yet been finalised.

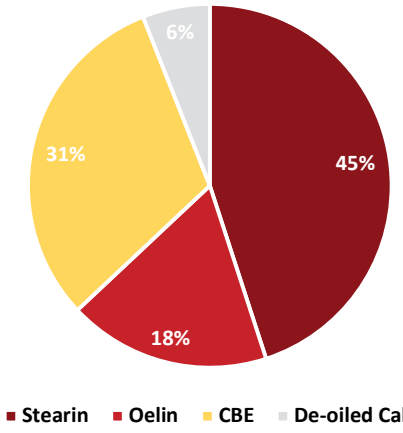
2. Healthy revenue diversification

Manorama has delivered a strong revenue CAGR of ~40% over the past three years, with revenues increasing from ₹279cr in FY22 to ~₹771cr in FY25. We expect this momentum to continue, supported by ongoing capacity expansion, with revenues projected to grow at a ~34% CAGR over FY25–28E to reach ~₹1,874cr by FY28. At peak capacity of ~52,000 MTPA, the company has the potential to generate revenues of ~₹2,000cr. The projected ~34% revenue CAGR is expected to be driven primarily by volume growth of ~29%, supplemented by modest pricing growth of ~5%.

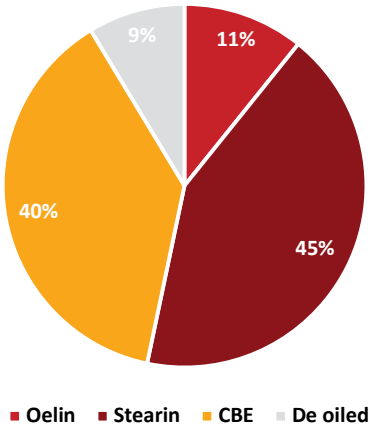
Revenue growth will find another trigger when the greenfield capacities of ~52,500 MTPA will go live in FY28-29. We have not factered in any revenues from these in our estimates, we assume these to be completed by end of FY28. Any early execution will imply potential upside to our target in that proportion.

Speaking qualititively, all the output from every step of the process is monetized. MIL primarily sells stearin (hard fats), oelin (soft fats), CBE & de-oiled cakes (by-product). While stearin yeilds higher realizations in absolute terms, CBE has better profitability. Stearin is blended with PMF in the ratio of 1:1 to produce CBE and hence to make an apple to apple comparison, the realizations should be compared after taking 2 portions of CBE against 1 portion of stearin. PMF costs ~$2500/ tonne which brings down blended realization for CBE.

Revenue Mix FY25



Revenue Mix FY28E

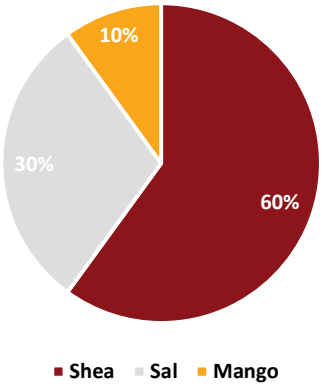


Source: Company, ABML Research

3. Strong, sustainable & diversified sourcing network across geography

Manorama uses exotic seeds with high butter content to extract crude butter to further refine in for preparation of CBE. Majorly, seeds of Shea, Sal & Mango are used constituting to around 60%, 30% & 10% of raw material mix respectively. Shea seeds are imported from various west African countries while Sal & Mango are procured domestically. These seeds are available in abundance of which Manorama procures ~1-10%. The existing facility is located at ~450 km from the Vishakapatnam port which is a logistical advantage for import of Shea seeds from Africa. Going forward, with the new greenfield capacity, the company aims to have dedicated capacity lines for each of the raw materials.

Input RM Mix FY25 (%)

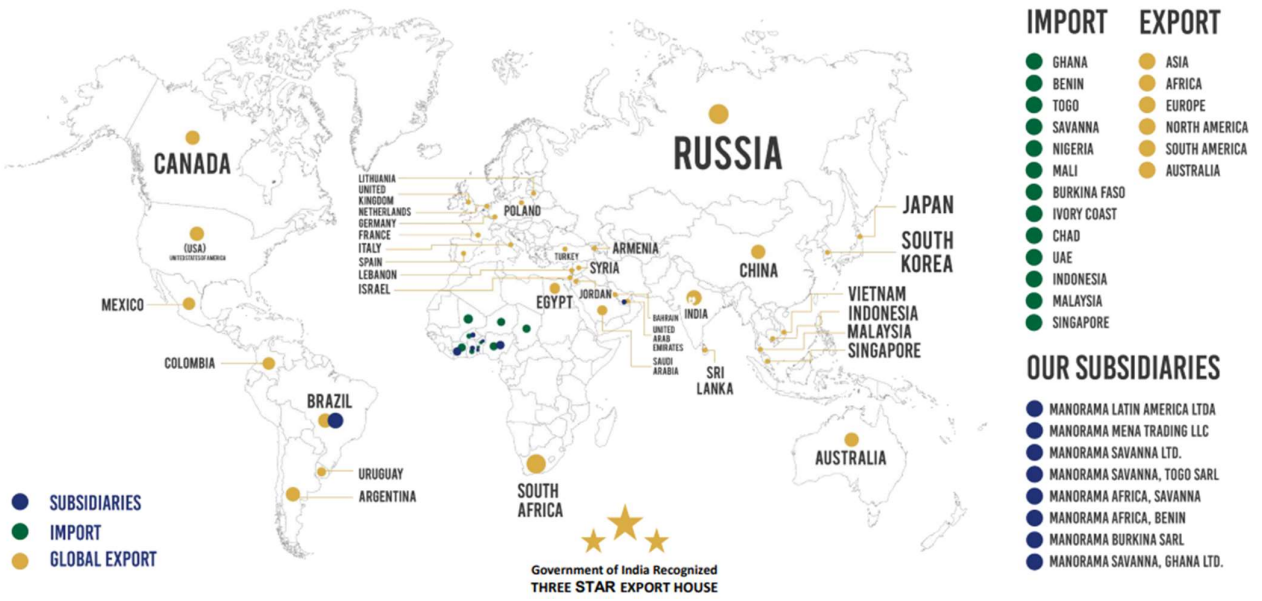


Source: Company, ABML Research

Shea seeds contain a high butter content (40-45%), which necessitates an additional expellation step at the initial stage of processing. In contrast, mango and sal seeds have a lower butter content of around 8–13%. Among these, mango seeds offer the most favorable unit economics, as the by-product generated during mango seed processing yields scrap value that is nearly equal to the cost of the raw material.

The company operates an extensive procurement network, with over 18,000 collection centers across India and 6 subsidiaries in Africa to facilitate the sourcing of shea seeds. In both regions, procurement is carried out through a large network of tribal communities, with payments made on a volume basis, thereby also supporting community welfare.

Manorama's Global Footprints



Source: Company, ABML Research

These seeds are seasonal and must be procured during specific collection periods to meet the company's full annual requirements. As a result, inventory levels tend to be higher, which is considered a normal and inherent aspect of the business model.

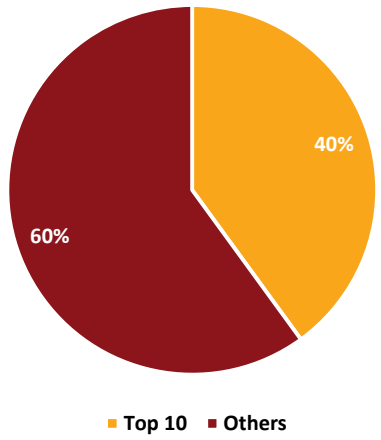
Seeds	Procurement	Collection Period
Sal	India	May – June
Mango		May – July
Phulwara		June – July
Dhupa		July – August
Kokum		Nov - Dec
Shea	West Africa	August – Nov/ Dec

Source: Company, ABML Research

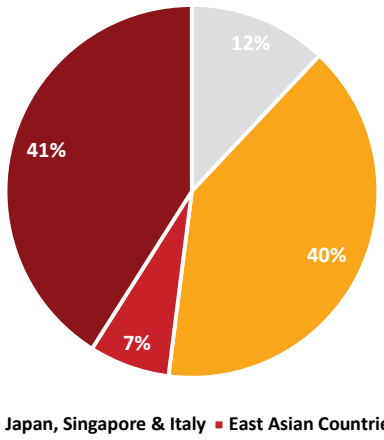
4. Marquee clientele & partnership led expansions

The company caters to Fortune 500 companies. Some of the largest clientele includes names like Nestle, Mondelez, Ferrero, Hersheys, The Body Shop, L'Oreal, etc. These are long standing relationships over many years by developing customized & quality products with collaborative efforts. The top-10 custormers contribute to ~45% of revenues & ~80% of revenues come from chocolate & confectionery industry. The company is now looking to expand into HORECA & bakery products industry as well. It also has a R&D facility – Micloa Innovation & Research Center which is headed by Dr. Krishnadath Bhaggan having 25+ years of experience which constantly facilitates new product launches & customization of existing portfolio. The company also boasts a number of certifications like ISO & Global Shea Aalliance, etc.

Client Concentration (%) - FY25



Geographical Revenue Split (%) - FY25



Source: Company, ABML Research

Currently, the geographical revenue split is commanded by Singapore, Italy & Japan combined commanding ~40% share while Russia alone accounts for ~12% & East Asian countries contribute to ~5-7%. This is also dynamic in nature as the clients have global presence & supplies are made to different geographies as per clients requirement.

Further, the company is also explosring new markets like Middle East and LATAM where it has establised its subsidiaries - Manorama Latin America LTDA & Manorama MENA Trading LLC. As a first step of new market penetration, the company has entered into a toll processing agreement with the Dekel Group in Brazil for manufacturing (only blending process) of CBE at its facility to cater to the local market for its same client base. Key terms & details of the agreement are as follows:

- Manorama will be exporting stearin to Brazil from India on required quantity basis (to maintain minumum inventory levels).
- Dekel Group's idle capacity will be made available to Manorama for its blending process.
- Manorama expects to incurr some processing cost & a fee per tonnage basis will be paid to Dekel for using its facility.
- No other payment is made to Dekel & this is an exclusive agreement and not a JV, hence, the revenue generated will form part of Manorama's topline.
- The LATAM market is estimated at ~30,000–40,000 MTPA and is currently largely served by AAK. Manorama expects to capture a meaningful share of this market, supported by its first-mover advantage as the only player with a local manufacturing footprint in the region.

5. Cocoa Butter vs CBE- increasing relevance in the chocolate & confectionary & cosmetics industry

Cocoa Butter: Composition, Properties and Industry Significance

Cocoa butter is a distinctive vegetable fat naturally extracted from cocoa beans (*Theobroma cacao*) and is a fundamental component in chocolate manufacture. It consists predominantly of triacylglycerols (TAGs) that are inherently present in cocoa beans and are responsible for the unique physical and sensory properties of chocolate. ~96% of cocoa butter's total lipid content is made up of 3 TAGs (POS, SOS & POP).

In terms of fatty acid composition, cocoa butter is primarily composed of palmitic acid (C16:0), stearic acid (C18:0), oleic acid (C18:1) and linoleic acid (C18:2), with minor proportions of lauric acid (C12:0) and myristic acid (C14:0). This unique balance of saturated and unsaturated fatty acids contributes to cocoa butter's characteristic melting behavior and crystallization properties. Physically, cocoa butter appears pale yellow in color, has a creamy texture and possesses a distinct cocoa flavor and aroma. Cocoa butter is traditionally obtained through hard pressing of cocoa liquor, separating the fat from cocoa solids. Beyond its essential role in confectionery production, cocoa butter is also widely utilized in pharmaceutical, cosmetic and personal care products due to its excellent emollient properties, oxidative stability and pleasant sensory attributes.

However, the limited supply and high cost of cocoa butter, coupled with increasing global demand, have motivated extensive research into alternative vegetable fats with physicochemical properties similar to cocoa butter. These alternatives, collectively known as Cocoa Butter Alternatives (CBAs) or hard butters, are designed to partially or fully replace cocoa butter in various applications, particularly in chocolate manufacturing. CBAs are generally classified into three categories: Cocoa Butter Replacers (CBRs), Cocoa Butter Substitutes (CBSs) and Cocoa Butter Equivalents (CBEs). **Among these, CBEs are of particular interest because their fatty acid and triacylglycerol compositions closely resemble those of natural cocoa butter, allowing them to be mixed with cocoa butter without compromising product quality.** Consequently, CBEs have gained significant attention as a promising solution for maintaining chocolate quality while improving cost efficiency and supply stability in the food industry.

Cocoa Butter Equivalents (CBEs): Closest substitute to Natural Cocoa Butter

Cocoa Butter Equivalents (CBEs) are produced by blending selected vegetable fats—such as palm oil, palm kernel oil, kokum butter, mango seed kernel fat, shea butter, sal fat and illipé fat—that exhibit fatty acid profiles and symmetrical monounsaturated triacylglycerol structures similar to those of cocoa butter. These fats are carefully chosen to mimic cocoa butter's characteristic composition, particularly its high content of POS, SOS and POP triacylglycerols, including melting behavior, crystallization characteristics and polymorphic stability. Importantly, they are fully compatible with natural cocoa butter in all blending ratios, allowing their incorporation without adversely affecting the processing performance or sensory quality of the final chocolate products.

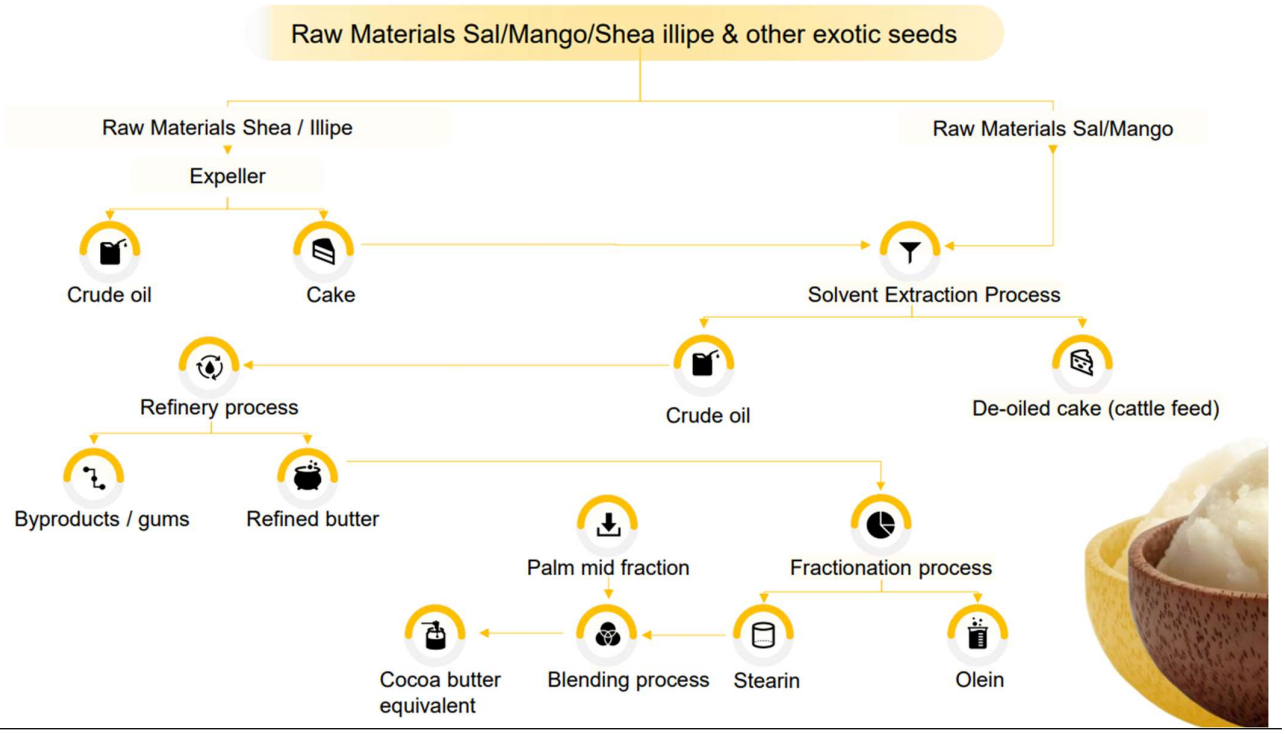
In industrial practice, the middle-melting fraction enriched in POP is typically obtained through the fractionation of palm oil. Meanwhile, triacylglycerol fractions rich in POS and SOS are derived from the fractionation of exotic or specialty fats such as illipé, sal and shea butter. Through precise fractionation, controlled blending, and formulation, tailor-made cocoa butter equivalent fats can be manufactured without the need for hydrogenation, ensuring that CBEs are free from trans fatty acids.

Comparison of Cocoa Butter vs various alternatives:

Category	Cocoa Butter Equivalents (CBE)	Cocoa Butter Replacers (CBR)	Cocoa Butter Substitutes (CBS)	Cocoa Butter (CB)
Sources of extraction	Palm oil, shea butter, illipe, kokum, sal, mango kernel	Palm olein, soybean, canola, sunflower, rapeseed, cottonseed	Palm kernel oil, coconut oil	Cocoa beans
Process of extraction	Enzymatic synthesis from blended fats	Hydrogenation & fractionation of vegetable oils	Hydrogenation of lauric-rich oils	Natural extraction from beans
Melting point	35-40°C	33-37°C	33-37°C	34-38°C
Mixing Properties and Compatibility with Cocoa Butter	CBE demonstrates 100% compatibility with cocoa butter at any ratio. This means CBE can be blended with CB from 0-100% without altering the crystallization behaviour or sensory properties significantly. The excellent compatibility stems from nearly identical TAG profiles and fatty acid distributions.	CBR exhibits moderate compatibility with CB, limited to a maximum of 20% by weight without compromising product quality. Beyond 20% CBR content, the chocolate exhibits reduced hardness, altered melting profiles, and potential development of waxy mouthfeel.	CBS is chemically incompatible with cocoa butter at any ratio above 0%. The lauric acid content (40-53%) fundamentally prevents proper crystallization when mixed with CB. CBS must be used to entirely replace CB, not as a blend component. When CBS is used alone, cocoa powder must be added separately to achieve chocolate flavour since CBS itself lacks cocoa notes.	N.A.
Shelf Life	CBE extends shelf life to 12+ months, with enhanced resistance to oxidation compared to cocoa butter. The fractionated composition and refined processing reduce oxidative degradation pathways.	CBR offers extended shelf life of 18+ months due to the stability of hydrogenated vegetable oils and refined processing techniques.	CBS provides the longest shelf life (18-24 months) due to the inherent stability of saturated lauric-rich compositions and high processing sophistication.	Cocoa Butter exhibits a shelf life of 6-12 months under proper storage, susceptible to oxidation and rancidity.
Price Range ($/Ton)	5,500-6,000 & stable	2,000-4,000 & stable	1,500-3,000 & stable	6,000-11,000 & highly volatile driven by supply
Applications	High-quality chocolate, coatings, tropical regions	Compound chocolate, coatings, biscuits, budget products	Mass-market coatings, bakery products, ice cream coatings	Premium & artisan chocolates

Source: Industry, ABML research

Manorama's Process



Source: Company, ABML Research

1. **Expeller-** High-butter-content seeds such as Shea and Illipe are processed through mechanical expulsion, which extracts oil through physical pressure without chemical intervention. This initial step is essential for seeds with naturally elevated fat concentrations.
2. **Solvent Extraction-** Seeds with lower butter content—including Mango, Sal, and Kokum—along with the residual material from the expeller process, undergo solvent extraction. This chemical process recovers additional oil that mechanical pressing cannot efficiently extract, maximizing yield from available feedstock.
3. **Refinery-** The crude oil obtained from solvent extraction undergoes refining to isolate and purify the butter fraction. This stage removes impurities and undesirable compounds, producing a clean oil suitable for further processing.
4. **Fractionation-** Refined butter is subjected to fractionation, a separation technique that segregates the fat into two distinct components based on melting point: Stearin (hard fat with higher melting point) and Olein (soft fat with lower melting point). This differentiation enables precise control over the final product's physical properties.
5. **Blending-** The soft fat component (Stearin) is combined with Palm Mid Fraction (PMF) in equal proportions to produce the finished CBE. This blending step achieves the fatty acid profile alignment necessary for cocoa butter compatibility and optimal chocolate performance characteristics.

Why CBEs are gaining traction?

- **Cost effective-** Cocoa prices exhibit significant volatility driven primarily by supply availability dynamics. Major cocoa-producing regions including West Africa, Indonesia and select Latin American countries represent the largest contributors to global cocoa supply. In recent years, adverse weather conditions have intensified production volatility, creating corresponding price fluctuations that reached peaks of $12,000 per ton during FY24.

  In contrast, Cocoa Butter Equivalents (CBEs) have maintained stable pricing in the $5,500–$6,000 per ton range over an extended period. This price stability represents a compelling competitive advantage for CBE adoption, as manufacturers gain protection from commodity price volatility and supply-driven spikes while maintaining chocolate quality standards without compromise.

- **Consistency & Quality-** Cocoa butter alternatives represent far more than a cost-reduction strategy. They fundamentally enhance the quality and consistency of chocolate products. CBEs deliver superior texture uniformity and smoothness through their exceptional compatibility with cocoa butter, stemming from their closely aligned fatty acid profiles. This structural similarity has established CBEs as the preferred choice among chocolate manufacturers seeking to maintain product consistency without sacrificing quality standards.

- **Shelf-Life-** An additional significant advantage of CBEs lies in their capacity to extend chocolate product shelf life. Chocolates formulated with CBEs demonstrate enhanced resistance to fat bloom—the whitish coating that typically develops on chocolate surfaces during storage. By minimizing fat bloom occurrence, CBEs enable manufacturers to maintain product quality and visual appeal over extended periods, reducing waste while ensuring sustained consumer satisfaction.

- **Sustainability-** CBEs advance chocolate industry sustainability by reducing reliance on cocoa butter sourced from environmentally vulnerable regions. This shift promotes ethical sourcing practices and supports a more sustainable production model for the chocolate industry.

CBE market is estimated at ~5-6 lakh tonnes per annum while the industry supply is only at ~2 lakh tonnes. Currently, countries like Europe along with many Asian countries including India allow upto 5% of CBE content for product to be labelled as chocolate. US does not allow any CBE content in products labelled as chocolate under FDA standards. The global standards of Codex also allow 5% of CBE content. Countries like Russia have no restrictions on use of CBE. However, in India, many confectioneries are sold even under brands with higher CBE content without classifying them as chocolate. Any regulatory changes in these limit caps can further increase addressable market for CBE. As per Study, it is recommended that 40% of CBE blending is suitable in chocolates to keep its properties and qualities intact.

6. Financials & Unit Economics

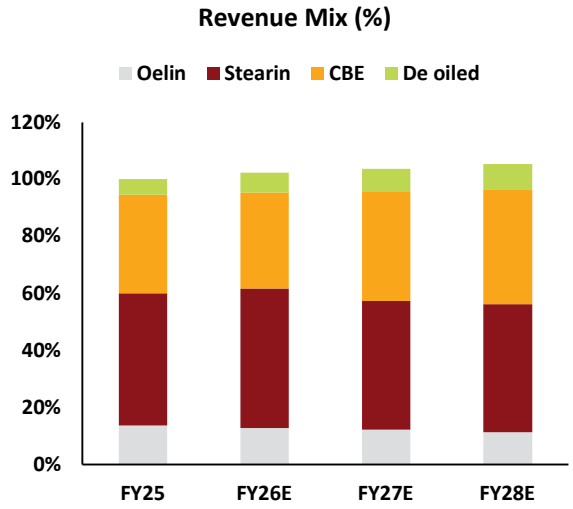
a) Unit Economics

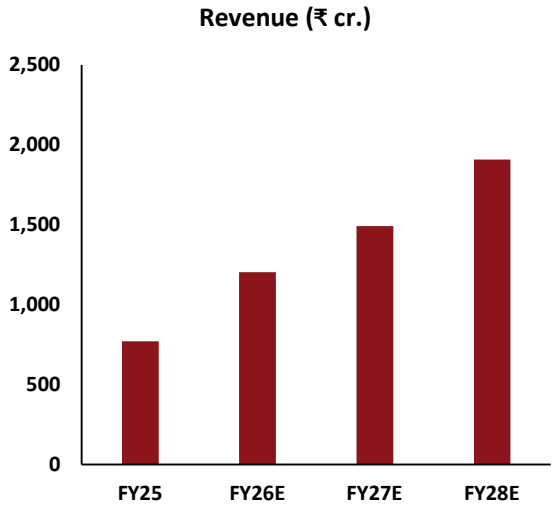
- The company has ~90,000 tons of expeller capacity & equal solvent extraction capacity. Shea seeds and other high butter content seeds like Illepe are first processed to expeller which is an additional first step. All other downstream capacities are fungible. Shea seeds, Sal seeds & Mango seeds form 60%, 30% & 10% of RM mix with each having 45%, 13% & 9% butter content respectively. Once this butter content is extracted, the balance is waste product called "De-oiled Cake" which yeilds a realization of ~$75-80/ ton.
- The output generated is in ratio of 1:1 between stearin & oelin. Currently, ~30% of stearin production is further blended with PMF (imported from Indonesia & Malaysia at ~$2,500/ ton) to produce CBE.
- Going forward, the proposed greenfield facility with ~52,500 MTPA of fractionation capacity will enable the establishment of dedicated production lines for processing each type of seed. Upstream capacities will be expanded in parallel with the addition of fractionation capacity. **The plan also includes setting up a new PMF facility, which is expected to further enhance margins through cost efficiencies**. Additionally, the facility will enable processing of olein through the ESOS process, wherein enzymes and stearic acid are added to olein to convert it into stearin. This will improve realizations and increase the proportion of stearin and CBE in the overall revenue mix.
- The expeller capacity in Burkina Faso will help improve inventory management and optimize logistics costs, as crude butter (~45%) will be exported instead of raw seeds. This will rationalize logistics expenses by eliminating the need to import the non-butter component of the seeds.

  However, the last two points are not factored in our assumptions as these triggers will be effective when these facilities go live which are expected by FY28 end and beyong our forecast period. It can impact valuations & growth premiums.

b) Revenue

We expect the revenues to grow at a CAGR of 35% for FY25-28 in line with the capacity growth to reach ₹1,908cr. by FY28. We expect a volume growth CAGR of ~29% over the same period with improvement in the mix with share of CBE increasing by ~600 bps and Oelin reducing by ~200 bps over the same period.

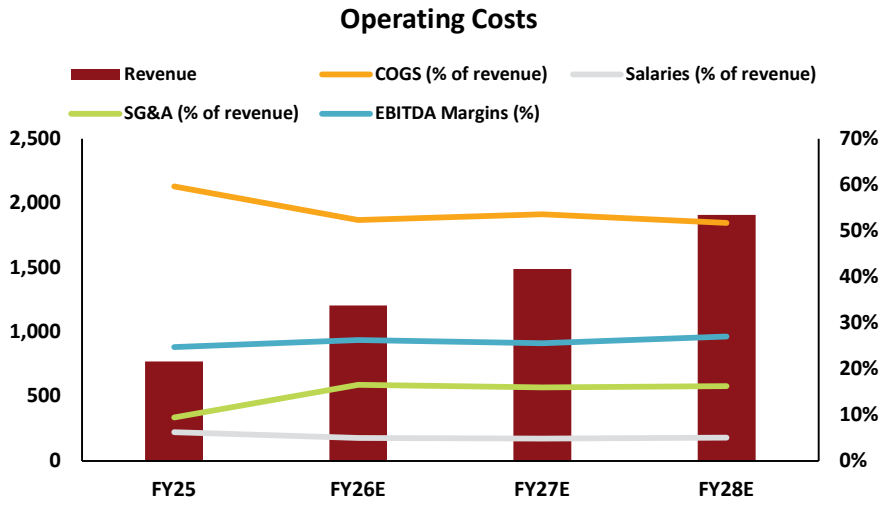




Source: Company, ABML Research

c) Margins, EBITDA & PAT

We expect the gross margins to expand by ~800 bps in FY26 driven by better utilizations of new capacities & improvement in inventory days. We see the operational expenses to jump up by ~800 bps (on % of revenue basis) on account of new capacity additions.Overall, EBIDTA margins are expected to fluctuate as capacity additions kick in.



Source: Company, ABML Research

EBITDA & PAT in absolute terms are epxected to grow at a CAGR of 39% to reach ~₹515 cr. & ~₹299 cr. respectively by FY28.

d) Capex & Depreciation

The company expects a total capex of ~₹450 cr. for its Burkina Faso & greenfield expansion, this capex will be incurred over next 2 years. In FY26, we expect company to spend ~₹60 cr. for capex for expansion of ~12,000 MTPA. As a result, the depreciation is expected to grow at a CAGR of 46%. The gross block as per our workings is expected to reach ₹776 cr. by end of FY28.

Key risks

1. **Any restrictions by African countries may disrupt RM procurement**

   In AAK's recent earnings call, who is a global leader in the industry, the management hinted at some restrictions by African countries on restrictions on export of Shea seeds. Manorama relies on Shea as its primary RM constituting of ~60% of its total input. However, there are 22 countries in Africa where such seeds can be procured from & apart from this, there are no restrictions on export of such seeds after processing. The intent of these African countries is to lock in some value addition at home for their own benefit & growth. Further, Manorama has signed an MoU with Burkina Faso for expeller plant which can mitigate this risk to some extent.

2. **Capex cost over runs**

   Historically, in FY24, the company spent ~ 118 cr. on capex against estimated capex of ~₹65 cr. These were due to various reasons like higher than planned capacity, integration overruns, technology updates, macro-economic events etc. The company has planned for an upcoming capex of ~₹450 cr. & the company does not generate enough cash flows to fully fund this with internal accruals. Any over runs may adversely affect the profitability & leverage ratios or the capital structure of the company.

3. **Regulatory restrictions & geopolitical risk**

   The industry to which the company caters is regulated with limits on use of CBE (the company's product). Any changes in these limits may adversely or favorably affect the company's business. The company derives ~60-70% of its business from exports, any geopolitical issues like import tariffs & restrictions may affect company's revenues.

4. **Cocoa Prices, consumption dynamics & client concentration**

   The industry is dominated by few big players who are also the customers of Manorama. The top 10 clients account for ~40-50% of the revenues which may continue to stay in the same range due to nature of the industry. Any adversity on key client or change in supplier by any of the client may impact revenues materially. In addition, the chocolate prices are driven by cocoa prices which have been very volatile during last year due to changes in weather conditions & diseases affecting supply from African regions who account for major chunk of cocoa production globally. Cocoa prices peaked at $13,000/ ton resulting in higher chocolate prices which have not yet normalized even after cooling down of cocoa prices. This in turn has affected the consumption of chocolates adversely.

Peer Comparison

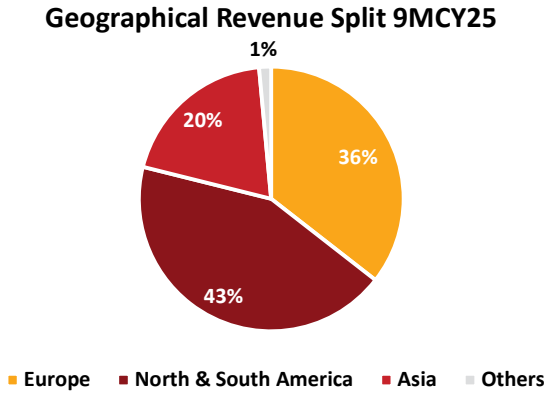
Although Manorama does not have direct listed peers, there are some global players who are much more integrated & diversified but have similar businesses. Few of them are listed below:

1. AAK Group

AAK specializes in plant-based oils and fats, the value-adding ingredients in many products. It makes these products better tasting, more nutritious, cost-efficient, and sustainable. The company is listed on Nasdaq Stockholm, with headquarters in Malmö, Sweden. The company has 20 production plants, 25 sales offices & 16 innovation centers across the globe. It also has 2 facilities in India- one in Kakinada, Andhra Pradesh (Arani Agro Oil industries) & other in Khopoli, outside of Mumbai.

Particulars*	CY20	CY21	CY22	CY23	CY24	9MCY25
Total Volume ('000 tons)	**2,195**	**2,312**	**2,259**	**2,123**	**2,173**	**1,503**
Chocolate & Confectionery volumes ('000 tons)	449	519	521	473	512	388
C&C as % of total volumes	20%	22%	23%	22%	24%	26%
Total Net Sales (SEK)	**27,934**	**35,452**	**50,425**	**46,028**	**45,052**	**34,541**
Revenue Mix						
Food Ingredients	66%	66%	65%	65%	64%	61%
Chocolate & Confectionery	28%	28%	29%	30%	31%	34%
Technical Products & Feed	6%	6%	6%	5%	5%	5%
Total Operating Profit	**2,167**	**2,089**	**2,538**	**4,116**	**4,896**	**3,433**
Operating profit C &C(SEK)	865	971	1,092	1,521	1,983	1,498
C&C operating profit as % of total	40%	46%	43%	37%	41%	44%
Operating margin of C&C segment	**11%**	**10%**	**7%**	**11%**	**14%**	**13%**
PAT	**1,581**	**1,447**	**1,780**	**2,954**	**3,542**	**2,488**
ROCE %	**14.2%**	**15.6%**	**14.5%**	**19.1%**	**22.4%**	**21.6%**

*Source: Company, ABML Research, *All amounts in Swedish Krona (SEK millions) except for volumes & percentages*



Source: Company, ABML Research

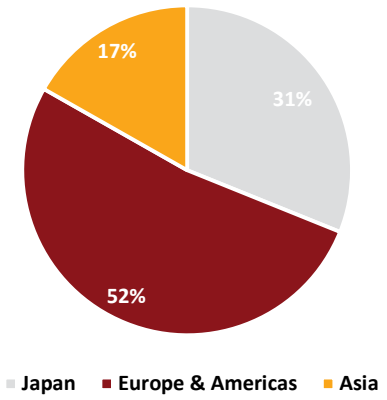
2. Fuji Oil Co. Ltd.

Established in 1950, Fuji Oil is engaged in development, manufacture, and sale of food related to the business of vegetable oils & fats, industrial chocolate, emulsified & fermented ingredients and soy-based ingredients. The company stands at no.1 in Japan while ranks in top 3 in the world for its CBE business (Vegetable Oils & Fats segment). The operations span around 9 countries with 20 companies and an annual volume of ~9 lakh tonnes.

Particulars	FY21	FY22	FY23	FY24	FY25	H1FY26
Net Sales						
Vegetable Oils & Fats	98	135	203	185	207	132
Industrial Chocolate	162	186	229	253	335	180
Emulsified and Fermented Ingredients	70	79	91	90	94	47
Soy-based Ingredients	34	34	34	36	35	17
Total	**365**	**434**	**557**	**564**	**671**	**376**
% of Oil & Fats segment	**27%**	**31%**	**36%**	**33%**	**31%**	**35%**
Segment-wise profit						
Vegetable Oils & Fats	7.9	7.4	7.0	15.4	26.3	18.7
Industrial Chocolate	7.6	7.5	5.0	1.8	-15.8	-3.5
Emulsified and Fermented Ingredients	3.0	1.6	1.5	3.8	3.4	0.4
Soy-based Ingredients	3.2	2.1	1.3	1.0	0.7	-
Total	**21.7**	**18.6**	**14.8**	**22.0**	**14.6**	**15.6**
Margins of Oil & Fats segment	**8%**	**5%**	**3%**	**8%**	**13%**	**14%**
PAT	11.2	11.6	6.1	9.6	3.7	8.6
ROIC%	4.3%	3.1%	2.0%	3.5%	1.4%	3.6%

*Source: Company, ABML Research, *All amounts in Japanese Yen (JPY billion) except for volumes & percentages*

Geographical Revenue Mix H1FY26



Source: Company, ABML Research

Company	Annual Revenue (in ₹ Cr.)	3-year CAGR (%)	Operating profits (in ₹ Cr.)	3-year CAGR (%)	PAT (in ₹ Cr.)	3-year CAGR (%)	EPS (in ₹)	P/E (x)
AAK	44,106	8%	4,793	33%	3,468	35%	133	19
Fuji Oil	12,023	16%	847	-8%	215	-32%	26	11
Manorama	771	40%	191	70%	112	67%	19	71

Source: Company, ABML Research, Exchange rates for SEK & Yen are assumed to be 9.79 & 0.58 respectively

One needs to understand that AAK & Fuji Oil are much bigger businesses with diversified and wide range of offerings. While Manorama remains niche & focused business, it has been growing at a much faster pace historically & going forward also we expect the momentum to continue**. We initiate coverage on Manorama Industries Ltd. with a TP of ₹ 1,755/ share at a 35x PE on FY28 earnings with an implied upside of 32% over the CMP.**

Board of Directors and key managerial personnel

Ashish Saraf – Chairman & Independent Director

With 33 years of experience, he has extensive expertise in the specialty fats and butters manufacturing sector and has led operations since the company's inception. His experience spans global procurement and supply chain management, business development, and the development of customized solutions for leading chocolate, confectionery, and cosmetics brands worldwide.

Vinita Saraf - Vice Chairperson & Whole Time Director

With 21 years of experience, she holds a bachelor's degree in commerce from Mount Carmel Girls College, Bangalore. Her professional journey is defined by an entrepreneurial vision, ambition, and a strong work ethic, demonstrated through consistent vigor and dedication.

CA Ashok Jain - Whole Time Director & Chief Financial Officer

With 15 years of experience, Mr. Ashok Jain is a Chartered Accountant and commerce graduate. As Whole-time Director and Chief Financial Officer, he leads strategic financial planning and oversees key functions including costing, accounting, taxation, corporate finance, capital raising, forex management, and international financial compliance, while managing the financial operations of the Company and its overseas subsidiaries.

Gautam Pal – Whole Time Director

With 22 years of experience, he holds a Doctorate in Management from the National Institute of Management (Maharashtra), an MBA in Production and Marketing from Amity University, a background in Production, and a B.Tech in Chemical Engineering. He heads the plant and brings extensive experience in specialty oils, fats, and butters manufacturing, along with quality control expertise.

Shrey Saraf - Whole Time Director

With 7 years of experience, he holds a BBA in Business and Management from the University of Exeter, UK. His dynamic presence contributes to strengthening marketing, customer engagement, and business development initiatives.

Mudit Kumar Singh - Independent Director

With 38 years of experience, he is a senior retired bureaucrat from the 1984 batch of the Indian Forest Service, Chhattisgarh cadre. His internationally acclaimed work in participatory management at Jhabua has been documented in three books by the Tata Energy Research Institute, the Worldwide Fund for Nature, and IIFM, and his extensive forestry expertise will be a valuable asset to the Company.

Jose V Joseph - Independent Director

With 41 years of experience, he retired as Executive Vice President of The Federal Bank and brings extensive expertise in corporate, SME, and retail banking in India and the Middle East. His presence and independent guidance support robust financial strategic planning and strong corporate governance.

Subhaprada Nishtala - Independent Director

With 25 years of experience, she is a recognized authority in food safety, regulatory compliance, and quality operations. She has led key strategic initiatives across manufacturing, operations, and new product development, driving excellence and innovation in both private and public sectors. As a Lead Auditor and Lead Trainer for FSMS standards, she has conducted over 400 training programs in HACCP, ISO 22000, and FSSC 22000.

Nipun Mehta - Independent Director

With 37 years of experience, he is a Chartered Accountant and an expert in financial markets, combining entrepreneurial and corporate experience in private banking, capital markets, and wealth management. He has held leadership positions with both domestic and global financial institutions.

Veni Mocherla - Independent Director

With 23 years of experience, she holds an MBA and a postgraduate qualification from the Chartered Institute of Marketing, UK. She is a business consulting professional specializing in international business and alliances, cross-border consulting, strategy and planning, and business scaling. She has also held senior roles at the Department of Trade & Investment, British High Commission, and Bristol Myers Squibb in India.

Financials

Income Statement	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**188**	**203**	**279**	**351**	**457**	**771**	**1,204**	**1,491**	**1,908**
Cost of goods sold (COGS)	114	141	197	248	307	460	630	798	987
Gross Profit	**74**	**61**	**82**	**103**	**150**	**311**	**575**	**693**	**921**
Expenses									
Salaries and Benefits	7	8	10	13	20	48	60	73	96
Other SG&A	23	19	33	34	57	73	199	239	310
EBIDTA	**44**	**35**	**39**	**56**	**74**	**191**	**316**	**382**	**515**
EBITDA Margin (%)	**23.3%**	**17.1%**	**14.0%**	**16.1%**	**16.1%**	**24.8%**	**26.2%**	**25.6%**	**27.0%**
Depreciation & Amortization	8	8	8	11	14	22	29	42	68
EBIT	**36**	**27**	**31**	**46**	**60**	**169**	**287**	**340**	**447**
Interest Expenses	10	10	6	9	20	39	43	51	67
Other Income	6	6	8	6	13	19	12	15	19
Profit Before Tax	**32**	**22**	**34**	**43**	**53**	**148**	**255**	**304**	**399**
Taxes	9	8	9	13	13	36	64	76	100
Profit After Tax	**23**	**15**	**24**	**30**	**40**	**112**	**192**	**228**	**299**

Balance Sheet	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets									
Current Assets									
Cash & Bank	36	17	53	60	88	98	32	50	65
Account Receivables	16	22	25	28	42	102	148	172	220
Inventory	150	123	181	158	389	550	759	899	1,098
Short-term loans and advances	13	16	19	22	33	39	39	39	39
Other current assets	11	1	2	3	4	2	2	2	3
Total Current Assets	**226**	**180**	**280**	**270**	**556**	**791**	**980**	**1,161**	**1,424**
Non-current Assets									
Property, Plant & Equipment	51	57	55	97	129	175	205	343	575
Financial assets	1	1	55	54	47	12	12	12	12
Other non-current assets	10	16	6	4	4	5	5	5	5
Total non-current assets	**63**	**74**	**116**	**154**	**181**	**192**	**222**	**360**	**592**
Total Assets	**289**	**254**	**396**	**424**	**737**	**983**	**1,203**	**1,521**	**2,016**
Liabilities									
Current Liabilities									
Account Payable	33	7	8	4	40	14	43	53	68
Other Current Liability	9	14	13	12	17	21	21	21	21
Total Current Liabilities	**42**	**22**	**21**	**16**	**58**	**36**	**64**	**74**	**89**
Non-current Liabilities									
Debt	119	85	104	105	337	483	483	563	743
Other Non-Current Liabilities	0	3	2	5	5	5	5	5	5
Total Non-current Liabilities	**119**	**87**	**106**	**111**	**342**	**488**	**488**	**568**	**748**

Balance Sheet	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity									
Equity Capital	11	11	12	12	12	12	12	12	12
Retained Earnings (reserve & surplus)	116	134	256	286	325	448	639	867	1,167
Total Shareholders' Funds	**127**	**145**	**268**	**298**	**337**	**460**	**651**	**879**	**1,179**
Total Liabilities	**289**	**254**	**396**	**424**	**737**	**983**	**1,203**	**1,521**	**2,016**

Cash Flow Statement	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Cash flow from operations	-60	33	-33	59	-153	-89	25	153	183
Cahs flow from investing	-10	11	-35	-99	-62	-48	-48	-165	-281
Cash flow from financing	85	-45	117	-7	214	107	-43	29	113

Important Ratios	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Receivable Days	32	40	33	29	33	48	45	42	42
Inventory Days	291	222	237	164	311	261	230	220	210
Payable Days	105	19	15	6	48	11	13	13	13
Net Working Capital (₹ cr.)	133	138	198	181	391	638	865	1,017	1,249
Net Debt/ Equity (x)	0.6	0.5	0.2	0.2	0.7	0.8	0.7	0.6	0.6
ROE (%)	18.3%	10.1%	9.0%	10.0%	11.9%	24.4%	29.4%	25.9%	25.4%
ROCE (%)	17.8%	15.1%	10.5%	14.0%	10.9%	20.2%	27.9%	26.5%	26.8%
EPS	4.2	2.6	4.0	5.0	6.7	18.8	32.1	38.2	50.1
YoY Growth		-38%	54%	24%	34%	179%	71%	19%	31%
P/E	13.1	61.7	57.4	41.2	59.3	56.5	41.3	34.8	26.5
EV/EBITDA		23.7	30.6	20.4	30.4	32.1	26.5	22.1	16.7

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Name of the Compliance officer: Mr. Murali Krishnan L R: 044-49490014 E-mail Address: abm-chn.compliance@adityabirlacapital.com. For any queries or grievances: Mr. Sathish Kumar Email address: care.stocksandsecurities@adityabirlacapital.com Contact Number: 18002707000.

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