



Mrs. Bectors Food Specialities Limited incorporated in Sept. 15, 1995, is one of the leading companies in the premium and mid-premium biscuits segment and the premium bakery segment in North India. The 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'. The Company manufactures and sells various types of premium bakery products in savory and sweets categories for retail customers such as breads, buns, pizza bases, and cakes under the "English Oven" brand which has witnessed a CAGR of 29 percent in the last two Financial Years and is the largest selling brand in Delhi, NCR, Mumbai, Bangalore. The company 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 6 continents during the Financial Year ended March 31, 2020. 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.

Well established Marquee flagship brands; good client base for institutional bakery business & contract manufacturing..

'Mrs. Bector's Cremica' is one of the leading biscuit brands in the premium and mid-premium segment in Punjab, Himachal Pradesh, Jammu and Kashmir and Ladakh and 'English Oven' is the one of the largest selling brand in the premium bakery segment in Delhi NCR, Mumbai and Bengaluru. The company primarily manufacture premium and mid-premium category of biscuits including cookies, creams, crackers and digestives. They manufacture glucose biscuits catering to certain domestic as well as export customers. The Company also manufactures 'Oreo' biscuits and 'Chocobakes' cookies on contract basis for Mondelez India Foods Pvt. Ltd. The Company also manufacture and supply biscuits for some of its international customers under its brand 'Mrs. Bectors Cremica' and under their private labels respectively. It is the largest supplier of buns in India to reputed QSR chains such as Burger King India Ltd., Connaught Plaza Restaurants Pvt. Ltd., Hardcastle Restaurants Pvt. Ltd. and Yum! Restaurants (India) Pvt. Ltd.

Robust infrastructure with best of technology..

The Company's products are manufactured in-house at their six manufacturing facilities located in Phillaur and Rajpura, Tahliwal, Greater Noida, Khopoli and Bengaluru. It has specifically sourced best in class equipment from Denmark, Germany, US and Italy. The Plants are equipped with best of technology with capability to produce international quality products. The Company has integrated modern technologies in its manufacturing process such as the 'Farinograph', which allows them to ensure using consistent quality of wheat during the manufacturing process.

Leading Biscuits Exporter..

The Company exported their biscuits to 64 countries FY20, through its strong global distribution network and their tie-ups with 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 now has shifted focus to developed and emerging markets such as Asia, Australasia, Europe, MENA region and North America to cater various retailers by introducing a wide range of premium products focusing on generating higher margins. Post realignment, the exports segment has grown by 39 percent on yoy basis in H1 FY21.

Investment recommendation and rationale

At the upper end of the price band of Rs. 288, the Company's IPO is valued at

Issue date	Dec. 15 – Dec. 17, 2020
Listing date	Dec. 28, 2020
Price Band	Rs. 286 - Rs. 288 (Face value: Rs. 10)
Bid lot	50 equity shares and in multiples thereof
Issue type	Fresh Issue of Equity shares aggregating up to Rs. 40.54 crores and Offer for sale of equity shares aggregating up to Rs. 500 crores
Issue size	Rs. 540.54 crores
Issue structure	QIB – 50 %, NIB – 15%, Retail – 35%
Post issue shares	5.87 crore equity shares
Post issue market cap	Rs. 1,692 crores
BRLM	SBI Capital Markets, ICICI Securities, IIFL Securities
Registrar to the issue	Link Intime India Pvt. Ltd.

Particulars (Rs. crores)	H1FY21	FY20	FY19	FY18
Revenue from operations	431	762	784	694
EBITDA	72	93	96	86
EBITDA (%)	16.76	12.18	12.27	12.32
Profit after tax	38.9	30.4	33.2	35.9
PAT margin (%)	9.02	3.99	4.23	5.17
Equity share cap.	57.27	57.27	57.27	57.27
Networth	358	319	295	267
Long term debt	101	86	107	95
Post IPO EPS (Rs.)	6.63	5.18	5.66	6.12
P/E (x)	22#	56	51	47
Working capital cycle (days)	25	33	35	33
RoE (%)	22#	9.9	11.81	14.30

Source: RHP, # denotes P/E and ROE on annualised H1FY21 numbers

P/E of 56x on FY20 EPS which is expensive and P/E of 22x on annualised H1FY21 EPS which looks decent. The Company will always enjoy premium post listing owing to its dominance in the premium biscuit segment with established brands. We recommend "SUBSCRIBE" to the issue due to the following factors: a) leading premium bakery player in India and one of the leading companies in the premium and mid-premium biscuits segment in North India, b) Mrs. Bector's Cremica is one of the leading brands in biscuits in North India; 89%+ of the total biscuit sales are branded, c) "English Oven", a home grown and developed brand, is one of the fastest growing large-scale premium bakery brands in India with EBITDA margins of ~20%, d) leading biscuits exporter, e) sole / preferred Supplier to some of the Largest QSR Franchises in India like Burger King India Limited, Connaught Plaza Restaurants Pvt. Ltd PVR etc., f) significant investments made over the last few years to establish and enhance capacities and premiumization of product portfolio will reap benefits in coming years, g) present at 458k retail outlets across India which are serviced through in-house sales team of 250+ personnel, h) witnessed a CAGR of 7.5 percent despite facing capacity constraints during the years FY18 and FY19, g) positive operating cashflow, low debt/equity of 0.28x as on H1FY21, low working capital cycle and decent return ratios.

Background

The company was founded by Rajni Bector, and their recipes are inspired by the original recipes created by her. Mrs. Bectors Food Specialities Limited was originally incorporated as 'Quaker Cremica Foods Private Limited' on September 15, 1995. The company was promoted by Anoop Bector who holds an aggregate of 12,550,800 Equity Shares, comprising 21.89% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the company.

Objects of the issue

- 1) Fresh issue: Rs. 40.54 crores for financing the project cost towards Rajpura Expansion project
- 2) Offer for sale: Rs. 500 crores

Offer for Sale	Amount	No of Shares
Rs. 500.00 crores		Upto 17,482,516 - 17,361,110 Equity Shares
Linus – The Investor Selling Shareholder	Rs. 245.00 crores	8,566,434 – 8,506,944 Equity Shares
Mabel – The Investor Selling Shareholder	Rs. 38.50 crores	1,346,154 – 1,336,805 Equity Shares
GW Crown – The Investor Selling Shareholder	Rs. 186.00 crores	6,503,496 – 6,458,333 Equity Shares
GW Confectionery – The Investor Selling Shareholder	Rs. 30.50 crores	1,066,433 – 1,059,028 Equity Shares

Source: RHP

Average cost of acquisition of Equity Shares of the Promoter and each of the Selling Shareholders Name	No. of Equity Shares held	Average cost of acquisition per equity share (in Rs.)
Promoter		
Anoop Bector	12,550,800	6.46
Investor Selling Shareholders		
Linus	13,120,790	174.89
Mabel	1,380,150	175.46
GW Crown	11,170,496	175.46
GW Confectionary	1,099,540	175.46

Source: RHP

Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.



It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author 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. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net, 022-67160431 (D)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062