

Issue Details

Listing	BSE & NSE
Open Date	15 Dec 2020
Close Date	17 Dec 2020
Price Band	Rs.286-288
Market Lot	50 shares
Minimum Lot	1 Lot

Mrs. Bectors Food Speciality (Mrs. Bectors) Ltd was incorporated on September 15th, 1995. The company is in the packaged food industry and manufactures and markets a range of biscuits and bakery products. The products of the company are sold in 26 states within India and also supplied to 64 countries across 6 continents. The company's brands 'Mrs. Bector's Cremica' for biscuits and 'English Oven' for bakery products are leading brands in their respective categories in the Northern states of India. Owing to COVID-19 there is a trend of shifting towards trusted and branded packaged foods and we believe that this change in consumer preference is expected to continue in future and will benefit the company.

Issue Structure

Offer for sale	93%
Fresh Issue	7%
Issue Size	Rs.540.54 cr
Net no of shares	18,750,434
QIB share (%)	≥ 50%
Non Inst share (%)	≤ 15%
Retail share (%)	≤ 35%

During FY18-20, Mrs. Bectors' overall revenue grew at a CAGR of 5.0% to Rs.762 cr in FY20. During the same period, the EBITDA grew at a CAGR of 4.2% to Rs.93 cr in FY20 whereas net profit de-grew at a CAGR of 8.1% to Rs.30 cr in FY20. During FY20-23, the revenue of the company is expected to grow at a CAGR of 10.3% to Rs. 1,024 crores. EBITDA and PAT are expected to grow at a CAGR of 13.7% and 22.7% to Rs. 136 crores and Rs. 56 crores, respectively.

Key Investment Highlights:

- The packaged foods industry is a Rs.1,636 bn market and is expected to grow at a CAGR of 10% over FY20-25. This growth will be fueled by the shift towards premium products and packaged food from standard and unpackaged unbranded products. Mrs. Bectors is a well-known brand and its products are well placed in the premium and mid-premium segment and this shift will further accelerate the growth of the company.
- The food production and processing industry is a high focus and priority sector for the government. FDI up to 100%, under the automatic route is allowed in the food processing industry. Weaknesses in the value chain are addressed through policies such as 'Food Parks'. Multiple such schemes and initiatives launched to bolster growth in the sector will be advantageous for the company.

Shareholding Pattern

	Pre (%)	Post (%)
Promoters	52.4	51.1
Institutional	46.7	32.0
Public	0.9	16.9

Key Financials (in ₹ crores)

	Sales	EBITDA	Net Profit	EBITDA Margin (%)	Net Margin (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/E (X)	P/B (x)
FY19	784	96	33	12.3	4.2	5.8	51.5	11.3	9.1	49.5	5.6
FY20	762	93	30	12.2	4.0	5.3	55.8	9.5	9.4	54.2	5.2
FY21E	866	119	46	13.7	5.3	7.9	67.8	11.6	10.7	36.7	4.2
FY22E	947	122	47	12.9	5.0	8.0	74.0	10.9	9.9	35.8	3.9
FY23E	1,024	136	56	13.3	5.5	9.6	81.1	11.9	10.5	30.1	3.6



- **Mrs. Bectors is a strong player in the biscuits and bakery segment. In the biscuits segment, in FY20 the company had ~4.5% market share in the premium and mid-premium biscuits market in North India. Its share in the total exports of biscuits from India was ~12% in CY19. In the bakery segment, the company's share is 5% of the branded breads segment in India. The company manufactures and supplies to leading QSRs, Cloud Kitchens and Multiplexes and has an 11% market share in semi-processed and dough-based offerings.**
- **Mrs. Bectors is one of the largest suppliers of biscuits to the Canteen Stores Department of Gol (CSD), supplying in 33 locations across India. It is also an approved and listed supplier for the Indian Railways and has a strong presence across Railway Station Canteens and their stores in North India.**
- **The company manufactures 'Oreo' biscuits and 'Chocobakes' cookies on a contract basis for Mondelez India Foods Pvt. Ltd. They are one of the preferred exporters of biscuits as third-party contractors to reputed retail chains, distributors and buying houses.**
- **They are the sole supplier of burger buns and pan muffins to Connaught Plaza Restaurants Pvt. Ltd. and preferred supplier of burger buns and pan muffins to Hardcastle Restaurants Pvt. Ltd. They are also the main supplier of burger buns to Burger King India Ltd. and Yum! Restaurants (India) Pvt. Ltd.**
- **Their in-house automation tool 'Peri' is used to track and monitor the distribution network on a real-time basis. This tool has helped to increase the productivity of the sales team.**
- **Significant investments of Rs. 258 crores have been made to set up new manufacturing facilities and increase capacities over the last 3 years. The proceeds of the current issue are proposed to be utilized for financing the project cost of the Rajpura Expansion Project, which will benefit the company further.**

Valuation

At the higher price band of Rs.288, Mrs. Bectors is valued at 30.1X FY23 P/E. We recommend a subscribe rating for the issue.

Issue Structure and Offer Details

The proposed issue size of Mrs. Bectors Food Specialities IPO is Rs.540.54 cr, of which Rs.40.54 crores comprises the fresh issue and the balance Rs. 500 crores will be through Offer For Sale. The price band for the issue is in the range of Rs.286-288 and the bid lot is 50 shares and multiples thereof.

Issue Structure		
Issue Structure	No. of shares	Offer Details
Authorized shares	65,000,000	
Outstanding shares (@ Face Value of Rs. 10)	57,337,922	
Linus	8,506,944	Offer for sale of Rs. 245 cr
Mabel	1,336,806	Offer for sale of Rs. 38.5 cr
GW Crown	6,458,333	Offer for sale of Rs. 186 cr
GW Confectionery	1,059,028	Offer for sale of Rs. 30.5 cr
Total offer for sale shares	17,361,110	
Fresh issue shares	1,407,639	Fresh issue of Rs. 40.54 cr
Total shares	18,768,749	
Employee reservation	18,315	
Net shares	18,750,434	
- Qualified Institutional Buyers	9,375,217	Not more than 50% of Total OFS
- Non-Institutional Investors	2,812,565	Not less than 15% of Total OFS
- Retail Investors	6,562,652	Not less than 35% of Total OFS

Source: Company Reports & SEBI

Objects of the offer	
Purpose	Amount (Rs. cr.)
Financing the project cost towards Rajpura Expansion Project	40.5
General corporate purposes	•
Net Proceeds	•

Source: Company Reports & SEBI

Key Management Personnel

Key Person	Designation	Description
Subhash Agarwal	Chairman and Independent Director	He holds a bachelor's degree in commerce from Shri Ram College of Commerce, Delhi University, a bachelor's degree in law from Punjab University, Chandigarh and post graduate certificate in business administration from Scottish College of Commerce. He is a practising advocate with an experience of 60 years. He has been a member of the District Taxation Bar Association, Ludhiana since 1995. He was appointed as the Chairman on the company's board on July 10, 2018.
Anoop Bector	Managing Director	He holds a bachelor's degree in commerce from Satish Chander Dhawan Government College, Panjab University. He has completed a training programme on international supply chain management conducted by McDonalds in Singapore in 2001. He has been on the company's board since the incorporation of the company and has an experience of 25 years with the Company.
Ishaan Bector	Whole Time Director	He holds a bachelor's degree in arts from Michigan State University and attended a management programme for family business from the Indian School of Business. He is currently the Director – breads heading the breads and bakery business of the Company.
Praveen Kumar Goel	Chief Financial Officer and Whole Time Director	He holds a bachelors' degree in commerce from S.C. Dhawan Government College, Ludhiana, Panjab University. He is a qualified chartered accountant from the Institute of Chartered Accountants of India.
Rajni Bector	Non-Executive Director	She has completed various short term courses including 'Domestic Fruit and Vegetable Preservation' from Government Agricultural College, Ludhiana in 1957 and from College of Agriculture, Punjab Agricultural University in 1977. She has also completed short term courses on 'Dairy Technology' in 1966 and 1977, and 'Specialised Training Course in Baking and Cooking' from Punjab Agricultural University in 1977.
Gurpreet Singh Amrit	Chief Marketing Officer	He holds a post graduate diploma in management from Symbiosis, Pune. He has previously worked with Dabur India Limited, Wrigley India (P) Limited, Bajaj Corp Limited, and Emami Limited. He has over 19 years of experience in the consumer goods industry.
Suvir Bector	Vice President - Exports	He has graduated with bachelor's degree in arts with honours in management with marketing from University of Exeter and has a master's in global supply chain management from Cass Business School, City University in London. He has joined the company on July 24, 2018.
Neeraj Aggarwal	Vice President - Biscuits and Projects Operations	He holds a bachelor's degree in electrical engineering from Thapar Institute of Engineering and Technology in Patiala, Punjab. He has previously worked with Britannia Industries Limited as unit head. He has joined the company on November 19, 2012.

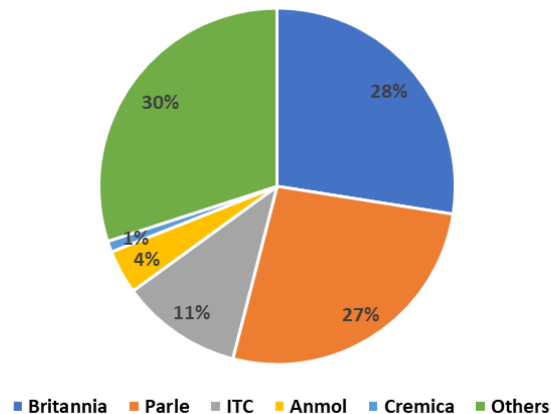
Source: Company Reports

Product Categories

Biscuits:

The Indian biscuit market size is estimated to be Rs. 400 bn in 2020 out of which the share of branded biscuits is 94% or Rs. 380bn.

Market share of brands in branded biscuit market for Financial Year 2020:



The categories within the biscuits segment, where the company has a presence are (a) Cookies; (b) Cream; (c) Crackers; (d) Digestive.

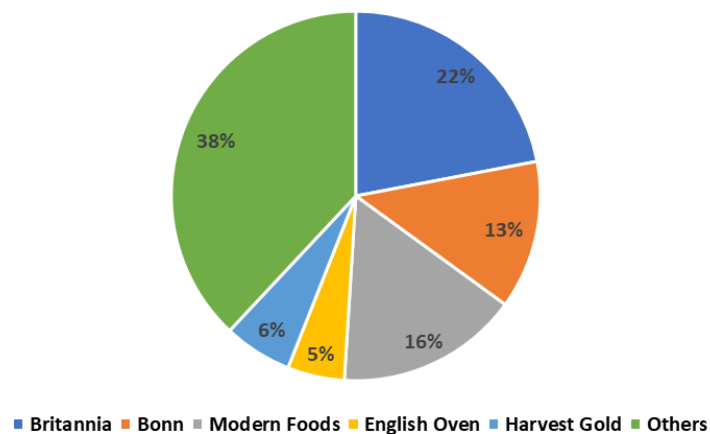
- (a) **Cookies:** Portfolio of cookies under the Cremica brand include Golden Bytes, Choco Bico and many other variants. It has a market share of 2% in value terms. The cookies market is estimated to be Rs. 10.6 crores and occupies 29% of the market share of biscuits by value. Good Day (Britannia) brand is the market leader with more than one-third of the market by value. Britannia and Parle account for more than 62% of the market share by value. Regional brands like Surya, Anmol, and Unibic have a combined market share of close to 10% by value.
- (b) **Cream:** Cremica's portfolio of cream biscuits includes brands like Cremica Crèmes, Bourbon, Magicrème and TwinCrème. The cream biscuit category is estimated to be Rs. 7,200 crores with 19% of the market share of biscuits by value. It is dominated by national players such as Britannia, Parle and ITC, which account for a combined ~65% of the total value of the cream biscuits market. Britannia's Bourbon is the most popular brand in this segment. Players like Cremica, Surya Anmol have a combined market share of ~10% by value.
- (c) **Crackers (Salty & non-salty):** The salty crackers portfolio includes Butter King and Jeera Lite and in the non-salty category includes Crisp 'n' Lite, Party Crackers, Sugar Crackers and Classic crackers. Parle leads the market in the salty crackers with a value share of 28% due to its famous brand Krackjack. Players like Anmol and Surya have a significant market share in this category, with close to 18% each. Parle-Monaco is the most notable brand in this sub-segment and Parle and Britannia have a combined market share of close to 52% by value.

(d) Digestive: The company's digestive products includes Cremica Digestive, Cornflakes and Oatmeal Digestive. The category's value is estimated at Rs. 650 crore. Britannia dominates the market with a market share of close to 72% by value. Nutri Choice by Britannia is the most popular brand in the category.

Bakery:

The Indian bread and buns retail market size is estimated to be Rs.50bn in 2020 with branded players contributing to about 55% of the total market or Rs. 27.5bn.

Market share of brands in branded breads market for Financial Year 2020:



The Company manufactures and sells various types of premium bakery products in savory and sweets categories for retail customers such as bread (white, brown, speciality), buns, pizza bases, and cakes under the 'English Oven' brand.

Financial Projections

Figures are in Rs Cr	FY19	FY20	FY21E	FY22E	FY23E	Figures are in Rs Cr	FY19	FY20	FY21E	FY22E	FY23E
Income Statement						Per Share Data (Rs)					
Net Revenue	783.7	762.1	866.0	946.9	1,023.5	Adjusted EPS	5.8	5.3	7.9	8.0	9.6
<i>YoY Growth (%)</i>		-2.7	13.6	9.3	8.1	Adjusted Book Value per Share	51.5	55.8	67.8	74.0	81.1
Total Expenditure	687.4	669.3	747.2	825.0	887.2	Debt Burden					
<i>YoY Growth (%)</i>		-2.6	11.6	10.4	7.5	Total Debt to Equity	0.5	0.3	0.2	0.2	0.2
EBITDA	96.2	92.8	118.8	122.0	136.3	Net Debt to Equity	0.4	0.2	0.1	0.0	-0.1
<i>Margin (%)</i>	12.3	12.2	13.7	12.9	13.3	Net Debt to EBITDA	1.4	0.8	0.4	0.1	-0.3
Depreciation	35.2	41.5	49.7	53.9	58.4	Return Ratios					
EBIT	61.0	51.3	69.1	68.1	77.9	Return on Equity (%)	11.3	9.5	11.6	10.9	11.8
<i>Margin (%)</i>	7.8	6.7	8.0	7.2	7.6	Return on Capital Employed (%)	9.1	9.4	10.7	9.9	10.5
Other Income	2.4	2.9	2.0	2.8	4.5	Return on Invested Capital (%)	9.4	10.1	11.7	11.5	13.2
Finance Cost	12.7	15.0	9.6	7.8	7.3	Working Capital					
<i>Interest Coverage</i>	4.8	3.4	7.2	8.7	10.6	Receivable Days	47	36	35	35	35
PBT	50.7	39.2	61.6	63.1	75.1	Inventory Days	16	21	23	22	21
<i>Margin (%)</i>	6.5	5.1	7.1	6.7	7.3	Payable Days	23	23	26	24	23
Tax	17.5	8.8	15.5	15.9	18.9	Net Working Capital Days	40	34	32	33	33
<i>Tax Rate (%)</i>	34.5	22.4	25.2	25.2	25.2	Valuation Ratios					
PAT	33.2	30.4	46.1	47.2	56.2	P/E	49.5	54.2	36.7	35.8	30.1
<i>Margin (%)</i>	4.2	4.0	5.3	5.0	5.5	P/BV	5.6	5.2	4.2	3.9	3.6
Min Int/Share of Associates	0.1	0.0	0.0	0.0	0.0	Cash Flow Statement					
Net Profit	33.2	30.4	46.1	47.2	56.2	Profit Before Tax	50.7	39.2	61.6	63.1	75.1
<i>Margin (%)</i>	4.2	4.0	5.3	5.0	5.5	Adjustments	-26.1	60.7	62.5	65.1	69.1
Balance Sheet						Change in Working Capital	-21.0	15.4	-4.6	-7.7	-6.9
Share Capital	57.3	57.3	58.7	58.7	58.7	Less: Tax Paid	-17.5	-8.8	-15.5	-15.9	-18.9
Total Reserves	237.5	262.0	339.4	375.8	417.4	Cash Flow from Operations	-13.9	106.6	104.0	104.6	118.4
Shareholders' Fund	294.8	319.3	398.1	434.5	476.1	Net Capital Expenditure	-61.3	-41.0	-100.0	-47.3	-51.2
Long Term Borrowing	107.2	85.7	85.0	80.0	75.0	Change in Investment Activities	77.9	10.6	3.9	-27.2	-27.1
Long Term Lease Liability	2.7	1.5	1.7	1.9	2.1	Interest received	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liability	12.2	7.9	7.9	7.9	7.9	Cash Flow from Investing	16.6	-30.4	-96.1	-74.6	-78.3
Other Non Current Liabilities	14.9	13.1	14.9	16.3	17.6	Change in Borrowings	17.6	-37.8	22.2	-4.7	-4.7
Long Term Provisions	4.2	6.1	6.5	7.0	7.5	Dividend & DDT	-6.3	-5.2	-9.2	-10.9	-14.6
Total Liabilities	435.9	433.6	514.2	547.6	586.2	Less: Finance Cost	-12.7	-15.0	-9.6	-7.8	-7.3
Net Block	345.9	338.6	387.9	381.4	374.1	Cash Flow from Financing	-1.4	-58.0	3.4	-23.4	-26.7
Right of use assets	16.8	15.1	17.2	18.8	20.3	Net Cash Flow	1.3	18.2	11.3	6.6	13.4
Capital Work in Progress	15.6	6.7	0.0	0.0	0.0	Opening Cash Balance	10.7	12.0	30.3	41.6	48.2
Non Current Investments	3.8	3.8	4.1	4.3	4.6	Closing Cash Balance	12.0	30.3	41.6	48.2	61.6
Long Term Loans & Advances	3.7	3.5	4.0	4.4	4.7						
Other Non Current Assets	8.3	21.7	24.7	27.0	29.2						
Net Current Assets	42.0	44.2	76.3	111.8	153.3						
Total Assets	435.9	433.6	514.2	547.6	586.2						

Source: Company Reports & Ventura Research

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