

**MRS. BECTORS FOOD SPECIALITIES LTD** | FMCG

.....expanding footprints

**LKP****Investment Argument**

- Mrs. Bectors Food is a well-established player in the biscuit and breads segment in the Northern region of India. The company ranks among top 2 in the premium and mid-premium biscuits category in Punjab, Himachal Pradesh, Ladakh and J&K. The company holds a market share of 4.5% in the North India under premium to mid premium biscuits segment.
- Mrs. Bectors Food is among the top 5 biscuit exporters in India with ~12% share of total exports from India in FY19. The company exports to more than 64 countries having tie-ups with reputed retail chains, distributors and buying houses. Recent incorporation of a new subsidiary in UAE will strengthen its foothold in the Middle Eastern and African region.
- The company commands around 5% market share in the branded breads segment in India and ~11% market share in semi processed and dough based offerings to institutional clients in FY20. The company has Long standing tie-ups with leading international QSR chains, multiplex chains, and cloud kitchens for burger, muffins, garlic breads and other bakery products.
- Capacity expansion is in progress of one bread & one bakery line in Greater Noida and one biscuit line in Rajpura. Post operationalization of these new capacities, the company expects to achieve revenue of ₹1,500 crores from current ₹881 crores in FY21. The Greater Noida plant is expected to commercialize by Q3FY22 and the operationalization of Rajpura plant is expected by April'22.
- In the branded breads segment, the company has established its presence in metro cities such as Delhi NCR, Mumbai, Bangalore and Pune. The company follows hub and spoke model for its bakery segment.
- Even with the pandemic-led operational and demand disruptions in the institutional bakery segment affecting sales to its QSR customers, Mrs. Bectors Food reported a strong performance in FY2021 led by biscuits and retail bakery divisions, with a growth of ~16% in its revenue and operating margin of 16% as compared to previous three-years average of ~12%.
- Mrs. Bectors Food's liquidity profile is robust aided by healthy cash flow generation from operations resulting in lower debt and phased capex implementation plans which is expected to keep the company's reliance on external borrowing minimal. Additionally, the working capital intensity of the business remains low inherently, resulting in low working capital borrowings.
- Since the products manufactured constitute daily essential needs of consumers, predictability of earnings is high with rising per capita income aiding conversion of mass to premium products.
- Mrs. Bector Foods has in place a strong ESG framework focusing on all the three parameters- Environment, Social & Governance.
- Our channel checks with distributors suggest demand to return to pre-covid levels by Q3. New launch of Potato Crackers in North India has met with an overwhelming response.
- It's in-house automation tool- PERI provides stockists & distributors real-time access on sales trends.
- Mcap to Sales of 2.7x on TTM basis offers room for improvement given its prudent capital allocation strategy aimed at improving ROE with higher share of premium products.
- As value migrates from un-organised to organised, Mrs. Bector Foods provides a good investment opportunity in the consumer space.

<b>Rating</b>	<b>Buy</b>
<b>Current Market Price (₹)</b>	<b>411</b>
<b>18 Months Price Target (₹)</b>	<b>636</b>
<b>Potential upside (%)</b>	<b>55</b>

**Stock Data**

FV (₹)	10
Market Cap Full (₹ bn)	24
Market Cap Free Float (₹ bn)	8
52-Week High / Low (₹)	328 / 624
BSE Code / NSE Symbol	543253 / BECTORFOOD
Bloomberg Code	BECTORS:IN

**Shareholding Pattern (%)**

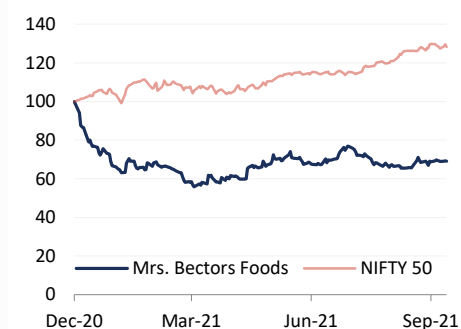
	Jun-21	Mar-21	Dec-20	23-Dec
Promoter	51.09	51.13	51.13	51.13
FPIs	3.36	2.71	2.92	3.52
MFs	5.28	4.55	5.33	5.72
Insurance	0.88	1.46	1.66	1.78
Others	39.39	40.15	38.96	37.85

Source: BSE

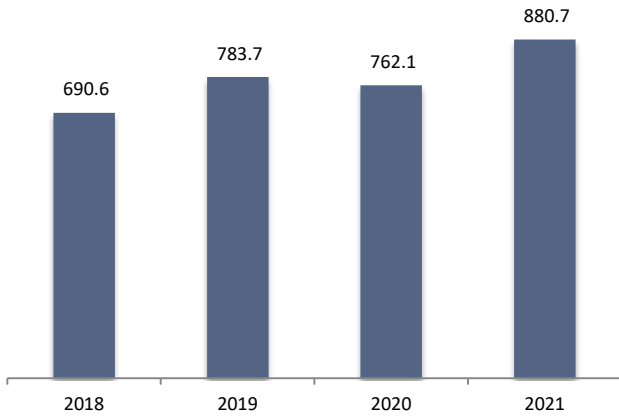
**Price Performance (%)**

(%)	1M	3M	6M	Dec-20
Mrs. Bectors	5.3%	1.4%	11.8%	-31%
Nifty 50	1.5%	11.6%	20.2%	28%

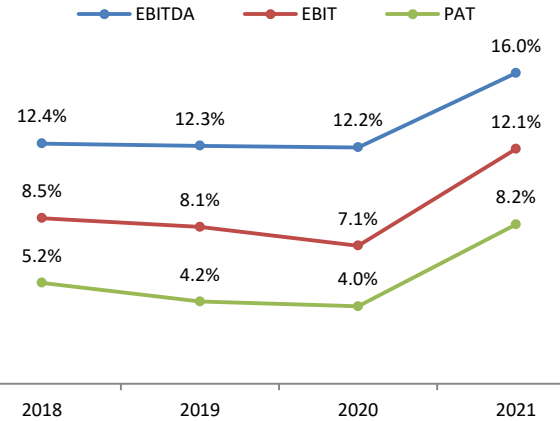
\* To date / current date : October 6, 2021

**Mrs. Bectors vs Nifty 50**

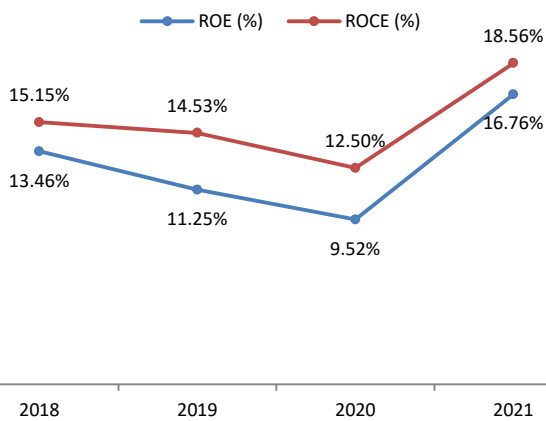
**Revenue From Operations (₹ in Crs) Grew at a CAGR of 8.4%...**



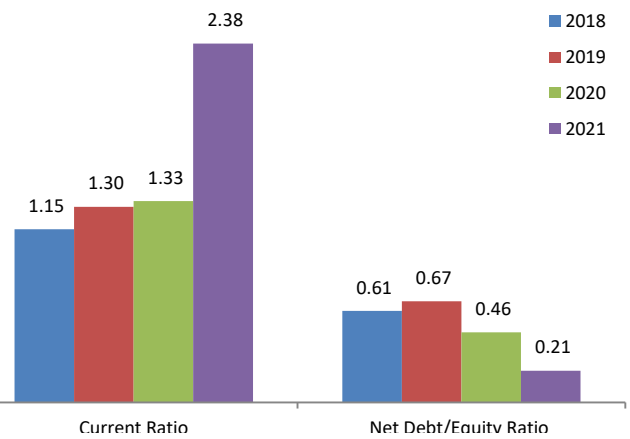
**...with Stable Margins until FY20 and Expansion in FY21**



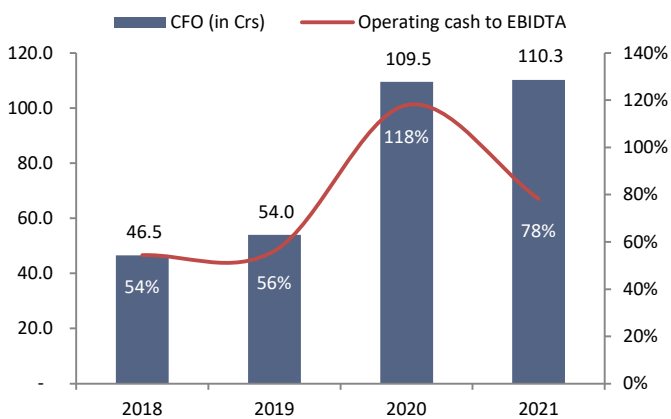
**Return Ratios set to improve further...**



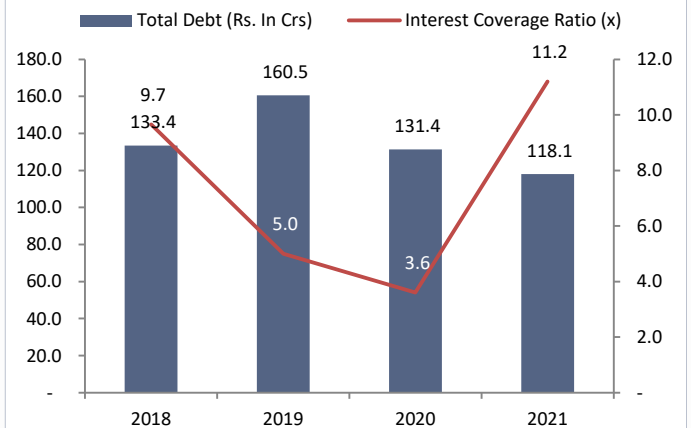
**...with improving liquidity & leverage ratios(x)...**



**...and healthy CFO with higher conversion**



**Debt under Control with Healthy Coverage Ratio**



## Income Statement

₹ Cr	2019	2020	2021	2022E	2023E	2024E
Income						
<b>Revenue From Operations</b>	<b>783.7</b>	<b>762.1</b>	<b>880.7</b>	<b>1,021.8</b>	<b>1,153.0</b>	<b>1,271.8</b>
% Growth	13.0%	8.3%	-40.3%	36.8%	24.4%	17.3%
<b>Expenses</b>						
Cost Of Material Consumed (incl. changes in inventory)	410.6	407.1	461.0	545.7	611.1	667.7
Purchases of stock-in-trade	13.4	0.4	0.6	0.7	0.7	0.7
Employee Benefit Expenses	109.7	117.9	126.9	147.2	166.1	183.2
Other Expenses	153.8	144.0	151.2	175.4	197.9	218.3
<b>Total Expenses</b>	<b>687.6</b>	<b>669.3</b>	<b>739.7</b>	<b>868.9</b>	<b>975.8</b>	<b>1,069.9</b>
<b>EBITDA</b>	<b>96.1</b>	<b>92.8</b>	<b>141.1</b>	<b>153.0</b>	<b>177.3</b>	<b>201.9</b>
EBITDA Margin	12.3%	12.2%	16.0%	15.0%	15.4%	15.9%
Other Income	2.4	2.9	10.1	3.1	3.1	3.1
Depreciation and Amortization Expenses	35.2	41.5	44.7	48.5	53.1	57.7
Share of loss of joint ventures (net of tax)	0.1	0.0	0.1	0.0	0.0	0.0
<b>EBIT</b>	<b>63.3</b>	<b>54.2</b>	<b>106.6</b>	<b>107.5</b>	<b>127.3</b>	<b>147.4</b>
Finance Cost	12.7	15.0	9.5	7.9	5.9	3.9
<b>Restated Profit / (Loss) before tax</b>	<b>50.7</b>	<b>39.2</b>	<b>97.1</b>	<b>99.6</b>	<b>121.5</b>	<b>143.5</b>
Tax Expense	17.5	8.8	24.8	25.1	30.6	36.1
<b>Profit / (Loss) for the year</b>	<b>33.2</b>	<b>30.4</b>	<b>72.3</b>	<b>74.6</b>	<b>90.9</b>	<b>107.4</b>

Source: Company, LKP Research

## Balance Sheet

₹ Cr	2019	2020	2021	2022E	2023E	2024E
<b>Equities And Liabilities</b>						
<b>Shareholders' funds</b>						
Share capital	57.3	57.3	58.7	58.7	58.7	58.7
Reserves and surplus	237.5	262.0	372.5	376.4	396.5	433.2
	<b>294.8</b>	<b>319.3</b>	<b>431.2</b>	<b>435.1</b>	<b>455.3</b>	<b>492.0</b>
<b>Non-current liabilities</b>						
Long term Borrowings	107.2	85.7	114.8	97.8	80.7	63.8
Other Financial Liabilities	2.7	1.5	1.0	1.1	1.3	1.4
Long term Provisions	4.2	6.1	7.4	8.6	9.7	10.7
Deffered Tax Liabilities (Net)	12.2	7.9	9.5	9.5	9.5	9.5
Other Longterm Liabilities	14.9	13.1	10.4	12.1	13.7	15.1
	<b>141.2</b>	<b>114.3</b>	<b>143.1</b>	<b>129.1</b>	<b>114.8</b>	<b>100.4</b>
<b>Current liabilities</b>						
Short-term borrowings	32.7	18.1	3.3	3.3	3.3	3.3
Trade payables	48.8	47.0	57.3	67.8	75.9	82.9
Other Financial Liabilities	31.3	35.6	22.8	29.2	30.7	32.0
Short term Provisions	14.2	15.7	3.0	3.5	3.9	4.3
Current Tax Laibilities (Net)	1.3	1.9	1.5	1.5	1.5	1.5
Other current liabilities	12.9	13.8	18.9	21.9	24.7	27.2
	<b>141.1</b>	<b>132.1</b>	<b>106.8</b>	<b>127.1</b>	<b>140.1</b>	<b>151.3</b>
<b>Total</b>	<b>577.0</b>	<b>565.7</b>	<b>681.2</b>	<b>691.3</b>	<b>710.1</b>	<b>743.7</b>
<b>ASSETS</b>						
<b>Non-current assets</b>						
<b>Fixed assets</b>						
Tangible assets	344.3	337.6	339.7	341.2	338.1	330.4
Capital work-in-progress	15.6	6.7	55.3	55.3	55.3	55.3
Right of use assets	16.8	15.1	14.2	14.2	14.2	14.2
Goodwill	0.4	0.4	0.4	0.4	0.4	0.4
Intangible assets	1.2	0.6	0.0	-	-	-
Investment accounted for using the equity method	3.8	3.8	3.9	3.9	3.9	3.9
<b>Financial Assets:</b>						
Long-term loans and advances	3.7	3.5	3.6	3.6	3.6	3.6
Other fiancial assets	0.0	0.0	0.0	0.0	0.0	0.0
Non-current tax assets (net)	4.2	4.3	2.9	2.9	2.9	2.9
Other non-current assets	4.1	17.4	7.0	8.2	9.2	10.2
	<b>393.9</b>	<b>389.4</b>	<b>427.0</b>	<b>429.6</b>	<b>427.6</b>	<b>420.8</b>
<b>Current assets</b>						
Inventories	35.3	43.4	56.9	67.3	75.4	82.4
Investment	-	-	6.2	6.2	6.2	6.2
<b>Financial Assets:</b>						
Trade receivables	100.3	75.0	72.0	83.5	94.2	103.9
Cash and Cash Equivalent	5.5	20.7	34.7	15.3	12.6	31.9
Other Balances with Banks	6.5	9.6	50.0	50.0	50.0	50.0
Short-term loans and advances	-	0.4	2.7	2.7	2.7	2.7
Other financial assets	15.5	17.9	22.7	26.3	29.7	32.7
Other current assets	20.0	9.3	9.0	10.4	11.8	13.0
	<b>183.1</b>	<b>176.3</b>	<b>254.2</b>	<b>261.7</b>	<b>282.6</b>	<b>322.8</b>
<b>Total</b>	<b>577.0</b>	<b>565.7</b>	<b>681.2</b>	<b>691.3</b>	<b>710.1</b>	<b>743.7</b>

Source: Company, LKP Research

## Cash Flow

₹ Cr	2019	2020	2021E	2022E	2023E	2024E
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Profit / (Loss) before Tax	50.7	39.2	97.1	99.6	121.5	143.5
Depreciation and Amortization	35.2	41.5	44.7	48.5	53.1	57.7
Interest (net)	12.1	14.2	7.5	4.8	2.7	0.7
Other Operating Activities	4.3	5.9	(4.8)	-	-	-
Working capital changes	(33.9)	21.0	(11.8)	(9.5)	(8.8)	(8.0)
Income tax paid	(14.4)	(12.4)	(22.4)	(25.1)	(30.6)	(36.1)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES (A)</b>	<b>54.0</b>	<b>109.5</b>	<b>110.3</b>	<b>118.4</b>	<b>137.9</b>	<b>157.8</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Capital Expenditure	(61.6)	(42.5)	(81.2)	(50.0)	(50.0)	(50.0)
Other Investing Activities	0.3	(0.8)	(43.6)	3.1	3.1	3.1
<b>NET CASH GENERATED / (USED) IN INVESTING ACTIVITIES (B)</b>	<b>(61.3)</b>	<b>(43.2)</b>	<b>(124.7)</b>	<b>(46.9)</b>	<b>(46.9)</b>	<b>(46.9)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Interest paid	(12.1)	(15.0)	(9.2)	(7.9)	(5.9)	(3.9)
Other Financial Activities	19.1	(36.1)	37.7	(83.1)	(87.8)	(87.8)
<b>NET CASH GENERATED / (USED) IN FINANCING ACTIVITIES (C)</b>	<b>6.9</b>	<b>(51.1)</b>	<b>28.5</b>	<b>(91.0)</b>	<b>(93.6)</b>	<b>(91.6)</b>
Net Change in Cash (A+B+C)	(0.3)	15.2	14.0	(19.5)	(2.6)	19.3
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>5.5</b>	<b>20.7</b>	<b>34.7</b>	<b>15.3</b>	<b>12.6</b>	<b>31.9</b>

Source: Company, LKP Research

## Financial Ratios

	2019	2020	2021	2022E	2023E	2024E
<b>Per Share data (INR)</b>						
EPS	5.8	5.3	12.3	12.7	15.5	18.3
Cash EPS	11.9	12.6	19.9	21.0	24.5	28.1
BV/Share	51.5	55.8	73.4	74.1	77.5	83.7
DPS	-	10.0	10.0	10.0	10.0	10.0
Payout (%)	0%	188%	81%	79%	65%	55%
<b>Growth Ratios (%)</b>						
Sales Growth	12.9%	-2.7%	15.6%	16.0%	12.8%	10.3%
EBIDTA Growth	12.4%	-3.4%	52.0%	8.4%	15.9%	13.9%
EBIT Growth	7.4%	-14.4%	96.6%	0.9%	18.4%	15.8%
EBT Growth	-4.1%	-22.7%	147.8%	2.7%	21.9%	18.2%
PAT Growth	-7.6%	-8.3%	137.7%	3.2%	21.9%	18.2%
<b>Valuation Ratios (x)</b>						
P/E	74.5	81.2	35.1	34.0	27.9	23.6
Cash P/E	36.1	34.4	21.7	20.6	17.6	15.3
EV/Sales	3.3	3.4	2.9	2.5	2.2	2.0
EV/EBITDA	27.2	27.7	18.3	16.9	14.5	12.6
P/B	8.4	7.7	5.9	5.8	5.6	5.2
Mcap/Sales	3.2	3.2	2.9	2.5	2.2	2.0
<b>Working Capital Ratios (x)</b>						
Fixed Asset Turnover Ratio	2.2	2.2	2.2	2.6	2.9	3.3
Asset Turnover Ratio	1.4	1.3	1.3	1.5	1.6	1.7
Inventory Days	30.4	38.9	45.0	45.0	45.0	45.0
Trade Receivables Days	46.7	35.9	29.8	29.8	29.8	29.8
Trade Payables Days	42.0	42.1	45.3	45.3	45.3	45.3
<b>Profitability Ratios (%)</b>						
EBITDA Margin	12.3%	12.2%	16.0%	15.0%	15.4%	15.9%
EBIT Margin	8.1%	7.1%	12.1%	10.5%	11.0%	11.6%
EBT Margin	6.5%	5.1%	11.0%	9.8%	10.5%	11.3%
PAT Margin	4.2%	4.0%	8.2%	7.3%	7.9%	8.4%
<b>Return Ratios</b>						
ROE (%)	11.2%	9.5%	16.8%	17.1%	20.0%	21.8%
ROCE (%)	14.5%	12.5%	18.6%	19.1%	22.3%	24.9%
ROA (%)	5.7%	5.4%	10.6%	10.8%	12.8%	14.4%
<b>Liquidity &amp; Leverage Ratios (x)</b>						
Current Ratio	1.3	1.3	2.4	2.1	2.0	2.1
Interest Coverage Ratio	5.0	3.6	11.2	13.6	21.7	38.1
Net Debt/Equity Ratio	0.7	0.5	0.2	0.3	0.3	0.2
Financial Leverage	2.0	1.8	1.6	1.6	1.6	1.5
Gearing Ratio (%)	0.4	0.3	0.2	0.2	0.2	0.1
Gearing Ratio (%)	52.5%	65.3%	23.1%	39.2%	39.0%	26.4%

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