

**9<sup>th</sup> August 2023**
**CMP – ₹993/-**
**View – Add on Dips**
**Q1FY24: Robust Performance led by Biscuits and Bread category**
**Important Statistics**

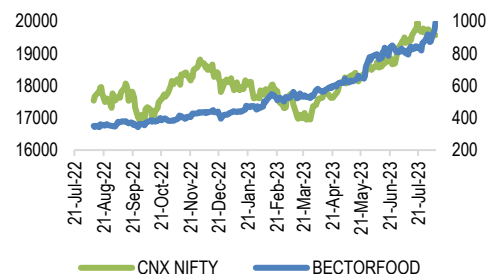
- Revenue from operations grew 24% YoY to ₹374Cr.
- Biscuit segment revenue for Q1FY24 stood at ₹223Cr against ₹178Cr in Q1FY23, thus registered a growth of 25% compared with Q1FY23 including domestic & export biscuit segment. Both Domestic & Export Biscuit has grown by higher double digit in Q1FY24 as compared to same period last year.
- Bakery segment revenue for Q1FY24 stood at ₹135Cr against ₹107Cr in Q1FY23, thus registered a growth of 26% compared with Q1FY23 including retail bakery and institutional segment. Both Retail (65%) & Institutional (35%) Bakery has grown by higher double digit in Q1FY24 as compared to same period last year.
- Biscuit segment has grown by 54.1% as compared to Q1FY22 and Bakery segment has grown by 96.9% as compared to Q1FY22.
- The company have registered strong and profitable growth from all business verticals i.e. Biscuits – Domestic & Exports, Bakery Institutional & Retail
- EBITDA grew 85% YoY to ₹57.9Cr and margin expanded to 15.5% (509 bps) YoY due to moderation in input cost and operating leverage.
- PAT grew 174% YoY to ₹34.9Cr and margin expanded 508 bps to 9.3% YoY.
- Management is confident of delivering positive results going forward, driven by strong distribution network, marketing and digitization expansion.

<b>M.CAP (₹ Cr)</b>	<b>₹5,876</b>
52 Week H/L (₹)	₹1009/794
NSE Code	BECTORFOOD
BSE Code	543253

<b>Shareholding pattern (%)</b>	<b>Jun'23</b>
Promoter	51.17
FII	07.57
DII	18.24
Public & Others	23.02

**Key takeaways from Q1FY24 result**
**Relative Performance**

- **Volume Growth:**
  - Bectors Food continues to be on a robust revenue growth trajectory (+24% YoY in 1QFY24) led by distribution expansion in existing and new markets with broad-based growth across biscuits and bakery segment. Growth was entirely led by volume and distribution expansion.
- **Margin:**
  - Gross Margin during the quarter was 46.9% vs 43.8% in Q1FY23 and 45.2% in Q4FY23.
  - Softening of raw material prices coupled with adequate pricing action aided margin expansion, despite an increase in employee expenses and other expenses. Other expenses have increased YoY due to incremental marketing spending
  - The company expect margin expansion via focus on premiumization in domestic biscuits and bakery space, and on emerging/developed countries for export business.
  - The company targets to stabilize its margins at 14% levels for a few quarters and then move on to 14-15% levels in the medium term.
- **Expansion Project:**
  - Addition of 2 new Biscuits Lines at Rajpura to meet the growing demand. Total Estimated cost is ₹75Cr and estimated timeline of completion is Q2FY24
  - Addition of Bakery Plant in NCR to meet the growing demand. Total Estimated cost is ₹32.7Cr and estimated timeline of completion is Q3FY24
  - The company has started construction of boundary wall and received the approval for the construction of building plan and the plant will be ready by FY24-25



**Source:** Company, Way2Wealth Research

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- Company has purchased land in Khopoli, Mumbai adjacent to factory for expansion of Bakery business. Plant will be commissioned by FY24-25.
- The company is expecting capex of around ₹225Cr for FY24 and around ₹175Cr for FY25.
- The capacity addition plans (at full capacity) could fetch revenues of ~₹2,400cr. This provides a strong growth visibility over the next 2-3 years.

➤ **Market Share:**

	Biscuits		Bakery Products	
	Domestic	Exports	Consumer Bakery	Institutional Bakery
<b>Market Share</b>	5.4% of the premium and mid-premium biscuits market in North India, in Q4FY23	~12% share of total exports of biscuits from India in CY19	5% market share in the Branded Breads Segment in India	11% market share in semi processed and dough-based offerings, in FY20

➤ **Products:**

- The company had launched biscuits in regions of Bombay, Pune and Bangalore which has been accepted well. The company would be adding 10 new cities in West and South in FY24.
- Launched new products such as 'Trufills', 'Premium Sugar and Classic Crackers', 'Pista Almond Cookies', Non-Stop Potato Crackers etc.
- Company has a strong presence in North India which it intends to leverage to expand presence in the other regions of India.
- The export market is expected to continue its growth momentum with distribution expansion in the Middle East markets. Exports and institutional constituted ~25%/12% of the overall revenue.
- MBFSL's share of premium products in the biscuits has improved to 36% (compared to 31% in the earlier fiscal), enabling a strong margin improvement in Q1.

➤ **Market Share:**

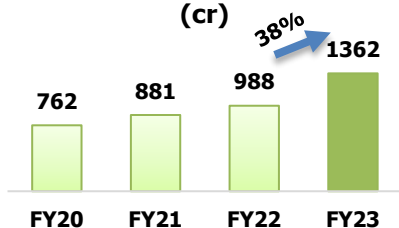
- Not only is MBFSL expanding presence in its strongholds, like north India (where it holds market share of about 4.6%), but also in the recently entered markets in the south and the west. MBFSL, with a current market share of about 1.4% in the biscuit space, pan-India, has the potential for sustained market share gains.
- In the bakery category, MBFSL is enhancing distribution reach in Delhi, Bengaluru and Mumbai and has indicated that it has a huge potential. In the institutional category, MBFSL has been able to induct new customers, such as Subway, and is also in talks with new café chains for initiating supplies.

➤ **Guidance:**

- The company remains on track to achieve its target of reaching close to 320,000 outlets directly. The export market is expected to continue its growth momentum with distribution expansion in the Middle East markets. We believe the company is well on track to reach its guidance of mid-teen growth in FY24 entirely led by volume, distribution and marketing strategies while margins are expected to move closer to 15% with RMAT prices softening and continuing premiumization.

### Story in charts

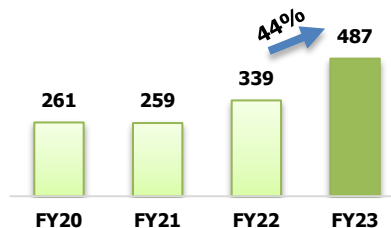
#### Revenue from Operations (cr)



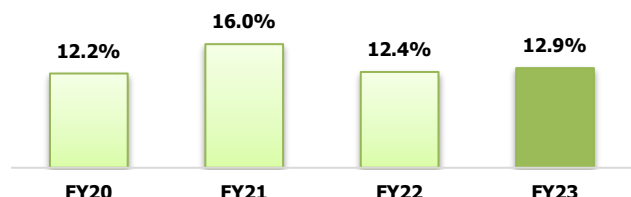
#### Biscuit Segment (cr)



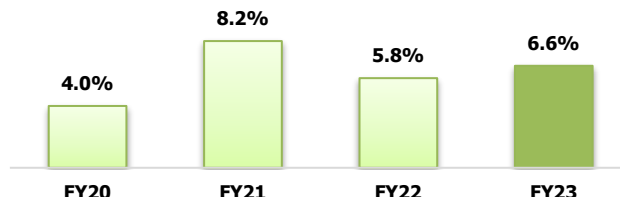
#### Bakery Segment (cr)



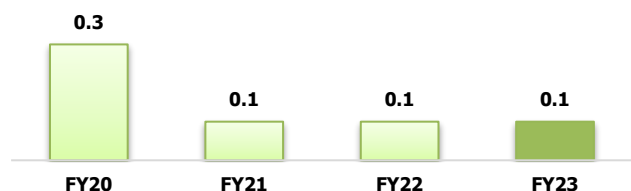
#### EBITDA Margins



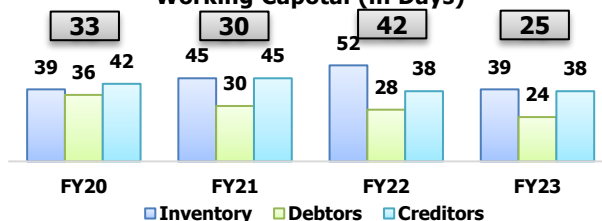
#### PAT Margins



#### Net Debt to Equity



#### Working Capital (in Days)



Source: Company, Way2Wealth Research

### Risks

- Inflation in raw material prices

### View

FY23 was a remarkable year for Mrs. Bectors Food Specialities Ltd led by product portfolio optimization & premiumization efforts coupled with strengthening brand equity, increase in distribution touchpoints, enhanced direct reach and responsible pricing actions aided in offsetting the ongoing pressure from consistent inflation during the year. The capacity addition plans could fetch revenues of ~`2,400Cr. This provides a strong growth visibility over the next 2-3 years.

We continue to believe in the company's long-term growth prospects. The company's focus on expanding reach in its existing markets and gradually explore newer markets bodes well. The company is confident of delivering positive results going forward, driven by strong distribution network, marketing and digitization expansion.

**At its CMP of ₹993/-, the stock trades at ~64.9 its FY23 earnings of ₹15.3. The Mrs. Bectors Food Specialities Ltd stock has given ~76% return since our lighthouse report dated 5th Apr'23. The company has strong growth prospects and we remain positive on the stock. We recommend investors to Add this stock on corrections.**

9<sup>th</sup> August 2023

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## Quarterly Performance

(₹ Cr)

Particular	Q1FY24	Q1FY23	YoY	Q4FY23	QoQ	FY23
<b>Revenue From Operations</b>	<b>374.2</b>	<b>300.7</b>	<b>24%</b>	<b>346.1</b>	<b>8.1%</b>	<b>1362.1</b>
Cost of Material Consumed	199.36	166.76		172.57		737.7
Purchas of stock-in-trade	7.75	3.64		7.2		23.8
Changes in inventories of finished goods & WIP	-8.56	-1.35		9.8		-7.4
<b>Gross Profit</b>	<b>175.65</b>	<b>131.65</b>	<b>33%</b>	<b>156.53</b>	<b>12.2%</b>	<b>608</b>
<b>Margin</b>	<b>46.9%</b>	<b>43.8%</b>		<b>45.2%</b>		<b>44.6%</b>
Employee Benefits Exp	49.27	36.86	<b>34%</b>	42.4		162.9
<i>Employee Benefits Exp % of sales</i>	<i>13%</i>	<i>12%</i>		<i>12%</i>		<i>12%</i>
Other Exp	68.39	63.58	<b>8%</b>	65.7		269.9
<i>Other Exp % of sales</i>	<i>18%</i>	<i>21%</i>		<i>19%</i>		<i>20%</i>
<b>EBITDA</b>	<b>57.99</b>	<b>31.21</b>	<b>86%</b>	<b>48.43</b>	<b>19.7%</b>	<b>175.2</b>
<b>EBITDA Margin</b>	<b>15.5%</b>	<b>10.4%</b>		<b>14.0%</b>		<b>12.9%</b>
Other Income	4.5	1.86		4.5		12.02
Depreciation	13.89	12.58		13.4		53.3
<i>Depreciation as % of sales</i>	<i>4%</i>	<i>4%</i>		<i>4%</i>		<i>4%</i>
<b>EBIT</b>	<b>48.6</b>	<b>20.49</b>	<b>137%</b>	<b>39.53</b>	<b>22.9%</b>	<b>133.92</b>
Finance Cost	1.83	3.21		2.3		12.9
<i>Finance Cost as % of sales</i>	<i>0%</i>	<i>1%</i>		<i>1%</i>		<i>1%</i>
Share of net profit/(loss) of associate (net of tax)	0.001	-0.182		0.019		-0.03
<b>Profit before Tax</b>	<b>46.8</b>	<b>17.1</b>	<b>174%</b>	<b>37.2</b>	<b>25.6%</b>	<b>121.0</b>
Total Tax Expenses	11.92	4.435		8.52		30.69
<i>Tax Rate %</i>	<i>25%</i>	<i>26%</i>		<i>23%</i>		<i>25%</i>
<b>Profit for the period</b>	<b>34.9</b>	<b>12.7</b>	<b>175%</b>	<b>28.7</b>	<b>21.3%</b>	<b>90.3</b>
<i>PAT %</i>	<i>9.3%</i>	<i>4.2%</i>		<i>8.3%</i>		<i>6.6%</i>
<b>EPS</b>	<b>5.9</b>	<b>2.16</b>	<b>173%</b>	<b>4.7</b>	<b>25.5%</b>	<b>15.31</b>

Source: Company, Way2wealth Research

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**Disclosure of Interest Statement Mrs. Bectors Food Specialities Ltd (BECTORFOOD) as on August 09, 2023**

Name of the Security	Mrs. Bectors Food Specialities Ltd (BECTORFOOD)
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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