

MRS. BECTORS FOOD SPECIALITIES LIMITED

Temporary bumps ahead; Long-term prospects remain intact

LKP
Since 1948

Trust • Invest • Grow

- Mrs. Bector Foods Specialities Ltd (MBFSL) reported strong growth of 19.7% YoY in Revenue during the quarter to ₹4,963 mn vs ₹4,145 mn in the year-ago quarter. However EBITDA/PAT saw growth of 9%/4%, EBITDA growth was the lowest in the last eight quarters due to high freight and raw material prices.
- In Q3 inflationary pressures intensified further as palm oil prices continues to rise which might further impact its margins. However, the management still maintains its target of 14-15% operating margins on an annualized basis.
- We expect MBFSL to clock a Revenue/ EBITDA/PAT CAGR of 17%/19%/21% respectively over FY24-26E. Therefore we maintain our 'BUY' rating and a TP of ₹2,000 at a PE of 60x of FY26 EPS of ₹33.

Double-digit volume growth continues to drive top-line; Steady growth in exports

MBFSL reported a 19.4% YoY growth (13% QoQ) in its Revenues to ₹4,963 mn in Q2FY25 from ₹4,145 mn in Q2FY24. The company's gross margin improved 64bps YoY (-65 bps QoQ) in Q2FY25 to 47.3% vs 46.7% in Q2FY24. Company posted a growth in consolidated EBITDA by 9% YoY (10% QoQ) to ₹705 mn in Q2FY25. EBITDA margins came in lower by 140 bps YoY (-37 bps QoQ) to 14.2% in Q2FY25 vs 15.6% in Q2FY24. Company reported Profit After Tax of ₹389 mn grew by 4.5% YoY (Flat QoQ) with PAT margins at 7.8% in Q2FY25 vs 9% in Q2FY24.

MBFSL's Biscuit segment sales stood at ₹3.2 bn against ₹2.6 bn in Q2 FY24, registering a strong growth of 24% compared to Q2 FY24 including domestic and export biscuit segment. In Q2 FY25 MBFSL's Bakery segment revenue stood at ₹1.7 bn as against ₹1.4 bn in Q2 FY24, registering a growth of 19% compared to Q2 FY24 including retail bakery and institutional segment. In Biscuits MBFSL saw continuous traction in its export business however it witnessed some slowdown in the domestic side mainly due to heavy monsoon and low demand in the modern trade.

Key Financials	FY 22	FY 23	FY 24	FY 25E	FY 26E
Total Income (₹ mn)	9,882	13,621	16,239	18,935	22,135
EBITDA margins (%)	12.4%	12.9%	14.9%	14.6%	15.5%
PAT margins (%)	5.9%	6.6%	8.6%	8.2%	9.2%
EPS (₹)	9.9	15.4	23.8	25.4	33.1
P/E (x)	164.6	105.6	68.2	64.0	49.0
P/BV (x)	20.3	17.5	14.4	12.2	9.8
EV/EBITDA (x)	78.2	54.7	39.8	36.4	29.1
Adj ROE(%)*	12.3%	16.6%	21.1%	19.0%	19.9%
Adj ROCE (%)	13.0%	18.3%	21.2%	19.4%	20.9%

*PAT except exceptional items

BUY

Current Market Price (₹) :	1,618
12M Price Target (₹) :	2,000
Potential Return (%) :	24

Stock Data

FV (₹)	:	10
Total Market Cap (₹ bn)	:	100
Free Float Market Cap (₹ bn)	:	49
52-Week High / Low (₹)	:	2,200 / 964
BSE Code / NSE Symbol	:	543253/BECTORFOOD
Bloomberg	:	BECTORS: IN

Shareholding Pattern

(%)	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	49.03	51.18	51.18	51.18
MF's	20.42	20.22	20.42	17.18
FPIs	13.12	8.22	8.39	9.32
AIF's	0.28	0.28	0.64	0.78
Others	17.15	20.10	19.37	21.54

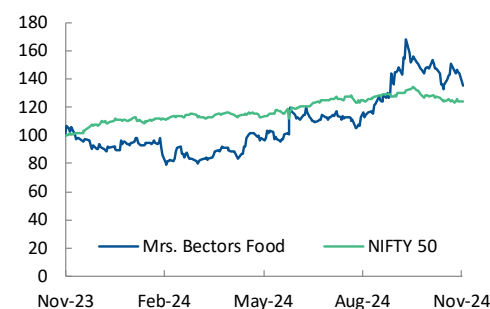
Source: BSE

Price Performance

(%)	1M	3M	6M	12M
MBFSL	-7.9%	20.3%	38.0%	35.5%
Nifty 50	-3.3%	-0.9%	9.5%	23.6%

* To date / current date : November 11, 2024

MBFSL vs Nifty 50



Volume growth slowed down in Q2FY25; Margin remain vulnerable as Inflation further intensifies

Although the revenue growth was in-line with our estimates volume growth of 10% was below our estimates of 14-15% followed by EBITDA & PAT margins mainly due to inflationary pressures. In Q3 inflationary pressures intensified further as palm oil prices continues to rise which might further impact its margins. However, the management still maintains its target of 14-15% operating margins on an annualized basis. We believe margins might be impacted temporarily due to inflation in key raw material prices however long-term prospects remain bright as premiumization strategy is working well for them coupled with price hikes expected in the bakery segment.

Capex Update: MBFSL successfully completed a capital raise of ₹4 bn this quarter, a milestone that bolsters its strategic priorities. The proceeds will primarily go towards reducing outstanding debt, with ₹1.6 bn already repaid. Remaining funds are earmarked for expanding production capabilities, including investments in the biscuit plant in Dhar, Madhya Pradesh, and further capital allocation to its subsidiary, Bakebest Foods Private Limited, for establishing a new bakery facility in Khopoli, Maharashtra.

MBFSL commissioned an additional biscuit line in Rajpura in Q2. Construction of the upcoming facilities in Dhar and Khopoli is progressing on schedule, with operations expected to commence by March and June, respectively. These expansions strengthen MBFSL's production capacity, enhance its geographic reach across India, and position it competitively against both organized and unorganized market players.

Quarterly Performance

(₹ mn)	Q2FY25	Q2FY24	YoY	Q1FY25	QoQ
Sales	4,963	4,145	19.7%	4,394	12.9%
Raw Material	2,613	2,209	18.3%	2,285	14.4%
Employee Cost	665	546	21.7%	638	4.3%
Other expenses	980	743	31.9%	831	17.9%
Total Operating expenses	4,258	3,499	21.7%	3,754	13.4%
EBITDA	705	647	9.0%	640	10.1%
EBITDA Margin (%)	14.2%	16%	332 bps	15%	465 bps
Depreciation	193	150	29.0%	173	11.6%
EBIT	511	497	3.0%	467	9.5%
Other Income	56	32	78.9%	50	12.3%
Interest	43	29	49%	42	2.0%
Exceptional items	-	-	-	-	-
Profit Before Tax	525	499	5.1%	475	10.5%
Tax	136	127	7.0%	121	12.1%
Tax rate (%)	26%	25%	46	25%	36
Profit after tax	389	373	4%	354	9.9%
PAT Margin (%)	8%	9.0%	-115	8%	-21
EPS (₹)	7	6	4%	6	8.8%

Source: Company, LKP Research

Outlook & Valuation

MBFSL will continue to outperform its large peers in terms of volume and value growth on the back of its Pan-India expansion in both biscuits and bakery coupled with consistent B2B business and export sales. MBFSL's focused approach on premiumisation across categories coupled with healthy growth in its Institutional Bakery and Biscuit export business will continue to support its double-digit volume growth. Post commissioning of ₹3.5bn capex by H2FY25 the company is aiming to increase its direct reach to 1 million from 7 lakh outlets currently. We believe MBFSL will benefit from a) Premiumisation trends in the underlying sector supported by structural tailwinds b) Strategic expansion of capacities in key areas and enhancing distribution reach c) New product innovations across categories d) continued market share gains in the export business. We expect MBFSL to clock a Revenue/ EBITDA/PAT CAGR of 17%/19%/21% respectively over FY24-26E. Therefore we maintain our 'BUY' rating and a TP of ₹2,000 at a PE of 60x of FY26 EPS of ₹33.

Risks

- Slowdown in the Premiumisation Trend in Biscuits and Bakery.
- Breach of any safety standards may lead to negative publicity.
- High competition.

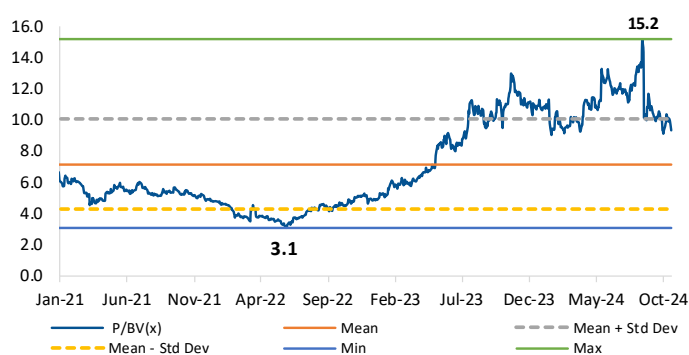
Con-Call KTA's

- Growth prospects:** The company remains focused on driving growth through several key areas by capitalizing on premiumization trends by delivering quality premium products to meet rising consumer demand. Additionally, its export business continues to grow steadily with increasing market share internationally.
- On Inflationary pressures:** Inflation in edible oil, palm oil and cocoa has gone up substantially mainly due to import duty hikes along with some escalation of prices internationally. Phase one of price hike in the bakery segment has already been executed, there will be a gradual price increase in biscuit portfolio as well.
- On Distribution:** MBFSL has successfully onboarded approximately 550-600 distributors onto the DMS (Distributor Management System), covering around 65% of the company's revenue. For smaller distributors, MBFSL is piloting a "mini DMS," with results expected in November. A broader rollout of the mini DMS is targeted for Q4.
- On Margin guidance:** Management reiterated its annual EBITDA margin guidance of 14-15% and remains committed to this target. Due to recent commodity price increases, especially affecting the biscuit segment, there may be a temporary margin impact in the coming quarter, as it typically takes 2-3 months to adjust pricing in the market. However, margins are expected to stabilize by the subsequent quarter as these pricing adjustments take effect.

P/E(x) mean and standard deviation



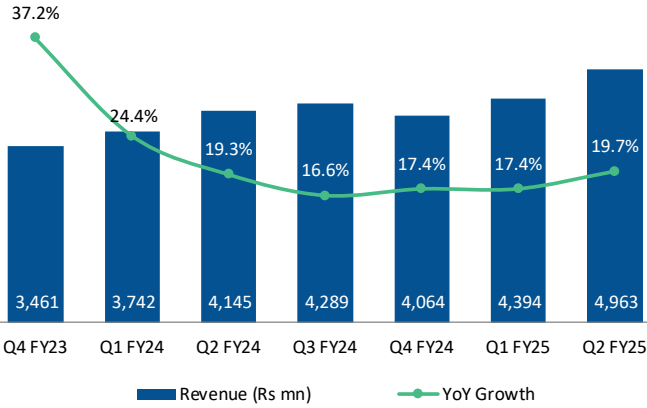
P/BV(x) mean and standard deviation



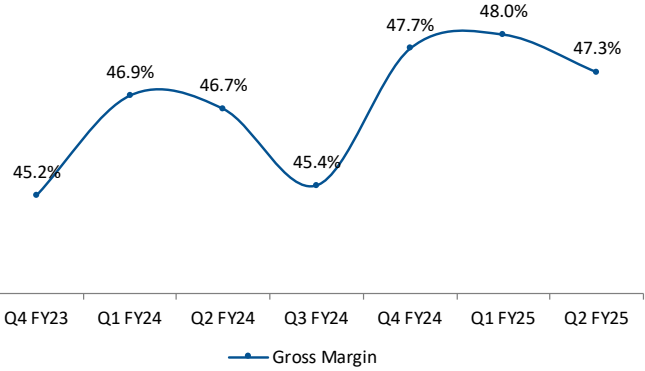
Source: ACE Equity, LKP Research

Financial Charts

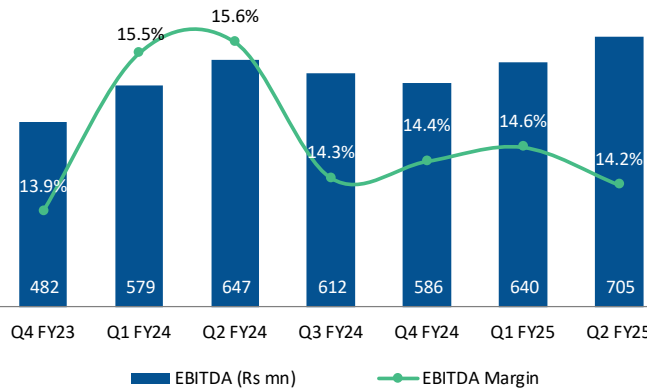
Revenue Growth remains healthy



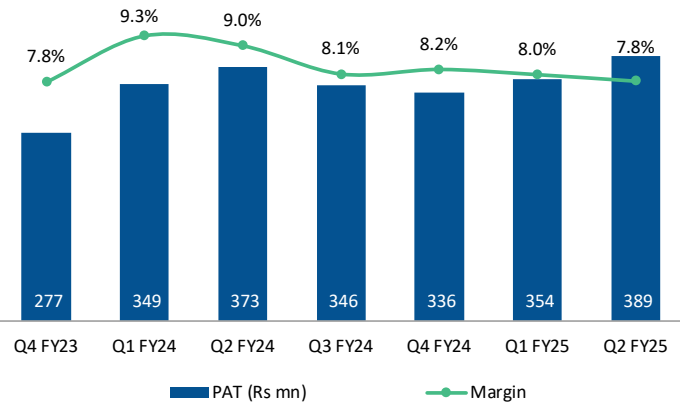
Gross margin holds ground in Q2FY25



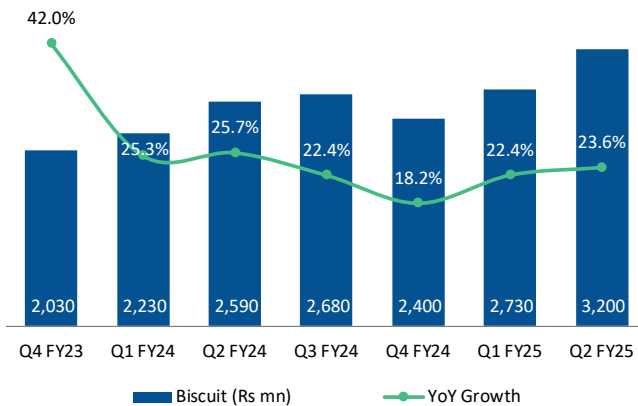
Operating margins expected to sustain between 14-15%



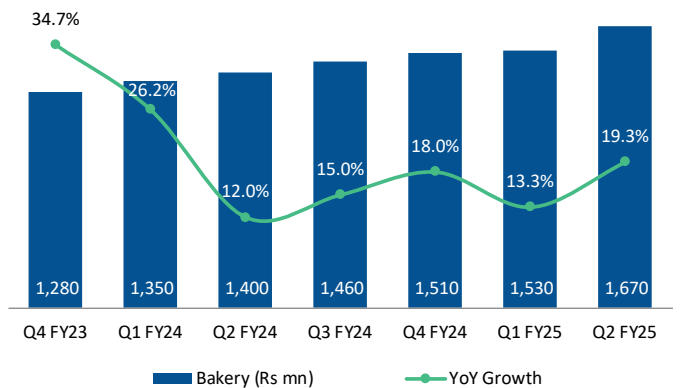
PAT margin remains In-line



Biscuit segment growth led by exports



Bakery segment growth led by B2B & Retail



Source: Company, LKP Research

Income Statement

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E
Revenue	13,621	16,239	18,935	22,135
Raw Material Cost	7,541	8,661	10,130	11,687
Employee Cost	1,630	2,182	2,556	2,988
Other Exp	2,699	2,972	3,484	4,029
EBITDA	1,752	2,424	2,764	3,431
EBITDA Margin(%)	12.9%	14.9%	14.6%	15.5%
Depreciation	533	614	789	847
EBIT	1,219	1,810	1,975	2,584
EBIT Margin(%)	9.0%	11.1%	10.4%	11.7%
Other Income	120	190	228	274
Interest	129	118	124	130
Profit Before tax (PBT)	1,210	1,882	2,079	2,728
PBT margin (%)	8.9%	11.6%	11.0%	12.3%
Tax	306	479	522	696
Profit After Tax	904	1,403	1,557	2,032
PAT Margins (%)	6.6%	8.6%	8.2%	9.2%
Other comprehensive income/loss	-1	-3	0	0
Rep PAT	904	1,400	1,557	2,032
RPAT Margins (%)	6.6%	8.6%	8.2%	9.2%

Key Ratios

YE Mar	FY 23	FY 24	FY 25E	FY 26E
Per Share Data (₹)				
Adj. EPS	15.4	23.8	25.4	33.1
CEPS	24.4	34.2	38.2	46.9
BVPS	92.5	112.7	133.3	166.4
Growth Ratios(%)				
Revenue	37.8%	19.2%	16.6%	16.9%
EBITDA	43.0%	38.4%	14.0%	24.1%
EBIT	59.4%	48.5%	9.1%	30.8%
Adj.PAT	56.0%	55.0%	11.2%	30.5%
Valuation Ratios (X)				
PE	105.6	68.2	64.0	49.0
P/CEPS	66.5	47.4	42.5	34.6
P/BV	17.5	14.4	12.2	9.8
EV/Sales	7.0	5.9	5.3	4.5
EV/EBITDA	54.7	39.8	36.4	29.1
Operating Ratios (Days)				
Inventory days	21.5	23.0	22.0	23.0
Receivable Days	23.9	29.5	27.0	26.0
Payables day	20.5	23.6	22.0	22.0
Debt to Equity (x)	0.22	0.34	0.28	0.22
Performance Ratios (%)				
AROA (%)	10.9%	12.7%	12.1%	13.3%
AROE (%)	16.6%	21.1%	19.0%	19.9%
AROCE (%)	18.3%	21.2%	19.4%	20.9%
Asset Turnover(x)	2.07	2.02	1.88	1.86
Inventory Turnover(x)	16.7	15.7	16.4	18.3

Balance Sheet

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E
Equity and Liabilities				
Equity Share Capital	588	588	588	588
Reserves & Surplus	4,855	6,041	7,598	9,631
Total Networkth	5,443	6,629	8,186	10,218
Long term Borrowings	940	1,490	1,490	1,490
Deferred tax liability	98	95	110	127
Other Non-Current liabilities	186	341	415	500
Total non-current liab & provs	1,224	1,926	2,016	2,117
Current Liabilities				
Short term Borrowings & Provs	327	806	831	823
Trade Payables	775	1,067	1,157	1,353
Other current & fin liabilities	545	575	731	793
Total current liab and provs	1,647	2,448	2,720	2,969
Total Equity & Liabilities	8,314	11,003	12,922	15,304
Assets				
Gross block	6,586	8,041	10,072	11,901
Net block	4,076	4,916	6,158	7,140
Capital WIP	487	944	794	594
Other non current assets	810	1,050	1,263	1,469
Total fixed assets	5,373	6,910	8,215	9,203
Inventories	814	1,037	1,157	1,210
Trade receivables	903	1,331	1,420	1,368
Cash & Bank	749	1,271	1,170	2,115
Other current assets	475	454	959	1,409
Total current Assets	2,941	4,093	4,706	6,101
Total Assets	8,314	11,003	12,922	15,304

Cash Flow

(₹ mn)	FY 23	FY 24	FY 25E	FY 26E
PBT	1,207	1,883	2,079	2,728
Depreciation	533	614	789	847
Interest	129	118	124	130
Other Adjustments	613	614	913	976
Operating CF before WC changes	2,482	3,229	3,906	4,681
Changes in working capital	118	-472	-154	126
Tax paid	-298	-490	-522	-696
Cash flow from operations (a)	1,641	1,534	2,316	3,134
Capital expenditure	-1,095	-2,152	-2,031	-1,829
Other investing activities	-415	-84	561	-193
Cash flow from investing (b)	-1,510	-2,235	-1,470	-2,022
Free cash flow (a+b)	131	-701	846	1,113
Proceeds/Repayments from short term borrowings	-80	454	598	182
Proceeds/Repayment of long term borrowings	1	585	-	-
Other flows in financing activities	-287	-351	-350	-350
Cash flow from financing (c)	-366	688	248	-168
Net chng in cash (a+b+c)	-235	-14	1,094	945
Closing cash & cash equivalents	749	1,271	1,170	2,115

LKP Sec. Ltd. (CIN-L67120MH1994PLC080039, www.Lkpsec.com) and its affiliates are a full-fledged, brokerage and financing group. LKP was established in 1992 and is one of India's leading brokerage and distribution house. LKP is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX). LKP along with its subsidiaries offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, insurance broking and services rendered in connection with distribution of primary market issues and financial products like mutual funds etc.

LKP hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on LKP for certain operational deviations in ordinary/routine course of business. LKP has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

LKP offers research services to clients. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by LKP and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

Research Analyst or his/her relative's financial interest in the subject company. (NO)

LKP or its associates may have financial interest in the subject company.

LKP or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (LKP) has not been engaged in market making activity for the subject company.

LKP or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: (NO)

LKP or its associates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

LKP or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report.

Subject Company may have been client of LKP or its associates during twelve months preceding the date of distribution of the research report and LKP may have co-managed public offering of securities for the subject company in the past twelve months.

Research Analyst has served as officer, director or employee of the subject company: (NO)

LKP and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LKP or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person.

Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

All trademarks, service marks and logos used in this report are trademarks or registered trademarks of LKP or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LKP. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of LKP.