

MRS BECTORS FOOD SPECIALITIES LTD

IPO NOTE



OVERVIEW

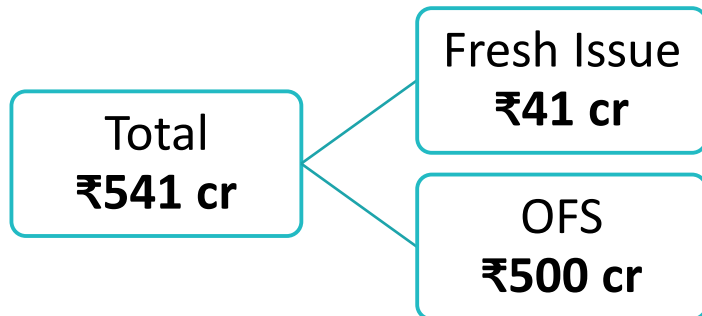
The company is in the **premium and mid-premium biscuits segment** and the **premium bakery segment** in **North India**. It manufactures and markets a range of its biscuits such as cookies, creams, crackers and digestives under flagship brand '**Mrs. Bector's Cremica**'. It also manufactures and markets bakery products in savory and sweet categories which include breads, buns, pizza bases and cakes under the brand '**English Oven**'.

FINANCIAL HIGHLIGHTS

	FY18	FY19	FY20
Revenue from Operations	694	784	762
EBITDA	86	96	93
Net Profit	36	33	30

₹ crore

ISSUE SIZE



ISSUE DETAILS

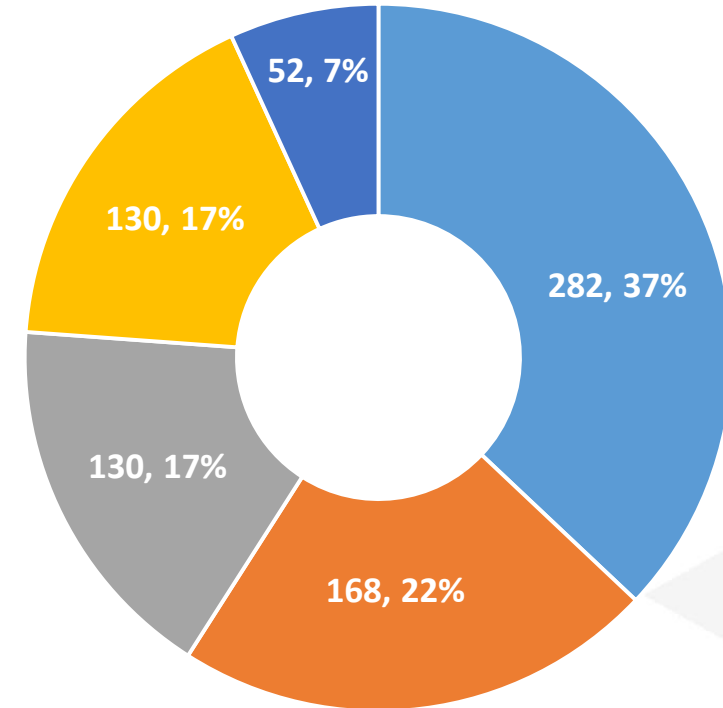
Issue Date	15 Dec'20 to 17 Dec'20
Price Band	₹286-₹288
Bid Lot	50 shares
Issue Size	₹541 cr
No. of Shares (Post Issue)	5.87 cr
Post-Issue Implied Market Cap*	₹1,692 cr
Price to Earnings Ratio (FY20 earnings)*	~56.4x

* At upper price band

ABOUT THE COMPANY

- Mrs. Bectors Food Specialities Limited was incorporated on **September 15, 1995** by **Mrs. Rajni Bector**.
- **‘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 Ltd., Connaught Plaza Restaurants Pvt. Ltd., Hardcastle Restaurants Pvt. Ltd. and Yum! Restaurants (India) Pvt. Ltd.**
- For Biscuits distribution, the company has a widespread network of 196 super-stockists and 748 distributors supplying to wide range of customers through 458,000 retail outlets and 4,422 preferred outlets.

REVENUE FROM OPERATIONS (FY20)



■ Biscuit- Domestic

■ Bakery- Retail

■ Others

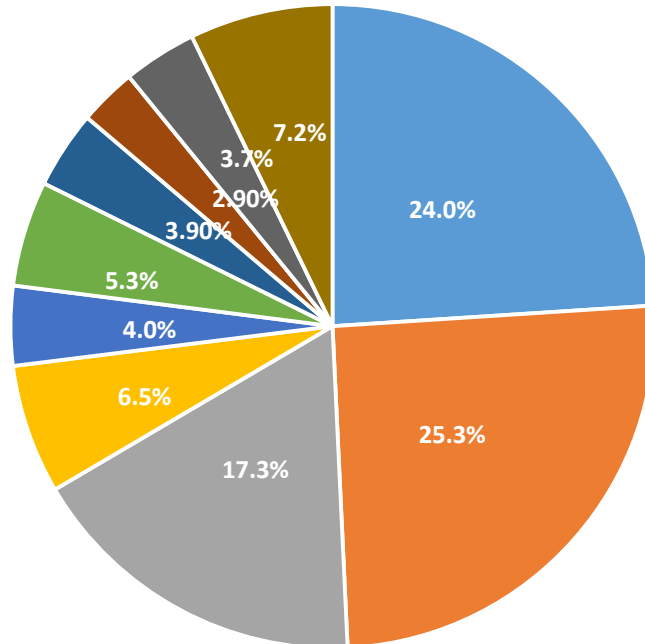
■ Biscuit- Export

■ Bakery- Institutional

ABOUT THE COMPANY

BISCUIT EXPORTS

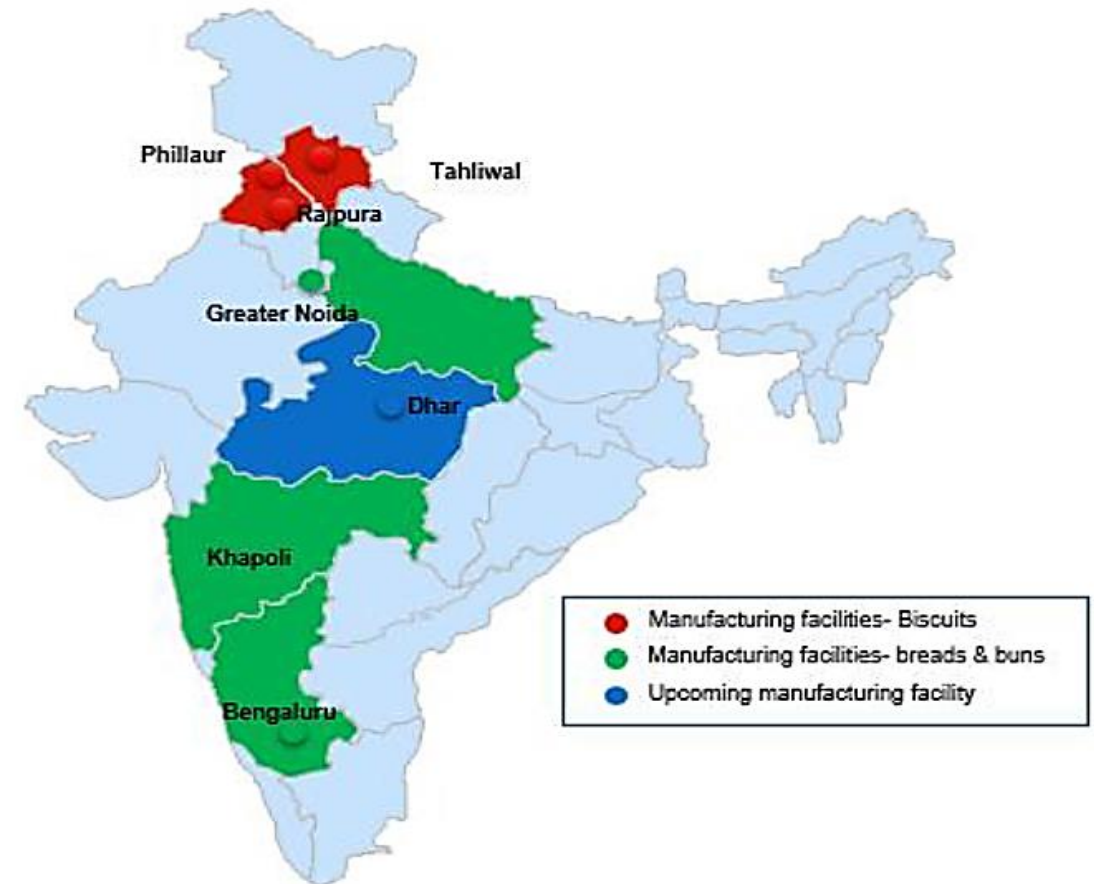
During the financial year ended March 31, 2020, its biscuits were exported to 64 countries. In the financial year 2020, export sales was ₹168 crore representing 22% of its revenue from operations. North America and Caribbean region represents its most significant markets.



- North America
- East Africa
- South Africa
- MENA
- South and Central America
- Europe
- Australia
- Asia
- Haiti

MANUFACTURING FACILITIES

Company's all products are manufactured in-house at their 6 manufacturing facilities located in Phillaur and Rajpura, Tahliwal, Greater Noida, Khopoli and Bengaluru.



PRODUCT PORTFOLIO

Product portfolio can be classified under two key categories - biscuits and bakery products.

Biscuits

It primarily manufactures premium and mid-premium category of biscuits including cookies, creams, crackers and digestives. It manufactures glucose biscuits catering to certain domestic as well as export customers. It manufactures 'Oreo' biscuits and 'Chocobakes' cookies on contract basis for **Mondelez India Foods Private Limited**. It also manufactures and supply biscuits for some of our international customers under our brand '**Mrs. Bectors Cremica**' and under their private labels respectively.

Cookies and Trufills	Creams	Digestive	Crackers	Glucose
				

PRODUCT PORTFOLIO

Breads

It primarily manufactures premium category of breads and other bakery products including breads, garlic breads, pav breads, kulchas, pizza base, buns, cakes, muffins and frozen products for retail customers branded through 'English Oven' and institutional clients. These products are primarily classified under following categories: breads, other bakery products, buns and frozen products.

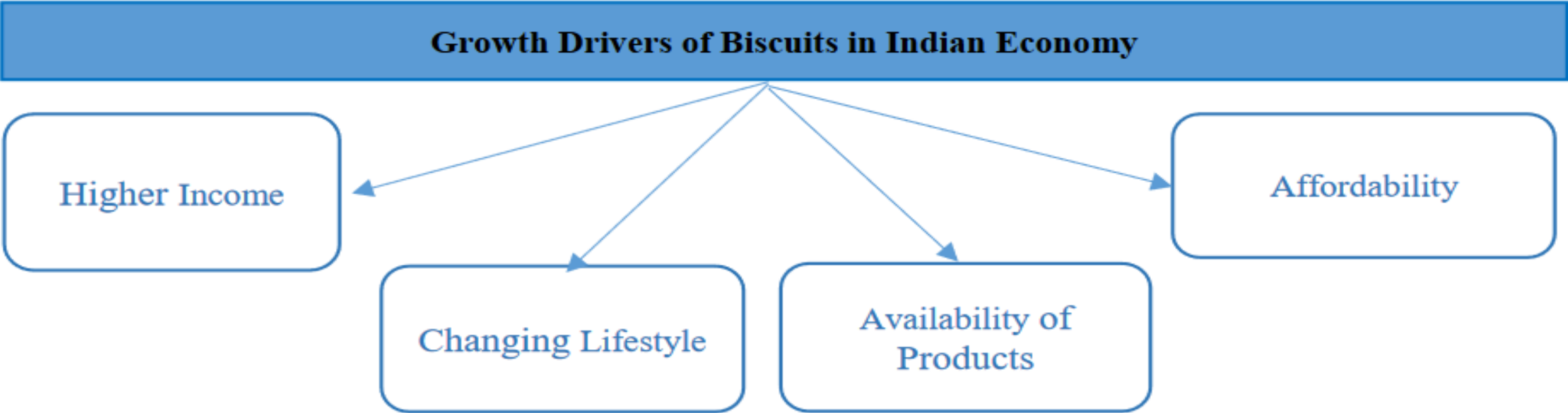
BAKERY PRODUCTS TO RETAIL CUSTOMERS

White	Brown	Speciality	Western	Indian	Gourmet	Indulgence
						
						
						

SECTOR OUTLOOK

The Indian biscuits and bakery retail market is valued at ₹450 billion and is expected to grow at a CAGR of approximately 9% over the next five years. Biscuits and other snacking bakery products such as rusks, wafers, tea cakes contribute almost ₹400 billion or 89% to the total market share. The balance 11% is contributed by breads including loaves, buns, pizza bases which together account for ₹50 billion. Biscuit industry is characterized by few large players, regional brands as well as small scale enterprises. In the unbranded sector, over 30,000 small, very small and tiny units are spread all over the country. Per capita yearly consumption of biscuit in India is only 2.5 kg, compared to more than 10 kg in USA and Western European countries and more than 4.25 kg in south-east Asian countries such as Singapore, Hong Kong, Thailand and Indonesia.

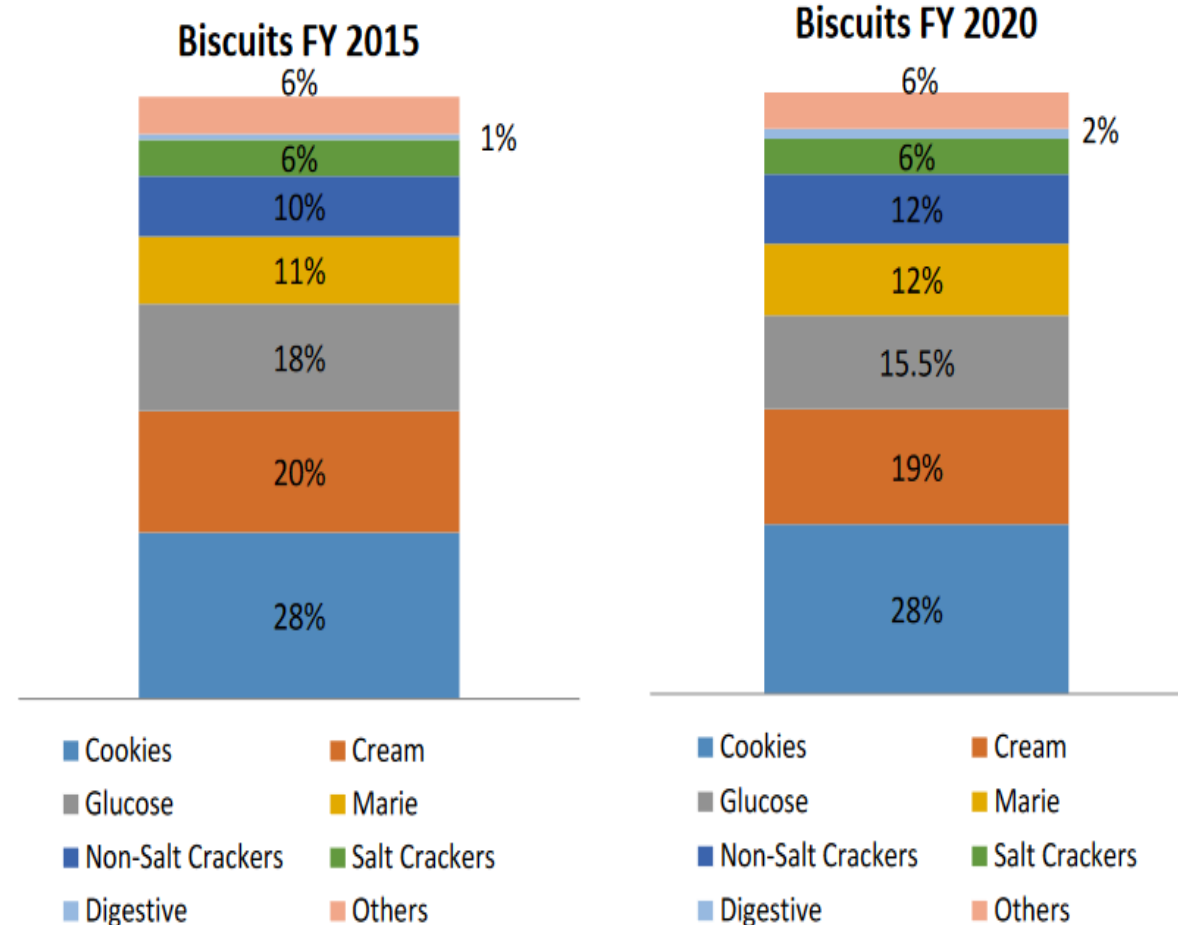
In the unbranded sector, there are about 75,000 bread manufacturers spread all over including some of those operating even residential premises. Average per capita yearly bread consumption is estimated at 1.4 kg in India compared to 96 kg in the UK and 46 kg in the USA. The bread industry is divided between branded and unbranded players. In the branded segment, **Britannia, Modern and English Oven** are the market leaders in the country with more than 45% of the total market share. These brands have a nationwide presence.



SECTOR OUTLOOK

The Indian biscuit market is dominated by branded play. The penetration of branded biscuits will continue to grow because of increasing consumer preference and spending power. Non-branded biscuit is dominated by small bakery units, cottage and household type manufacturing units, which thrive on catering to local taste and close relationship with retailers. Growth rate for branded biscuits in terms of value has been greater than the volume growth over the period of FY15 to FY20. It is driven by movement of consumers towards mid and premium biscuits. The Indian branded biscuits market is expected to grow at the rate of 9.20% over next five years.

Indian biscuit market is dominated by lead brands like Britannia, Parle and ITC which have 65% of market share. While Parle drives a large portion of its revenues from mass product Parle-G and the company has the largest market share (volume). Britannia's revenue is driven by Mid-Premium and Premium products.



PROMOTER BACKGROUND AND SHAREHOLDING

Promoter of the company is **Mr. Anoop Bector** who has 25 years of industry experience and is also the Managing Director of the company. He holds an aggregate of 1.25 crore equity shares, comprising 21.89% of the pre-offer equity share capital of the company.

The company was founded by **Mrs. Rajni Bector**, mother of Anoop Bector and the recipes are inspired by the original recipes created by her. Mr. Ishaan Bector, son of Anoop Bector its Whole Time Director and heads the breads business under the brand '*English Oven*'.

Key members of the senior management team includes Mr. Manoj Verma, the national sales director (domestic sales), Mr. Rajeev Dubey, the director (bread sales), Mr. Asim Bhaumik, the group head of quality, technical, research and development, Mr. Deep M.S Bajaj, the group senior corporate chef and Mr. Suvir Bector, the vice-president (exports).

Shareholding	Pre IPO	Post IPO
Promoter	52.4%	51.1%
Public	47.6%	48.9%
Total	100%	100%

Public Selling Shareholders	Share in Issue (₹ crore)	% of OFS Issue
Linus	245	49.0%
Mabel	38.5	7.7%
GW Crown	186.0	37.2%
GW Confectionary	30.5	6.1%

	Share in Issue (₹ crore)	% of Issue
QIB	270.5	50%
NIB	81.2	15%
Retail	189.3	35%
Total	541.0	100%

OBJECTS OF THE OFFER

The proceeds of the Fresh Issue (₹40.5 crore) are proposed to be utilised for financing the project cost towards expansion of the Rajpura manufacturing facility by establishing a new production line for biscuits (“**Rajpura Expansion Project**”).

- **Building and civil works-** It is for the manufacturing facilities include site development, construction and engineering related work including construction of pre-engineered building, construction of biscuit building, construction of roads, floor finish, construction of super-structure, etc.
- **Plant & Machinery-** While it propose to utilise ₹26.4 crore towards purchasing plant and machinery, the specific number and nature of such plant and machinery, to be procured by the company will depend on business requirements
- **Contingencies-** They have created a provision for contingency of ₹3.5 crore to cover cost of other smaller auxiliary equipment, related taxes, levies and other duties, as applicable, logistics costs related to procurement of plant and machinery, any exchange rate fluctuations and any increase in the estimated cost for the proposed Rajpura Expansion Project.

EXPECTED DEPLOYMENT OF NET PROCEEDS

Particulars	Net Proceeds
Building and civil work	10.67
Plant and machinery	26.37
Contingency	3.5

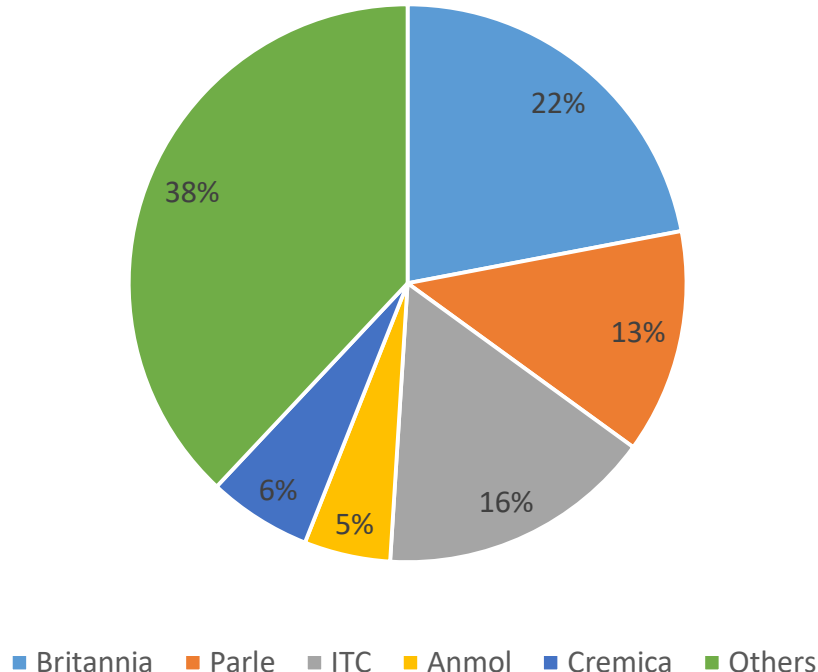
RISK FACTORS

- The biscuits and bakery market is highly competitive in nature and the company hasn't been able to grow significantly during the last few years. Also, the valuation appears to be stretched.
- The company is exposed to foreign currency fluctuations as it earns ~20% of its revenue from the international markets. Any unfavorable move in the exchange rates will have a considerable impact on the financials of the company. It hedges such exposures from time to time but still runs the risk of being inadequately hedged in adverse times.
- It has received three notices from certain food safety officers under FSS Act which is in relation to mis-branding of samples of certain products which belongs to its erstwhile customers for whom it undertakes contract manufacturing of biscuits.
- Rising health consciousness may affect demand of biscuits and bakery products in the longer term.

COMPETITIVE LANDSCAPE

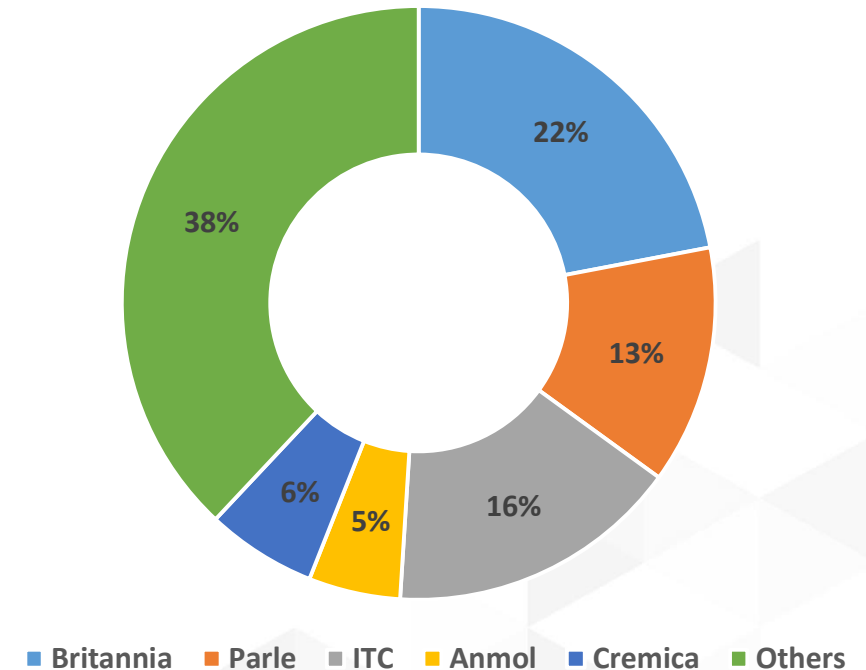
BRANDED BISCUIT MARKET

Indian biscuit market is dominated by lead brands like Britannia, Parle and ITC which have 65% of market share.



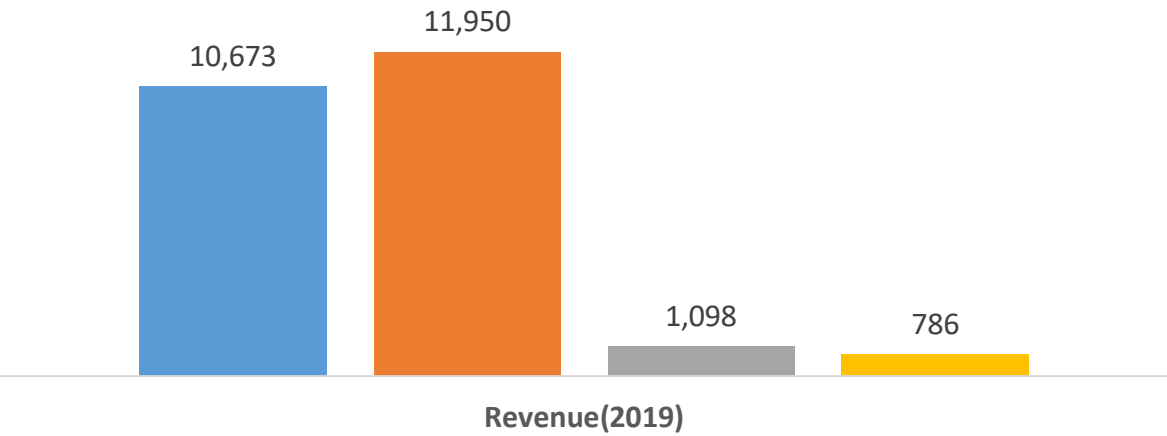
BAKERY MARKET

The Indian premium bakery market is highly fragmented, which the unbranded players contributing to about 45% of value share in the overall Indian bakery market. Within the branded bakery market, it faces competition from Harvest Gold Foods India Private Limited, Britannia Industries Limited, Modern Food Industries (India) Limited and Bonn Nutrients Private Limited which currently have larger manufacturing capacity and have larger market presence.



COMPETITIVE LANDSCAPE

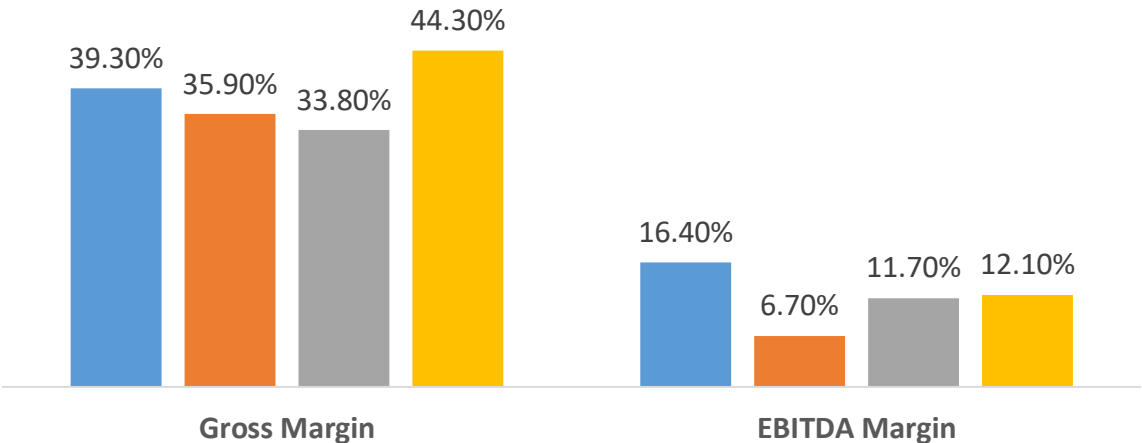
REVENUE



■ Britannia ■ Parle ■ Anmol ■ Mrs Bectors Food Speciality Limited

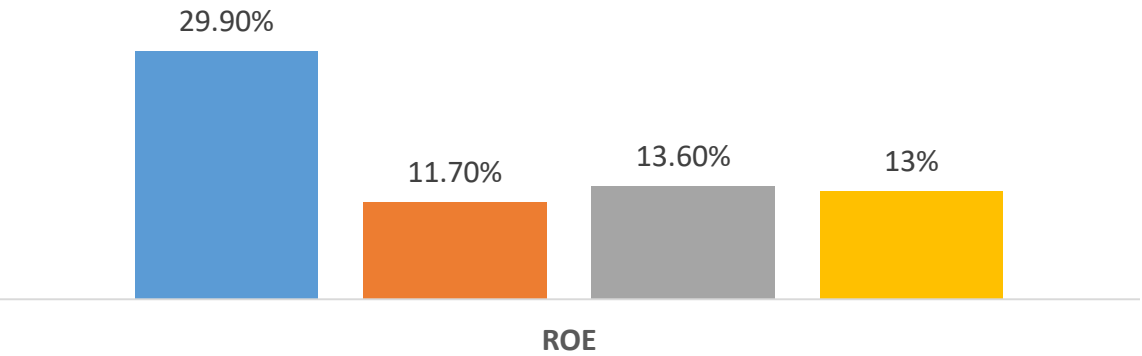
₹ crore

GROSS MARGIN, EBITDA MARGIN



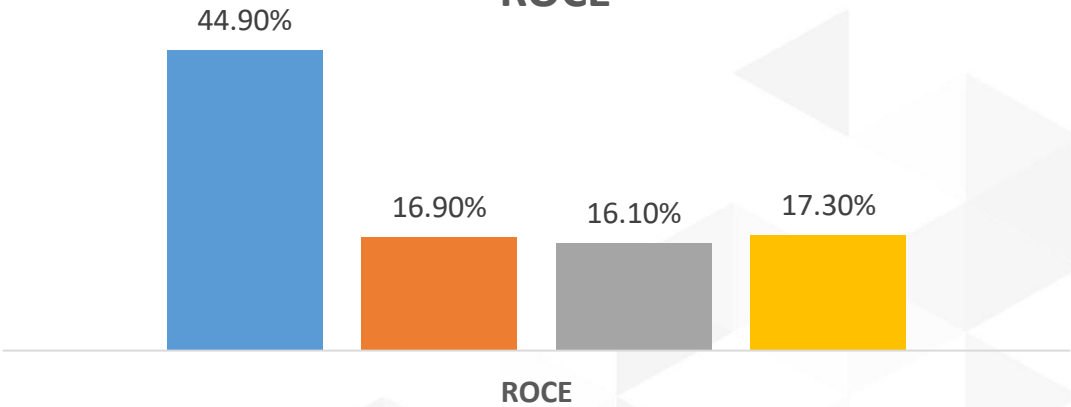
■ Britannia ■ Parle ■ Anmol ■ Mrs Bectors Food Speciality Limited

ROE



■ Britannia ■ Parle ■ Anmol ■ Mrs Bectors Food Speciality Limited

ROCE



■ Britannia ■ Parle ■ Anmol ■ Mrs Bectors Food Speciality Limited

LISTED PEER COMPARISON



MRS BECTORS FOOD LTD

- Market Cap: ₹1,691 cr
- Revenue: ₹762 cr
- PAT: ₹30 cr
- P/E: 56.4x
- RONW: 9.5%



PRATAAP SNACKS LIMITED

- Market Cap: ₹1,582 cr
- Revenue: ₹1,403 cr
- PAT: ₹47 cr
- P/E: 32.51x
- RONW: 7.7%



DFM FOODS LIMITED

- Market Cap: ₹1,986 cr
- Revenue: ₹515 cr
- PAT: ₹24 cr
- P/E: 74.47x
- RONW: 16.8%



BRITANNIA INDUSTRIES LIMITED

- Market Cap: ₹89,947 cr
- Revenue: ₹11,879 cr
- PAT: ₹1,393 cr
- P/E: 62.28x
- RONW: 31.7%



NESTLE INDIA LIMITED

- Market Cap: ₹1,77,434 cr
- Revenue: ₹12,616 cr
- PAT: ₹1,970 cr
- P/E: 86.44x
- RONW: 101.9%

STATEMENT OF PROFIT AND LOSS

Particulars	Data as on 31 st March (₹ crore)				
	Sep'2019	Sep'2020	2018	2019	2020
Revenue From Operations	364.62	430.99	693.97	783.67	762.12
Other Income	1.59	7.56	1.79	2.36	2.85
Total Income (I)	366.21	438.55	695.76	786.03	764.97
Cost of Materials Consumed	199.65	228.93	377.88	406.84	411.32
Employee Benefits Expense	57.32	62.05	91.31	109.73	117.89
Depreciation and Amortization Expense	20.70	22.16	28.35	35.18	41.49
Other Expenses	76.53	73.36	145.39	183.69	155.13
Total Expenses (II)	354.20	386.50	642.93	735.44	725.83
Share of net profit of associate (net of tax) (III)	0.08	0.09	0.02	0.07	0.04
Profit Before Tax (IV) = (I-II) + III	12.09	52.14	52.85	50.66	39.18
Total Tax Expense (V)	1.92	13.26	16.95	17.51	8.78
Net Profit for the Period (IV-V)	10.17	38.88	35.89	33.15	30.40

STATEMENT OF ASSETS AND LIABILITIES

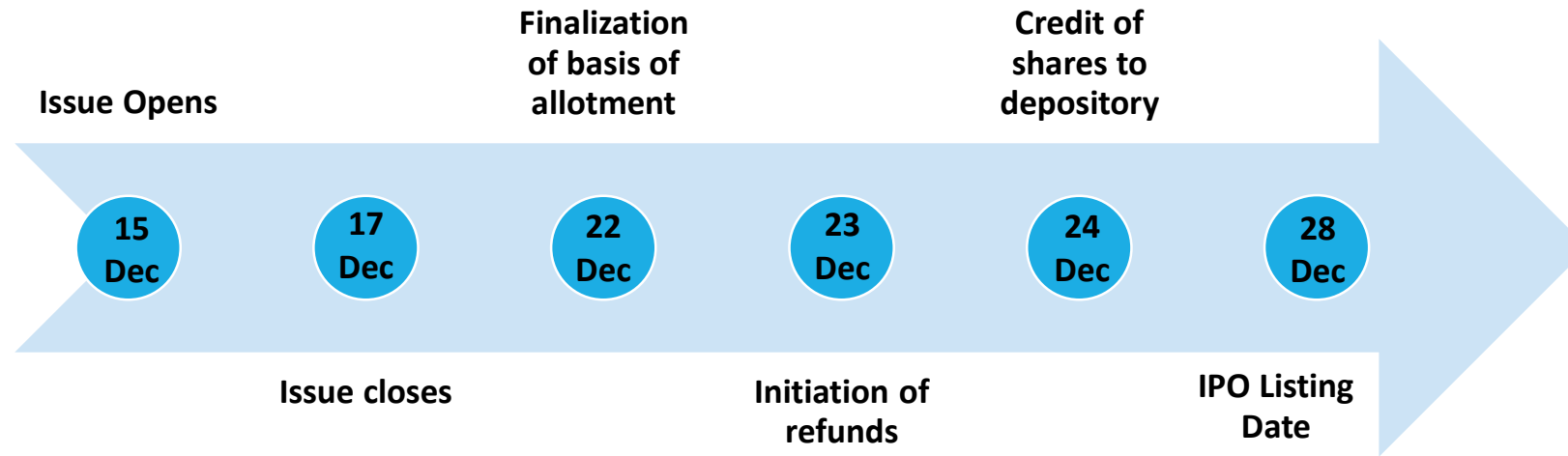
Particulars	Data as on 31 st March (₹ crore)				
	Sep'2019	Sep'2020	2018	2019	2020
Cash and Bank Balance	13.36	47.66	10.73	12.03	30.25
Current Financial Assets	109.78	93.79	79.14	115.81	93.32
Other Current Assets	52.67	63.27	50.24	55.27	52.71
Property, Plant And Equipment	345.05	326.97	240.57	344.27	337.57
Capital WIP And Right Of Use Assets	22.50	43.39	110.45	32.31	21.79
Goodwill and Intangible Assets	1.30	0.72	2.18	1.59	1.01
Other Non-Current Assets	15.89	32.93	17.75	15.76	29.07
Total Assets	560.55	608.73	511.06	577.04	565.72
Current Financial Liabilities	102.29	91.93	96.39	112.80	100.69
Other Current Liabilities	30.43	28.66	25.66	28.33	31.40
Non-Current Liabilities	123.43	130.37	122.40	141.16	114.33
Total Equity	304.41	357.77	266.61	294.75	319.30
Total Liabilities and Equity	560.55	608.73	511.06	577.04	565.72

KEY METRICS

Particulars	Data as on 31 st March (₹ crore)				
	Sep'2019	Sep'2020	2018	2019	2020
EBITDA Margin	10.71%	16.76%	12.32%	12.27%	12.18%
Net Profit Margin	2.79%	9.02%	5.17%	4.23%	3.99%
Net Worth	304.41	357.77	266.61	294.75	319.30
EPS (Basic)	1.78	6.79	6.27	5.79	5.31
EPS (Diluted)	1.77	6.79	6.26	5.78	5.30
Net Asset Value Per Share	53.15	62.47	46.56	51.47	55.76
Total Borrowings	146.62	122.83	133.10	160.24	131.17
Return on Net Worth (%)	3.34*	10.87*	13.46	11.25	9.52
Return on Equity (%)	6.68	21.72	14.30	11.81	9.90
Return on Capital Employed (%)	9.33	24.22	18.00	15.90	12.68
Working Capital Cycle (days)	43	25	33	35	33

*not annualised

TIMELINES



Disclaimer:

This document is published for learning purposes only and nothing contained herein shall be construed as a recommendation on any stock or sector.