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COVER PHOTOGRAPH BY  
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# Wealth out of waste

**Manorama is in the process of migrating from SME exchange to BSE main board**

**“W**e source from the poor and sell to the rich”, say Vinita (50) and Ashish Saraf (51), the husband and wife team at Manorama Industries Ltd (MIL). The promoters hold 69 per cent stake in MIL which sources raw material (seeds) from around 7.8 million tribal women in the deep forest area of Raipur and West Africa to make the end product. “This seeds are processed and supplied as exotic and specialty fats and butters. These are tailor-made fats and cocoa butter equivalent (CBE) used in food, chocolate, confectionery and cosmetics sector globally,” says Vinita, MD, MIL.

Manorama is named after the family matriarch and Saraf’s grandmother, Manoramadevi. “She was a pillar of support and her teachings continue to inspire and motivate the company to take the business to greater height,” says Saraf, president, MIL. He has over 32 years of experience in managing the business – from procurement of raw material to exporting of finished goods all over the world. “We deliver products that are value propositions and of high quality. This business philosophy manifests in our company enjoying pioneering and leadership status in the industry both at a global and national levels.”

In September 2020, MIL will complete two years, of its listing on the BSE SME exchange. “Listed companies on SME exchange-platforms are permitted to migrate on to the main board on completion of two years of listing. Migration process is easy and quite seamless. As on date, a total of 114 SMEs have migrated from SME platforms to main board,” says Mahavir Lunawat, founder, Pantomath Capital Advisors, lead managers of maximum SME IPOs. It has managed close to 100 SME initial public offers (IPOs).

“SME exchange-platform enables Indian SMEs raise interest-free growth capital. A total of 533 SMEs have

been listed on SME Exchanges, with a cumulative fund-raise of over ₹6,400 crore. MIL’s IPO was one of the biggest SME IPOs and also, received good participation of marquee investors,” adds Lunawat.



*The Sarafs: developing strong business relationships*

In September 2018, MIL opened its doors through an IPO of ₹64 crore, issuing 34.04 lakh shares at ₹188 each. The shares were listed on 4 October 2018. Currently, the counter is actively trading at ₹460 accounting for a market cap of over ₹500 crore. “We raised the capital for setting up a manufacturing facility at Birkoni, near Raipur. The company has been able to set up this state-of-the-art factory in a record time with quality production and incurred the capex of ₹60 crore in FY20,” says Saraf, making strenuous efforts to follow up with the state

years by creating a procurement network across five states for collection of Sal, Kokum, Mango and other seeds from the tribals. Two, the relationship they developed with large MNCs including Mondelez India, Ferrero, Body Shop etc. Lastly, the R&D focus in developing new products. The company roped in Kris Bhagwan from Loddies Krokkan – a Bungee group company – who has more than 30 international patents on his name,” says Jeevan Patwa, an investor in the company, who sees MIL enjoy very healthy margins and return ratios with zero long term debt and 30-45 days receivables only owing to MNC clientele. “The company recently commissioned a new plant which has increased the capacity by five times. So the company can achieve a turnover of ₹1,000 crore from the present ₹185 crore without any new capex in next few years,” he calculates.

On 30 June 2020, MIL announced

FINANCIALS (₹ crore)		
FY	2018-19	2019-20
Revenue	102.40	188.24
EBIDTA	31.92	49.80
PBT	26.56	32.37
PAT	19.06	23.33
Cash Margin	19.87	31.00



its results, where its year-on-year (Y-o-Y) revenue increased 83.83 per cent to ₹188 crore; operating profit (EBITA) increased 55.99 per cent and PAT increased 22.43 per cent to ₹23 crore. As stated by the management they are confident that in FY21 their operations will be smooth and they anticipate an increase in production and revenue that will set off the increased costs.

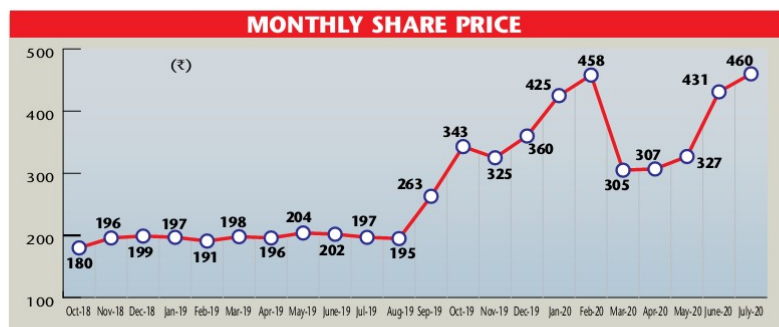
Commenting on the performance, Vinita says, "We are tapping growth opportunities and the positive performance during this year was led by a strong growth in sales. The Bikroni plant has started full commercial production of all its units including the key process of fractionation. We are also in the process of considering making our Africa venture a wholly-owned subsidiary of the company."

### The Covid effect

Talking about the impact of the ongoing Covid crisis, "prior to 18 April, 2019 there were hiccups in the production and rescheduling of despatches of finished goods. Necessary permissions, approvals and precautions were taken and the Bikroni plant in its limited capacity and manpower is taking care of pending requirements with no impact on the supply chain. We are exercising caution and looking at minimising costs."

For starters, MIL was started in August 2005 by the Sarafs and Kedar-nath Agrawal. Vinita has 29 years of experience in the food processing, flour, and specialty fat and butter industry. Under the guidance of the Sarafs through the years they have jointly managed various phases of expansion and growth of business and operations. "The company has a rich history and proven track record of customer retention and derives a significant proportion of its revenues from repeat business. Over the years, MIL has developed strong business relationships with large global food, cosmetics, chocolate and confectionery manufacturers – many of them being Fortune 500 companies," observes Saraf.

"We have several firsts to our credit. MIL is the first forest products based company that has built a huge supply network to source raw materials



– seeds. This extensive supply chain keeps the company immune to supply-demand disparities and seasonal shortfalls," says Vinita who prides over the fact that MIL has been recognised for its R&D efforts by the government of India's Department of Scientific & Industrial Research (DSIR), the sole authority for granting R&D certification to companies in India.

"With this we joined the elite club of 2,000 companies in India who have this certification. Being the only company in this segment with this certification, we can now develop in-house and launch new exciting products on continuous basis," Vinita adds. "For us, sustainable growth is about our responsibility towards all our key stakeholders – the tribal/forest dwellers are our major suppliers, local communities where we operate. Ecological sustainability and environmental preservation while helping the local ecosystems surrounding the forests to prosper," says Saraf. Contributing towards social responsibility, the company conducts cleanliness drives in tribal areas, villages and urban areas under the Swachh Bharat Campaign.

"From every rupee earned by MIL, 45 per cent goes to tribals as we source our raw material from them. We have made progress in deriving 'best from waste' by our pioneering efforts in the development of mango kernel butter and its commercialisation," he adds. The company has won several awards for excellence in this field including the award for 'Highest Excellence In Corporate Social Responsibility & Sustainable Fair Trade Sourcing', excellence in innovation for introducing CBE (Cocoa Butter Equivalents) in India. Besides, its contribution to the socio-economic and environmental

welfare of the tribal communities in the states of Chhattisgarh, Jharkhand, Odisha and Madhya Pradesh, MIL has been lauded in West Africa for shea nuts.

Right from the very beginning the company has invested in R&D with a view to strongly cultivate a philosophy in innovation and quality. The focus on these heavy investments have been vindicated as the products of the company are approved by globally leading manufacturers in food, chocolate, confectionery, beauty products etc. The products are 100 per cent natural and from tree borne seeds from the forests. The by-product, de-oiled cake, is used as cattle feed. Hence, there is no need for waste disposal. Thus, every product and by-product brings revenue for the company.

"Being a signatory to the UN Global Compact, we are committed to integrating and promoting several principles relating to human rights, international labour standards and the fight against all discrimination. Our model for sustainable progress (CSPPN model of Sustainability) covers all aspects: our customers, suppliers, planet, people and neighbours," adds Vinita supplying CBE, sal fat/butter, shea butter, mango butter, customised fat blends, palm and palm kernel based fats, phulwara fat and several value-added tailor-made products that form the ingredients of CBE to players in the global food, chocolate, confectionery and cosmetics industries. "Our business model is entirely forest-based, deriving our entire raw material base from wild foresting. There is limited concentration risk as products derived from trees are renewable and the seeds ripen periodically in the Indian summer months."



## Corporate Reports

BUSINESS INDIA ♦ THE MAGAZINE OF THE CORPORATE WORLD



Manorama Industries' Collection Centre: sourcing from 7.8 million women forest dwellers

### Favourable demand

"We operate in an attractive sector with strong growth prospects, underpinned by favourable trends such as growth in population and per capita food consumption. We are continuously tapping growth opportunities. The positive performance during this year was led by a strong growth in sales. The Bikroni plant has started full commercial production of all its units including the key process of fractionation. We are also in the process of considering to make our Africa venture a wholly-owned subsidiary of the company," says Vinita pegging the global demand supply gap estimated to be around 2 lakh tonne per annum.

As per a 2018 report by CARE, the specialty fats and butter market are expected to clock a compounded annual growth rate (CAGR) of 6.6 per cent (2018-2026) to attain a market value of \$142.1 billion by 2026, with APAC alone contributing \$36.8 billion by 2026. Within the specialty fats and butter segments, the semi-solid butter form will register a high CAGR of 7.3 per cent, during this period (2018-26).

"CBE is the core offering. India is one of the most important CBE markets with a likely projected consumption of nearly 20,000 tonne by 2022," states the CARE report. According to the report, in 2015-16, India's total consumption of cocoa beans was around 30,000 tonne, 57 per cent of which was imported. In the five years till 2015-16, India's cocoa bean production grew at

a CAGR of just 3.6 per cent, according to data from the Directorate of Cashewnut and Cocoa Development (DCCD). India's per capita consumption is miniscule compared to the world's most chocolate-crazy nation, the Switzerland, whose citizens consumed a staggering 8.8 kg on average in 2015.

According to Euromonitor International, the size of the Indian chocolate confectionery market in 2016 was around ₹1,260 crore. The top three players are all multinationals, with Mondelez India (formerly Cadbury India), maker of the popular Cadbury Dairy Milk chocolates, controlling nearly half the market, while Nestle and Ferrero accounting for 13 per cent and 8 per cent respectively.

Demand has increased in recent years along with trends in chocolate production and increased use of CBE based coating and filling fats. With revised regulations from FSSAI chocolate production has moved to lower cost within India and the manufacturing and consumption of chocolate product has increased. "The Indian market is growing and is expected to come more from increasing consumption along with the line of population growth, with modest switching in the case of high cocoa butter prices", says the report..

"We have a strong customer base in India as well as countries like Japan, Italy, France, Russia, Malaysia, Indonesia, Singapore, Netherlands, Germany, Sweden, Denmark, UK, USA, Australia

among others. These include global companies in chocolate and cosmetics industry," observes Saraf pointing out that MIL has a supply agreement with The Body Shop' a leading UK-based, cosmetics brand, for the supply of mango butter. "Our association with Body Shop as a supplier speaks volumes about our efforts on the sustainability front. Body Shop is believed to have pioneered the concept of social audits with stringent selection criteria for raw material sourcing and supplier selection. Apart from Body Shop, we also export our products to other major cosmetic manufacturers globally."

Furthermore, Body Shop has publicly acknowledged on its Website the efforts of MIL to give the women's cooperatives who are their suppliers training on harvesting methods, helping protect India's mango trees and providing a sustainable source of income.

### Overseas turf

Manorama Africa Ltd. (MAL) is located at Tema, Ghana, West Africa. It is proposed to make this company a 100 per cent owned subsidiary of MIL. The MAL is into primarily procurement operations of shea nuts found mainly in West Africa. It fulfils shea nuts requirement of MIL's manufacturing facilities. "We intend to set up shea processing facilities in Africa in the near future," says Saraf. MAL procures shea nuts from bushes in Ghana from different type suppliers like social organisations, woman organisations, village markets and traders. It also purchases shea nuts from Ivory Coast, Burkina Faso, Mali, Togo and Benin.

Ghanaian kernels, for example, are considered the best compared with others. Their kernels have consistently lower free fatty acid levels and higher oil content and are less contaminated by moisture, charcoal from smoke fires and impurities.

"This multi-prong strategy would enable us to realise the 'Manorama of tomorrow', with a focus on profitability, sustainability, socio-economic welfare and ecological benefit, where qualitative and quantitative parameters are both of paramount importance", sums up the Sarafs.

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