

Established in 2005, **Manorama Industries Limited (MIL)** is one of the leading fully integrated manufacturer of plant-based specialty fats and butters derived from exotic forest seeds. These ingredients are primarily used by global luxury chocolate, confectionery, bakery, dairy and cosmetics companies as a substitute to cocoa butter and other specialty fats. MIL is the only company in the world which offers all these exotic fats under one basket utilizing various types of exotic forest based raw materials. The company is a customized solution provider which is involved in selling specialty fats modified via processes such as fractionation and inter-esterification.

MIL serves ~150+ customers, with ~80 of them being global clients. The company has a reputed and diversified customer base spread across the globe (Fortune 500 companies) serving major international brands like The Body Shop International Ltd, Mondelez International Inc., Mondelez India Foods Pvt. Ltd., AAK Denmark, Ferrero International SA, Mars Inc, Nestle, Hershey's, etc. The company has successfully established a strong presence in diverse markets, including Asia, Africa, EU, North America, South America and Australia. The global network of MIL has a total of 9 subsidiaries with 7 newly established subsidiaries in West Africa.

We initiate **Buy** rating on the stock for a TP of Rs1695 (38.12x of Mar'27E EPS of Rs44.4), implying an upside of ~25%.

Vertically Integrated Operations: The company operates an integrated value chain spanning procurement of exotic forest-based oilseeds to manufacturing customized high-margin specialty fats like Cocoa Butter Equivalent (CBE). Going forward the company is launching new advanced products, which will not only match the cocoa butter properties but can also be customized more precisely based on customer requirements

Moats: The most significant strengths of MIL is the high entry barrier, strong customer stickiness and advanced technologies required by large FMCG and cosmetic companies. The multi year product approval processes, stringent certifications and high switching costs create strong customer stickiness. MIL's presence across multiple exotic oilseed platforms differentiates it from global peers who typically operate in limited domains.

Capex & Expansion Plans: The company is undertaking a significant expansion/capex plan of ~Rs4.5-5bn over the next ~2-3 years to enhance the manufacturing capacities as well aid backward integration to gain better control over supply chain.

Backward integration in Burkina Faso will reduce logistics costs. **Forward** integration initiatives will enable participation in higher **value-added** segments of the cocoa value chain. The overall capex plan aims at further improving the overall realizations and margins with a targeted asset turns of more than 5x.

SNAPSHOT	
52 week H/L	Mcap (INR mn)
1774/989	80,944
Face value: 2	
BSE Code	NSE CODE
541974	MANORAMA

Shareholding Pattern as on 31st Mar, 2026		
Parameters	No of Shares	%
Promoters	32,435,406	54.3
Institutions/MF	3,513,332	5.8
Public	23,759,792	39.7
TOTAL	59,708,530	100.0

Quarterly Performance				
Parameters (Rs mn)	Mar-25	Jun-25	Sep-25	Dec-25
Sales (Net)	2328	2896	3233	3625
EBITDA	613	747	879	1041
EBITDA (%)	26.3	25.8	27.2	28.7
Other Income	95	58	1	116
Interest	120	93	87	134
Depreciation	64	57	61	64
PAT	400	469	532	723
Equity (Rs mn)	119	119	119	119

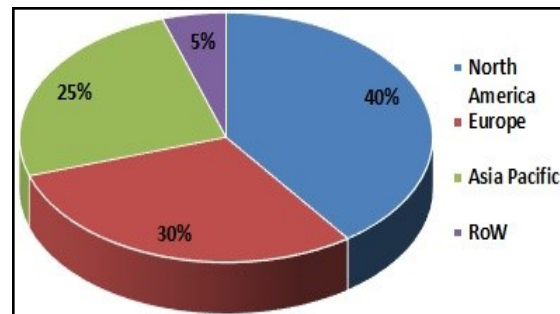
Annual Performance				
(Rs mn)	FY23	FY24	FY25	FY26E
Total Revenue	3,508	4,571	7,708	13,206
EBITDA	565	735	1,864	3,566
EBITDA (%)	16.1	16.1	24.2	27.0
Other Income	61	132	210	283
Interest	87	199	392	451
Depreciation	109	136	221	253
PBT	431	532	1,461	3,145
PAT	298	401	1,098	2,299
Equity (Rs mn)	119	119	119	119
EPS (INR)	5.0	6.7	18.4	38.5

Ratio Analysis				
Parameters (Rs mn)	FY23	FY24	FY25	FY26E
EV/EBITDA (x)	145.3	114.8	46.0	24.1
EV/Net Sales (x)	23.4	18.5	11.1	6.5
M Cap/Sales (x)	23.1	17.7	10.5	6.1
M Cap/EBITDA (x)	143.4	110.1	43.4	22.7
Debt/Equity (x)	0.4	1.1	1.1	0.7
ROCE (%)	16.4	20.2	41.0	56.4
Price/Book Value (x)	5.4	24.0	17.6	11.8
P/E (x) (TTM)	94.4	46.6	35.9	35.2

Industry Overview:

Global Cocoa Butter Equivalent (CBE) Industry: is estimated at ~USD1.93bn in 2026 and is expected to reach ~USD2.74bn by 2035, growing at a CAGR of ~3.9%, driven by increasing use of specialty fats as cost-efficient alternatives to cocoa butter in chocolate and confectionery applications. CBEs provide similar physical and chemical properties such as sharp melting profile, desirable hardness and gloss which enable manufacturers to maintain product quality while managing raw material cost pressures arising from volatility in global cocoa prices and supply disruptions in major cocoa-producing regions. **Europe** remains one of the key markets for CBEs due to regulatory provisions which allows ~5% of CBE in chocolate formulations, along with strong per capita chocolate consumption and presence of large multinational confectionery companies. Demand in the region is also driven by consumer preference for sustainably sourced and plant-based ingredients, particularly in premium and organic chocolate categories. North America also contributes significantly to **global demand** driven by a well-established processed food industry and increasing adoption of plant-based and functional fats across confectionery and bakery products. The CBE industry benefits from relatively diversified raw material availability compared to cocoa butter, as specialty fats can be derived from multiple vegetable oil sources such as Shea, Sal, Palm fractions and other tropical fats. This diversified sourcing structure reduces dependency on a single crop cycle and allows specialty fat manufacturers to manage supply risk more efficiently compared to cocoa butter, which is primarily dependent on cocoa bean production concentrated in limited geographies. Apart from food applications, CBEs are increasingly used in cosmetics such as creams, lotions, lip balms and moisturizers due to their emollient characteristics, smooth texture and compatibility with skin-friendly formulations. Growth in demand for natural and plant-derived cosmetic ingredients is supporting wider adoption of specialty fats, while sustainability certifications and traceable sourcing of vegetable oils are becoming important procurement considerations for global personal care and FMCG companies. Technological **advancements in fractionation and enzymatic inter-esterification processes** have improved the compatibility of CBEs with cocoa butter, enabling better control over melting profile, crystallization behaviour and shelf life of chocolate products. Continuous innovation in specialty fat processing is enabling manufacturers to develop customized lipid solutions which is suited for premium chocolates, bakery fillings and confectionery coatings, thereby expanding the application scope of CBEs across multiple end-use industries.

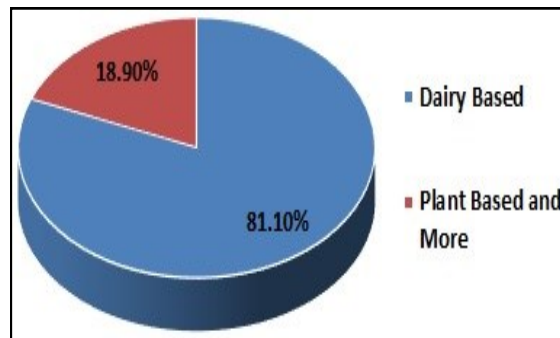
Exhibit 01: Global CBE Regional Market Share (2025)



Source: Data Insight Market Report, Progressive Research

Global Chocolate Industry: is expected to grow from ~USD183.53bn in 2026 to ~USD314.17bn by 2034, growing at a CAGR of ~6.95%, driven by steady growth in global confectionery consumption, and increasing penetration of chocolate products across emerging markets. The key development includes the digitalization of chocolate retail which is reshaping consumer engagement around the world where manufacturers are using D2C channels and personalized gifting options to sell their products. Europe continues to **dominate** the global chocolate market, accounting for ~52.28% share in 2025. Countries such as Switzerland, Germany, Belgium, and the UK have some of the highest chocolate consumption levels globally. The Asia-Pacific region is witnessing faster growth compared to mature markets due to rising disposable income, westernisation of diets, expansion of modern retail formats, and increasing popularity of gifting culture in countries like China, India, and Southeast Asia. Growing middle-class population and increasing exposure to global brands are driving demand for premium and mid-premium chocolate products, particularly in urban areas where consumption frequency is increasing. **North America** continues to witness steady demand driven by innovation in product formulations such as reduced sugar chocolate, organic variants, and clean-label ingredients. Consumers are preferring products which provides health benefits, particularly dark chocolate which contains higher cocoa content and is associated with antioxidant properties. Premium **positioning and product innovation** continue to play an important role in sustaining growth in developed markets where per capita consumption is already high. The conventional or mass chocolate segment accounts for ~73.90% share in 2026, driven by strong global distribution networks, affordable pricing, and large-scale manufacturing capabilities of multinational confectionery companies. Wide availability across supermarkets, convenience stores, and online platforms continues to support stable demand across both developed and emerging markets. Digitalisation is increasingly influencing chocolate sales channels, particularly through e-commerce platforms, D2C websites, and personalised gifting options. Online platforms are enabling companies to offer customised packaging, seasonal gift boxes, and limited-edition product offerings, particularly during festive periods such as Christmas, Diwali and Valentine's Day.

Exhibit 02: Chocolate Market Share (2025)



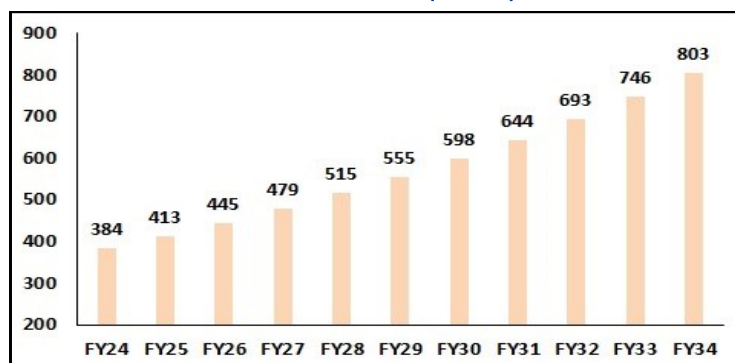
Source: Mordor Intelligence Report, Progressive Research

Industry Overview (contd.):

Global Cosmetics Industry: is expected to surpass ~USD556.31bn by 2033, driven by rising demand for skincare products, growing preference for natural ingredients, and growing consumer focus on **product safety**. Consumers are shifting towards products which are safer, environmentally friendly, and made using naturally derived ingredients, which is driving steady growth across skincare, haircare, and personal care categories. Rising awareness about ingredient safety and product effectiveness is encouraging companies to focus on cleaner formulations and simplified ingredient lists. Clean beauty and sustainability have become important factors for consumers, with growing preference for products that are paraben-free, sulphate-free, cruelty-free, and made using **ethically sourced ingredients**. Another important trend

is the gradual expansion of the male grooming segment, with increasing acceptance of skincare and personal care products among male consumers. Men’s cosmetics is expected to grow at a CAGR of ~5.2%, driven by increasing awareness around personal grooming, and social media influence. Digital channels are becoming an important sales driver for cosmetic companies, with e-commerce growing at a CAGR of ~8.9% driven by convenience, wider product availability, and access to customer reviews. Online platforms allow brands to directly interact with consumers, which offer personalized product recommendations and launch new products to traditional retail channels. **Technology integration** is improving consumer engagement through AI-based skincare analysis, virtual try-on tools, and personalized product recommendations. Companies are increasingly using digital tools to understand consumer preferences and offer customized solutions, improving conversion rates and customer retention. Increased use of data analytics is helping brands develop targeted products aligned with specific skin types, climatic conditions, and regional preferences. Another structural trend supporting industry growth is the increasing focus on premium and specialised skincare products such as anti-ageing creams, serums, sun protection products, and dermatologically tested formulations. Consumers are gradually shifting from basic personal care products to **specialised skincare solutions** targeted toward specific concerns such as acne, pigmentation, dryness, and skin sensitivity.

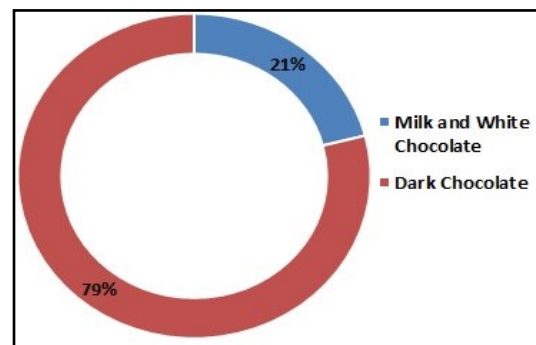
Exhibit 03: Global Cosmetic Market Size (USD bn)



Source: Cervicorn Consulting Report, Progressive Research

Indian Chocolate Market: is projected to grow from ~USD2.72bn in 2026 to ~USD3.93bn by 2031, growing at a CAGR of ~7.63%, driven by rising penetration of **premium products** across urban markets. Growth in organised retail, expansion of modern trade channels, and increasing availability of differentiated product offerings are supporting steady expansion of the chocolate category in India, where consumption levels remain lower compared to developed markets. Consumption trends in India are gradually shifting from traditional sugar confectionery toward chocolates. **Premiumisation** is becoming an important growth driver, with consumers increasingly willing to pay higher prices for better quality ingredients, differentiated flavours, and superior product experience. Premium and artisanal chocolates are gradually transforming the category from a low-cost confectionery product to a more lifestyle-oriented and gifting-focused product, particularly in metro cities. Health-conscious consumption is also influencing product innovation, with increasing demand for dark chocolates, reduced-sugar variants, and products perceived to offer functional benefits. Consumers are gradually preferring chocolates with higher cocoa content and cleaner ingredient profiles. This shift is encouraging manufacturers to expand product portfolios across dark chocolate, low-sugar options, and products containing nuts, seeds and other perceived functional ingredients. India’s favourable demographics also support category growth, with more than 65% of the population below the age of 35, leading to higher preference for convenient snacking products. Younger consumers are more open to experimenting with new flavours and formats, influenced by global consumption trends and increasing exposure to international brands through digital media. The Indian chocolate market is relatively concentrated, with multinational companies such as Mondelez India, Nestle, Ferrero and Mars collectively accounting for ~80% share of the **organised** retail market. These companies benefit from strong brand recall, extensive distribution networks and continuous product innovation. At the same time, domestic companies like Amul and Campco are gradually expanding their presence, while premium **international** brands such as Lindt and Laderach are targeting affluent consumers in metro cities. Distribution expansion across supermarkets, convenience stores, quick commerce platforms and e-commerce channels is improving product accessibility across Tier 1 and Tier 2 cities. Growing presence of organised retail chains and online grocery platforms is expected to support steady growth in chocolate consumption across India.

Exhibit 04: Indian Chocolate Market

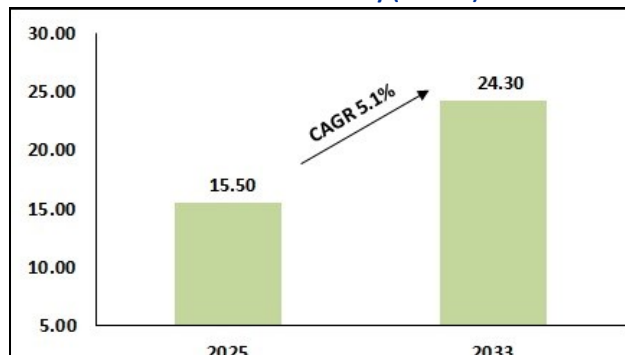


Source: MIL Annual Report 2024, Progressive Research

Industry Overview (contd.):

Indian Cosmetics and Personal Care Market: is anticipated to surpass ~USD33.88bn in 2026 and is projected to grow at a CAGR of ~2.99% during 2026-31, driven by rising disposable income, increasing urbanisation, and growing consumer spending on grooming and self-care products. Increasing awareness of skincare routines, expansion of organised retail, and wider availability of products across online platforms are supporting steady category expansion across both premium and mass segments. Changing lifestyle patterns, rising female workforce participation, and higher exposure to global beauty trends are **influencing consumer preferences** toward higher quality and specialised cosmetic products. Consumers are increasingly experimenting with new product formats and ingredient-led formulations, encouraging companies to continuously introduce differentiated offerings across skincare, haircare, and personal care categories. The **Indian skincare** segment is witnessing strong preference for natural and organic products using plant-based extracts, essential oils, and naturally derived actives, reflecting increasing consumer awareness regarding ingredient safety and long-term skin health. This shift toward nature-derived products is encouraging companies to develop cleaner formulations with simplified ingredient. Natural and organic positioning has become a key product development focus, with ~70% of new skincare product launches in India. Increasing demand for herbal extracts, botanical ingredients, and fruit-based actives indicates a broader consumer shift toward ingredient transparency and safer formulations. Companies are increasingly highlighting absence of harmful chemicals to attract health-conscious consumers. Sustainability considerations are becoming important in consumer decision making, with nearly 65% of Indian consumers willing to pay a premium for products that use eco-friendly packaging materials. **Sustainability** positioning is gradually becoming an important differentiating factor for brands operating in the Indian skincare market.

Exhibit 05: Indian Cosmetic Industry (USD bn)

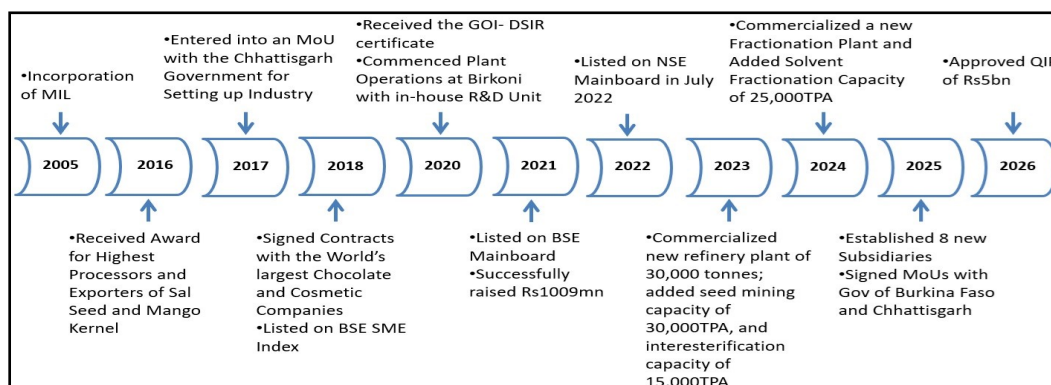


Source: MIL Q3FY26 PPT, Progressive Research

About the Company: Established in 2005, Manorama Industries Limited (MIL) is one of the leading manufacturer of plant-based specialty fats and butters derived from exotic forest seeds such as Sal seeds, Shea nuts, Mango kernels, Kokum seeds, Mowrah seeds etc. These ingredients are primarily used by global luxury chocolate, confectionery, bakery, dairy and cosmetics companies as a substitute to cocoa butter and other specialty fats. MIL is the only company in the world which has all these exotic fats under one basket, their expertise lies in **fat modification technology**. The company is a customised solution provider, instead of simply selling raw vegetable fats, it modifies seeds through processes such as fractionation and inter-esterification. The company is ISO 9001: 2015, ISO 14001:2015 and FSSC 22000 certified. The products manufacture are also **certified** by agencies such as Star Kosher Certification and meets the requirements set down by Food Safety & Standards Authority of India, Halal Certified Products List. MIL is a fully integrated and specialty ingredient manufacturer focused on **emulating** the functional properties of cocoa butter by processing plant-based fats to match the sharp melting profile (34-36 degrees), triglyceride structure, and crystallization behaviour of cocoa butter required by global food and cosmetic manufacturers. The vertical integration operations span seed sourcing, processing, refining, product development, and global export distribution. All these processes are done in the company's **integrated plant in Birkoni (Chhattisgarh)**.

The company has a reputed and diversified customer base (listed under the Fortune 500 companies) spread across the globe. MIL is an approved supplier to major **international** brands like The Body Shop International Ltd, Mondelez International Inc., Mondelez India Foods Pvt. Ltd., AAK Denmark, Ferrero International SA, Mars Inc, Nestle, Hershey's, etc. These companies have a very stringent **approval procedure**, which generally takes 3-4 years, post which, the orders are placed. In recent times, the customer base of MIL has been gradually diversifying where the top 5 customers contributed ~28% of total revenues in FY25 as compared to ~34% in FY24. MIL serves ~150+ customers, with ~80 of them being global clients. The company has successfully established a strong presence in diverse markets, including Asia, Africa, EU, North America, South America and Australia. The key **global competitors** in specialty fats and butter include companies such as AAK AB, Fuji Oil Holdings, Bunge Lodders Croklaan and Wilmar International. MIL differentiates itself through its strong sourcing network in tribal regions, proprietary processing capabilities and focus on niche exotic fats segment. As of 01st April, 2026, the global network of MIL has a total of 9 subsidiaries with 7 newly established subsidiaries in West Africa, 1 in UAE and 1 in Brazil. These include Manorama Burkina SARL and Taang Kaam Industries SA (in Burkina Faso), Manorama Savanna Ltd in Nigeria, Manorama Savanna Togo Sarl (in Togo), Manorama Africa Savanna (in Ivory Coast), Manorama Africa (in Benin), Manorama Savanna Ghana Ltd (in Ghana), Manorama Mena Trading LLC (in UAE) and Manorama Latin America LTDA in Brazil. The company has a total employee head count of ~498 dedicated workers as of FY25, which is led by Mr. Ashish Saraf as the MD & Chairman, Mrs. Vinita Saraf as the Vice Chairperson & Whole Time Director.

Exhibit 06: Milestones



Source: MIL Annual Report 2025, Progressive Research

Product Portfolio:

CBE: is the most important and high-value product of MIL, designed to closely match the properties of natural Cocoa Butter used in chocolates. It is made using Stearin derived from exotic fats like Sal, Shea, and Mango kernel, along with further processing and blending. The key advantage of CBE is that it is **significantly cheaper** and more stable than Cocoa Butter

Stearin: is the solid portion obtained after fractionation of oils and is the most valuable intermediate product for the company. It has a fatty acid structure similar to cocoa butter, which makes it ideal for producing CBE and other specialty fats. Stearin forms the **backbone** of MIL's high-value product portfolio, as it is directly used in the production of chocolate fats and specialty ingredients

Olein: is the liquid portion obtained during fractionation and is used in edible oils and some cosmetic applications. The company is now upgrading Olein into higher-value products through innovation called ESOS (Enzymatic Stearic Oleic Stearic) where soft oils like Olein are converted into structured fats that behave like stearin. This is a **major innovation** as it allows the company to transform low-value inputs into high-value products. ESOS is further used in the production of CBE and other specialty fats

HPMF (Hard Palm Mid Fraction): Once ESOS is made it gets blended with HPMF and it becomes CBA (Cocoa Butter Alternatives) thereafter, HPMF is derived from palm oil and has properties very similar to cocoa butter. It is used as an important input in chocolate fat formulations

Exotic Specialty Oils & Butters: The company produces premium natural butters like Shea Butter, Mango Butter, and kokum butter, which are widely used in cosmetics and personal care products. These products are valued for their moisturizing and functional properties that cater to **high margin** products. They are also used in some food applications, making this a diversified and growing segment for the company

De-Oiled Cake (DoC): is the waste left after oil extraction from seeds. Although it is a by-product of the production process; it is repurposed into cattle feed, promoting resource efficiency and capitalizing on the growing demand in the Indian cattle feed market

Exhibit 07: Key Products

Product	Raw Material	End-Use Applications
CBE	Sal, Shea, Mango Stearin + HPMF	Chocolate, Confectionery Coatings and Fillings
CBA	ESOS + HPMF	Compound Chocolate, Bakery Fats and Confectionery
ESOS	Olein (soft fraction of exotic oils)	Structured Fats for Chocolate and Specialty Fats
Stearin	Sal, Shea, Mango oils	Key input for CBE and Specialty Fats
HPMF	Palm Oil Fraction	CBE and CBA Production
DoC	Seed Waste	Cattle Feed Industry

Source: MIL Annual Reports, Market Reports, Progressive Research

Key applications of Specialty Butter and Fats include:

Sal Butter: is rich in Stearic and Oleic acids. It provides moisturizing and nourishing properties, making it ideal for skincare products

Sal Stearin: is the solid fraction of Sal Butter, used in stable and solid fat formulations

Mango Butter: has skin-preserving properties and it helps maintain smooth, supple skin and is widely used in cosmetic formulations

Mango Stearin: is a stable solid fat derived from Mango Butter used in solid fat applications







Shea Butter: is abundant in essential fatty acids and it is used in skincare and as a raw material for CBEs after fractionation

Shea Stearin: is the solid fraction of Shea Butter, valued for its stability in various formulations

Kokum Butter: is rich in fatty acids and vitamin E, and is a key ingredient in medicinal cosmetics and skincare products

Mowrah Butter: is versatile and rich in emollient properties; it is used in cooking, cosmetics, and ayurvedic medicine for its cooling and moisturizing benefits

Exhibit 08: Key Product Components

<p>Sal Seeds (<i>Shorea robusta</i>)</p>  <ul style="list-style-type: none"> India has the largest Sal forests in the world MIL sources Sal seeds via its strong relationship and network with the local tribal communities which is abundantly available from May 	<p>Mango Kernel (<i>Mangifera indica</i>)</p>  <ul style="list-style-type: none"> Mango is a seasonal fruit and the Company directly sources Mango kernel through a dedicated supplier network MIL is also exploring avenues to source Mango kernels from pulp industries where Mango seeds are a waste product 	<p>Shea Nuts (<i>Vitellaria paradoxa</i>)</p>  <ul style="list-style-type: none"> Shea nuts are found mainly in the West Africa region MIL procures Shea nuts from Ghana which are best quality due to lower levels of free fatty acid levels, higher butter content, and lower impurities
<p>Palm Oil (<i>Elaeis guineensis</i>)</p>  <ul style="list-style-type: none"> Palm Oil Tree produces high-quality oil with greater yield at low cost of production than other vegetable oils Global production and demand for palm oil is increasing rapidly with applications in food products, detergents, cosmetics 	<p>Kokum Seeds (<i>Garcinia indica</i>)</p>  <ul style="list-style-type: none"> MIL secures this seeds through local collectors in Konkani districts of Maharashtra and Goa The Kokum seeds yield Kokum fat after crushing and the edible refined butter is used as a component in CBE formulation 	<p>Mowrah Seeds (<i>Madhuca longifolia</i>)</p>  <ul style="list-style-type: none"> Mowrah seed has natural soft butter with triglyceride composition like cocoa butter Its fat is a key ingredient in the cosmetics industry and for soap manufacturing Owing to its composition like cocoa butter, Mowrah butter is used as an ingredient in centre filled chocolate products

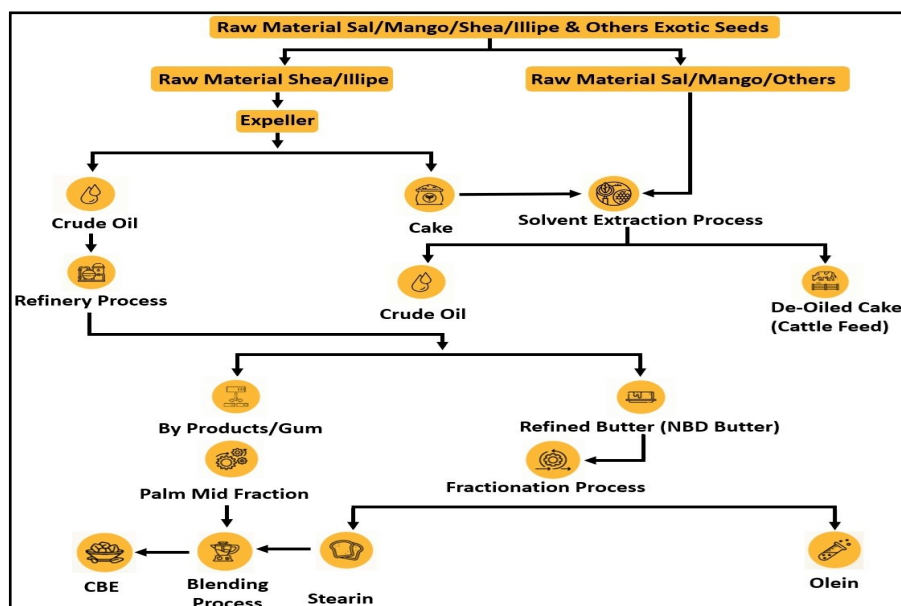
Source: MIL Q3FY24 PPT, Progressive Research

Investment Rationale:

(A) Vertically Integrated Operations: Manufacturing process of CBE, CBA and other exotic specialty fats & butters involve three major stages i.e. solvent extraction, refining, fractionation and interestification. Manorama operates a fully integrated state-of-the-art manufacturing facility in Birkoni, near Raipur covering all the key processes. In addition to this, the key pillars for robust performance and agile operations include

(i) **Established Procurement Network:** According to reports, India produces ~15 lakh MTPA of Sal seeds whereas MIL procures around 80,000 to 1 lakh MTPA of Sal seeds accounting for less than 10% of the available supply. These figures provide a vision for the opportunities for the company to grow as the industry also grows. On the similar lines, Africa produces ~17.6 lakh MTPA of raw Shea nuts and MIL procures ~40,000-80,000MTPA of Shea nuts. The procurement volumes vary on a y-o-y basis and MIL's procurement team manages sales v/s supply efficiently. MIL's business model is more or less **nature-based** and it sources raw materials from forests. It converts **low value** exotic forest seeds (such as Sal seeds, Mango kernels, Kokum seeds and Mowrah (mahua) seeds from India and Shea seeds from Africa) into **high-value** specialty fats. This is effectively done with the help of multi-decade engagement with millions of tribal women's and forest-dwelling communities across thousands of collection centers (spread across states like Jharkhand, Odisha, Chhattisgarh, Madhya Pradesh, and Maharashtra). This **procurement model** allows the company to access raw materials that does not fall under any traditional agricultural supply chains that are difficult for competitors to replicate. This network is so extensive that it benefits the company while ensuring adequate availability and the well-established supply chain gives it a competitive edge over its competitors. To further strengthen its supply chain network, MIL has incorporated wholly owned subsidiaries in West Africa. The procurement process begins with tribal communities who collect fallen seeds from forest during **seasonal** harvest cycles and bring them to company's collection/purchase centres. These seeds are then pre-cleaned, graded and aggregated before being transported in bulk to MIL's manufacturing facility in Raipur. As a part of **backward** integration in Africa, Shea seeds are cleaned, crushed, and oil is extracted locally, with only the oil transported to the Raipur facility.

Exhibit 09: CBE Manufacturing Process (Detailed)



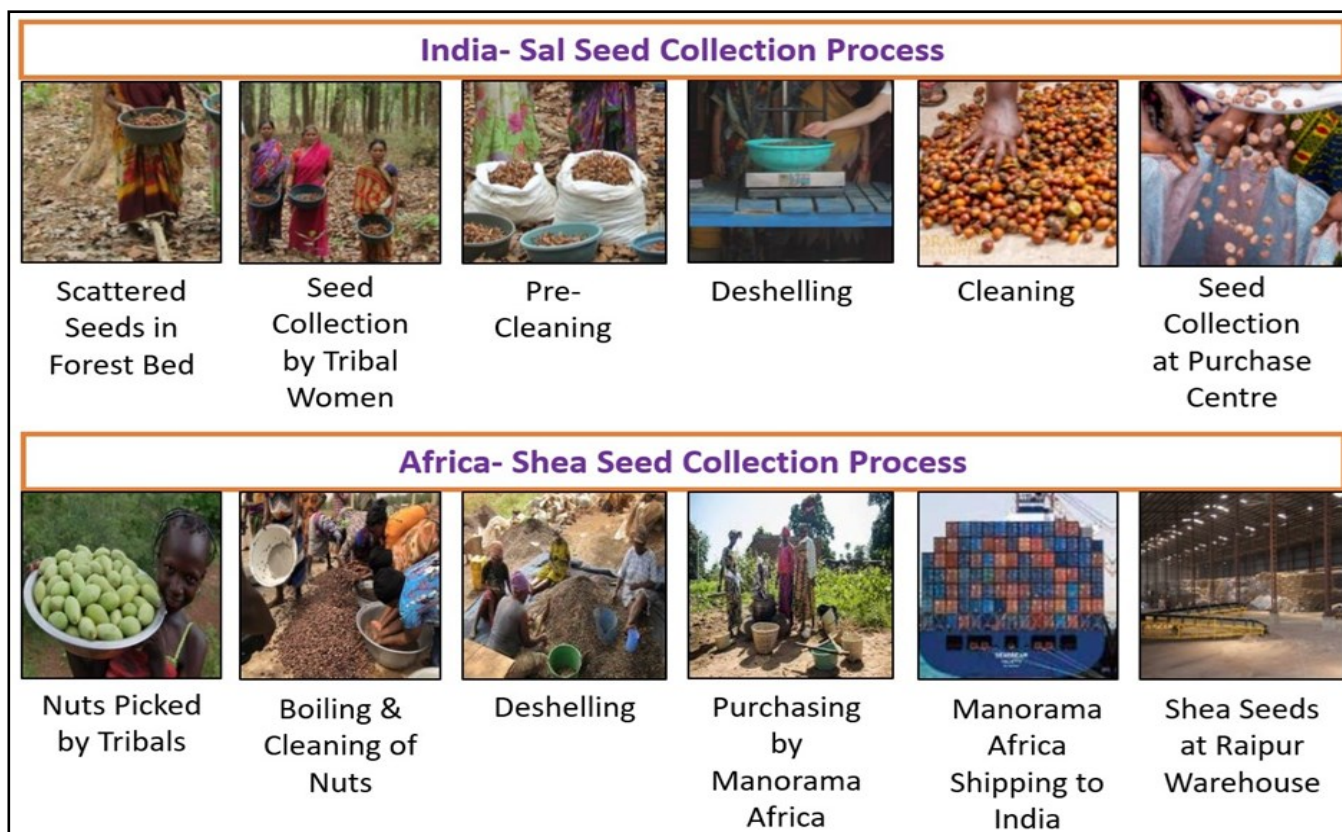
Source: MIL Annual Report 2025, Progressive Research

Investment Rationale (contd.):

(A) Vertically Integrated Operations (contd.):

(ii) **Oil Extraction and Product Development:** The collected **seeds** are first cleaned, dried, and broken to remove dirt and separate the kernel which contains oil from the outer shell. These kernels are then processed to extract oil and by-products like DoC (sold to Indian cattle feed industry) via mechanical pressing and solvent extraction. During this process, **nothing gets wasted** and thus provides a competitive cost advantage to MIL against global players coupled with an additional revenue stream. The crude oil goes for further **refining** where impurities, bad smell, colour, and unwanted chemicals are removed through steps like degumming, neutralisation, bleaching, and deodorisation, resulting in clean refined oil that can be used in food and cosmetic products. After refining, the oil undergoes the most important step called **fractionation**, where the oil is cooled in stages, and at different temperature levels it starts separating based on how each part melts and solidifies. When the temperature is gradually reduced, the heavier and more solid part of the oil (called **stearin**) starts to crystallize and become solid, while the lighter and more liquid part (called **Olein**) remains in liquid form. These two parts are then separated from each other. The solid Stearin is most valuable because it has properties similar to Cocoa Butter and is used to make specialty fats for chocolates, while the liquid Olein is used in other food and cosmetic products but has lower value. This step is very important as it helps the company convert basic oil into high-value ingredients by separating out the most useful portion. The Stearin is then further processed using a special technique called **interesterification**, where the internal structure of fats is modified/rearranged to achieve the exact melting properties (which remains solid at room temperature but melts quickly in the mouth, giving a smooth and creamy feel) and texture properties needed in chocolate and other food products. This is a key technology because it allows the company to create products like CBE, which behave like real cocoa butter but are more cost-effective. This step is where the company adds the most value and differentiates itself from normal oil processors. MIL manufactures a wide range of structured specialty fats, where the key performance of these fats depends on the composition of triglycerides such as **POP** (Palmitic-Oleic-Palmitic), **POS** (Palmitic-Oleic-Stearic) and **SOS** (Stearic-Oleic-Stearic). Cocoa Butter naturally contains high proportion of POP, POS and SOS which gives chocolate its smooth texture and sharp melting point just below body temperature. Among these, SOS-rich fats such as Shea Stearin and Sal Stearin are particularly valuable as they provide hardness and stability required in chocolate formulations, while POS and POP components help achieve the desired melting characteristics. By controlling the ratio of POP, POS and SOS through fractionation and enzymatic interesterification processes, the company is able to develop customized fat solutions suitable for different chocolate applications.

Exhibit 10: Seed Collection Network



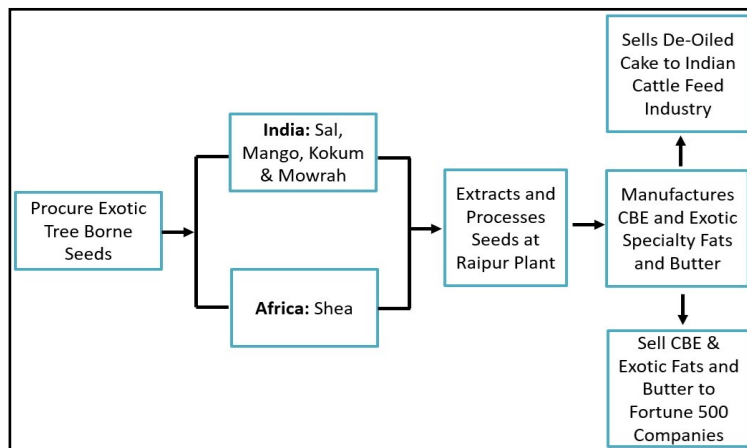
Source: MIL Q3FY24 PPT, Progressive Research

Investment Rationale (contd.):

(A) Vertically Integrated Operations (contd.):

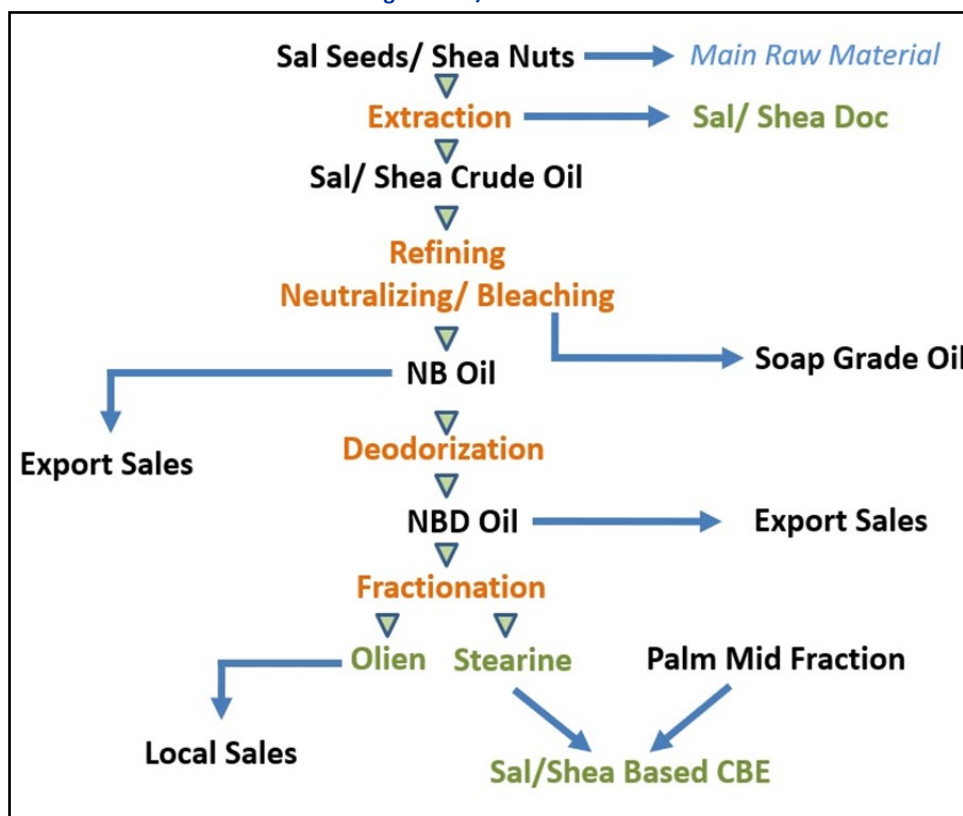
(iii) **New Product Development:** As part of its future growth strategy, MIL is launching new advanced products like **ESOS** and entering into **HPMF**, which will strengthen its presence in the specialty fats value chain and improve overall profitability. The company is focused on producing CBE using only hard fractions (Stearin) derived from exotic oils/seeds, but now MIL is innovating by utilizing the soft fractions (Olein) which were earlier considered as lower-value by-products since it cannot fully emulate the functional properties of chocolate, thereby improving value extraction from the same raw material, this is a part of their **forward integration plan**. ESOS is essentially a technology-driven product, where the company converts **low-value soft oils** (Olein) into a structured hard fat using an **enzymatic process**. This process rearranges the fat molecules in such a way that the final product behaves like high-value Stearin, which can be used in food applications or further blended into CBE. This is a significant shift from the traditional process, where only naturally available hard fractions were used. Now, the company is creating **hard fractions artificially from soft oils**, which increases flexibility, improves yields, and enhances margins. Once the blending of ESOS and HPMF is completed the same can be customized more precisely based on customer requirements and provides better shelf life. This new process is highly efficient because it allows the company to internally consume its own Olein instead of selling it at lower prices. Earlier, Olein was a relatively **low-margin product**, but now it is being upgraded into a high-value input for ESOS and CBE production. The pricing of these new products is anticipated to be similar to existing products; but since the input cost (like olein) is lower, this can lead to **better margins** over time.

Exhibit 11: Waste to Wealth Process



Source: MIL Q3FY26 PPT, Progressive Research

Exhibit 12: Shea Seed Manufacturing Process/Route

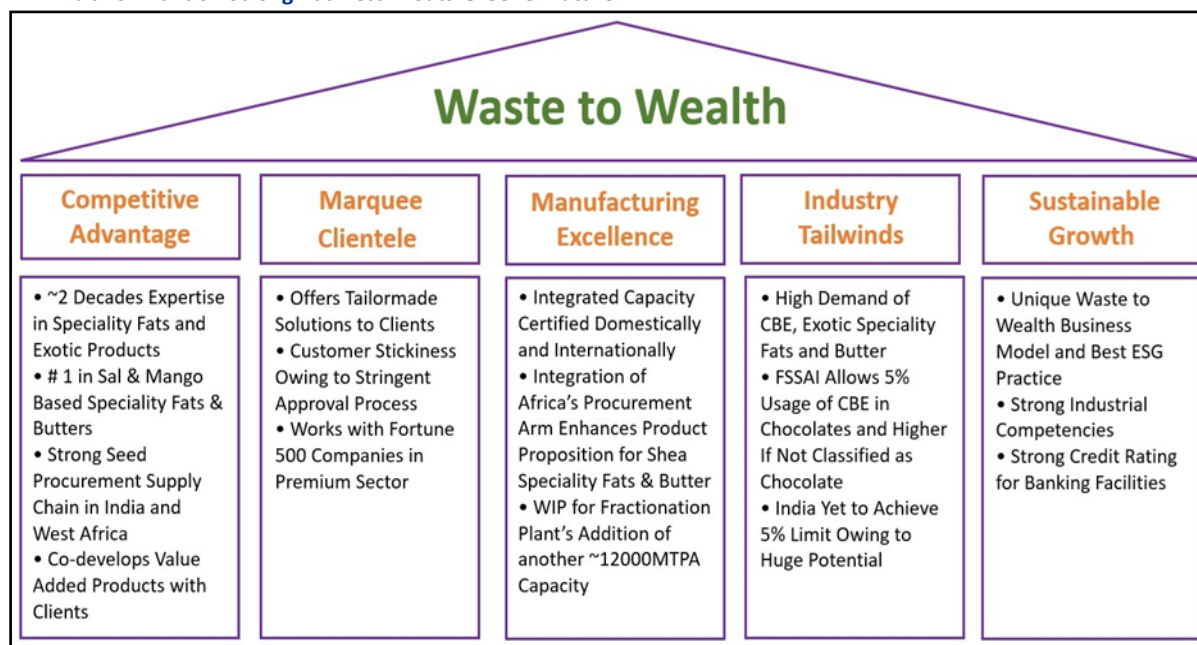


Source: MIL DRHP, Progressive Research

Investment Rationale (contd.):

(A) Vertically Integrated Operations (contd.):

Exhibit 13: Built on Strong Business Moats-Greener Future



Source: MIL Q3FY26 PPT, Progressive Research

(B) Moats: The company clearly has a number of moats which makes it a **unique player** which has its wings spread in all the domains including Sal, Shea, Marwah and Mangoes, whereas many international competitors cater to either just one or two of these domains related to CBE or CBA. There are **very few players on a global level** who are involved in manufacturing these kind of niche specialty fats and butters; MIL has a very significant portion of the share in this domain. The company has **strong moats** right from procurement of raw materials, the products manufactured, the processes followed coupled with good command on the entire supply chain which has naturally created a strong **barrier to entry**. There are a number of entry barriers for any newcomer to build the foundation and scale for all the operations which MIL caters to; as per the Management there are **no competitors** in the Indian space for all the domains which MIL manufactures. The company also has the capability to sell by-products and is also looking at utilising some processes to fetch the maximum produce from the value-added stream of manufacturing. MIL is working on utilising the existing Olein output to be converted into CBE, thus **reducing reliance** on raw material.

(i) High Entry Barrier: One of the most significant strengths of MIL is the high entry barrier and **strong customer stickiness** in its business, which makes it very difficult for new players to compete. This complex oil processing business, requires years of building a global supply chain, **advanced processing capabilities** like fractionation and interesterification, and most importantly, meeting **stringent international quality standards** and certifications such as FSSC, RSPO, Halal, Kosher, Organic, etc. These certifications are mandatory to supply to global food and cosmetic companies, which MIL already has. Even after setting up the plant, a new player cannot immediately start selling, as large multinational customers follow **long and rigorous approval cycles**, where products are tested extensively for consistency in taste, texture, melting behaviour and stability. This qualification process itself can take multiple years, creating a significant barrier to entry. The **switching costs** in this business is very high because the products are highly customized as per requirements, where even a slight change in fat composition can impact product quality and consumer experience. Once a product is approved and integrated into a customer's manufacturing process, companies are very reluctant to change suppliers, as it would require re-formulation, re-testing, and re-approval, which is both time-consuming and risky. MIL operates in a highly specialized niche segment of specialty fats and butter, where the **competition is relatively limited** due to high technical entry barriers and complex sourcing ecosystem with global multinational customers. Globally, there only few major players operating in this segment. The company has established itself among the leading players in the specialty fats industry of sourcing and processing multiple exotic tree-borne oilseeds under one platform. Also, MIL works closely with clients through a **co-development** approach, which further strengthens relationships and increases dependency. As a result, the company enjoys **long-term partnerships** with global clients, stable demand visibility, and the ability to command better margins, making its business model not only difficult to replicate but also highly sustainable over the long term.

Investment Rationale (contd.):

(B) Moats (contd.):

Exhibit 14: Swot Analysis

<u>Strength</u>	<u>Weakness</u>
<p>Industry Leadership in tree-borne plant-based specialty fats and butter</p> <p>Sustainability Commitment via focus on initiatives like Waste to Wealth</p> <p>Robust Supply Chain and wide network for procurement</p> <p>Global Clientele and service to Fortune 500 companies</p> <p>R&D and Innovation via MILCOA R&D Centre</p>	<p>High Dependence on Raw Material Availability like Sal and Shea seeds</p> <p>Supply Shortages exposes the company to operational risks, if any</p> <p>Limited Diversification and heavy focus on CBEs and specialty fats</p> <p>Regional Concentration for procurement can lead to logistic related challenges</p>
<u>Opportunity</u>	<u>Threat</u>
<p>Rising Demand for Ethical Products and improving consumer preference</p> <p>Market Expansion, increasing urbanization and disposable income in emerging markets</p> <p>Product Diversification and portfolio expansion to capture new markets</p> <p>Government Initiatives and support from programs like <i>AtmaNirbhar Bharat</i></p>	<p>Intense Competition in the specialty fats and butter segment from global players</p> <p>Economic and Regulatory Risks including trade restrictions, or strict environmental regulations</p> <p>Supply Chain Disruptions in the domestic or global markets</p> <p>Consumer Trends and changing preferences for alternative ingredients or technologies</p>

Source: Market Report, Progressive Research

(ii) R&D:

The company operates its dedicated **MILCOA** Research & Development Center, which is **DSIR certified** by the GOI. Through this R&D setup, MIL has developed a wide portfolio of multiple specialty fats and butters across food, confectionery, bakery, and cosmetic applications as per customer requirements. A major strength of this R&D setup is its leadership under **Dr. Krishnadath Bhaggan**, who has more than two decades of global experience in **fat modification technologies**. His expertise in designing fats that emulates the cocoa butter properties gives the company a strong competitive edge in high-value applications like chocolates. Additionally, from his earlier global roles, he has been associated with **~70+ patents**. Under his leadership, the company has significantly strengthened its innovation pipeline and moved towards high-margin customized products. The company's R&D efforts have also been recognized at industry level, where it has received multiple awards including Outstanding Innovation in CBE and several Highest Export Excellence awards at global forums like Globoil and SEA.

The company has been **making continuous investments** in R&D in order to foster innovation and address the changing needs of the customers for long-term delivery of value added products. In March 2025, the R&D team had made notable progress in extraction technology and **broadened the product range** with new products which include all-round filling fats, bake stable filling fats, water cream filling fats, frozen dessert applications and premium filling fats. MIL is not only innovating but also successfully commercializing its innovations globally. Under its **MILCOA** brand, the company has developed multiple end products such as MILCOA ES70 (Sal-based CBE), MILCOA ES70M (Mango-based), MILCOA ES70S (Shea-based) and several other specialty fats for chocolate, confectionery, bakery, spreads, and cosmetic applications, with continuous new product development pipeline for different industries. The **R&D** team has helped the company leverage its integrated value chain to ensure margin stability and foster long-term customer loyalty. The backward integration from procurement, R&D and super critical fractionation provides MIL with unparalleled control over quality, cost, and supply and builds confidence for its customers. This approach has also helped the company position itself as a trusted partner in the chocolate, confectionery and cosmetic industry. As of Q3FY26, value-added portion to sales is **~75%**, which includes products like Stearin and CBE which MIL intends to increase to **~85-90%** in quarters to come. As of Q2FY26, the **top 10 customers** accounted for **~40%** of the total turnover. The company is already trying to tap new markets, entering into new geographies and trying to add new clients for different types of specialty fats and butter. The company is constantly looking for **product and market diversification** which has been gradually fructifying since the past 10-12 quarters.

Investment Rationale (contd.):

(C) Robust Expansion Plan:

Some of MIL's key global customers have announced significant **capex plans** on expanding chocolate, confectionery and food ingredient capacities. Ferrero International S.A. has announced an investment of ~EUR1.1bn towards expanding chocolate and confectionery production including Nutella and Kinder product lines, while Mondelez International plans to invest ~Rs40bn in India over the next four years to expand capacity across biscuits and chocolates including Cadbury portfolio. Similarly, Nestlé India Ltd has announced ~Rs58bn capex towards expanding manufacturing capacity across categories including chocolates and confectionery products such as KitKat and Munch. The Mars Inc. has announced ~EUR1bn investment in Europe by 2026 aimed at enhancing manufacturing capabilities and innovation pipeline. In cosmetics, key customer like The Body Shop, L'Oreal, both have been pursuing ambitious expansion strategies, with The Body Shop aiming to add 200 more stores by 2025-2026 to reach a revenue target of ~Rs11bn within the next three to five years. Simultaneously, Lush is scaling its physical presence by planning 10 new outlets by 2027. All these developments in the international market, indicate at the upcoming demand where the demand v/s supply gap keeps increasing.

Exhibit 15: Gearing up for the next wave of growth

Capacity Addition	Market Diversification	Product Innovation	Operational Efficiencies
Current Fractionation Capacity is ~40,000MTPA and Enhancing by another ~12000MTPA	Deepen Geographic Penetration in Food, Confectionery, Chocolate and Cosmetic Industry	Agile R&D Team Innovation of CBEs and Specialty Fats & Butter to Suite Customers Requirement	Economies of Scale and Operational Efficiencies to Boost Profitability

Source: MIL Q3FY26 PPT, Progressive Research

MIL operates in a **structurally undersupplied and high-growth exotic niche specialty fats** and butters market. To address the increasing demand for specialty fats and butters, the company is already working to **boost its existing capacities**. These investments currently made by the company will enable expansion of production capabilities and also meet the growing demand of the markets.

MIL is currently in a major **expansion phase**, in order to improve the product mix and move towards higher-value specialty fats. The company is further debottlenecking the fractionation capacity to increase the output by ~30%, which will take total fractionation capacity to ~52,000MTPA by the end of Q1FY27. For further forward and backward integration, MIL will be deploying a capital expenditure of ~Rs4.5-4.6bn over the next 2-3 years. Out of the total planned capex, ~Rs3-3.3bn is anticipated to be allocated towards forward integration projects, targeting **asset turns** of more than 5x. In pursuit of the same, MIL has acquired ~20 acres of land adjacent to its existing Birkoni manufacturing facility with total capital outlay of ~Rs180mn funded via internal accruals, which will enable expansion beyond the current ~52,000MTPA capacity and facilitate future projects including additional ~75,000MTPA fractionation capacity and ~300 metric tons per day refinery capacity. Further as part of the capex plan, MIL will incur capex of ~Rs700-800mn by the end of FY26 and ~Rs1-1.5bn during FY27E, which will support expansion across fractionation, refinery and specialty fats processing capacities. The two 75,000MTPA facilities (CBA + solvent fractionation) are interconnected and are anticipated to work together to increase the company's ability to produce high-value specialty fats, especially CBE and CBA. This capex will help to improve the overall realizations and margins.

In terms of the **backward integration** plan, MIL is moving closer to the source of its raw materials so that it can gain better control over supply, cost, and quality. Traditionally, the company is dependent on external suppliers or intermediaries to procure processed or semi-processed raw materials. However, with the establishment of its facility in **Burkina Faso** (West Africa), capacity of ~90,000MTPA, this initiative will help MIL reduce its dependence on third-party suppliers by enabling local procurement and initial processing of raw materials. Instead of importing entire seeds to Raipur, the company will carry out oil extraction at its Burkina Faso facility itself and **import only the crude (unrefined) oil**, which will significantly reduce freight costs and improve overall efficiency.

Exhibit 16: Current Capacities

Capacities in MTPA	FY23	FY24	FY25
Seed Milling (Expeller)	60000	90000	90000
Solvent Extraction Plant	90000	90000	90000
Refinery	15000	45000	45000
Interesterification	15000	30000	30000
Fractionation	15000	15000	40000

Source: MIL Q3FY26 PPT, Progressive Research

Exhibit 17: Upcoming Capex Plan (Capacities-MTPA)

Particulars	Capacity
Set up manufacturing facility for CBA (Forward Integration in India)	75000
Set up of new solvent fractionation facility (Forward Integration in India)	75000
Set up of new refinery manufacturing facility (Forward Integration in India)	90000
Set up new processing facility in Burkina Faso (Backward Integration in Africa)	90000

Source: MIL Q3FY26 PPT, Progressive Research

Investment Rationale (contd.):

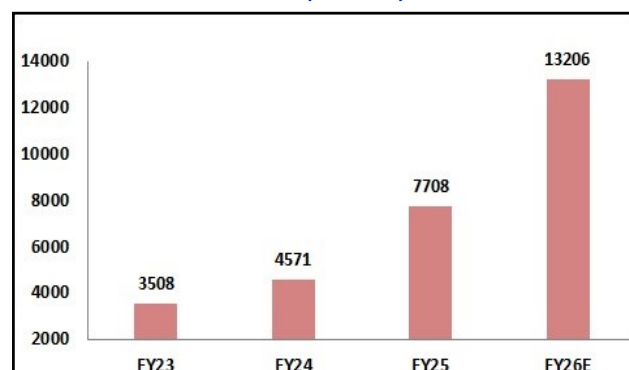
(C) Robust Expansion Plan (contd.):

In **Sept 2025**, the company established subsidiaries in West Africa to **streamline and strengthen the procurement of raw materials** like Shea Nuts. The company has also signed a MoU with the Government of Burkina Faso for setting up a processing facility in the country with an aim to **enhance local value addition and improve the supply chain efficiency for the raw materials**. In **Latin America (Brazil)**, the company has entered into an agreement with **DEKEL** to utilize their processing facilities for manufacturing specialty fats intended for that regional market. This helps the company scale up quickly without immediate capex and also address the local demand more efficiently. The company has also signed a **MOU with the Government of Chhattisgarh** for potential investment/capex plans. The **Africa plant** is intended to be as a part of the backward integration project with a processing/extraction facility to be set up while the expansion in **Latin America** is more of an opportunity for product extension and market penetration. The other advantages of manufacturing in Brazil versus exporting from Raipur plant also include the geographical presence LatAm as it is already a huge market as well as one of the biggest consumers. With a local presence in that geography, the company will be able to cater to more customers and will be able to diversify apart from the top 5 or top 6 customers in the world. In addition to this, **projects** like CBA or Solvent fractionation 3 will also help increase the output product of Stearin or the hard fat, which the company already manufactures and the upcoming addition will provide a diversified raw material base in these projects; the company can also use Olein as a **captive consumption** to make Stearin and CBE. The **backward integration plans** in Africa is looking at volumes to be catered to the tune of ~70,000 tons. Currently, the Management is looking at setting up an **extraction and expelling plant only**. The key processes like fractionation and refinery are designated to the Indian plant at Raipur.

As part of its **forward integration** strategy, MIL is expanding beyond specialty fats into higher value-added applications across the CBA value chain. The company already has strong technical expertise in CBE. In addition to this, the company also intends to enter production of industrial chocolates and compound chocolates. This move enables MIL to move closer to end-use applications and capture **higher margin** opportunities within the chocolate value chain rather than remaining limited to ingredient supply. Compound chocolates are widely used across bakery, biscuits, confectionery, ice creams and HoReCa segments, and they typically use vegetable fats such as CBE instead of pure cocoa butter. Also, the prices of these specialty fats are significantly cheaper than cocoa butter (which is highly expensive and volatile); even if the prices of cocoa butter drops it won't impact the prices of CBE since all these products are specialty and customised. These products offer consistent quality, better control over melting behaviour, and longer shelf life, which is very important for large-scale chocolate production. Additionally, the FSSAI has allowed the use of **upto 5%** in 2018, which have been increased from 3% of CBE in chocolates (only when the product is labelled as chocolate; otherwise, there is no limit) which directly increases the demand potential for such products. The company has been diligently expanding with a **payback period lesser than 3 years**. The **demand visibility** for the products is already existing since there is a **huge demand supply gap in the current industry** for the products which MIL is manufacturing. These are very niche products and the applications/formulation are tailor-made as per customer requirements. The new projects will also help **diversify the raw material base** and have a better product portfolio going forward.

Financials: Over the last 12-14 quarters the company has shown immense improvement in scale of operations which is attributable to higher sales realizations and increased volumes of specialty fats & butters, CBE and other value added products. This growth is well supported by growing demand of key clients of MIL involved in the business of food, chocolate, confectionery and cosmetics. In addition to the commencement of additional 25,000MTPA fractionation capacity (from July 2024), the company has also demonstrated substantial **improvement in margins** supported by improved product mix and better absorption of fixed overheads. Going forward, the scale of operations are expected to improve with higher utilisation of the fractionation plant (through debottlenecking) with increase in installed fractionation capacity by ~30%. The **gross margin** continue to remain in the range of ~45-50%. Owing to **prudent application** of available resources and funds, the company has been able to deliver good return ratios in the last 4-5 years. MIL has been gradually **diversifying** its presence in the overseas market and currently supplies to more than 43 countries where none of the countries in the export market individually contribute more than 25% of the overall sales. In FY26, the company has remarkably expanded its sales in Latin America and India. Strategic partnerships such as the agreement with Dekel Group in Brazil provide geographical presence in the Latin American region, which is one of the largest consumption markets for specialty fats, enabling the company to cater to both existing large customers as well as expand its global client base. MIL will supply specialty raw materials while leveraging Dekel's state-of-the-art facility in Itapolis, Sao Paulo. The first commercial production batch at Dekel was accomplished in Q3FY26 and trial samples were delivered to various customers.

Exhibit 18: Revenue Trend (Rs in mn)



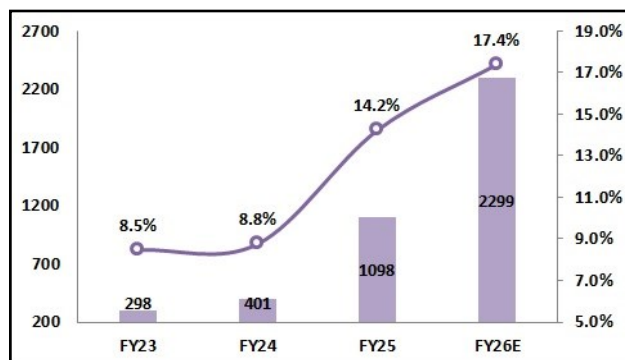
Source: Annual Reports, Progressive Research

Financials (contd.): The working capital at times during quarters or year appears to be **volatile** which is purely **dependent on the seasonality** or the procurement time of raw materials which are dependent on natural ecology/habitat. The company is involved in a **working capital intensive operation** and is required to maintain a sizeable amount of inventory of raw materials (seeds and nuts) due to the seasonal availability of its raw material (Sal seeds-May to June, Mango kernel-May to July, and Shea nuts-October to November). The company currently operates with a working capital cycle of ~5-6 months, primarily due to seasonality in procurement of exotic raw materials, where inventory stocking is required to ensure constant production. MIL also maintains finished goods inventory of 60-90 days to ensure timely delivery of its products to its customer. Moreover, since shea seeds are imported from West Africa through its subsidiaries and require ~60 days of transit time, this further contributes to elevated inventory levels.

However, forward integration projects are expected to significantly improve working capital efficiency, as new product lines will utilise alternative feedstock and captive consumption of intermediate products, resulting in a reduced working capital cycle of ~1-3 months. Export receivables are generally structured on cash-against-document (CAD) basis, the Management is aiming to achieve receivable days of ~30 days in upcoming quarters. The company already has a **strong liquidity** position with cash and bank balance of ~Rs1190mn as of 28th Feb'26. MIL also has FDRs of ~Rs1.26bn which gives quarterly interest income of ~Rs20-25mn. The Management has articulated that they intend to maintain minimum liquidity of ~Rs1000mn as a policy providing additional comfort. **The working capital** is anticipated to be **~1-2 months** for the forward integration as the raw materials are very different from the current profile or existing raw materials.

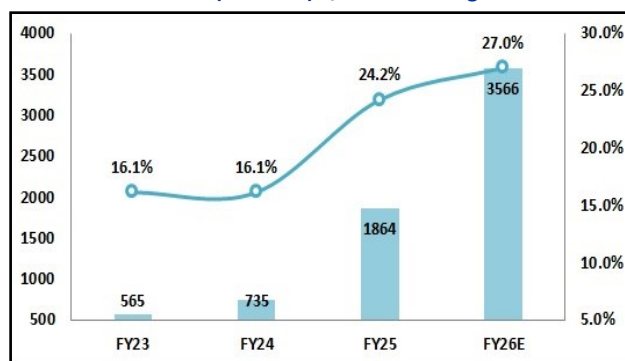
Additionally, **MoU** with the Government of **Burkina Faso** to establish a new factory for processing Shea Nuts and Mango Kernels through its proposed wholly owned subsidiary, Manorama Burkina Industries SA and an MoU with the Government of Chhattisgarh will strengthen MIL's sourcing ecosystem for exotic oil seeds, ensuring long-term availability of raw materials and improving supply chain. **In Q3FY26**, the company has reported its highest ever revenue growth of ~73% on a y-o-y basis, led by stronger product mix of value-added offerings and increased utilization of the upgraded fractionation capacity. Over the last 5 years the company has delivered a healthy topline with a CAGR growth of more than 33%. MIL has doubled its revenue from Rs3.51bn in FY23 to Rs7.71bn in FY25 and aims to achieve ~Rs13bn in FY26, with **Ebitda margin** to remain in the range of ~25-27%. For 9MFY26, the company has already achieved revenue of ~Rs9.75bn. In addition to this, it has an ambitious target of achieving a topline of ~Rs20bn in next 3-4 years' time. The **value-added** product contributed ~75% in Q3FY26. Value added products include specialty stearin and CBE, whereas CBE contributes ~30% to the overall revenue, which command premium pricing due to customized formulation requirements and long approval cycles with multinational clients. These products are supplied under cost-plus margin contracts with typical tenure of ~9-12 months. In distant future, MIL aim to achieve a revenue contribution of ~85-90% from value added products. In Q3FY26, MIL was operating at ~85% utilisation of its ~40,000MTPA fractionation capacity. Through **debottlenecking** initiatives, the company is enhancing the overall capacity by ~30%. The company maintains a **strong export-oriented revenue profile**, with ~73% contribution of total revenue (in FY25) increased from ~60% in FY23. Recently in March 2026, the Board of MIL has approved the proposal to raise ~Rs5bn through **QIP** in one or more tranches. The proceeds of this QIP is expected to improve the financial flexibility. The company is **looking at almost doubling the capacity** in the next 16-18 quarters. This capacity addition will help ramp up the sales and thus improve profitability. With time, the return ratios too are anticipated to gradually increase. In the last 12-15 quarters, the company has shown gradual upticks in the overall exports of value added products to the exports market. The products the company is already working on in relation to the new capex are **not margin dilutive**; the Management is looking at more or less sustainable margin level which they currently have. Of the total capex plan of ~Rs4.5-4.6bn; ~Rs3-3.3bn is expected to be attributed towards forward integration projects with an **asset turnover** of more than 5x. Going forward, the capital structure and debt coverage indicators are also expected to improve despite upcoming capex plan.

Exhibit 19: PAT (Rs in mn) v/s PAT Margin



Source: Annual Reports, Progressive Research

Exhibit 20: Ebitda (Rs in mn) v/s Ebitda Margin



Source: Annual Reports, Progressive Research

Exhibit 21: ESG Compliant

Risk Factors	Compliance and Action by MIL
Environmental	<ul style="list-style-type: none"> • ZLD plant and entire treated water is utilised in the plant • The organisation’s water withdrawal has negligible effect on the local water table • Uses biofuel husk as an alternative fuel in boiler • Uses organic raw material with no greenhouse gas emissions • The final product and by product are eco-friendly • Completed Stage 1 assessment for the “No Deforestation, No Peat, No Exploitation” policy • Collaborating with the Earthworm Foundation
Social	<ul style="list-style-type: none"> • Empowering tribal women in seed gathering for uplifting their overall health and hygiene • Fair Trade, Fair for Life, EcoVadis, SEDEX certification SEDEX SMETA 4-Pillar and the member of UN global compact • ISO:45001 management system for addressing the health and safety needs
Governance	<ul style="list-style-type: none"> • Committed to UN Sustainable Development Goals and UN Global Compact • Adheres to principle of the National Guidelines on Responsible Business Conduct • Has a structured approach to corporate governance • Has developed a stakeholder-centric approach in all its business activities

Source: MIL Q2FY25 PPT, Progressive Research

Risk & Concerns:

MIL operates in tribal regions of central India and West Africa, exposing it to **socio-political issues** and conflicts over land rights, which can disrupt supply chains and damage infrastructure. **Supply chain issues**, including disruptions from natural disasters, and logistics issues can delay raw material procurement and delivery. To mitigate these risks, MIL adheres to a range of local laws and regulations, ensuring compliance with all relevant legal requirements. Additionally, the company emphasizes transparency in its supply chain, consistently evaluates the environmental impact of its activities, and actively engages with tribal communities through community development projects. As a highly regulated industry player, MIL navigates through complex compliance requirements across product quality, safety, environmental standards, and labelling; **non-compliance** can lead to penalties. Any changes in these regulations or introduction of new regulations can lead to costly adjustments to production processes or formulation. **Shifts in consumer behaviour**, driven by economic downturns or changing preferences can reduce the demand for its premium products which can further challenge the business. The company has **substantial exports** which is more than ~70-73% and ~50-60% of import of shea nuts and palm mid fraction (raw material for fractionation) thus making it a **net exporter** where the Management aims at hedging ~45-50% of its net **foreign exchange receivables**. This also exposes the company to foreign exchange **fluctuation risk** to some extent which may impact the financial performance. **Cybersecurity threats** like data breaches and hacking attempts can create significant operational and reputational risks. The increasing **competition** and market saturation within the specialty fats and butter industry can impact MIL’s market share and profitability. Continuous monitoring and proactive management of supply chain issues are an integral part of the risk mitigation strategy for MIL. The Management team is confident that the robust business model, combined with adaptability to market dynamics, will enable the company to navigate challenges and capitalize on opportunities. The company plans to invest ~Rs4.5-4.6bn over the next 8-12 quarters in a phased manner. One of the key risk factors could be the **timely commissioning** of the upcoming production facilities without any cost overruns while trying to maintain the effective realizations. MIL is exposed to the changes in **government regulations** like the permissible limit of CBE in chocolate manufacturing in different geographies, changes in the minimum support price of Sal seed in India, or restrictions in sourcing Sal seeds, Mango kernels, and Shea seeds from the forests in India and West African countries. The company’s ability to ensure **timely renewals** and process upgradations aligns with the changing **requirements of certifications** which is a key monitorable factor.

Outlook and Recommendations:

MIL is a manufacturer of CBE, CBA and other exotic fats which is a more **technology and formulation driven business** and not a commodity business. The company has been successful in reporting very strong growth owing to enhanced mix of value-added products, the optimized utilization of newly upgraded fractionation facility and commitment to operational excellence. The overall growth of the company is driven by a **combination of strategic initiatives** and favorable industry trends. The company has positioned itself as a key player in the international market as a dependable supplier of the entire basket of products made from Mango, Shea, and Sal. In the last two decades or so, the company has achieved several key milestones that highlight the Management’s commitment towards excellence and innovation in the domain of tree-borne/plant-based specialty fats and butter industry. This journey has also seen major advancements in extraction technologies, expansions in the product offerings and strengthening of the market position. MIL continues to establish itself as a leading and reliable player committed to meet the growing demand for sustainable CBE, specialty fats and butters. The current target of the Management is to optimize the **second fractionation** plant to its full utilization as well as simultaneously work on all the other projects and or further expansions.

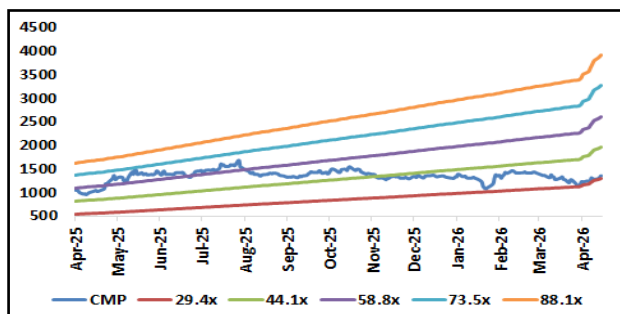
Outlook and Recommendations (contd.):

The **forward integration** plan will enable the company to get closer to end-use applications rather than only supplying intermediate fats. This is important because companies involved in more stages of the value chain generally achieve **better margins** and build stronger customer relationships. It also allows the company to benefit from growth in end-user industries without depending entirely on one product category. The company is now focusing more on value-added specialty fats instead of basic oil products, which can improve profitability because these products typically offer **better margins**, stronger customer relationships, and are less affected by commodity price fluctuations. While pursuing the industry leadership, the company has been establishing strategic global subsidiaries in West Africa, UAE and Brazil for strengthening global market presence.

MIL continues to strengthen its reputation as a trustworthy supplier addressing the increasing demand for sustainable CBE, CBA, specialty fats, stearin and butters for a number of customers. The company is reputed as a **preferred supplier** of specialty fats and butters for both the domestic as well as the global customers. The company has been able to achieve the same via focus on R&D, cutting-edge technology and expansion of its international presence by stable capacity enhancements while maintaining a strong balance sheet. The **key growth drivers** in the upcoming next 8-12 quarters is expected to come from the backward and forward integration projects. The company has developed these product with its clients for their formulation which ultimately develops a long term relation with them. Thus, overnight changes in any of the commodity cycle will not hamper the demand or pricing model of the business since the raw material base is very different from that of Cocoa Butter raw material. The growth impetus appears to continue for MIL which can be propelled by a number of factors like the scale-up in LatAm, backward and forward capacity expansion and addition of adjacent products while reaping the benefits of the entire value chain of CBE/CBA/special fatty acids.

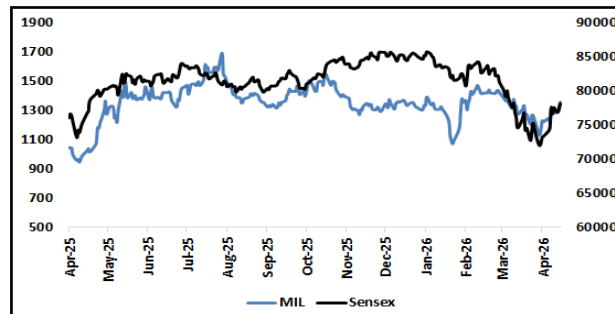
The company has a very **strong procurement** network and the upcoming forward as well as backward integration projects can help MIL in ramping up its scale of operations and also show small upticks its operating margins. Over the last few quarters, the company has successfully demonstrated its ability to improve its operational and financial performance. MIL is looking at increased sales of **margin accretive** products via operating leverage and economies of scale. The major thrust of the company remains on R&D which has made them the preferred partner all over the world to the existing as well as new customers. The company is strategically diversifying its geographic presence across multiple economies in order to reduce the impact of any adverse changes in any single market which can impact the overall business performance; also, the strategy to setup subsidiaries in key markets will help to acquire **new clients** and gain **additional wallet share**. The future growth will likely come from the improvement of its product mix towards more **value added** specialty fats instead of basic oil products. The Management is clearly focused on converting more of its intermediate products into higher value formulations. This shift is crucial because specialty fats offer better margins, and are less affected by commodity price changes. The significant growth driver is the significant capex plan which will increase the overall capacities, and fetch better margin and improve profitability. With the prudently planned capex, MIL is looking at strengthening its leadership in specialty fats & butter with good pricing power, robust growth visibility and high structural advantages which will deliver sustainable growth. Overall, with all these triggers in place MIL is very well positioned to achieve significant growth in the next few years as and when the additional capacities start contributing. We initiate a BUY on the stock with a target price of Rs1695 with a horizon of 12 months.

Exhibit 22: One Year Forward P/E



Source: Ace Equity, Progressive Research

Exhibit 23: Price v/s Sensex



Source: Ace Equity, Progressive Research

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