



In addition to the stability in the revenues and margins along with the macro events leading to consumers preferring packaged foods, the company is at a P/E of 54x as per FY20 (on upper price band), making it available at discount in comparison to 90x and 64x of Nestle and Britannia respectively. We recommend a **SUBSCRIBE** for listing gains along with long term for the IPO .



## About Company

Mrs. Bectors Food Specialities Limited ("Mrs. Bectors Food") is one of the leading companies in the premium and mid premium biscuits segment and the premium bakery segment in the states of Punjab, Himachal Pradesh, Jammu and Kashmir and Ladakh. Company manufactures and market a range of its biscuits such as cookies, creams, crackers, digestives and glucose under its flagship brand 'Mrs. Bector's Cremica' and 'English Oven' is one of the largest selling brand in the premium bakery segment in Delhi NCR, Mumbai and Bengaluru.

## Issue details

|  |                   |
|--|-------------------|
| Price Band (in ₹ per share)  | 286-288           |
| Issue size (in ₹ Crore)  | 540.54            |
| Fresh Issue (in ₹ Crore)   | 500.00            |
| Offer for Sale (in ₹ Crore)  | 40.54             |
| Offer for Sale (Shares in lakhs)                                     | 14.07-14.17       |
| Issue open date  | 15-12-2020        |
| Issue close date   | 17-12-2020        |
| Tentative date of Allotment  | 23-12-2020        |
| Tentative date of Listing  | 28-12-2020        |
| Total number of shares (lakhs)                                       | 187.68-188.99     |
| No. of shares for QIBs (50%) (lakhs)                                 | 94.40-93.75       |
| No. of shares for NII (15%) (lakhs)                                  | 28.32-28.13       |
| No. of shares for retail investors (35%) (lakhs)                     | 65.62-66.08       |
| No. of shares for Eligible Employ-                                   | 0.18              |
| Minimum order quantity   | 50                |
| Face value (in ₹)  | 10.00             |
| Amount for retail investors (1 lot)                                  | 14300-14400       |
| Maximum number of shares for Retail investors at lower Band          | 650(13 Lots)      |
| Maximum number of shares for Retail investors at upper band          | 650(13 Lots)      |
| Maximum amount for retail investors at lower Band- upper band (in ₹) | 1,85,900-1,87,200 |
| Exchanges to be listed on  | BSE, NSE          |

## Promoters

Mr. Anoop Bector

## Objective of the Offer

1. Financing the project cost towards Rajpura Expansion Project
2. General Corporate Purposes

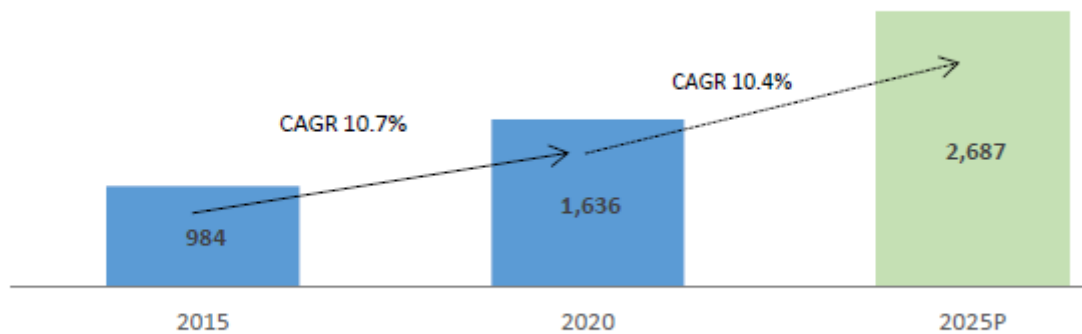
**Brief Financials**

| Particulars (Rs. Cr)   | Sept 2020 (6M) | Sept 2019 (6M) | FY20   | FY19   | FY18   |
|------------------------|----------------|----------------|--------|--------|--------|
| Share Capital          | 57.27          | 57.27          | 57.27  | 57.27  | 57.27  |
| Net Worth              | 357.77         | 304.41         | 319.30 | 294.75 | 266.61 |
| Revenue from Operation | 300.50         | 247.14         | 262.03 | 237.48 | 209.35 |
| PBT                    | 52.14          | 12.09          | 39.18  | 50.66  | 52.84  |
| PAT                    | 38.88          | 10.17          | 30.40  | 33.15  | 35.89  |
| Basic EPS(Rs)          | 6.79           | 1.78           | 5.31   | 5.79   | 6.27   |
| Net Asset Value (Rs)   | 62.47          | 53.15          | 55.76  | 51.47  | 46.56  |
| P/E #                  | 42.42          | 161.80         | 54.24  | 49.74  | 45.93  |
| P/B #                  | 4.61           | 5.42           | 5.16   | 5.59   | 6.19   |

Source: RHP # Calculated at the upper price band

**Industry Review****Packaged Food Market**

The Indian food services market is classified into two segments, organized and unorganized, based on three key characteristics: accounting transparency, organized operations with quality control and sourcing norms, and outlet penetration. India's packaged food business is currently valued at ₹ 1,636.00 billion. It has grown significantly in last five years on account of rising incomes, urbanization, favourable demographics and changing lifestyle. The sector's retail revenue size was worth ₹ 984.00 billion in Financial Year 2015, about half of its current size and has registered a CAGR of ~10.70% from Financial Year 2015 to Financial Year 2020. It is estimated to grow at CAGR of 10.40% in next five years to reach at ₹ 2,687.00 billion.

**Exhibit 6: Indian Packaged Food\* Market (₹ billion)**

Source: Technopak Report

\*Packaged Food market size is exclusive of staples, edible oil and dairy.

**Exhibit 7: Category wise sale of packaged food (₹ billion)**

| Category*                      | 2015       | CAGR (2015 – 2020) | 2020         | CAGR (2020 – 2025) | 2025         |
|--------------------------------|------------|--------------------|--------------|--------------------|--------------|
| Biscuits and Bakery**          | 282        | 11%                | 450          | 9%                 | 696          |
| Pasta and Noodles              | 48         | 10%                | 78           | 10%                | 125          |
| Savoury Snacks                 | 192        | 23%                | 400          | 15%                | 805          |
| Confectionery                  | 190        | 8%                 | 286          | 7%                 | 400          |
| Sauces, Dressings & Condiments | 106        | 8%                 | 160          | 9%                 | 250          |
| Ice Cream & Frozen Desserts    | 85         | 7%                 | 120          | 7%                 | 170          |
| Baby Food                      | 34         | 6%                 | 45           | 6%                 | 62           |
| Others                         | 47         | 16%                | 97           | 13%                | 180          |
| <b>Total</b>                   | <b>984</b> | <b>13%</b>         | <b>1,636</b> | <b>10.40%</b>      | <b>2,687</b> |

Source: Secondary Research, Technopak Report

\*Packaged Food market size is exclusive of staples, edible oil and dairy

\*\*Does not include fresh artisanal cakes



## Industry Review

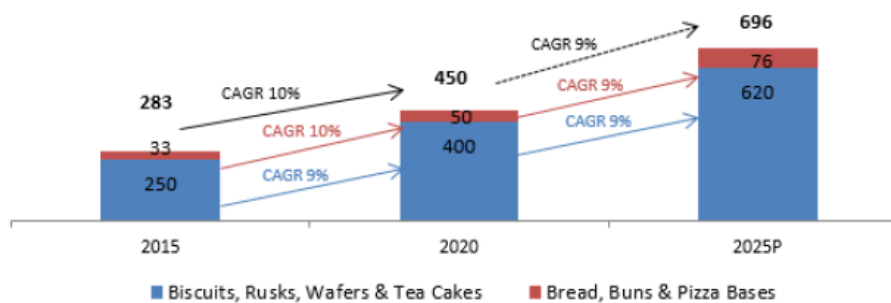
### Overview of Indian Biscuit and Bakery Segment

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.

### Organised food services market overview

The organized food services market in India (chain and standalone outlets, excluding restaurants in hotels) was estimated at ₹1,600 billion in Fiscal 2020 and is projected to grow at a CAGR of 15.4% to ₹3,275 billion by Fiscal 2025, and is expected to increase its share of the total market from 37.8% in Fiscal 2020 to 50.3% by Fiscal 2025.

Exhibit 8: Indian Biscuits and Bakery Market (₹ billion)



Source: Technopak Report  
\* Excludes artisanal cakes.

**Biscuits:** Biscuit industry is characterized by few large players, regional brands as well as small scale industries. In the unbranded sector, over 30,000 small, very small and tiny units spread all over the country. The biscuit industry was also reserved for small-scale earlier but it was de-reserved in 1997-98. Since then the industry is growing at a 114 rate of over CAGR ~10%. 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.

**Bread:** 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.

Exhibit 9: Product offering of key biscuits and bakery brands in India

| Company                   | Biscuits | Breads | Buns | Cake | Other bakery items* |
|---------------------------|----------|--------|------|------|---------------------|
| Britannia                 | Y        | Y      | Y    | Y    | Y                   |
| Parle                     | Y        |        |      |      | Y                   |
| IITC                      | Y        |        |      | Y    | Y                   |
| Mrs. Bector's             | Y        | Y      | Y    | Y    | Y                   |
| Food Specialities Limited |          |        |      |      |                     |
| Surva                     | Y        |        |      | Y    |                     |
| Anmol                     | Y        |        |      | Y    | Y                   |
| Bonn                      | Y        | Y      |      | Y    | Y                   |

Source: Technopak Report.

\*Other Bakery items include kulcha, pizza base, bunfill, rusk etc.

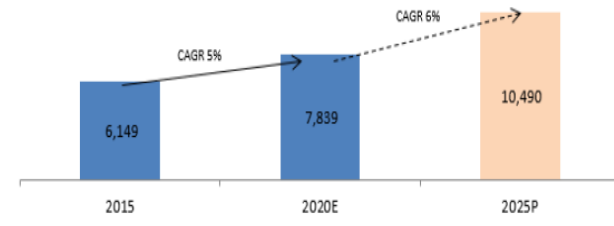
### Global biscuit market

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. New flavours, taste, shapes, health claims and packaging impact consumer preferences.



## Industry Review

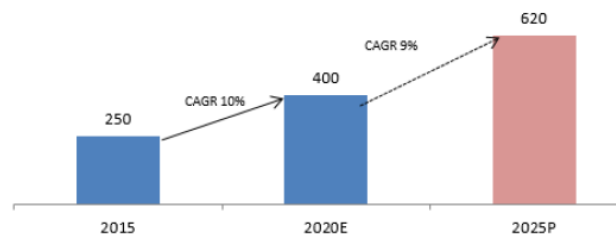
Exhibit 10: Global biscuit market size (₹ billion)



Source: Primary research, secondary research

**Indian Biscuit Market:**

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.

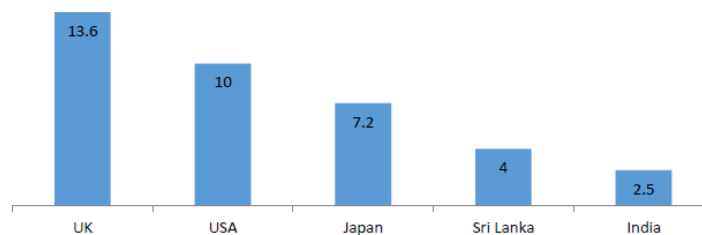


Source: Technopak Report, Primary research, secondary research.

**Per capita biscuit consumption:**

Per capita biscuit consumption of biscuits in India has increased by 16% over the last five years. However, it is far behind developed economies like US, UK and other developing Asian economies like Japan and Sri Lanka. Though there is huge headroom for growth in India for biscuit market, it is complex market that requires regional customisation.

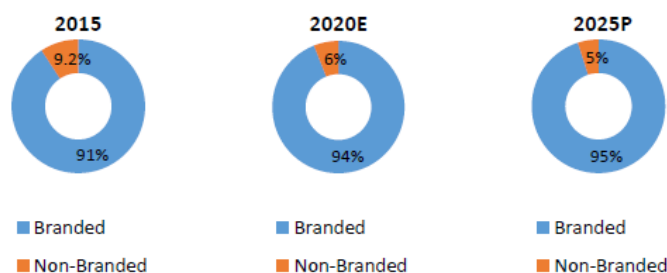
Exhibit 12: Per capita consumption (Kg/Year)



Source: Primary research, Secondary research

**Branded and Non Branded biscuits:**

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. Non-branded biscuits also offer higher margins than branded biscuits to retailers.



Source: Primary research, secondary research



## Industry Review

### Branded Biscuit Market

Growth rate for branded biscuits in terms of value is greater than the volume over the period of Financial Year 2015 to Financial Year 2020. 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% or next five years.

Exhibit 14: Market Size of branded biscuit market (₹ billion)

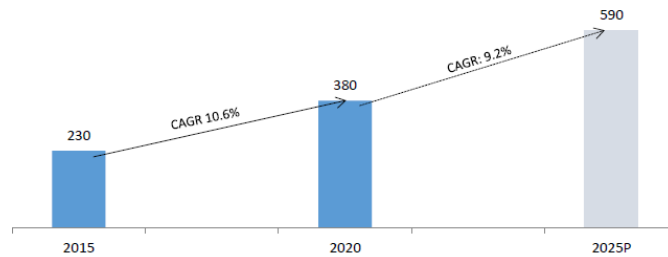
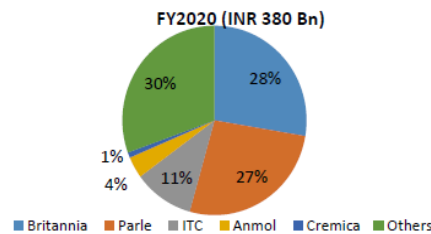


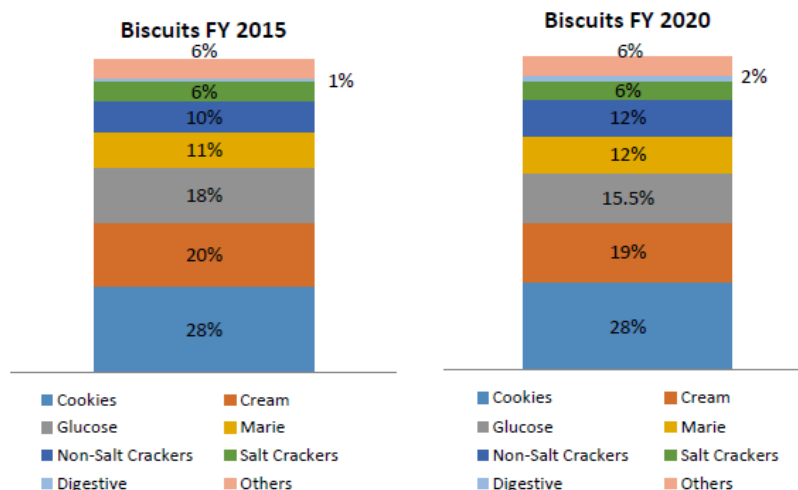
Exhibit 15: Market size of brands in branded biscuit market Financial Year 2020



Source: Technopak Report, primary research, secondary research

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

Exhibit 16: Market share of branded biscuit categories Financial Year 2015 Vs Financial Years 2020 (By Value)

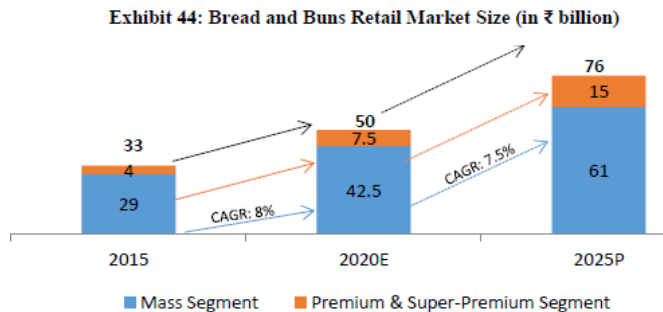


Source: Primary research, Secondary research.

## Industry Review

### Indian Bread and Buns Retail Market

The bread and buns retail market in India is valued at ₹ 50.00 billion in Financial Year 2020 and it will continue to grow at the CAGR of 9% to reach ₹ 76.00 billion by Financial Year 2025. The growth will be mainly assisted by increase in disposable incomes, change in lifestyle and preferences of the consumers. The demand for breads is concentrated mainly around metros, tier I and larger tier II cities due to higher disposable incomes and changing meal preferences.



### Market Segmentation:

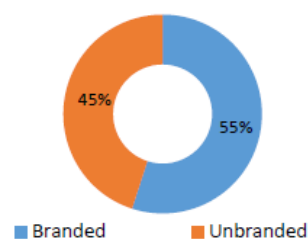
Bread can be classified based on the ingredients and price. Mass bread segment primarily comprises of white/sandwich bread made up of refined wheat flour (maida). Premium bread segment has emerged over the last 15 years. This comprises of products related to health and wellness such as fortified white breads, whole wheat/brown or alternative grain variants of breads, milk and fruit breads and specialty products such as pizza bases, burger buns and hot dog buns. Breads are sold in packaged and pre-sliced loaf forms with 350 gms and 400 gms as most common pack sizes.

Super-Premium bread segment comprises of exotic and speciality breads such as pita bread, focaccia, ciabatta bread and sour dough breads. These are artisanal products made by established bakers and retailed at their own bakeries and selected modern retail outlets and Grade A stores. Though the super-premium category currently has a very small share in the total bread market, it is poised to grow steadily given the growing influence of international cuisines and the growing number of premium bakeries. Many industrial manufacturers have also come out with super-premium variants.

### Branded and Unbranded Companies

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. Modern is strong in South along with Mumbai in the West and Kolkata in the East. English Oven started as a regional brand in the Northern states. However they are now present in Mumbai, Pune and Bangalore as well. While these have a nationwide presence, there are regional brands focussed on certain geographies or cities. Regional players of northern part of the country are Bonn, Harvest Gold and Kitty. Mother Dairy has also forayed into this segment recently. Additionally, there are private labels of organised retail chains and e-grocers such as Fresho from Bigbasket. Companies in the branded segment are increasing their focus on tier II and tier III cities, given the improving infrastructure of retail and distribution and customers' changing buying pattern.

**Exhibit 46: Bread sales breakup (Financial Year 2020)**





## Industry Review

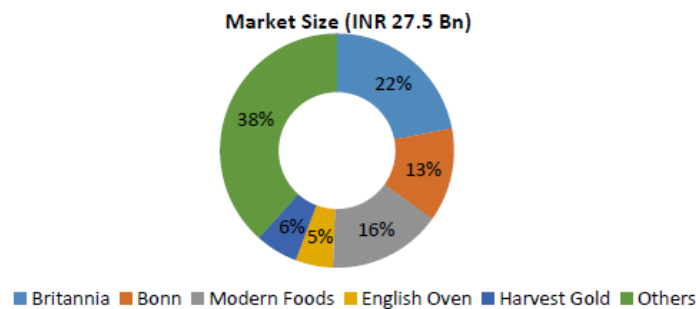
India's bread industry is dominated by branded players contributing to about 55% of the total market. The unbranded companies of bread units/neighbourhood bakeries etc. consist of an estimated 85,000 bread bakers mostly located in residential areas of cities and towns. COVID-19 has adversely impacted the small scale manufacturing units due to high cost of business during that period, high labour susceptibility and comprised hygiene and safety standards. While many such players have shut down operations, the organised players have consolidated their share in the market as they are better equipped to manage the challenges of the supply chain and operations.

**Exhibit 47: Classification of bread players**

| Types of players | Brands                          | Strengths  | Challenges  |
|------------------|---------------------------------|--|---|
| National         | Britannia, Modern, English Oven | Presence across multiple geographies with multiple offerings | Premiumisation and customising products                 |
| Regional         | Harvest Gold                    | Deeply penetrated in their regional territory                | Expansion beyond core region                            |
| Unbranded        | Local bakeries                  | Low pricing and margins to compete with regional brands      | Lack scale, Quality perception and lack customer recall |

Source: Technopak Analysis

**Exhibit 48: Branded Market in Financial Year 2020**

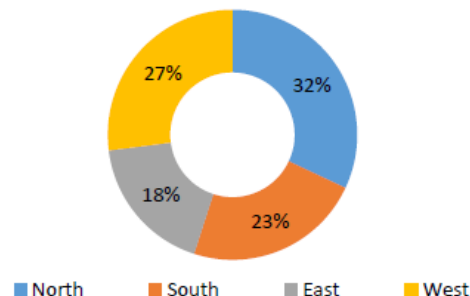


Source: Technopak Report, Secondary Research

### Consumptionwise pattern

Northern and Western India are the biggest consumers of bread in the country. In north part of the country consumers generally associate breakfast with bread and toast. While western part of country has higher urbanization and presence of more Tier-I and Tier-II cities.

**Exhibit 49: Consumption pattern in four zones in India (Financial Year 2020)**

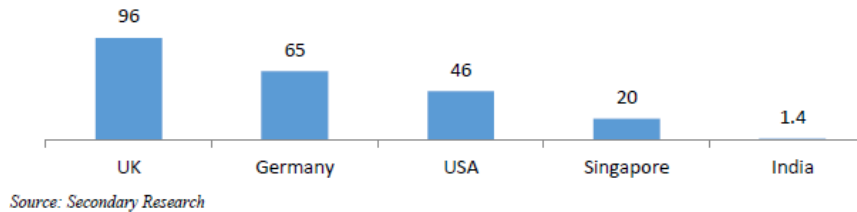


Source: Secondary and Primary Research

## Industry Review

The average per capita consumption of bread in developed countries like UK, Germany, USA and Singapore is much higher than India. While the average per capita bread consumption in India is estimated to be ~1.4 kg in 2020, it has immense growth opportunity.

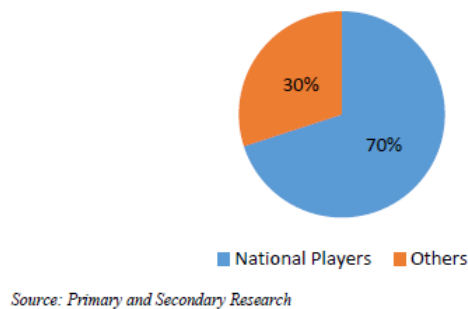
**Exhibit 52: Country wise Per Capita Consumption of bread (kg per annum)**



### Processed Dough and Bread Market

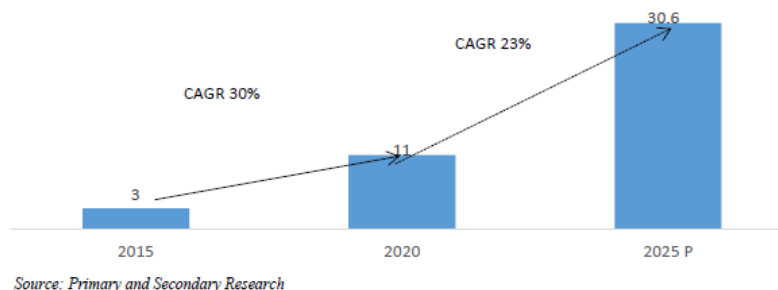
The share of processed dough-based products in the food component for the chain segment is estimated to be ₹ 11.00 billion in Financial Years 2020 and is projected to grow at CAGR of 23% to reach ₹ 30.60 billion by Financial Years 2025. It includes institutional business of fresh buns and frozen dough for pizzas and other bakery products.

**Exhibit 59: Customer Profile for Dough based Products**



National players such as Domino's, McDonald's, CCD, Subway, Burger King and Pizza Hut together contribute ~70% of the chain market; the same in value terms is approximately ₹ 7.70 billion. Baker's Circle and Company are the key vendors supplying the processed and semi-processed dough-based offerings to these food services players and have a collective share of 18%. The remaining 82% share is catered by the in-house commissaries and other smaller players. Company is the largest supplier of buns to reputed multinational QSR chains such as McDonalds, KFC, Burger King, Carls Jr. and has established itself in the frozen dough segment, where Baker's Circle has the largest share and is currently working exclusively with players like Subway.

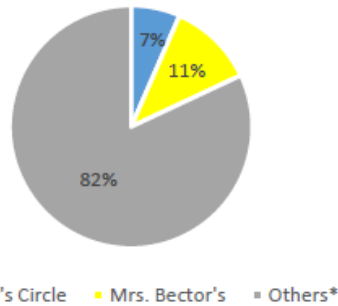
**Exhibit 60: Dough based products market for Chain segment ₹ billion - Wholesale Prices**



Mrs Bectors Food Speciality Ltd and Baker's Circle are the key vendors supplying the processed and semiprocessed dough-based offerings to these food services players and have a collective share of 18%. The remaining 82% share is catered by the in-house commissaries and other smaller players. Company is the largest supplier of buns to reputed multinational QSR chains such as McDonalds, KFC, Burger King, Wendy's, Carls Jr., Pizza Hut and Dominos and is venturing into the frozen dough segment, where Baker's Circle has the largest share and is currently working exclusively with Subway.

## Industry Review

**Exhibit 61: Share of key vendors in processed dough market**



Source: Primary and Secondary Research

\* Others comprise of in-house commissaries of brands and small players

The processed dough and bread space is highly consolidated with handful of players operating at national level and supplying to key national and international brands in the food services in India. This is primarily due to the stringent selection process of vendors by these brands. The key Food Service brands look for the following capabilities in the food processing vendors:

Processing Capabilities in terms of Investment and Scale

Strict compliance to international standards of Food Safety and Hygiene

Supply reliabilities in terms of meeting demand

Adherence to Standard Operating Processes

Intellectual Property Protection

These food services players partner with vendors for capacity development, technology transfer, machinery selection and training to produce products as per their standards e.g. Mrs. Bectors Food Specialities has been fulfilling 100% of the requirement of burger buns for McDonald's in India. Mrs. Bectors Food Specialities is one of the few bun/ processed dough and breads suppliers in India equipped with dedicated modern manufacturing facilities which enables them to undertake large orders while complying with the stringent quality standards required by multinational QSR chains. These processed food solution providers leverage the know how obtained from these partnering brands to develop their capabilities in food processing to supply to other brands, without compromising on the IP of different brands.

**Exhibit 62: Key attributes of food processing players**

| Company       | Players                                | Key Attributes  |
|---------------|--|---|
| Large Players | Mrs. Bectors Food Specialities Limited | <ul style="list-style-type: none"> <li>Large Scale and Investment Capabilities</li> </ul>                                       |
|               | Baker's Circle                         | <ul style="list-style-type: none"> <li>Strong Quality Compliance</li> </ul>   |
|               | General Mills                          | <ul style="list-style-type: none"> <li>Broader Geographical Outreach</li> </ul>   |
| Small Players |  | <ul style="list-style-type: none"> <li>Strong Processing Capabilities</li> </ul>  |
|               |  | <ul style="list-style-type: none"> <li>Multi Product Range</li> </ul>   |
|               | Cranberry Foods                        | <ul style="list-style-type: none"> <li>Customized Offerings</li> </ul>  |
|               | Signature International Foods          | <ul style="list-style-type: none"> <li>Strong Reach in local service area</li> <li>Ideal to cater to small FS brands</li> </ul> |

Source: Primary & Secondary Research

Presently the players in the bread & dough-based products are focusing on producing products for the western cuisine e.g. burgers, pizza dough etc. Customization of such products for the local cuisine esp. for the Indian breads such as Naans, Parathas etc. at reasonable prices will further open new fields for the players operating in the bread & dough segment.

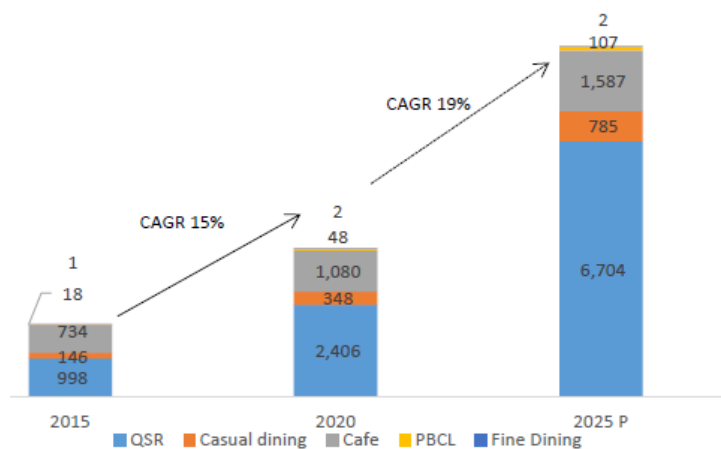
## Industry Review

### Frozen Dessert ( exc Ice creams) Market

The size of the frozen dessert market for the institutional food service businesses in India is estimated at ₹ 3.80 billion in Financial Year 2020 and is projected to grow at a CAGR of 19% over the next 5 years to reach ₹ 9.20 billion by 2025. Frozen desserts include frozen filled-in cakes, cheesecakes, tea cakes, mousse shots, brownies, pies, tarts, muffins and cookies. QSRs and cafés add these products to the menu without the need of additional staff and technology. The products, maintained frozen till needed, have to simply be thawed & microwaved to be served.

The size of the frozen dessert market for the institutional food service businesses in India is estimated at ₹ 3.80 billion in Financial Year 2020 and is projected to grow at a CAGR of 19% over the next 5 years to reach ₹ 9.20 billion by 2025. Frozen desserts include frozen filled-in cakes, cheesecakes, tea cakes, mousse shots, brownies, pies, tarts, muffins and cookies. QSRs and cafés add these products to the menu without the need of additional staff and technology. The products, maintained frozen till needed, have to simply be thawed & microwaved to be served.

**Exhibit 65: Frozen Dessert Market Size (₹ million) - Wholesale Prices**

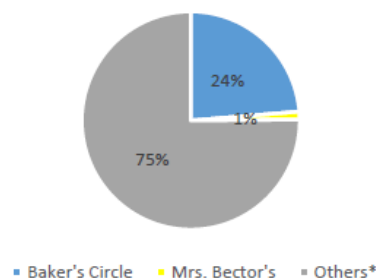


QSR chains such as Domino's, Subway and Mc Donalds's are an important format for the demand of frozen desserts as a range of desserts compliments their core menu. However, QSRs also have their own kitchens, and therefore sometimes procure standardised ingredients and carry out the last stage finishing process in their own kitchens.

Cafés like Starbucks and Barista on the other hand mostly do not have any installed capacity for bakery and choose to procure a variety of products such as puffs, croissants, quiches, muffins, brownies, cream cakes that they can offer in addition to their main beverage menu. A substantial part of the dessert portfolio of Café Coffee day and Barista is serviced through Baker's Circle.

It is estimated that cafés outsource more than 60% and QSRs outsource around 40% of their dessert range. Additionally, the share of revenue from desserts is higher in case of cafés as compared to that of QSRs. Frozen dessert suppliers have also started to export to the same food service brands in the Middle East and Africa. The frozen dessert segment is highly consolidated with only a few players dominating the pan India market. Companies like Baker's Circle, Tropilite and Mrs Bectors are supplying these products to QSRs and cafés.

**Exhibit 66: Share of Key Vendors in Frozen Dessert Market**



Source: Primary and Secondary Research (Based on estimates)  
 \*Others comprise of in-house commissaries of brands and small players



## Company Review

Mrs Bectors Food Specialities Limited is one of the leading companies in the premium and mid premium biscuits segment and the premium bakery segment in North India, according to the Technopak Report. Company manufactures and market a range of biscuit such as cookies, creams, crackers, digestives and glucose under flagship brand 'Mrs. Bector's Cremica'. Mrs Bectors Food Specialities Limited also manufactures and market bakery products in savoury and sweet categories which include breads, buns, pizza bases and cakes under brand 'English Oven'. It is 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

Company's products are manufactured in-house at six manufacturing facilities located in Phillaur and Rajpura (Punjab), Tahlial (Himachal Pradesh), Greater Noida (Uttar Pradesh), Khopoli (Maharashtra) and Bengaluru (Karnataka), which enables it to have an effective control over the manufacturing process and to ensure consistent quality of products. All manufacturing facilities are strategically located in proximity to target markets, which minimises freight and logistics related time and expenses. Company has a strong distribution network in India and globally in the general trade and the modern trade segment. During the period between April 1, 2020 to September 30, 2020, company distributed its biscuits across 23 states in India, through 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

## Competitive Strengths

### One of the leading brands in biscuits and bakery businesses in North India with an ability to establish brands:

Company is one of the leading companies in the premium and mid-premium biscuits segment in North India and sell products under flagship brand 'Mrs. Bector's Cremica', according to Technopak Report. It is among the top two Indian biscuit manufacturers in the premium and mid-premium biscuits segment in Punjab, Himachal Pradesh, Ladakh and Jammu and Kashmir (Source: Technopak Report). In the Financial Year 2020, it had a market share of 4.5% of the premium and mid-premium biscuits market in North India respectively, according to Technopak Report. Company believes its customers associate the brand 'Mrs. Bector's Cremica' with high quality premium and midpremium biscuits that incorporates quality, taste and value. Its brand recall is enhanced through arrangements with certain preferred retail outlets, which enhance brand visibility and presence in their shops by displaying company's products prominently in their shelves.

### A leading exporter of biscuits :

According to the Technopak Report, Mrs Bectors Food Specialities 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 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, company 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) Limited, Lulu Hypermarket Trading Co, E-Mart Inc., Atlas Global (HK) Limited, Omni Trade Services Limited, Universal Trade Limited, and World Wide Imports (2008) Ltd. Mrs Bectors exports various types of cookies such as danish cookies, choco chip cookies and centre filled cookies, creams, crackers and some glucose biscuits under flagship brand 'Mrs. Bector's Cremica'.

### Wide spread and established sales and distribution network

Company's extensive sales and distribution network allows to reach a wide range of consumers and ensures effective penetration of products and marketing campaigns. Its sales and distribution network is strategically spread across different states in North India, and has an especially strong outreach in certain urban and semi urban markets, where company expects growth to be more significant.

Company distributes its biscuits across 23 states in India, through 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 196 super stockists and 748 distributors supplying to wide range of customers through 458,000 retail outlets. Distribution channels include traditional retail, which defines as small,

privately-owned independent stores, typically at a single location. Company has also entered into arrangements with certain preferred retail outlets, which enhances brand visibility and presence. For the period between April 1, 2020 to September 30, 2020, it has a network of 4,422 preferred retail outlets. distribution network is managed by in- house sales team of over 403 personnel, as on September 30, 2020, who work closely with super stockists and distributors to understand consumer preferences, and to receive feedback on products and that of company's competition, which enables it to formulate an effective strategy for sales, marketing and pricing.



## Business Strategies

### **Focusing on growth in premium biscuits and bakery segment to improve margin:**

Company will continue to expand its product portfolio within the existing product segments, focus on increasing sales realisation and volumes, and strive to provide differentiated offerings to consumers. It seeks to leverage extensive experience to strengthen industry position, by developing new products to capitalise on emerging trends. To cater to the growing needs of millennial customers, company intends to expand 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, company believes will help realise higher margins. Company has also installed dedicated lines at Rajpura (Punjab) Facility in 2018 to cater to production of high margin premium products. Company believes it can also expand product portfolio in the biscuits segment, by offering a variety of biscuits, which it currently manufactures for the international market without significant additional investments in existing manufacturing processes or product development processes.

For its bakery segment, company has recently introduced new premium products such as sub breads, frozen doughs, pizzas, garlic breads, cheese garlic bun fills and frozen cookies. Company is also installing a dedicated line at Greater Noida Facility to cater to production of high margin products including desserts and frozen products such as frozen pizzas, sandwiches, and cakes, which it aims to cater to institutional customers such as multiplexes, cloud kitchens, hotels restaurants, cafés as well as retail customers.

### **Focus on increasing brand awareness:**

Mrs Bectors Foods Speciality 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. Company believes that its ability to differentiate brand and products from competitors through marketing and brand awareness programs is an important factor in attracting consumers.

### **Expansion of distribution network through diversification:**

While company has a strong distribution network in North India, its focus is to establish a pan India presence for biscuits and bakery segments by diversifying distribution network in other regions of India, where it is also setting up adequate infrastructure for such expansion. In North India, company is focusing on expanding distribution network for increased penetration in metros and foraying into semi-urban and rural markets. Company distributes products through depots to distributors and super stockists who further supply its biscuits and bakery products to retailers, wholesalers and sub distributors respectively.

## Risk Factors

### **Outbreak of Covid19:**

The ultimate impact will depend on a number of factors, many of which are outside company's control. These factors include the duration, severity and scope of the pandemic, the impact of the pandemic on economic activity in India and globally, the eventual level of infections in India or in the regions in which company operates, and the impact of any actions taken by governmental bodies or health organisations (whether mandatory or advisory) to combat the spread of the virus. These risks could have an adverse effect on business, results of operations, cash flows and financial condition.

### **Inability to anticipate, respond to and meet the tastes, preferences or consistent quality requirements:**

Company's results of operations and future growth plans, are largely dependent upon the demand for biscuits and bakery products in the Indian and overseas markets. Demand for products depends primarily on consumer-related factors such as demographics, local preferences, food consumption trends, the level of consumer confidence as well as on macroeconomic factors such as the condition of the economy. Company's success depends, on ability to anticipate the tastes and dietary habits of consumers and to offer affordable products that appeal to their needs and preferences in a timely manner. Company is also subject to the preferences of consumers in various countries or regions where consumers are located, including in relation to the quantity, quality, characteristics and variety of products. The quality and characteristics of products are also subject to government policies of various countries where products are sold, and such government policies may change from time to time. Consumer tastes and preferences often change over time, and if it is not able to anticipate, identify or develop and market products that respond to changes in consumer tastes and preferences, demand for products may decline and company may also have to incur additional operating expenses.



## Risk Factors

### Promoter subject to disciplinary action in the past:

One of Group Companies, CAFL was earlier listed on the OTCEI. During such period, CAFL received notices with respect to certain non-compliances such as non-submission of annual reports of CAFL for a period of five years, non-submission of details of its annual general meetings, its board meetings, shareholding patterns for various periods, non-submission of secretarial audit reports for certain periods and, non-appointment of a compliance officer etc. CAFL, by way of its application dated January 20, 2013 filed on February 12, 2013, sought for compounding of such offences. Further, SEBI had derecognized OTCEI by way of its order dated March 31, 2015 and accordingly, CAFL, a company listed on the OTCEI, was identified as an exclusively listed company of a de-recognised stock exchange and was placed on the dissemination board pursuant to the SEBI circular dated October 10, 2016 ("SEBI 2016 Circular").

Pursuant to being placed on the dissemination board, a notice dated March 28, 2018 and letter dated April 9, 2018 were issued by BSE which alleged CAFL had failed to submit its plan of action under SEBI 2016 Circular which required CAFL to either provide an exit option to its public shareholders or indication to meet the listing requirements within the prescribed timelines in compliance with the SEBI 2016 Circular to the BSE. Accordingly, certain actions were initiated against CAFL as well as the directors and promoters of CAFL which included Promoter, Mr. Anoop Bector and one of non-executive directors i.e., Ms. Rajni Bector. CAFL by way of its letters dated February 8, 2017 and April 4, 2018, intimated to BSE about the intention of listing its shares with the Metropolitan Stock Exchange of India Limited ("MSEIL"). Therefore, on July 16, 2018, on listing of securities of CAFL and admission for trading on the MSEIL, CAFL complied with the requirements of the SEBI 2016 Circular, subsequent to which, the name of CAFL was removed from the dissemination board by BSE as communicated by BSE pursuant to its letter dated July 20, 2018 (ref no. DCS/DB/VK/REMOV/657/2018-19).

Company cannot assure that, in the future, no legal proceedings or regulatory action will be initiated against Company, Promoter or CAFL in this regard, which may have an adverse impact on business, financial condition and reputation. Company cannot assure that it will not be subject to any penalty or liabilities with respect to such non-compliances in the future.

## Peer Comparison

| Name of the Company                | Revenue (Crores) | FV | Basic EPS | NAV    | P/E   | P/B   | RONW    |
|------------------------------------|------------------|----|-----------|--------|-------|-------|---------|
| Mrs. Bector Food Specialities Ltd. | 765              | 10 | 5.31      | 55.76  | 54.24 | 5.16  | 9.52%   |
| Nestle India Ltd.                  | 12616            | 10 | 204.28    | 200.41 | 89.85 | 91.59 | 101.93% |
| Britannia Industries Ltd.          | 11879            | 1  | 58.35     | 183.09 | 63.97 | 20.39 | 31.65%  |
| Prataap Snacks Ltd.                | 1403             | 5  | 20.01     | 259.24 | 33.68 | 2.60  | 7.72%   |
| DFM Foods Ltd.                     | 515              | 2  | 4.87      | 29.03  | 80.70 | 13.54 | 16.79%  |

\*P/E & P/B ratio based on closing market price as on December 11th, 2020, At the upper price band of IPO, financial details consolidated audited results as on FY20

## External Ratings

As on August 28 2020, the company has a credit rating of A+ for term loans, A+ for fund based limits and A1+ non fund based limits by ICRA.



## Our Views

Mrs Bectors Food Specialities Limited had stable revenues for the last 3 years, while the company has reported a growth of 18% in the revenues in the H1FY21 vs H1FY20 with rise in the operating margin to 16.8% in H1FY21 vs 10.7% in H1FY20. The pandemic has led to people preferring more of packaged food that led the company to perform better. In addition to it there has been a rise in the snackification, we believe that company would be able to do better in the years to come. Approximately 60% of the company's revenues are generated from Biscuits with the company's sale of premium and mid premium biscuits constituting more than 80% that gives company an advantage of expansion of margins going ahead as the brand value rises. The manufacturing location of the company is being closer to raw materials also helps company to give cost advantage. In addition to the stability in the revenues and margins along with the macro events leading to consumers preferring packaged foods, the company is at a P/E of 54x as per FY20 (on upper price band), making it available at discount in comparison to 90x and 64x of Nestle and Britannia respectively. We recommend a SUBSCRIBE for listing gains along with long term for the IPO .

**Sources: Company Website and Red Herring Prospectus**



### **Analyst Certification**

We/I Akshay Pradhan, M.Com, Research Analyst authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

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