

16th November 2023
CMP – ₹1,314.5/-
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Q2FY24: Robust Performance led by Biscuits and Bread category
Important Statistics

- Revenue from operations grew 19% YoY to ₹415crs. The company reported an impressive 15% improvement in sales of premium products, reflecting a growing consumer preference for higher quality offerings. 75% growth was led through volumes and the balance through premiumization
- Biscuit segment revenue for Q2FY24 stood at ₹259crs against ₹206crs in Q2FY23, thus registered a growth of 25% compared with Q2FY23 including domestic & export biscuit segment. Biscuit segment has grown by 75.9% as compared to Q2FY22
- Bakery segment revenue for Q2FY24 stood at ₹140crs against ₹125crs in Q2FY23, thus registered a growth of 12% compared with Q2FY23 including retail bakery and institutional segment. Bakery segment has grown by 69.4% as compared to Q2FY22
- The company has registered strong and profitable growth from all business verticals i.e. Biscuits – Domestic & Exports, Bakery Institutional & Retail. Management is confident of delivering positive results going forward, driven by strong distribution network, marketing and digitization expansion
- EBITDA grew 45% YoY to ₹65crs and margin expanded to 15.6% (280 bps) YoY due to moderation in input cost and operating leverage
- PAT grew 73% YoY to ₹37crs and margin expanded 280 bps to 9% YoY

Nifty	65,676
Sensex	19,675
M.CAP (₹ Cr)	₹7,756
52 Week H/L (₹)	₹1374/387
NSE Code	BECTORFOOD
BSE Code	543253
Bloomberg Code	BECTORS:IN

Shareholding pattern (%)	Sep'23
Promoter	51.18
FII	09.10
DII	18.71
Public & Others	21.02

Key takeaways from Q2FY24 result
Relative Performance
➤ Volume Growth:

- Bectorfood continues to be on a robust revenue growth trajectory (19% YoY in Q2FY24) led by volume growth through distribution expansion in existing and new markets with broad-based growth across biscuits and bakery segment.

➤ Margin:

- Gross Margin during the quarter was 46.7% vs 44.5% in Q2FY23 and 46.9% in Q1FY24.
- 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
- We expect margin expansion via focus on premiumization in domestic biscuits and bakery space, and on emerging/developed countries for export business.

➤ Expansion Project:

- Addition of 2 new Biscuits Lines at Rajpura to meet the growing demand. Total Estimated cost is ₹75crs and the production from this two new lines have been started in Q2FY24
- Addition of Bakery Plant in NCR to meet the growing demand. Total Estimated cost is ₹32.7crs and estimated timeline of completion is FY24-25
- The company has started construction of biscuit lines at Dhar (MP) and the plant will be ready by FY24-25

Return (%)	1Yr	3Yr	5Yr
BECTORFOOD	226%		
Nifty 50	7.6%	54.9%	85.4%
Sensex	6.7%	51.6%	86.5%

Source: Company, Way2Wealth Research

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- Company has purchased land in Khopoli, Mumbai adjacent to factory for expansion of Bakery business. This plant will be commissioned by FY24-25.
- The capacity addition plans (at full capacity) could fetch revenues of ~₹2,400crs. This provides a strong growth visibility over the next 2-3 years.

➤ **Market Share:**

	Biscuits		Bakery Products	
	Domestic	Exports	Consumer Bakery	Institutional Bakery
Market Share	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

➤ **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.
- 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.
- Plans to expand distribution has been strategic, as outlined in Apr'22 when the company targeted doubling their outlet count from 160,000 to around 320,000 by Mar'24. By Mar'23, they had already reached 216,000 outlets and anticipate achieving the goal of 310,000-320,000 outlets by Mar'24.

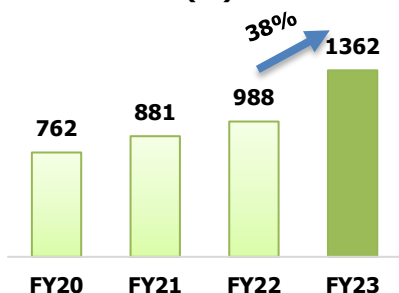
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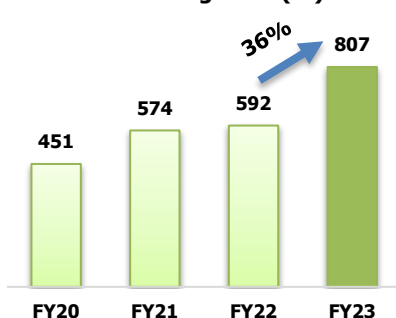
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Story in charts

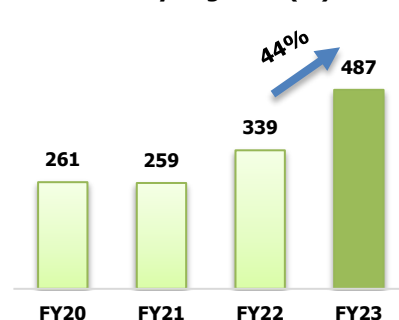
Revenue from Operations (cr)



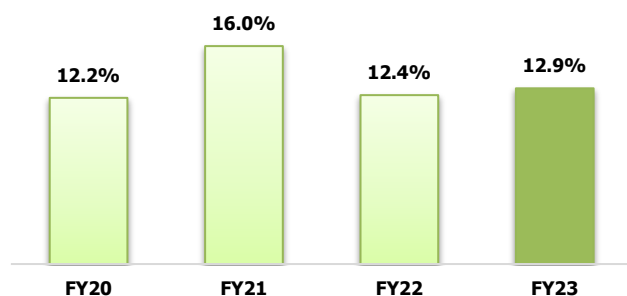
Biscuit Segment (cr)



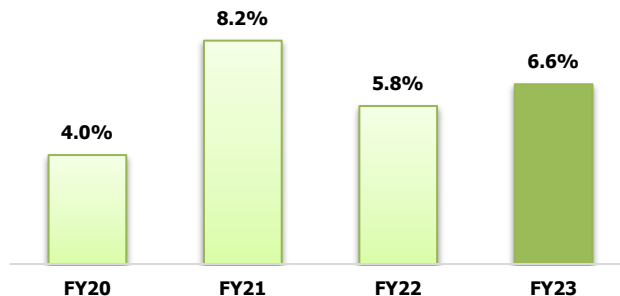
Bakery Segment (cr)



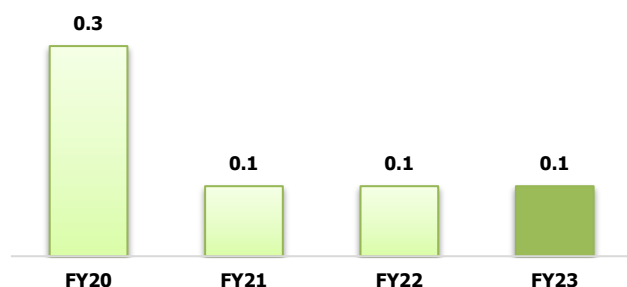
EBITDA Margins



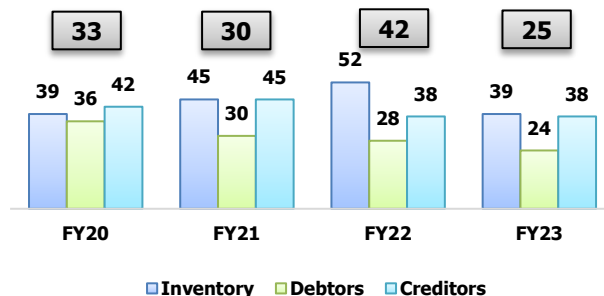
PAT Margins



Net Debt to Equity



Working Capital (in Days)



Source: Company, Way2Wealth Research

Risks

- Inflation in raw material prices

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Revenue from operations grew 19% YoY in Q2FY24. The company reported an impressive 15% improvement in sales of premium products, reflecting a growing consumer preference for higher quality offerings. FY23 was a remarkable year for Mrs. Bectors Food 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 ~₹2,400crs. 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 ₹1314.5/-, the stock trades at ~69.9 its TTM earnings of ₹18.8. The Mrs. Bectors Food Specialties Ltd stock has more than doubled since our lighthouse report (report price: ₹569) 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 with medium to long-term perspective.

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Quarterly Performance

(₹ Cr)								
Particulars	Q2FY24	Q2FY23	YoY	Q1FY24	QoQ	H1FY24	H1FY23	YoY
Revenue From Operations	414.5	347.39	19%	374.16	10.8%	788.69	648.16	22%
Cost of Material Consumed	217.7	197.4		199.36		417.1	364.19	
Purchase of stock-in-trade	15.69	5.6		7.7		23.4	9.27	
Changes in inventories of finished goods& WIP	-12.48	-10.32		-8.56		-21.04	-11.67	
Gross Profit	193.59	154.71	25%	175.66	10.2%	369.23	286.37	29%
Margin	46.7%	44.5%		46.9%		46.8%	44.2%	
Employee Benefits Exp	54.64	39.81	37%	49.27		103.9	76.66	36%
Employee Benefits Exp % of sales	13%	11%		13%		13%	12%	
Other Exp	74.29	70.39	6%	68.39		142.68	133.97	7%
Other Exp % of sales	18%	20%		18%		18%	21%	
EBITDA	64.66	44.51	45%	58	11.5%	122.65	75.74	62%
EBITDA Margin	15.6%	12.8%		15.5%		15.6%	11.7%	
Other Income	3.2	2.6		4.54		7.69	4.48	
Depreciation	14.99	13.53		13.89		28.89	26.11	
Depreciation as % of sales	4%	4%		4%		4%	4%	
EBIT	52.87	33.58	57%	48.65	8.7%	101.45	54.11	87%
Finance Cost	2.9	3.8		1.8		4.7	7.04	
Finance Cost as % of sales	1%	1%		0%		1%	1%	
Share of net profit/(loss) of associate (net of tax)	0.018	-0.177		0.001		0.019	-0.04	
Profit before Tax	50.0	29.6	69%	46.9	6.7%	96.8	47.0	106%
Total Tax Expenses	12.58	7.961		11.987		24.574	12.526	
Tax Rate %	25%	27%				25%	27%	
Profit for the period	37.4	21.6	73%	34.9	7.3%	72.2	34.5	109%
PAT %	9.0%	6.2%		9.3%		9.2%	5.3%	
EPS	6.33	3.73	70%	5.93	6.7%	12.26	5.89	108%

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Mrs. Bectors Food Specialities Ltd (BECTORFOOD) as on November 16, 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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