

Company Background

Mrs. Bectors Food Specialities Ltd is the leading companies in the non-glucose biscuits and premium breads segment in North India with products sold under '**Mrs. Bector's Cremica**' and '**English Oven**'. All products are manufactured in-house at the Company's six manufacturing facilities and supplied to retail consumers in 26 states and 3 union territories within India , as well as to reputed institutional customers with pan-India presence, and to 63 countries across six continents.

Over the years, the company has diversified its product portfolio to include all kinds of biscuits & cookies suitable for domestic as well as exports markets and forayed into different types of breads & bakery products.

Important Statistics

M.Cap (₹ bn)	~34.00
52 Week H/L (₹)	582/245
NSE Code	BECTORFOOD
BSE Code	543253

Shareholding pattern (%)	Dec'22
Promoter	51.14
Institutions	18.68
Public & Others	30.18

Diversified product portfolio includes three main categories

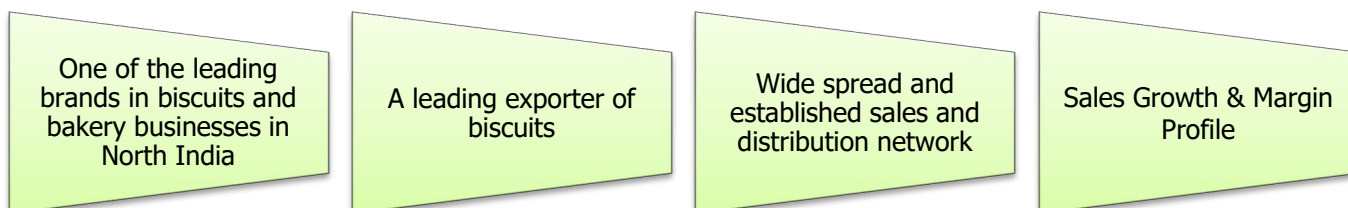
Biscuits	<ul style="list-style-type: none"> Sold under the brand 'Mrs. Bectors Cremica' One of the leading brands in non-glucose biscuit segment in Punjab, Himachal Pradesh, J&K, Haryana and Rajasthan
Breads	<ul style="list-style-type: none"> Brand 'English Oven' caters premium segment in Delhi NCR, Maharashtra and the northern region of India Other products: garlic bread, stuffed breads etc
Buns	<ul style="list-style-type: none"> Preferred supplier of buns to "Hardcastle Restaurants Private Ltd" since the year 2007

Financials

Particulars	(₹ Cr)		
	FY21	FY22	TTM
Sales	881	988	1,268
EBITDA	141	123	152
EBITDA Margin	16%	12%	12%
Reported PAT	72	57	73
PAT Margin	8.2%	5.8%	5.8%
Reported EPS	12.3	9.7	12.3
ROCE	21%	14%	
ROE	16.8%	12.2%	
D/E	0.1	0.1	

	Biscuits	Bakery
Strengths	Wide product portfolio with a premium/ semi-premium tilt. Expansive omni-channel distribution network in general trade, modern trade, e-commerce and CSD in India. Exports to 63 countries with a distribution-led sales model	Leadership position in key metropolitan markets in the premium breads category Dedicated lines for buns production for QSRs and also for other innovative products
Growth Potential	Per capita biscuit consumption in India is only 2.1 kg, vs. 10 kg and 4.5 kg in the US and Singapore. Focus on portfolio premiumisation with expansion of pan-Indian distribution network.	Premium breads segment is projected to grow at 15% between FY20-FY25, vs. 9% of the value breads category during the same period. Long-term chain QSR market potential is intact, with 23% growth projected between FY20-25 to a total market size of ₹524bn
Future Outlook	Focus on portfolio premiumisation Continue to pivot export market presence	Enhance penetration in Tier-I and II markets Introduce new premium varieties, especially in the sweets and savories space

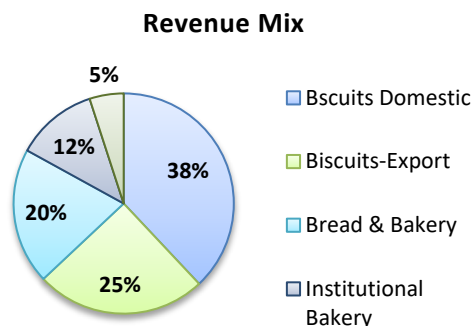
Our optimism stems from the following



Source: Company, Way2Wealth

Investment Rationale

➤ **One of the leading brands in biscuits and bakery businesses in North India** – Mrs. Bectors Food is one of the leading players in the premium and mid-premium biscuits segment in the North India having a market share of 4.5% and 12% market share of total biscuits export from India (CY19). In the branded breads segment as well the company commands a market leadership with a market share of 5% in India. The company has created two major brands 'Mrs. Bector's Cremica' and 'English Oven' in biscuits and breads business respectively. Brand 'English Oven' caters premium segment in Delhi NCR, Maharashtra and the northern region of India. Looking at the long-term prospects of business, company is focused on starting its cookies line at the Rajpura, Punjab, factory in Q1FY24, with a capacity of 300 MT per month. Furthermore, the company also plans to set up a greenfield plant in MP. The company has received approval for building the plant and has started construction. The MP plant is expected to commence operations from FY25.



Source: Company, Way2Wealth

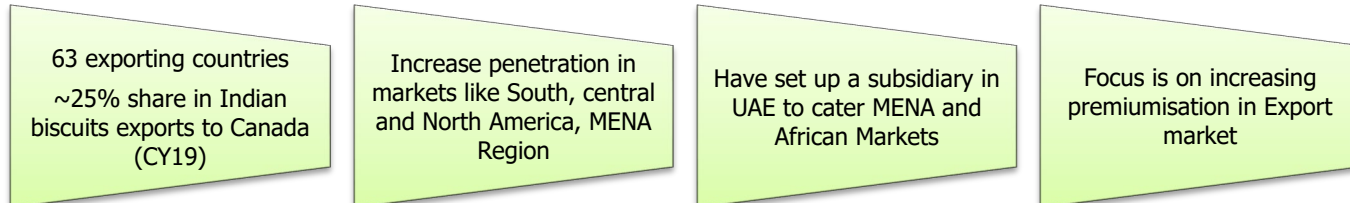
Mid-Premium and Premium Biscuit Market

North Region	Players	Market Share
Punjab	Britannia	28%
	Mrs. Bectors Food	15%
Haryana (5 th largest)	Surya & Britannia	50%
	Mrs. Bectors Food	9%
J&K, Ladakh and Himachal	Britannia	28%
	Mrs. Bectors Food	18%
Rajasthan (5 th largest)	Parle	19%
	Britannia	42%
	Mrs. Bectors Food	5%
Delhi (6 th largest)	Britannia & Parle	50%
	Mrs. Bectors Food	2%
Uttar Pradesh:	Parle	24%
	Britannia	22%
	Surya	22%
	Mrs. Bectors Food	2%
Uttarakhand (5 th largest)	Surya	27%
	Mrs. Bectors Food	9%

Apart from the company owned brands, the company also is a leader in bread supply to major QSRs, Cloud Kitchens and Multiplexes across India with a market share of 11% in semi processed and dough based offerings.

Companies	Relationship	Years	
Connaught Plaza Restaurants Pvt. Ltd	Leading Burger chain in North and East India	Sole supplier of burger buns and pan muffins	Over 25 years
Hardcastle Restaurants Pvt. Ltd.	Leading Burger chain in South and West India	Preferred supplier of burger buns and pan muffins	Over 13 years
Burger King India Limited	Leading Global Burger Company	Main supplier of burger buns	Over 6 years
Yum! Restaurants (India) Pvt. Ltd	Leading Restaurant Chain	Main supplier of burger buns	Over 7 years
PVR	Leading Theatre Chain	Leading supplier of frozen burger buns, panini, garlic breads	Over 10 years
Rebel Foods, Faasos	Leading supplier of products such as frozen	Supply of bakery products	Over 5 years

- **A leading exporter of biscuits** – Bectors Food is the leading exporter of biscuits from India, with ~26% share of the Indian biscuit export market in FY21. It exports biscuits to more than 63 countries across Africa, Middle East, North America, Central America, Asia, Europe and Australia. It export cookies, creams and crackers under flagship brand 'Mrs. Bector's Cremica' brand as well as under private labels for international retail chains through reputed buying houses such as Monteagle International (UK), Lulu Hypermarket Trading Co, E-Mart Inc, etc. The company also does contract manufacturing for Oreo biscuits and Choco bakes cookies for Mondelez India Foods Private Ltd.



Source: DRHP

- **Wide spread and established sales and distribution network** – Sales and distribution network is strategically spread across different states in North India, and has an especially strong outreach in certain semi urban and urban markets, where growth is considered to be more significant.

Biscuits		Bakery & Bread	
Domestic	Exports	Bread & Bakery Products	Institutional Bakery
Strong presence in North India	Exports to 643 countries		
+900 Distributors	Supply to reputed retail chains, distributors	+283 distributors	Sole and Preferred supplier
+250 Stockists	25% + Share in the Indian biscuit exports to Canada [CY19]	+23000 retail outlets	long relationships with leading international QSRs,
+550000 retail outlets		Catering Delhi NCR, Mum, Pune, Bengaluru	
200K Direct reach	set up a subsidiary in UAE to cater MENA and African market	Branded Breads business has grown at CAGR of 30% in the last 3 year	

Source: Company, Way2Wealth

Retail reach of biscuit brand in north India (2020)	
National Brands	Retail Points in North India
Parle	~17,00,000
Britannia	~14,00,000
ITC	~9,90,000
Regional Brands	
Anmol	~7,90,000
Cremica	5,50,000

➤ **Expansion Plan:**

Capacity Expansion

Sales Mix : 65% FY22 production capacity: 74,800 MT

Operating at a capacity of 80%

Biscuits

Setting up 2 additional biscuit lines in Punjab which would increase capacity by 20% from FY24

Plans to set up a greenfield plant in MP and have started construction. Expected to commence operation from FY25

Sales Mix: 35% FY22 production capacity: 624 mn packs

Bakery

While the company added capacity in the Noida and the Bengaluru plants in the recent past, it has bought additional land near the Khopoli plant in Maharashtra for expansion. MBFSL already has land under possession and expects the new capacity to come on stream from FY25.

MBFSL is setting up capacity at Bhiwadi in Rajasthan. It would commence production in Q2FY24

➤ **Enhancing Distribution**

Distribution Expansion

Sales Mix : 65%

Plans to double its direct store reach, planning to reach about 3.2 lakh outlets over the next two years.

Biscuits

The company is a strong player in north India, has started to ramp up presence in southern and western India.

The upcoming plant in MP will enable MBFSL to effectively cater to the southern, western as well as central Indian markets.

Sales Mix: 35%

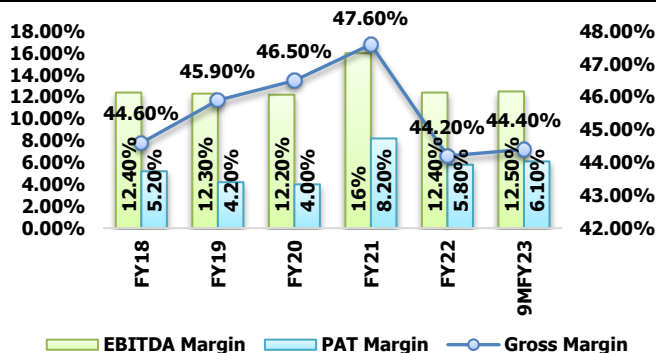
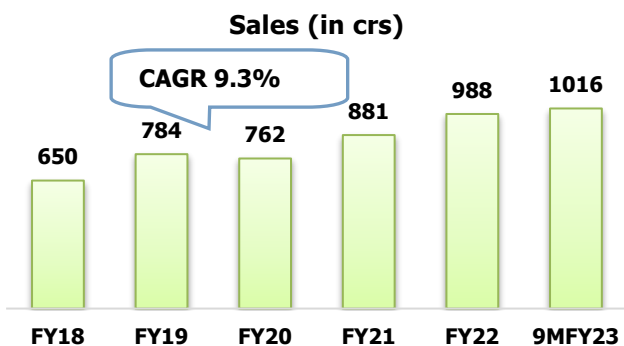
Bakery

MBFSL is expanding in and around the existing areas of operations the National Capital Region, Mumbai and Bengaluru.

Source: Company, Way2Wealth

➤ **Robust financial profile**

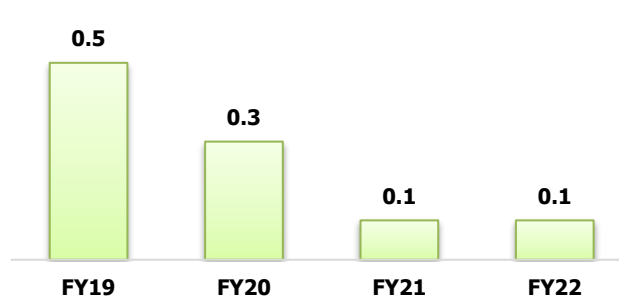
Growth backed by Healthy Financials



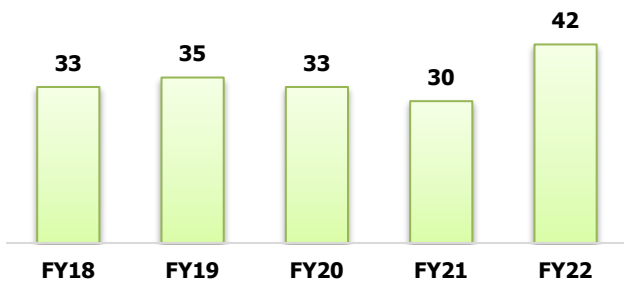
Cash Flow from Operations (Rs Cr)



Net Debt / Equity



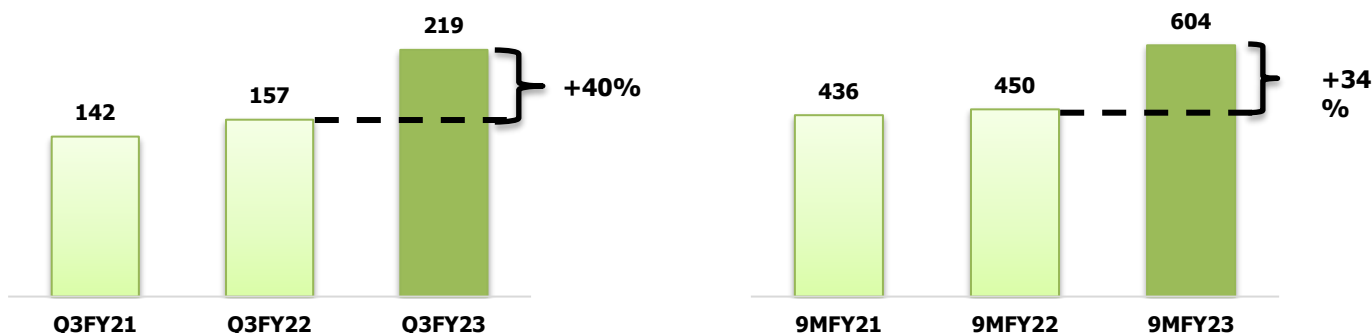
Working Capital Days



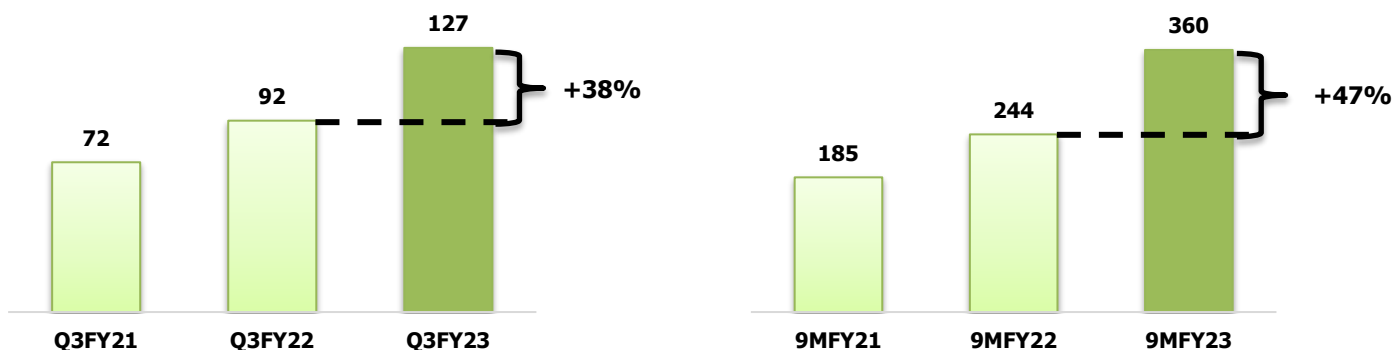
Source: Company, Way2Wealth

➤ Segment-wise performance

Biscuit Segment (crs)

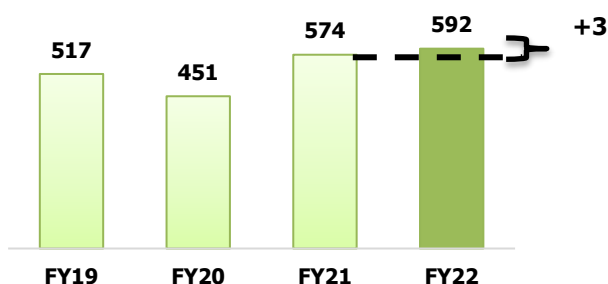


Breads and Bakery Segment

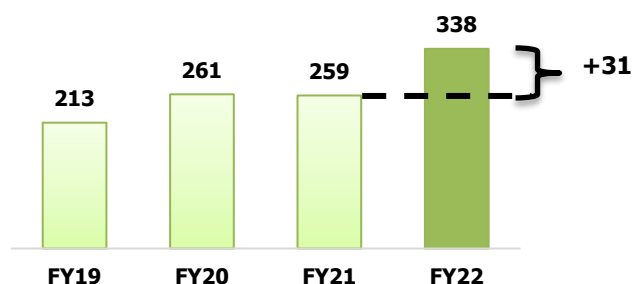


Annual Performance

Breads and Bakery Segment



Bakery Segment



Source: Company, Way2Wealth

Financials of key biscuit brands

	Revenue (₹ cr)		CAGR	Gross Margin	EBITDA Margin	RoE	RoCE
	2017	2021					
Britannia	9054	13136	9.8%	41.9%	19.0%	53.0%	60.6%
Parle*	10545	11950	6.5%	35.9%	6.7%	11.7%	16.9%
Mrs. Bectors Food	626	881	8.9%	47.6%	16.0%	16.7%	22.9%

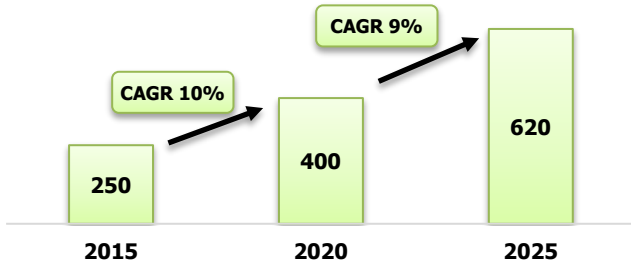
*: FY19

Key Highlights Q3FY23

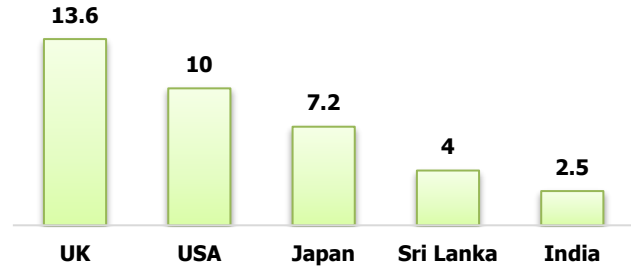
- In Q3FY23, the revenue grew by 40% on YoY basis witnessing good growth across business verticals and improved our EBITDA margin to 13.9% as compared to 12.6% in Q3 FY22.
- EBITDA stood at ₹51Cr, saw a growth of 54% YoY and EBITDA margin for Q3FY23 was 13.9% as compared to 12.6% in Q3FY22. PAT stood at ₹28Cr, saw a growth of 79% YoY basis. PAT margin for Q3FY23 was 7.5% as compared to 5.9% in Q3FY22
- Biscuit segment revenue for Q3FY23 stood at ₹219Cr against ₹157Cr in Q3FY22, thus registered a growth of 40% compared with Q3FY22 including domestic & export biscuit segment
- Biscuit segment has grown by 55% as compared to Q3FY21. Both Domestic & Export Biscuit has grown by higher double digit in Q3FY23 as compared to same period last year.
- Bakery segment revenue for Q3FY23 stood at ₹127Cr against ₹92Cr in Q3FY22, thus registered a growth of 38% compared with Q3FY22 including retail bakery and institutional segment.
- The company will add a new Bakery line in Bhiwadi, Rajasthan to increase its capacity for NCR and neighbouring markets. This line is expected to be operational in Aug'23 and will have capacity of 80,000 breads per day.
- Management is confident of a sequential improvement in gross margins and expects to return to 14-15% EBITDA margin level in medium term.
- 5,000+ preferred outlets have been appointed where the company is being able to secure higher shelf-space and place the preferred product range. Besides expanding in newer geographies of Mumbai and Bangalore, management is also focusing on growing in the neighboring markets of Delhi NCR

Industry Overview: Biscuits Segment

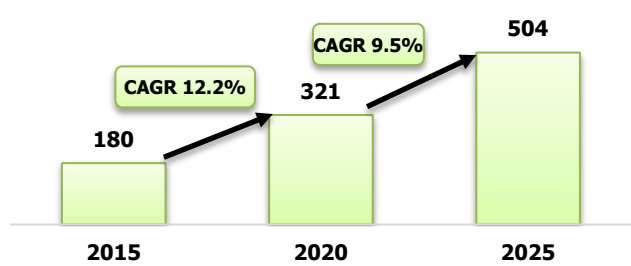
Indian biscuits market size (₹ bn)



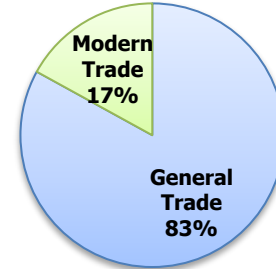
Biscuits: Per Capita Consumption (kg/year)



Size of branded premium and mid-premium biscuits market (₹ bn)



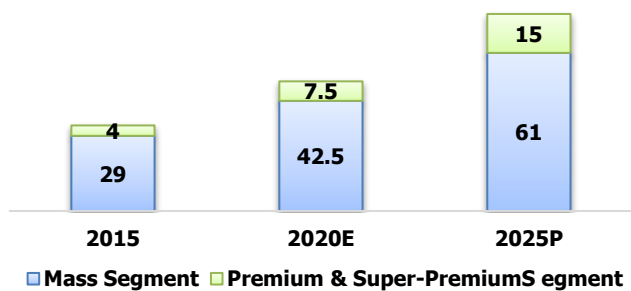
Share of retail channels for branded biscuits sales



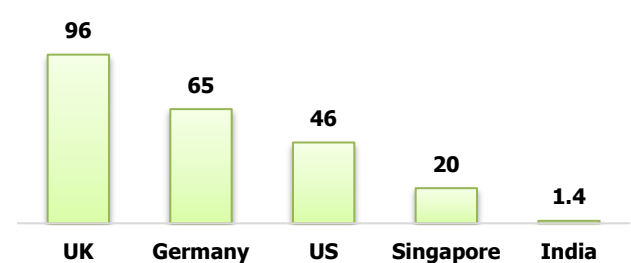
Source: Company, Way2Wealth

Industry Overview: Bread & Bakery Segment

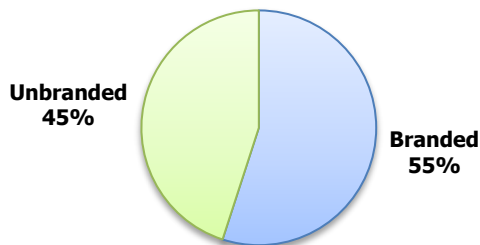
Bread and buns retail market (₹ bn)



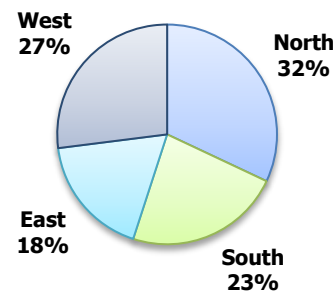
Bread: per capital consumption (kg/year)



Bread Sales Breakup



Zonal Consumption Pattern



Source: Company, Way2Wealth

5th April 2023

CMP – ₹569/-

 View – **Buy**
Risk

- Slowdown in the economy
- Bectors Food is a family-owned business, therefore, there is the risk of differences or disputes between family members, which could impact the company's operations
- There are outstanding legal proceedings involving the company and its promoters, which are pending at different levels of adjudication. Any unfavourable decision in connection with such proceedings, individually or in the aggregate, could adversely affect the company's reputation, business, financial condition and operations.

VIEW

The management has guided to stabilize its EBIDTA margins at 14%-15% for the near term.

Focus on premiumisation within existing product segments and provide differential offerings to customers may drive margin expansion.

Company's focus on investing in new launches, driving premiumisation and deleveraging the balance sheet has kept the growth momentum steady.

At CMP ₹569, the company is trading at PE of 55.2x to its TTM EPS of 10.3. We recommend the investors to BUY this stock.

Financial Statement

Particulars	(₹ Cr)							
	Q3FY23	Q3FY22	YoY	Q2FY23	QoQ	9MFY23	9MFY22	YoY
Revenue from Operations	367.9	263.2	40%	347.4	5.9%	1016.1	735.9	38%
Cost of Material Consumed	200.9	139.3		197.4		565.1	400.6	
Purchase of stock-in-trade	7.3	4.1		5.6		16.5	10.5	
Changes in inventories of finished goods& WIP	-5.5	5.8		-10.3		-17.2	1	
Gross Profit	165.2	114	45%	154.6	6.9%	451.6	323.7	40%
Margin	44.9%	43.3%		44.5%		44.4%	44.0%	
Employee Benefits Exp	43.9	35.8		39.8		120.6	101.2	
Other Exp	70.1	44.9		70.4		204	125.5	
EBITDA	51.2	33.3	54%	44.4	15.3%	127	97	31%
EBITDA Margin	13.9%	12.6%		12.8%		12.5%	13.2%	
Other Income	3.1	1.6		2.6		7.6	4.8	
Depreciation	13.7	12		13.5		39.9	34	
EBIT	40.6	22.9	77%	33.5	21.2%	94.7	67.8	40%
Finance Cost	3.6	2		3.8		10.6	4.8	
PBT	37	20.9	77%	29.5	25.4%	83.7	63.1	33%
Total Tax Exp	9.2	5.4		7.6		21.3	16.1	
Profit for the period	27.8	15.5	79%	21.9	26.9%	62.4	46.9	33%
PAT %	7.5%	5.9%		6.3%		6.1%	6.4%	
EPS	4.72	2.64	79%	3.73	26.5%	10.61	7.98	33%

Source: Company, Way2Wealth Research

Financials

Particulars	(₹ Cr)								
	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	TTM
Sales	559	556	588	650	736	708	838	924	1,177
YoY Growth		-0.5%	5.8%	10.5%	13.2%	-3.8%	18.4%	10.3%	27.4%
Expenses	495	496	527	576	652	626	705	815	1,045
Operating Profit	64	60	60	74	84	82	133	109	132
OPM %	11%	11%	10%	11%	11%	12%	16%	12%	11%
Other Income	3	18	2	4	8	7	10	11	9
Interest	7	4	4	6	13	16	10	7	13
Depreciation	18	19	22	24	31	39	42	43	48
Profit before tax	42	55	37	47	48	35	91	69	80
Tax %	35%	30%	31%	32%	32%	18%	26%	23%	
Net Profit	27	39	25	32	32	28	68	53	60
Net Profit Margin	4.8%	7.0%	4.3%	4.9%	4.3%	4.0%	8.1%	5.7%	5.1%
EPS (₹)	9.44	13.52	8.84	5.6	5.65	4.93	11.54	9.09	10.27

Source: Company, Way2Wealth Research

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Disclosure of Interest Statement Mrs. Bectors Food Specialities Ltd. as on April 5th, 2023

Name of the Security	Mrs. Bectors Food Specialities Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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