

Mrs. Bectors Food Specialities Ltd

Mrs. Bector Food Specialities are one of the leading companies in the premium and mid-premium biscuits segment and the premium bakery segment in North India. Company manufacture and market a range of the biscuits such as cookies, creams, crackers, digestives and glucose under our flagship brand 'Mrs. Bector's Cremica'. Company also manufacture and market bakery products in savoury and sweet categories which include breads, buns, pizza bases and cakes under their brand 'English Oven'.

Positives: (1) One of the leading brands in biscuits and bakery businesses in the North India (2) Leading exporter of biscuits (3) Established presence in retail and institutional bakery business (4) Modern and automated production processes with a focus on quality control (5) Wide spread and established sales and distribution network.

Investment concerns: (1) The outbreak of Covid-19 has an impact on the smooth running of the business (2) Restriction in the use of the brand name (3) Negative publicity of the products

Outlook & Valuation: For the next few years, we expect the domestic biscuit and bakery market to grow by 9% due to urbanization, increase in disposable income, favorable government policy. On the other hand, the institutional Indian bakery industry is expected to grow by 20% due to increasing market share of QSR chain. We think the company should be able to grow in line with the industry managed by the promoters having more than 25 years of sector knowledge. Company results were better than the industry in the first half of the fiscal 2021. Company peers such as Britannia Industries, Nestle India, Prataap Snacks and DFM Foods are trading at trailing PE of 50.2, 85.6, 57.1 and 97.6 respectively. On the other hand, the company is priced at trailing PE of 27.9. Given the significant discount compared to listed peers there is comfort on the valuation. We are positive on the long term growth prospects of the industry and the company, and hence recommend to "Subscribe" to the issue for long term as well as for listing gains.

Key Financials

Y/E March (₹ cr)	FY18	FY19	FY20
Net Sales	694.0	783.7	762.1
% chg	-	12.9	-2.8
Net Profit	35.9	33.2	30.4
% chg	-	-7.5	-8.5
EBITDA (%)	12.3	12.3	12.2
EPS (Rs)	6.3	5.8	5.3
P/E (x)	45.9	49.6	54.3
P/BV (x)	10.8	9.8	9.0
ROE (%)	13.5	11.3	9.5
ROCE (%)	15.2	14.6	12.8
EV/EBITDA	20.6	18.5	18.6
EV/Sales	2.5	2.3	2.3

Source: Company, Angel Research (Valuation at upper price band)

Please refer to important disclosures at the end of this report

SUBSCRIBE

Issue Open: December 15, 2020

Issue Close: December 17, 2020

Present Eq. Paid up Capital: ₹57.3 cr

Offer for Sale: 1.74 cr Shares

Fresh issue: ₹40.5 cr

Post Eq. Paid up Capital: ₹58.7 cr

Issue size (amt): ₹540.5cr

Price Band: ₹286-288

Lot Size: 50 shares and in multiple thereafter

Post-issue implied mkt. cap: *`1,680cr - **₹1,692cr

Promoters holding Pre-Issue: 52.4%

Promoters holding Post-Issue: 51.1%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	51%
Others	49%

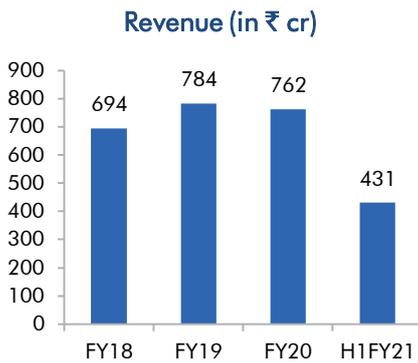
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Company background

Company was incorporated on September 15, 1995. Company's all products are manufactured in-house at their 6 manufacturing facilities located in Phillaur and Rajpura, Tahliwal, Greater Noida, Khopoli and Bengaluru. Company supply their products to retail consumers in 26 states within India, as well as to reputed institutional customers with pan-India presence and to 64 countries across six continents during the financial year ended March 31, 2020.



Source: Company, Angel Research

According to Technopak Report, 'Mrs. Bector's Cremica' is one of the leading biscuit brands in the premium and mid-premium segment in Punjab, Himachal Pradesh, Jammu and Kashmir and Ladakh and 'English Oven' is the one of the largest selling brand in the premium bakery segment in Delhi NCR, Mumbai and Bengaluru. They are the largest supplier of buns in India to reputed QSR chains such as Burger King India Limited, Connaught Plaza Restaurants Private Limited, Hardcastle Restaurants Private Limited, and Yum! Restaurants (India) Private Limited.

Issue Details

Company is raising ₹40.5cr through fresh issue and ₹500cr through offer for sale comprising an offer for sale up to ₹245cr by Linus Private Ltd, up to ₹38.5cr by Mabel Private Ltd, up to ₹186cr by GW Crown Pte. Ltd and up to ₹30.5 cr by GW Confectionary Pte. Ltd.

Pre & Post IPO Shareholding

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	30,038,754	52.4	30,038,754	51.1
Public	27,299,168	47.6	28,716,650	48.9
Total	57,337,922	100.0	58,755,404	100.0

Source: Company, Angel Research (RHP)

Calculated at higher price band

Objects of the offer

- Financing the project cost towards expansion of the Rajpura Manufacturing Facility by establishing a new production line for biscuits.
- General corporate purpose.

Revenue Mix: Product Wise

Category	Brand	Revenue Mix (FY20)	Products
Biscuits - Domestic	Cremica	37%	Crackers, Cookies, Creams, Marie, Digestive
Biscuits - Exports	Cremica	22%	Crackers, Cookies, Creams, Marie, Digestive
Branded Breads & Bakery Products	English Oven	17%	White, Brown, Speciality, Indian
Institutional Bakery	Manufacturing for leading QSRs, Multiplexes, Cloud Kitchens	17%	Buns, Frozen Products
Contract manufacturing (Biscuits)	Mondelez International, Oreo	6%	Oreo, Cookies

Source: Company, Angel Research

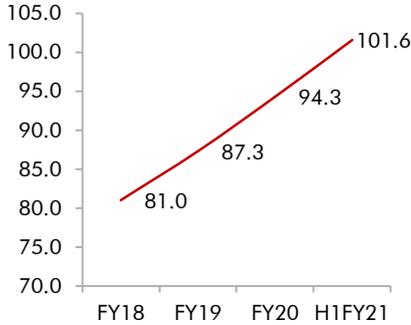
Key Management Personnel

Mr. Subhash Agarwal is the Chairman and Independent Director of the company. 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 was appointed as the Chairman on the Board on July 10, 2018. He has been on the board since February 10, 2017.

Mr. Anoop Bector is the Managing Director of the company. 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 was also awarded the 'Business Knight of Punjab' by the Economic Times in 2015. He has been on the board since the incorporation of the company and has an experience of 25 years with the company.

Mr. Ishaan Bector is a Whole-time Director of the company. 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. He has been on our Board since February 15, 2016.

Export Realization/kg (in ₹)



Source: Company, Angel Research

Strong H1FY21 Performance

Revenue breakup	H1 FY20 (₹ cr)	H1 FY21 (₹ cr)	Growth
Domestic Biscuits	143	189	32%
Export Biscuits	76	106	39%
Branded Breads	59	88	51%
Institutional Bakery*	63	24	-61%
Others (Incl. Contract Manufacturing)	24	24	0%
Revenue from Operations	365	431	18%

Source: Company, Angel Research

*Majorly impacted due to shutdown of QSRs

Strong Relationship with QSR, Multiplexes:

Chain/ Company	Relationship	Years
Connaught Plaza Restaurants	Sole supplier of burger buns and pan muffins	25+
Hardcastle Restaurants	Preferred supplier of burger buns and pan muffins	13+
Burger King India	Main supplier of burger buns	6+
Yum! Restaurants	Main supplier of burger buns	7+
PVR	Supplier of frozen burger buns, panini, garlic breads	10+
Rebel, Faasos	Supply of bakery products	5+

Source: Company, Angel Research

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY20	H1FY21
Total operating income	694.0	783.7	762.1	364.6	430.9
% chg	-	12.9	-2.8	-	18.2
Total Expenditure	608.6	687.5	669.3	325.5	358.9
Cost of material consumed	382.9	424.0	407.5	193.5	224.8
Excise Duty	3.3	-	-	-	-
Employee benefit expense	91.3	109.7	117.8	57.3	62.1
Other Expenses	131.1	153.8	144.0	74.7	72.0
EBITDA	85.4	96.2	92.8	39.1	72.0
% chg	-	12.7	-3.6	-	84.1
(% of Net Sales)	12.3	12.3	12.2	10.7	16.7
Depreciation & Amortisation	28.3	35.2	41.5	20.7	22.2
EBIT	57.1	61.0	51.3	18.4	49.8
% chg	-	6.9	-15.9	-	170.7
(% of Net Sales)	8.2	7.8	6.7	5.0	11.6
Interest & other Charges	6.1	12.7	15.0	7.9	5.4
Other Income	1.8	2.3	2.8	1.6	7.6
(% of Sales)	0.3	0.3	0.4	0.4	1.8
Recurring PBT	52.8	50.6	39.1	12.1	52.0
% chg	-	-4.1	-22.8	-	329.8
Net profit of associate	0.0	0.1	0.1	0.1	0.1
Tax	16.9	17.5	8.8	2.0	13.2
PAT (reported)	35.9	33.2	30.4	10.2	38.9
% chg	-	-7.5	-8.5	-	281.4
(% of Net Sales)	5.2	4.2	4.0	2.8	9.0
Basic & Fully Diluted EPS (Rs)	6.3	5.8	5.3	1.8	6.8
% chg	-	-7.5	-8.5	-	281.5

Source: Company, Angel Research

Consolidated Balance Sheet Statement

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY20	H1FY21
SOURCES OF FUNDS					
Equity Share Capital	57.3	57.3	57.3	57.3	57.3
Other equity	209.3	237.5	262.0	247.1	300.5
Shareholders Funds	266.6	294.8	319.3	304.4	357.8
Total Loans	121.0	139.9	103.7	122.5	101.2
Other liabilities	27.7	34.0	28.7	29.5	29.2
Total Liabilities	415.3	468.6	451.7	456.4	488.1
APPLICATION OF FUNDS					
Property, plant and equipment	240.6	344.3	337.6	345.1	327.0
Capital work-in-progress	92.1	15.6	6.7	6.6	28.9
Right-of-use Assets	18.4	16.8	15.1	15.9	14.5
Goodwill	0.4	0.4	0.4	0.4	0.4
Intangible assets	1.8	1.2	0.6	0.9	0.3
Equity accounted investment	3.9	3.8	3.8	3.9	3.9
Current Assets	140.1	183.1	176.3	175.8	204.7
Inventories	35.3	35.3	43.4	41.6	54.4
Sundry Debtors	69.4	100.3	75.0	87.7	72.9
Cash & Bank Balance	10.7	12.0	30.2	13.4	47.7
Other Assets	24.6	35.5	27.6	33.2	29.7
Current liabilities	95.8	108.4	114.0	104.2	120.6
Net Current Assets	44.3	74.7	62.2	71.6	84.1
Other Non Current Asset	13.9	12.0	25.2	12.0	29.0
Total Assets	415.3	468.6	451.7	456.4	488.1

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ cr)	FY18	FY19	FY20	H1FY20	H1FY21
Loss before tax	52.8	50.7	39.2	12.1	52.1
Depreciation	28.3	35.2	41.5	20.7	22.2
Change in Working Capital	(25.9)	(33.9)	21.0	0.7	(2.8)
Interest Expense	5.5	12.1	14.2	7.5	4.7
Direct Tax Paid	(15.5)	(14.4)	(12.4)	(7.6)	(6.7)
Others	1.3	4.3	5.9	4.2	(1.6)
Cash Flow from Operations	46.5	54.0	109.5	37.6	68.0
(Inc.)/ Dec. in Fixed Assets	(117.6)	(61.3)	(41.0)	(14.2)	(36.1)
Changes in investment	5.6	0.0	(2.2)	(4.2)	(20.3)
Cash Flow from Investing	(112.0)	(61.3)	(43.2)	(18.3)	(56.5)
Payment of lease liabilities	(1.1)	(1.8)	(1.8)	(0.9)	(0.7)
Changes in Borrowings	68.9	27.1	(29.1)	(13.6)	(8.8)
Security premium	-	0.0	-	-	-
Interest paid	(5.7)	(12.1)	(15.0)	(7.9)	(5.4)
Dividend paid	(4.2)	(6.3)	(5.2)	-	-
Cash Flow from Financing	57.8	6.9	(51.1)	(22.4)	(15.0)
Inc./(Dec.) in Cash	(7.7)	(0.3)	15.2	(3.2)	(3.5)
Opening Cash balances	13.6	5.9	5.5	5.5	20.7
Closing Cash balances	5.9	5.5	20.7	2.3	17.2

Source: Company, Angel Research

Key Ratios

Y/E March	FY18	FY19	FY20
Valuation Ratio (x)			
P/E (on FDEPS)	45.9	49.6	54.3
P/CEPS	25.5	22.2	24.3
P/BV	10.8	9.8	9.0
EV/Sales	2.5	2.3	2.3
EV/EBITDA	20.6	18.5	18.6
Per Share Data (Rs)			
EPS (Basic)	6.3	5.8	5.3
EPS (fully diluted)	6.3	5.8	5.3
Cash EPS	11.3	12.9	11.8
Book Value	26.7	29.5	31.9
Returns (%)			
ROE	13.5	11.3	9.5
ROCE	15.2	14.6	12.8
Angel ROIC (Pre tax)	20.4	15.1	13.4
Turnover ratios (x)			
Receivables (days)	36.5	46.7	35.9
Inventory (days)	18.6	16.4	20.8
Payables (days)	37.1	42.0	42.1
Working capital cycle (days)	17.9	21.1	14.6

Source: Company, Angel Research (Valuation done at the upper price band)

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