

Mrs. Bectors Food Specialities Ltd : Good Issue

IPO Note : Leading in the premium bakery segment. Flat Growth in Sales & EBITDA. Negative PAT Growth : Fully Priced : Ranking***



Issue details

Price band (Rs)	Rs.286-288
IPO Opening Date	15/12/20
IPO Closing Date	17/12/20
Issue Size	Rs.540 Cr.

Recommendation

On the financial performance front, on a consolidated basis, BFSL has posted turnover/net profits of Rs. 695.76 cr. / Rs. 35.89 cr. (FY 18), Rs. 786.03 cr. / Rs. 33.15 cr. (FY19), Rs. 764.98 cr. / Rs. 30.40 cr. (FY20).

For the first half of the current fiscal, it has posted a net profit of Rs. 38.88 cr. on a turnover of Rs. 438.56 cr. (against a net profit of Rs. 10.17 cr. on a turnover of Rs.366.21 cr. in the corresponding previous first half). **Thus the performance of the first half of FY 21 (the IPO year) is a bit surprising.** Based on FY20 earnings, the issue is priced around 56 P/E while on the basis of FY21 H1 annualized data, P/E is around 22. According to management, its capacity expansion mode for FY19 and 20 caused static performance and for H1 FY21 it has yielded benefits of utilization of expanded capacities. With more capacity expansions underway, the company is confident of maintaining growth in top and bottom lines going forward. Sustainability of such performance amidst stiff competition from the local players with organized and unorganized players remains a major worry. **Considering all these, investors may consider moderate investment in this IPO.**

Highlights

- Bectors Food is one of the leading players in biscuits and bakery product segments.
- The company manufactures and markets a range of biscuits such as cookies, creams, crackers; digestives and glucose under our flagship brand 'Mrs. Bector's Cremica'
- BFSL supplies its products to retail consumers in 26 states within India, as well as to reputed institutional customers with pan-India presence and to 64 countries across six continents during the Financial Year ended March 31, 2020.
- The company has six manufacturing units - 2 in Punjab and 1 each in Himachal Pradesh, Uttar Pradesh, Maharashtra and Karnataka.

Company Introduction

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.

All of its products are manufactured in-house across 6 strategically located manufacturing units in 5 different cities i.e. Maharashtra, Karnataka, UP, Himachal Pradesh, and Punjab. 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



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Financial Summary (Rs. In Crore)

Particulars	Six months ended Sept. 30, 2020	FY2020	FY2019	FY2018
Total Income	438.55	764.97	786.02	695.75
Net Profit	38.88	30.40	33.15	35.89
EPS (Rs)	6.61*	5.17	5.64	6.1

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

countries all over the world.

Company Promoters:

Mr. Anoop Bector is the promoter of the company.

Objects of the Issue:

The funds raised through the Mrs. Bectors Food IPO are proposed to be utilized towards below objects:

- To finance the cost of Rajpura Expansion Project
- To meet general corporate purposes

IPO Issue Proceed

To part finance expansion of Rajpura manufacturing unit (Rs. 40.54 cr.) and provide a partial exit to existing shareholders, BFSL is coming out with a maiden combo offer of fresh equity share issue worth Rs. 40.54 cr. and an offer for sale of Rs. 500 cr. making the overall issue size of Rs. 540.54 cr. The issue is opening for subscription on December 15, 2020, and will close on December 17, 2020. The company has fixed a price band of Rs. 286 - Rs. 288 per share. Thus on a higher price band, the company will be issuing approx. 1407650 fresh equity shares and it may offer approx. 17361100 equity shares under offer for sale thus making the overall issue for approx. 18768750 equity shares. The company has reserved shares worth Rs. 0.5 cr. for eligible employees and may offer a discount of Rs. 15 per share to them. Minimum application is to be made for 50 shares and in multiples thereon, thereafter. Of the residual portion, BFSL has reserved 50% for QIBs, 15% for HNIs and 35% for retail investors. Post allotment, shares will be listed on BSE and NSE. Post issue, BFSL's current paid-up equity capital of Rs. 57.34 cr. will stand enhanced to Rs. 58.75 cr. and based on the upper cap of the price band; it is looking for a market cap of approx. Rs. 1692 cr.

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