



SMC Ranking

★★★★☆ (4/5)

Issue Highlights

Industry	FMCG
Total Issue (Shares) - Offer for sale	17,361,111
Total Issue (Shares) - Fresh Issue	1,407,639
Net Offer to the Public	18,768,750
Issue Size (Rs. Cr.)	540-537
Price Band (Rs.)	286-288
Offer Date	15-Dec-20
Close Date	17-Dec-20
Face Value	10
Lot Size	50

Issue Composition

	In shares
Total Issue for Sale	18,768,750
QIB	9,384,375
NIB	2,815,313
Retail	6,569,063

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	52.39%	51.13%
QIB	47.61%	32.89%
NIB	0.00%	4.79%
Retail	0.00%	11.18%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. To finance the cost of Rajpura Expansion Project.
2. To meet the general corporate purposes

Book Running Lead Manager

- SBI Capital Markets Limited
- ICICI Securities Limited
- IIFL Securities Limited

Name of the registrar

- Link Intime India Private Limited

About the Company

Incorporated in 1995, Mrs. Bectors Food Specialities Ltd is one of the leading companies in the premium bakery segment and premium and mid-premium biscuit segment in North India. The company's product portfolio mainly consists of two categories of products; Biscuits (cookies, creams, crackers, digestive, etc.) and Bakery products (bread, buns, pizza bases, cakes, etc.). Mrs. Bectors manufactures and sells biscuits under its brand name "Mrs. Bector's Cremica" whereas bakery products are manufactured under the brand name of "English Oven" and offered in the premium market segments such as Delhi NCR, Mumbai, and Bengaluru. As of June 30, 2020, its bakery segment has a total of 96 products and the Biscuits segment has a total of 384 items. The company has a very strong distribution network of 154 super-stockists and 644 distributors supplying products through 458,000 retail outlets and 3,594 preferred outlets. It sells its products to 23 states in India and also exports its products under its own brand name and third-party private labels to 64 countries all over the world.

Strength

One of the leading brands in biscuits and bakery businesses in North India with an ability to establish brands: Mrs. Bectors Food is one of the leading companies in the premium and mid-premium biscuits segment in North India and sell its products under its flagship brand 'Mrs. Bector's Cremica'. The company is among the top 2 Indian biscuit manufacturers in the premium and mid-premium biscuits segment in Punjab, Himachal Pradesh, Ladakh and Jammu and Kashmir. In the Financial Year 2020, it had a market share of 4.5% of the premium and mid-premium biscuits market in North India.

A leading exporter of biscuits: Mrs. Bectors Food is one of the leading exporter of biscuits from India, with approximately 12% share of the Indian biscuit export market in calendar year 2019 and they contribute more than 50% by value of biscuit exports from India to countries like South Africa and Uganda and more than 25% by value of biscuit exports from India to Canada. During the Financial Year ended March 31, 2020, they exported biscuits to 64 countries, across Central and South America, Europe, North America, East and South Africa, Australasia, the MENA region and Asia to various retailers, distributors and buying houses such as Monteagle International (UK) Ltd, Lulu Hypermarket Trading Co, E-Mart Inc., Atlas Global (HK) Ltd, Omni Trade Services Ltd, Universal Trade Ltd, and World Wide Imports (2008) Ltd. The company has received several quality certifications from including certificate of registration from the U.S. Food and Drug Administration, the British Retail Consortium (BRC) food certification, Sedex Members Ethical Trade Audit (SMETA), Food Safety System certification 22000 and Halal certification for manufacturing biscuits, which helps in the acceptability of its products in developed and quality conscious export markets. Revenue from the export of biscuits accounted for ₹ 167.70 crore, ₹ 105.62 crore and ₹ 76.09 crore constituting 22%, 24.51% and 20.87% of the revenue from operations for the Financial Year 2020, the period April 1, 2020 to September 30, 2020, and the period April 1, 2019 to September 30, 2019, respectively, which has grown by 38.82% from September 30, 2019 to September 30, 2020. Its price realisation per kilogram from sales of its biscuits (exports) in this period was ₹ 94.29, ₹ 87.33, ₹ 81.04, ₹ 101.63 and ₹ 95.31, respectively and has grown at the CAGR of 7.87% during Financial Years 2018 to 2020.

Established presence in retail and institutional bakery business: 'English Oven' is one of the fastest growing largescale premium bakery brand in India. The company markets and sells its premium bakery products in savoury and sweet categories in Delhi NCR, Mumbai and Bengaluru supplying approximately an average of 178,564, 218,674 and 168,022 packs of

branded breads and bakery products per day for the Financial Year ended March 31, 2020, the period April 1, 2020 to September 30, 2020, and the period April 1, 2019 to September 30, 2019 respectively. The company is the sole supplier of burger buns and pan muffins to Connaught Plaza Restaurants Pvt. Ltd. since 1995, preferred supplier of burger buns and pan muffins to Hardcastle Restaurants Pvt. Ltd. for approximately 13 years. The company is one of the main supplier of burger buns to Burger King India Ltd since 2014, and to Yum! Restaurants (India) Pvt. Ltd. since 2013. The Greater Noida Manufacturing Facility, Khopoli Manufacturing Facility and Bengaluru Manufacturing Facility have dedicated lines for manufacturing buns to serve its quick service restaurant (QSR) customers.

Modern and automated production processes with a focus on quality control: The company's production facilities are strategically located in proximity to its target markets. It currently manufactures biscuits in its Phillaur Manufacturing Facility, Rajpura Manufacturing Facility and Tahliwal Manufacturing Facility. It currently manufactures its breads and other bakery products including buns and frozen products offered to retail consumers as well as its institutional clients, in its Greater Noida Manufacturing Facility, Khopoli Manufacturing Facility and Bengaluru Manufacturing Facility.

Wide spread and established sales and distribution network: The company distributes its biscuits across 23 states in India, through its widespread network of super stockists and distributors. For the period between April 1, 2020 to September 30 2020, it has a distribution network comprising of 154 super stockists and 644 distributors supplying to wide range of customers through 458,000 retail outlets. Its distribution channels include traditional retail, which they define as small, privately-owned independent stores, typically at a single location. For the period between April 1, 2020 to September 30, 2020, they have a network of 4,422 preferred retail outlets. Its distribution network is managed by their in-house sales team of over 403 personnel, as on September 30, 2020. For the period between April 1, 2020 to September 30, 2020, its bakery products for retail customers were sold through 191 distributors and over 14,000 retail outlets situated in Delhi NCR region, Mumbai, Pune and Bengaluru through direct sales to supermarkets, departmental stores and distributors.

Strength

Focusing on growth in premium biscuits and bakery segment to improve margin: The company intends to continue to expand its product portfolio within the existing product segments, focusing on increasing sales realization and volumes, striving to provide differentiated offerings to its consumers and developing new products to capitalize on emerging trends. To cater to the growing needs of its millennial customers, the company intends to expand its product offerings to include niche biscuit and bakery products such as a more nutritious range of biscuits including digestive biscuits, honey oatmeal biscuits, premium rich cookies, premium flaky crackers, and soda crackers, which will help them realise higher margins. The company has also installed dedicated lines at its Rajpura (Punjab) Facility in 2018 to cater to production of high margin premium products. The company has also installing a dedicated line at its Greater Noida Facility to cater to production of high margin products including desserts and frozen products such as frozen pizzas, sandwiches, and cakes, which they aim to cater to its institutional customers such as multiplexes, cloud kitchens, hotels restaurants and cafés as well as retail customers. It also intends to dedicate their Khopoli Facility for manufacturing premium bakery products such as pizza puffs, sub breads, footlong breads, croissants and other premium breads with automated machinery.

Focus on product development in biscuits and bakery segments: The company has an experienced in-house research and development team that works on its new product development processes through innovations, trials, regulatory approvals and driving market acceptance and cost alignments along with its marketing and supply chain management teams. The company also seeks to increase the capacities of its manufacturing facilities by installing new, automated and product specific equipment such as installation of cookies manufacturing line sourced from Denmark. The company is looking to expand its premium biscuits production in its Rajpura (Punjab) Manufacturing Facility by procuring automated equipment from Italy. Further it has also commissioned a sheeting line capable of producing 'Focaccia Breads', 'Panini Breads', 'Ciabatta Breads', at its Greater Noida Manufacturing Facility..

Expand the product reach in India and globally: The company intends to leverage its institutional

relationships to further increase its product offerings and sales volume to these institutional customers and their affiliates in India and globally. The company plans to increase its penetration in select export markets, such as South, Central and North America, the MENA region and Australasia. The company is also in the process of setting-up a new office in Dubai and participates in trade fairs in these export markets extensively to strengthen its presence in these markets.

Expansion of the distribution network through diversification: The company has a strong distribution network in North India and focuses to establish a pan India presence for its biscuits and bakery segments by diversifying its distribution network in other regions of India. The company has increased its distribution through the modern trade channels such as Walmart India Pvt. Ltd. The company is also collaborating with various e-commerce platforms for sale of its biscuits and bakery products, multiplex chains such as PVR Ltd and cloud kitchens such as Rebel Foods Pvt. Ltd. to sell its bakery products on a pan India level.

Focus on increasing the brand awareness: The company seeks to continuously allocate significant resources to strengthen 'Mrs. Bector's Cremica' and 'English Oven' as one of India's leading biscuit and bakery brands, respectively. Its marketing plan comprises advertising in print media, digital, television, radio and outdoor promotional campaigns, and sponsorship of prominent sporting and cultural events in India. The company plans to also focus more on digital marketing initiatives such as social media integration, influencer marketing and content marketing.

Risk

- Its inability to anticipate, respond to and meet the tastes, preferences or consistent quality requirements of its consumers or its inability to accurately predict and successfully adapt to changes in market demand or consumer preference could reduce demand for its products, affect its brand loyalty and impact its sales.
- The company has experienced negative cash flows (from investing activities and financing activities) in the past and may continue to have negative cash flows in the future. Any such negative cash flows in the future may adversely affect its business, financial condition and results of operations.
- The company incurred indebtedness and may incur additional debt in the future, which may expose it to interest rate fluctuations, and restrict its operational flexibility in certain ways.
- The company currently avail benefits under certain export promotion schemes. Any failure in meeting the obligations under such schemes, may result in adversely affecting our business operations and its financial condition.

Peer comparison

Company	Net Sales (TTM)	PAT (TTM)	EPS	P/E	P/BV	BV	FV	Price	Mcap
DFM Foods	500.56	20.34	4.05	97.56	11.97	32.99	2.00	395.10	1986.20
Prataap Snacks	1191.15	27.76	11.84	56.96	2.59	260.09	5.00	674.35	1581.56
Mrs. Bector Food specialities Ltd	762.12	30.40	6.62	43.51	4.25	67.82	10.00	288.00	1691.87

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs. 288, the stock is priced at pre issue P/E of 54.31x on its FY20 EPS of Rs. 5.30. Post issue, the stock is priced at a P/E of 43.51x on its EPS of Rs. 6.62. Looking at the P/B ratio at Rs. 288 the stock is priced at P/B ratio of 5.17x on the pre issue book value of Rs.55.69 (FY20) and on the post issue book value of Rs. 67.82 the P/B comes out to 4.25x.

On the lower end of the price band of Rs.286 the stock is priced at pre issue P/E of 53.94x on its annualised FY20 EPS of Rs. 5.30. Post issue, the stock is priced at a P/E of 43.21x on its EPS of Rs. 6.62. Looking at the P/B ratio at Rs.286, the stock is priced at P/B ratio of 5.14x on the pre issue book value of Rs. 55.69 and on the post issue book value of Rs. 67.82, the P/B comes out to 4.22x.

Industry overview

The Indian biscuits and bakery retail market is valued at ₹ 450.00 billion and is expected to grow at a CAGR of ~9% over the next five years. Biscuits and other snacking bakery products such as rusks, wafers and tea cakes contribute almost ₹ 400.00 billion or 89% to the total market. The balance 11% is contributed by breads including loaves, buns, pizza bases which together account for ₹ 50.00 billion. Global market biscuit market is estimated to be worth ₹ 7,839.00 billion in 2020 projected to grow at a CAGR of 6% over next five years. It is driven by rising urbanisation, increasing disposable incomes and demand for convenience foods. Consumers prefer to consume biscuits with tea or coffee. The Indian biscuit market size is estimated to be ₹ 400.00 billion in 2020 representing ~5% of the global market. Indian market is expected to grow at a CAGR of 9% till 2025 and reach ₹ 620.00 billion. This growth will increase India's share in the global market to ~6% by 2025. Indian biscuit market is dominated by lead brands like Britannia, Parle and ITC which has 65% of market share. While Parle drives a large portion of its revenues from mass product Parle-G, the company has the largest market share by volume on back of Parle-G brand. Britannia's revenue is driven by Mid-Premium and Premium products.

Outlook

The company is one of the leading players in biscuits and bakery product segments. It supplied its products under two brands "CREMICA" and "ENGLISH OVEN". It has a strong distribution network in India and globally in the general trade and the modern trade segment. As per the management, with more capacity expansions underway, the company is confident of maintaining growth in top and bottom lines going forward. However, its inability to anticipate, respond to and meet the tastes, preferences or consistent quality requirements of its consumers or its inability to accurately predict and successfully adapt to changes in market demand or consumer preference could reduce demand for its products, affect its brand loyalty and impact its sales.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	December 15, 2020
Bid/Offer Closing Date	December 17, 2020
Finalisation of Basis of Allotment with the Designated Stock Exchange	December 22, 2020
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	December 23, 2020
Credit of Equity Shares to depository accounts of Allottees	December 24, 2020
Commencement of trading of the Equity Shares on the Stock Exchanges	December 28, 2020

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sept-20 (6 Months)	Period ended 31-Mar-20 (12 Months)	Period ended 31-Mar-19 (12 Months)
Total Operating Income	430.99	762.12	783.67
Total expenditure	358.86	669.31	687.58
Operating Profit	72.14	92.82	96.08
OPM%	16.74	12.18	12.26
Other Income	7.56	2.85	2.36
PBDIT	79.70	95.67	98.45
Depreciation	22.16	41.49	35.18
PBIT	57.53	54.18	63.26
Interest	5.48	15.04	12.68
PBT before Share of net profit of associate accounted for using the equity method (net of tax)	52.06	39.14	50.59
Share of net profit of associate accounted for using the equity method (net of tax)	0.09	0.04	0.07
PBT	52.14	39.18	50.66
Tax	13.26	8.78	17.51
Profit After Tax	38.88	30.40	33.15

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sept-20	As on 31-Mar-20	As on 31-Mar-19
Non-current assets			
Property, plant and equipment	326.97	337.57	344.27
Capital work-in-progress	28.89	6.66	15.56
Right of Use Assets	14.51	15.14	16.75
Goodwill	0.40	0.40	0.40
Other intangible assets	0.32	0.61	1.20
Equity accounted investment	3.91	3.83	3.79
Financial assets			
Loans	3.47	3.53	3.70
Other financial assets	0.12	0.03	0.04
Income tax assets (net)	3.08	4.26	4.18
Other non-current assets	22.34	17.43	4.07
Total Non- Current Assets	404.00	389.44	393.94
Current assets			
Inventories	54.45	43.37	35.28
Financial assets			
Investments	0.00	0.00	0.00
Trade and other receivables	72.91	75.02	100.33
Cash and Bank balances	17.24	20.70	5.53
Bank Balances other than cash and cash equivalents	30.42	9.55	6.50
Loans	0.00	0.36	0.00
Other financial assets	20.89	17.94	15.48
Other current assets	8.11	9.33	19.98
Assets classified as held for sale	0.71	0.00	0.00
Total current assets	204.72	176.28	183.10
Total Assets	608.73	565.72	577.04
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	101.20	85.65	107.21
Lease liabilities	1.17	1.54	2.68
Provisions	7.522	6.122	4.186
Deferred tax liabilities (net)	8.798	7.876	12.212
Other non-current liabilities	11.67	13.14	14.87
Total non-current liabilities	130.36	114.33	141.16
Current liabilities			
Borrowings	0	18.051	32.71
Lease liabilities	0.71	1.14	1.53
Trade payables			
Total outstanding dues of micro enterprises and small enterprises	7.54	5.92	6.74
Total outstanding dues of creditors other than micro enterprises and small enterprises	54.08	41.11	42.08
Other financial liabilities	29.60	34.47	29.74
Other current liabilities	18.57	13.83	12.88
Provisions	3.87	15.69	14.20
Current tax liabilities (net)	6.22	1.87	1.26
Total current liabilities	120.59	132.09	141.13
Total liabilities	250.95	246.42	282.29
	357.77	319.30	294.75
Net worth represented by:			
Equity share capital	57.27	57.27	57.27
Other equity	300.50	262.03	237.48
Total Equity	357.77	319.30	294.75

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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