

4 February 2025

Mrs Bector's Food Specialties

Baking a wholesome biscuit and bakery play; initiating, with a Buy

Rating: **Buy**

Target Price (12-mth): Rs.1,875

Share Price: Rs.1,491

One of the leaders in premium and mid-premium biscuits (a 5% share in North India), and other bakery items mainly in north India, Mrs Bectors Food Specialties manufactures and markets biscuits under its flagship brand 'Mrs Bector's Cremica' and bakery items under 'English Oven'. Its diverse mix of biscuits (~61% of revenue), bakery (~35%), domestic (61%), exports (31%), B2B and B2C makes it a wholesome play. Its gradual expansion into the South and West presents attractive growth opportunities in the medium to long term. We initiate coverage on the stock with a Buy and a 12-mth TP of Rs1,875 (48x FY27e EPS), implying 26% potential.

Amongst the best mid-premium play in biscuits, bakery. In the premium and mid-premium categories, the company is one of the top two biscuit makers in Punjab, HP, J&K and Ladakh. Its 'English Oven' brand is one of the largest sellers in the premium bakery category in the NCR, Mumbai and Bengaluru. Its premium biscuit range accounted for 39% of its domestic revenue in Q1 FY25, from 27-28% in FY22.

Expanding into the West and South. In FY24, the company expanded to 15 cities in west and south India (vs. just three earlier), where it has 20,000 outlets (of 300,000 nation-wide). The figure is gradually rising. It is also a major exporter of biscuits, to 70 countries (a 12% share of India's biscuit exports). We forecast a 15.5% revenue CAGR over FY24-27 aided by distribution expansion, innovation and premiumisation.

We bake in 50bps EBITDA margin expansion to 15.4% by FY27. While higher input costs are expected to weigh on FY25 EBITDA margins, we expect consistent premiumisation and cost-saving efforts (Project Impact 1.0) should aid in driving EBITDA margin betterment over FY25-27. Thus, we build in a 50bp expansion in the EBITDA margin over FY24-27 to 15.4%, despite higher brand spends (4-5% of sales) in the company's B2C business.

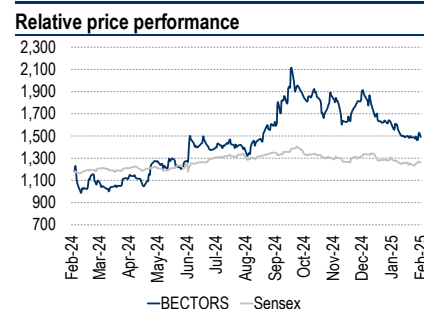
Valuation. At the CMP, the stock trades at 60x/47x/38x FY25e/FY26e/FY27e EPS of Rs24.7/31.7/39.1. **Key risks:** Failed launches, expensive bolt-on acquisitions, geopolitical turbulence constricting its international business and a sharp jump in its key input prices.

Key financials (YE Mar)	FY23	FY24	FY25e	FY26e	FY27e
Sales (Rs m)	13,621	16,239	19,012	21,945	25,046
Net profit (Rs m)	904	1,403	1,516	1,946	2,398
EPS (Rs)	14.7	22.9	24.7	31.7	39.1
P/E (x)	101.2	65.2	60.3	47.0	38.2
EV / EBITDA (x)	52.3	38.1	32.7	26.9	22.5
P / BV (x)	16.8	13.8	7.7	6.7	5.8
RoE (%)	16.6	21.2	12.7	14.3	15.3
RoCE (%)	15.6	19.0	14.5	14.5	15.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt / equity (x)	0.1	0.1	-0.3	-0.3	-0.3

Source: Company RHP, Anand Rathi Research

Key data	BECTORS IN / MRSB.BO
52-week high / low	Rs2200 / 964
Sensex / Nifty	77187 / 23361
3-m average volume	\$2.1m
Market cap	Rs.92bn / \$1050.2m
Shares outstanding	61m

Shareholding pattern (%)	Dec'24	Sep'24	Jun'24
Promoters	49.0	49.0	51.2
- of which, Pledged	-	-	-
Free Float	51.0	51.0	48.8
- Foreign Institutions	15.6	13.1	8.2
- Domestic Institutions	19.7	20.9	20.8
- Public	15.6	16.9	19.8



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

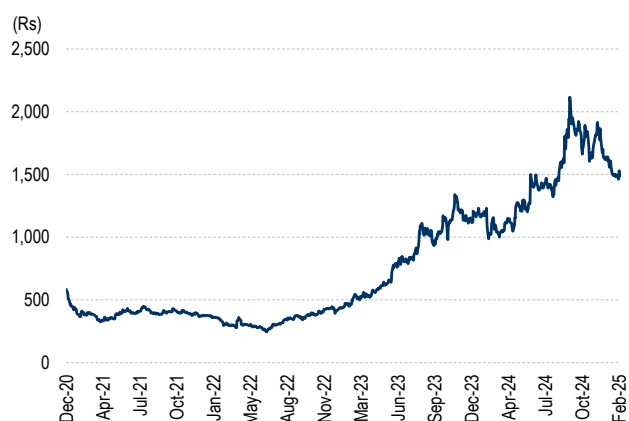
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Net revenues	13,621	16,239	19,012	21,945	25,046
Growth (%)	37.8	19.2	17.1	15.4	14.1
No. of rooms					
Direct costs	7,541	8,661	10,368	11,852	13,430
Gross profit	6,081	7,578	8,643	10,093	11,617
Gross margins (%)	44.6	46.7	45.5	46.0	46.4
SG&A	4,325	5,150	5,953	6,831	7,749
EBITDA	1,755	2,428	2,690	3,263	3,868
EBITDA margins (%)	12.9	15.0	14.2	14.9	15.4
Depreciation	533	614	760	848	915
Other income	120	190	225	275	325
Interest expenses	133	122	120	77	60
PBT	1,210	1,882	2,035	2,612	3,218
Effective tax rates (%)	25.3	25.5	25.5	25.5	25.5
+Associates / (Minorities)	-	-	-	-	-
Net income	904	1,403	1,516	1,946	2,398
WANS	61	61	61	61	61
FDEPS (Rs)	14.7	22.9	24.7	31.7	39.1

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
PBT	1,207	1,883	2,035	2,612	3,218
+ Non-cash items	-613	-614	-656	-650	-650
Oper. prof. before WC	1,820	2,497	2,690	3,263	3,868
- Incr. / (decr.) in WC	118	-472	-329	-299	-321
Others incl. taxes	298	490	519	666	821
Operating cash-flow	1,641	1,534	1,843	2,297	2,727
Free cash-flow	-1,083	-2,147	-1,206	-1,975	-1,745
- Capex	558	-613	636	322	982
- Div. (incl. buyback & taxes)					
+ Equity raised	147	176	215	276	337
+ Debt raised	0	-41	26	-	-
- Fin investments	-79	1,039	-1,000	-250	-250
- Misc. (CFI + CFF)	472	172	-	-	-
Net cash-flow	96	50	-3,961	-198	-265

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

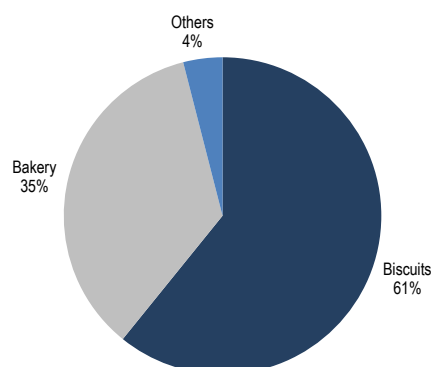
Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
Share capital	588	588	614	614	614
Net worth	5,443	6,629	11,955	13,625	15,685
Debt	1,207	2,246	1,246	996	746
Deferred tax liability	98	95	-47	-47	-47
Capital employed	6,748	8,970	13,153	14,574	16,384
Net tangible assets	4,262	5,240	6,480	7,632	8,467
Net intangible assets	0	0	0	0	0
Goodwill					
Right of use assets					
CWIP (tang. & intang.)	487	944	150	125	120
Investments (strategic)	41	41	41	41	41
Investments (financial)	69	-	-	-	-
Current assets (excl. cash)	2,705	3,507	4,030	4,615	5,254
Cash	749	1,271	4,680	4,674	5,333
Current liabilities	1,565	2,033	2,227	2,513	2,831
Working capital	1,140	1,474	1,803	2,102	2,423
Capital deployed	6,748	8,970	13,153	14,574	16,384
Contingent liabilities	-	-	-	-	-

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25e	FY26e	FY27e
P/E (x)	101.2	65.2	60.3	47.0	38.2
EV / EBITDA (x)	52.3	38.1	32.7	26.9	22.5
EV / Sales (x)	6.7	5.7	4.6	4.0	3.5
P/B (x)	16.8	13.8	7.7	6.7	5.8
RoE (%)	16.6	21.2	12.7	14.3	15.3
RoCE (%) - after tax	15.6	19.0	14.5	14.5	15.8
RoIC (%) - after tax	18.1	21.9	19.9	21.8	23.3
DPS (Rs)	0.3	0.3	0.4	0.5	0.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Dividend payout (%) - incl. DDT	2.0	1.4	1.4	1.4	1.4
Net debt / equity (x)	0.1	0.1	-0.3	-0.3	-0.3
Receivables (days)	24.2	29.9	30.3	30.6	30.9
Inventory (days)	21.8	23.3	23.3	23.0	22.8
Payables (days)	20.8	24.0	24.0	23.5	23.3
CFO : PAT %	181.5	109.4	121.6	118.1	113.7

Source: Company, Anand Rathi Research

Fig 6 – Revenue share (%)



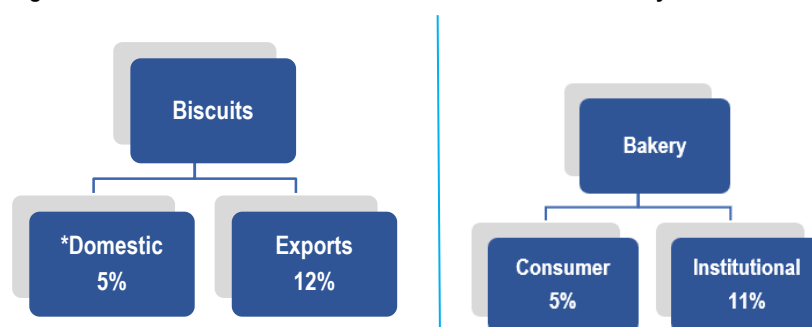
Source: Company, Anand Rathi Research

Amongst the best mid-premium play in biscuit, bakery

With a 5% market share in premium & mid-premium biscuits in north India, the company is **one of the two top biscuit manufacturers** in the above categories in Punjab, HP, Ladakh and J&K. In FY24, Mrs Bector's Cremica had a 1.6% market share in branded biscuits in India, according to a Technopak Report. 'English Oven' is one of the largest selling premium bakery brands (a 9.1% share in branded bakery items in FY24) in the NCR, Mumbai and Bengaluru.

The company also enjoys a 12% share of India's biscuit exports and 11% in semi-processed and dough-based offerings in the B2B bakery segment.

Fig 7 – Mrs Bectors' market shares in biscuits and other bakery items



Source: Company, Anand Rath Research Note: * North India

The present strategy is to gain market share by introducing premium products with higher margins. Its premium biscuit portfolio accounted for 39% of domestic revenue in Q1 FY25, from 27-28% in FY22.

The company retails at par with the industry or at a slight discount to its branded biscuit peers. In the last five years, despite similar or higher prices, it has delivered steady growth, outstripping the industry figure.

Fig 8 – Mid-premium biscuit prices in Rs/kg across key players

Rs	Mrs Bectors	Britannia	Parle	ITC	Anmol	Surya	Comments
Mid-premium cookies	135	190	160	168	150	-	Retails at a discount to peers
Mid-premium crackers- value cream biscuits	200	200	147	196	150	-	Retails at a premium to peers
Mid-premium sugar-sprinkled crackers	200	174	129	-	-	-	Retails at a premium to peers
Mid-premium salted crackers	208	180	187	135	150	230	Retails at a premium to most peers
Mid-premium Marie segment	170	147	151	140	128	216	Retails at a premium to peers
Premium Digestive segment	266	169	200	200	-	325	Retails at a premium to most peers

Source: Company, Anand Rath Research

Fig 9 – Price comparison across base and premium variants for Mrs Bectors Food Specialties









Biscuits segment	Base variant	Pricing	Premium variant	Pricing
Digestives	Digestive Classic	112.5gm for Rs20	Digestive Cornflakes	120gm for Rs25
Cookies	Butter Cookies - classic rich	71gm for Rs10	Golden Bites Butter	68gm for Rs10
	Cashew Cookies - classic rich	71gm for Rs10	Golden Bites - mixed nuts	52.5gm for Rs10
	Coconut Cookies	79gm for Rs10	Coconut Cookies – Crunchies	74gm for Rs10
Cream Collection	Bourbon	70gm for Rs10	Melto	50gm for Rs10
Crackers	Krack Bite	76gm for Rs10	Non-stop Crunchy Crackers	75gm for Rs30

Source: Company Website, Online retailers

Consistent launches in the premium category

Having developed quite a few products, the company launched several premium items: bake-fit millet cookies, cashew-delight cookies, butter double-delight, preservative-free cakes, zero-maida bread, etc. This has widened its offerings and deepened its market penetration as also created better brand visibility.

Fig 10 – Launches with timelines and pricing

Launches	When	Priced at	Biscuits / Bakery
Biscuits			
Bake-fit millet cookies	Feb'24	75gm for Rs20	
Cashew-Delight cookies	Jun'24	78gm for Rs20	
Butter Double-Delight	Aug'24	71gm for Rs10	
Non-Stop Crunchy masala	Aug'24	25gm for Rs10	
Bakery			
Preservative-free cake	Jun'24	25gm for Rs10	
Pav bread	Jun'24	300gm for Rs35	
Zero-maida bread	Aug'24	350gm for Rs60	
Atta Kulcha	Feb'24	200gm for Rs35	

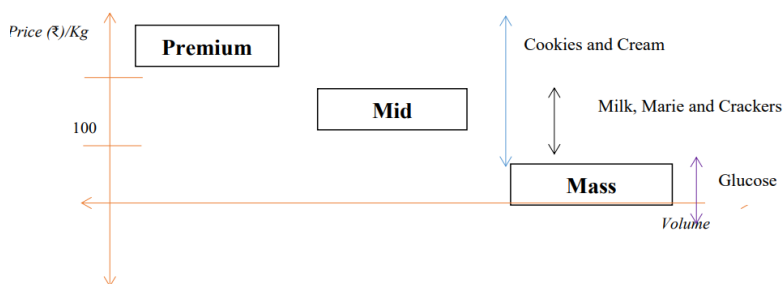
Source: Media, Company, Anand Rathii Research

Non-glucose market grew faster

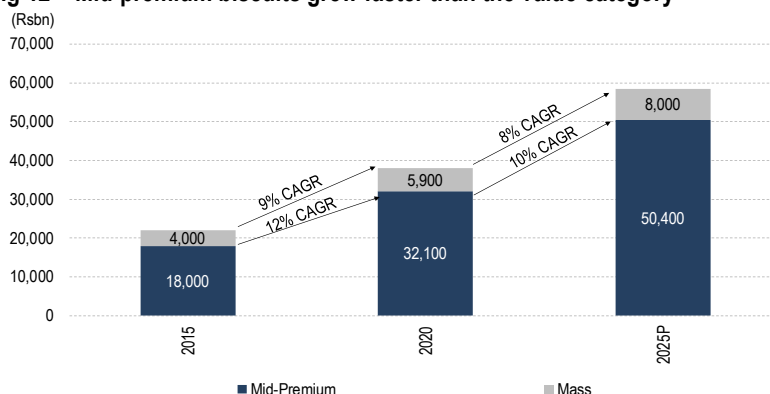
The biscuit market can be divided into three broad categories: mass (at Rs100/kg), mid (at Rs100-200/kg) and premium (Rs200 and above).

Over the years, the mass category (largely glucose biscuits) has seen subdued growth vs. the mid and premium categories. Thus, the company's focus on the mid and premium categories augurs well for its growth, reflected in its faster-than-industry growth in the recent past.

Fig 11 – Biscuit category price-volume straddle across sub-segments



Source: Company

Fig 12 – Mid-premium biscuits grew faster than the value category

Source: Company, Anand Rath Research

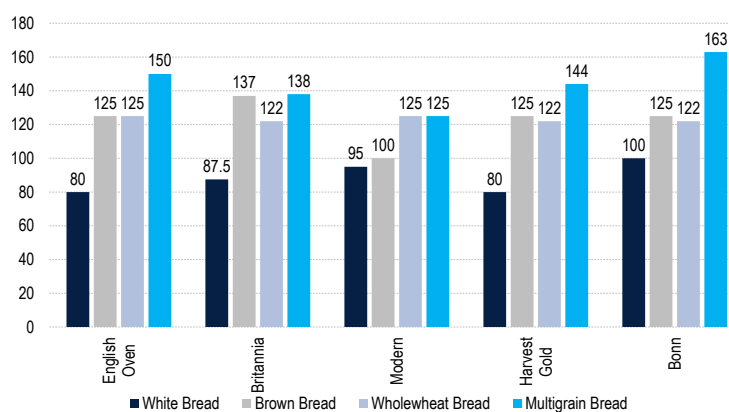
Retail bakery items: among the fastest growing premium bakery items in India

English Oven is one of the fastest growing large-scale premium bakery brands in India. The company sells premium bakery items in the savoury and sweet categories (breads, buns, pizza bases, cakes) to retail customers under the 'English Oven' brand. The brand is one of the largest selling in the premium bakery category in the NCR, Mumbai and Bengaluru.

The company is one of the few bakeries in India that can handle fresh, chilled and frozen products, and this model enables it to distribute bakery items across India. It also sells bakery products such as buns, *kulchas*, cakes and frozen products to QSR chains. The 'English Oven' brand has well-established in north India and our manufacturing facilities can produce 1.3m buns daily and 11m loaves a month.

Fig 13 – The company's bakery items

Source: Company

Fig 14 – Market prices of bread and buns

Source: Company, Anand Rathi Research

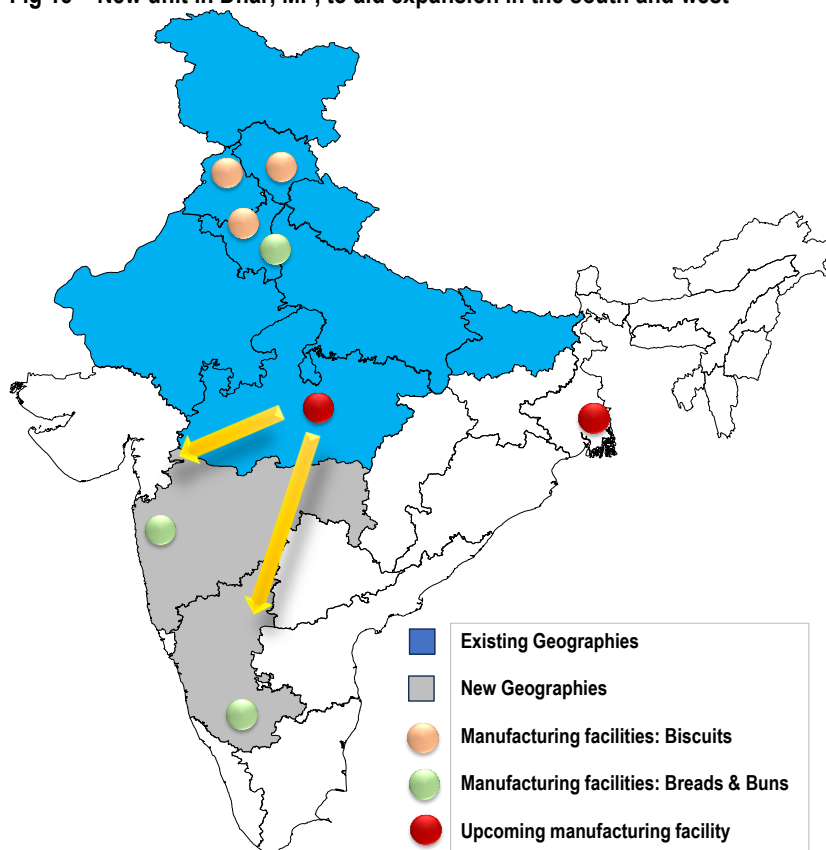
The company's operations in branded bread is largely in north India, primarily in the NCR, with a 9.1% market share in India's branded breads in FY24. Demand for bread in India is mainly in metros and tier-II cities due to higher disposable incomes and changing meal preferences. The NCR and Mumbai account for a third of the overall branded-bread market in India. The company's bakery items enjoy higher EBITDA margins than biscuits.

Over FY15-24, sales of "English Oven" products grew faster than those of the industry. The company focuses on quality and consistency. It aims at catering to a wide variety of retail customers by introducing niche variants.

Expanding gradually to west, south

In FY24, the company expanded to 15 cities in the west and south (vs. just three earlier). It now has over 20,000 outlets there (of 300,000 direct-reach nation-wide); the figure is gradually increasing. Besides, it is setting up a biscuit unit at Dhar, MP, which would deepen penetration in the south and west. It has expanded to nearly 50 cities in north India and plans to fortify its operations in central, western and select southern cities on its Indore plant becoming operational in Q4 FY25.

Fig 15 – New unit in Dhar, MP, to aid expansion in the south and west



Source: Company, Anand Rath Research

While the company is expanding in the west and south, it hasn't lost focus on the north and continues to further penetrate that market via expanded distribution and automation for greater efficiency and wider reach.

Thus, while it has healthy operations in some regions (Punjab, HP, J&K, Haryana), it is working on broadening its footprint in Delhi, UP, Rajasthan and the central states of Bihar and MP.

For instance, as far as its markets are concerned (incl. Delhi, Mumbai and Bengaluru), its focus is to widen distribution in Delhi (now covering 55% of the market) of its bakery products.

Thus, a large part of its direct distribution increase to 300,000 outlets (from 160,000 in the last two years) can be attributed to distribution expansion in the lower northern region.

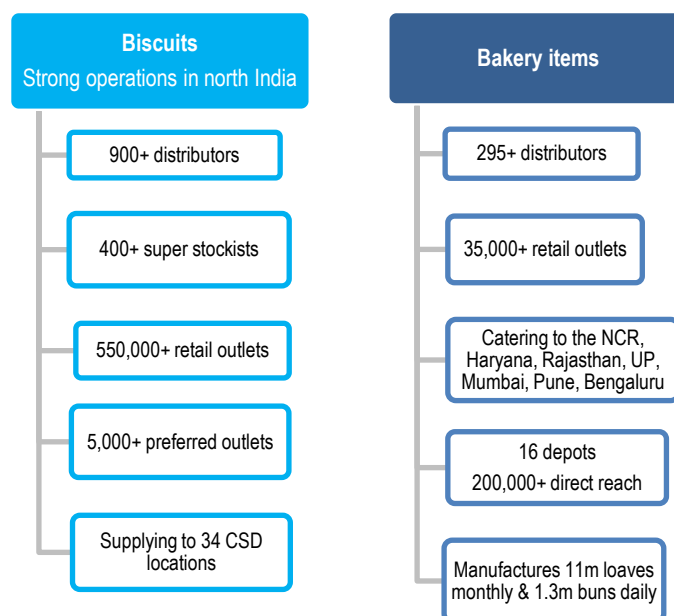
The new outlets and newer regions contribute about a third to its revenue growth.

Boasts of growing multi-channel distribution

Biscuits. In general and modern trade, the company has a strong distribution network in India and globally. It now has over 900 distributors and more than 400 stockists servicing 550,000 retail outlets in 26 states and six Union Territories. It is also one of the largest biscuit suppliers to the Canteen Stores Department of the government of India. It supplies to 34 locations across India and is an approved and listed supplier for the Indian Railways, with booming operations at railway canteens and stores in north India. It has a strong base in the north and is taking steps to expand to southern and western markets

Bakery. The company reaches 35,000 retail outlets, manufacturing over 1.3m buns daily and 11m loaves monthly. In FY23, it expanded into Mumbai and Bengaluru, though in a small way. In Bengaluru, it has only 25% coverage of outlets; 50% of its revenue comes from modern trade. The NCR is the top revenue contributor for bakery items as well. English Oven is largely present in Navi Mumbai with limited operations in Mumbai, which brings 20% to its overall bakery sales. These two markets (Bengaluru and Mumbai) offer it vast scope for expansion, which would accelerate growth in branded breads.

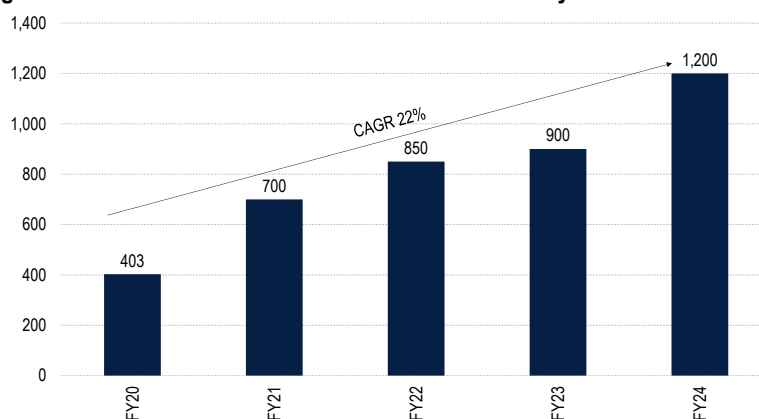
Fig 16 – Multi-channel distribution in biscuits and bakery items



Source: Company presentation, Anand Rath Research

Increasing sales force and digitising

Expansion has been engendered by an increase in the sales force/feet-on-the-street, from 900 in FY23 to 1,200 in FY24, simultaneously automating the sales force for greater efficiency. It has implemented a DMS system, now covering 550-600 distributors, bringing 65% to revenue. The order module (of DMS) is live, and secondary sales and claim management modules are being implemented. For smaller distributors, a mini DMS pilot is underway, with a broader rollout planned for Q4 after finalisation in Nov. The focus is on rolling out secondary tracking, inventory management and claim management for the top-500 distributors, which account for 65% of its biscuit revenues.

Fig 17 – Sales force has increased 3x over the last four years

Source: Company, Anand Rath Research

Strategically located units for efficient, expanding distribution

The company has seven in-house manufacturing plants for biscuits and other baked items, at Phillaur and Rajpura (Punjab), Tahlial (HP), Greater Noida (UP), Khopoli (Maharashtra) and Bengaluru (Karnataka). Besides, at these units it carries out contract manufacturing. All plants are strategically located near target markets, minimising cost-to-market.

Fig 18 – In-house manufacturing strengths

Biscuits	Bread and buns	upcoming manufacturing plants
<ul style="list-style-type: none"> • Phillaur, Punjab • Tahlial, HP • Rajpura, Punjab 	<ul style="list-style-type: none"> • Khopoli, Maharashtra • Bengaluru, Karnataka • Greater Noida, UP • Bhiwadi, Rajasthan 	<ul style="list-style-type: none"> • Dhar, MP • Kolkata, West Bengal

Source: Company presentation

Fig 19 – In-house capacities and expansions of manufacturing units

	Area / state	Existing capacity	Expansion	Brownfield / Greenfield	Timeline	Capacity utilisation, %
Biscuits	1. Phillaur, Punjab	Biscuits -27,000 tonnes Contract Manufacturing - 27,000 tonnes	Two biscuit lines commissioned in Rajpura (Punjab) in FY23-24	Brownfield		115
			Two more lines commissioned in Rajpura in H1'24-25	Greenfield		
	2. Tahlial, HP	Biscuits -34,200 tonnes	-	-	-	91
	3. Rajpura, Punjab	Biscuits -41,457 tonnes Contract Manufacturing -4,560 tonnes	-	-	-	70
	4. Dhar, MP		Biscuit Lines at Dhar(MP)	Greenfield	The company has started construction of building, and is on course to get the plant ready by FY24-25	
Bakery	1. Khopoli, Maharashtra	Bread & Bakery - 17m packs Buns -162m packs	Expansion of Bakery Plant in Khopoli (Maharashtra): The company has started constructing a building at Khopoli, Mumbai	Brownfield	Plant will be commissioned by FY25	75
	2. Bengaluru, Karnataka	Bread & Bakery - 11m packs Buns - 162m packs				
	3. Kolkata, West Bengal		The company will set up a new bakery unit in Kolkata	Green field	FY25	
	4. Greater Noida, UP	Bread & Bakery - 118m packs Buns - 324 mn packs Frozen Products - 14 mn packs	-	-	-	
	5. Bhiwadi Plant, Rajasthan	Buns - 10208 Bread & bakery -1187	Plant has been commissioned in FY23-24	Green field		

Source: Company, Anand Rathi Research

Exports, B2B make for wholesome, diversified play

Leading exporter of biscuits

A major biscuit exporter, the company exports to 70 countries, a 12% share of biscuit exports from India. (Exports constitute ~46% of its biscuit sales and 27% of its overall sales.) It has more than a 25% market share of Indian biscuit exports to Canada. It supplies to reputed retail chains, distributors and buying houses across countries. Some global buyers are reputed retail chains, distributors and buying houses in various countries, such as Monteagle International (UK), Lulu Hypermarket Trading Co., E-Mart, Inc., Atlas Global (HK), Omni Trade Services, Universal Trade and World-Wide Imports (2008).

It exports various types of cookies (Danish, choco-chip, centre-filled), cream biscuits, crackers and some glucose biscuits under its flagship brand Mrs Bector's Cremica. It also manufactures a wide range of biscuits for international retail chains under their labels/brands.

Fig 20 – Strong international portfolio



Source: Company Presentation

The global biscuit market is expected to register a 6% CAGR over FY20-25, to Rs10,490bn. The company aims to capitalise on this by penetrating deeper in select developed and emerging markets such as AustralAsia, Europe, East and South Africa, MENA and North America. It has set up a subsidiary in the UAE to cater to MENA and Africa.

It is also working with Walmart, the largest US retail chain, with a 35% market share and about 5,000 stores, to ramp up biscuit exports, suggesting a huge growth opportunity. Its private label vs. contract manufacturing is now 40:60 and it is looking to reverse that in the next couple of years.

Its focus on international territories would be to increase premiumisation with a wide range of offerings, thereby raising realisations. As exports command higher margins, the rising export contribution could lead to better margins over the years.

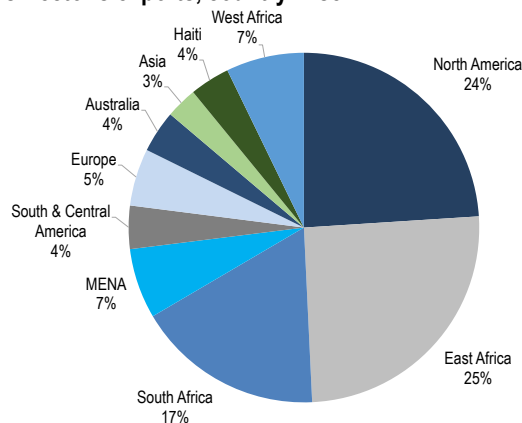
India has a good share of trade with the Mid-East and Africa. In the top six markets, however (the USA, the UK, the Netherlands, France, Germany and China), it has a combined share of <1%. It has made inroads into south America and now has a low, ~3%, share in the growing markets of Chile, Ecuador, Paraguay, Uruguay, Brazil and Argentina, and 2.5% in Oceania. This suggests vast opportunities in these markets.

Fig 21 – Export markets catered to by various biscuit manufacturers

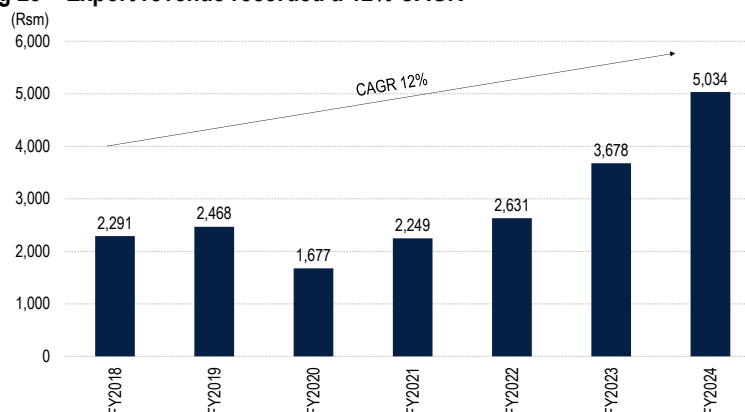
Britannia	North America, the UK, Africa, Europe, Australia, southeast Asia
Parle	SAARC countries, the US, Europe, Africa
Cremica	North America, Africa, Europe, Australia, east Asia, the Mid-East
Anmol	Asia, Africa, the Mid-East, Europe and the USA

Source: Company DRHP

North America and the Caribbean are its most significant markets.

Fig 22 – Mrs Bector's exports, country-wise

Source: Company, Anand Rath Research, DRHP

Fig 23 – Export revenue recorded a 12% CAGR

Source: Company, Anand Rath Research

Preferred supplier for the largest QSR franchises in the India Institutional bakery sub-category

The company manufactures and sells various baked and frozen products (buns, *kulchas*, pizzas, cakes) to its QSR customers and “cloud” kitchens such as Rebel Foods (since 2015), multiplexes such as PVR, as well as certain hotels, restaurants and cafés and has been the preferred supplier of burger buns and pan muffins (fresh) to Hardcastle Restaurants (since 2007). Baker's Circle and Mrs Bector's hold ~18% of the processed and semi-processed dough market, with the rest served by in-house commissaries and smaller players. Mrs Bector's is the largest bun supplier to QSR giants such as McDonald's, KFC and Burger King, while Baker's Circle leads the frozen dough segment, working exclusively with Subway.

The new array of products, coupled with the most modern state-of-the-art production lines, would help it expand its QSR-focused bakery

products. In biscuits, it can benefit from its relations with Mondelez (the largest biscuit manufacturer globally) and its experience in biscuit exports. Similarly, in branded breads, it is likely to benefit from its relations with reputed QSRs

Being the largest supplier of buns to reputed QSR chains, it benefits from its strong association, including in terms of its

- Adoption of stringent quality-control measures and compliance with standards
- Industry-best practices such as the use of premium raw materials
- Lines dedicated to manufacturing buns for QSR customers (at its Greater Noida, Khopoli and Bengaluru manufacturing plants)
- Innovative lines to manufacture desserts, pizzas, garlic breads, croissants.

Fig 24 – Strong relations with leading QSRs, multiplex chains, cloud kitchens

Company / Chain	Supplier for	Supplying products since
Hardcastle Restaurants Pvt. Ltd. (McDonald's)	Preferred supplier of burger buns and pan muffins (fresh)	2007
PVR.	Preferred and leading supplier of products such as frozen burger buns, panini, garlic breads	2011
Yum! Restaurants India Pvt. Ltd. (KFC, Pizza Hut)	Main supplier of burger buns	2013
Burger King, India	Main supplier of burger buns	2014
Rebel Foods (Faasos)	Supplier of bakery products	2016

Source: Company

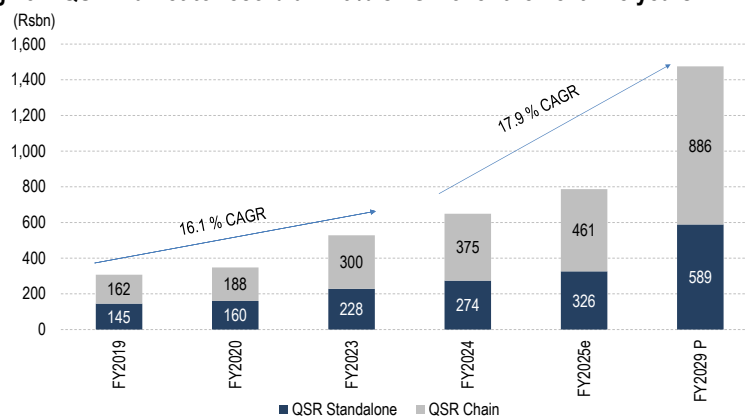
Being one of the largest and preferred suppliers for leading food chains, the company further expects to benefit from strong QSR demand, especially driven by frequent eating-out habits and group eating in a social setting such as in QSRs.

QSR chain market

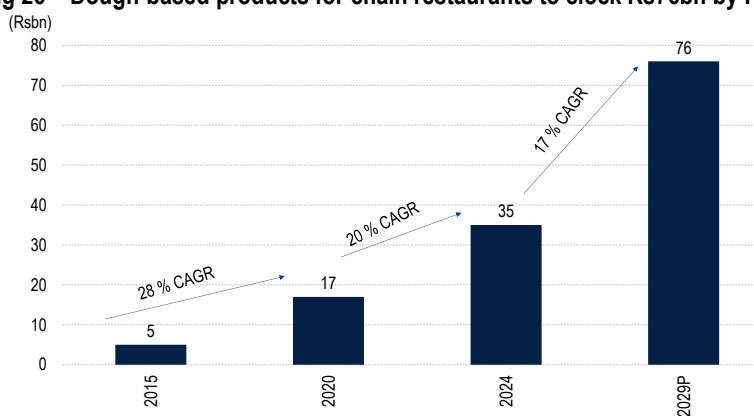
India's QSR market, valued at Rs633bn in FY24, is expected to clock a 17.9% CAGR to Rs1,440bn by FY29, with chain QSRs raising their share from 58% to 60%, driven by centralised commissaries, processed food vendors and deeper penetration in tier-2 and -3 cities. The share of standalone QSRs is projected to fall from 42% to 40% during this period.

Processed dough-based inputs for the organized QSR segment were valued at Rs35bn in FY24 and are projected to register a 17% CAGR to Rs76bn by FY29.

This includes the institutional business of fresh buns, frozen dough for pizzas and other bakery items. Domino's, McDonald's, Subway, Burger King and Pizza Hut together account for ~70% of dough-based products within the food-service-chain segment.

Fig 25 – QSR market to record a 17.9% CAGR over the next five years

Source: Technopak Analysis, Company, Anand Rathi Research

Fig 26 – Dough-based products for chain restaurants to clock Rs76bn by FY29

Source: Technopak Analysis, Company, Anand Rathi Research

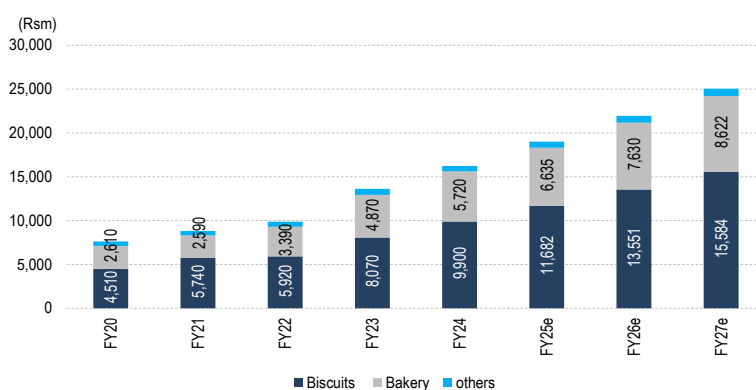
Financials

Biscuits to drive a 16% revenue CAGR over FY24-27

The company's biscuits and bakery items posted similar, ~21%, revenue CAGRs, over the last four years driving a 20.6% revenue CAGR. Ahead, the focus on distribution expansion, innovation and new capacity (the MP unit) could boost growth in biscuits.

Hence, we expect a ~16% revenue CAGR in biscuits over the next three years and a 14.6% revenue CAGR in bakery items. Thus, the company's revenue is expected to register a 15.5% CAGR over FY24-27.

Fig 27 – Biscuits to drive a 16% revenue CAGR



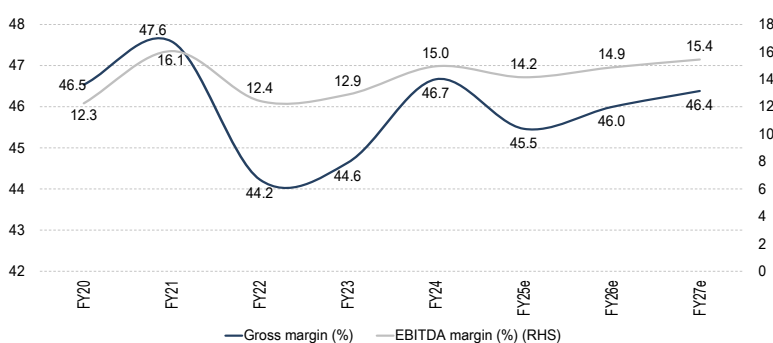
Source: Company, Anand Rathi Research

EBITDA margin to expand 50bps in the next three years

Gross/EBITDA margins declined 340bps/360bps in FY22 due to high input costs but recovered 240bps/250bps by FY24 to 46.7%/15%. While higher input costs are expected to weigh on FY25 EBITDA margins, we expect consistent premiumisation and cost-savings (Project Impact 1.0) to aid in driving EBITDA margin improvement over FY25-27. Thus, we build in a 50bp expansion in EBITDA margins over FY24-FY27 to 15.4% despite higher brand spends (4-5% of sales) in its B2C business.

Project Impact 1.0. Launched in Q1 FY25, the programme focuses on cost efficiencies through raw material optimisation, streamlined packaging, supply-chain-tech upgrades, modernising manufacturing and sales-force automation.

Fig 28 – Margin expansion to be robust

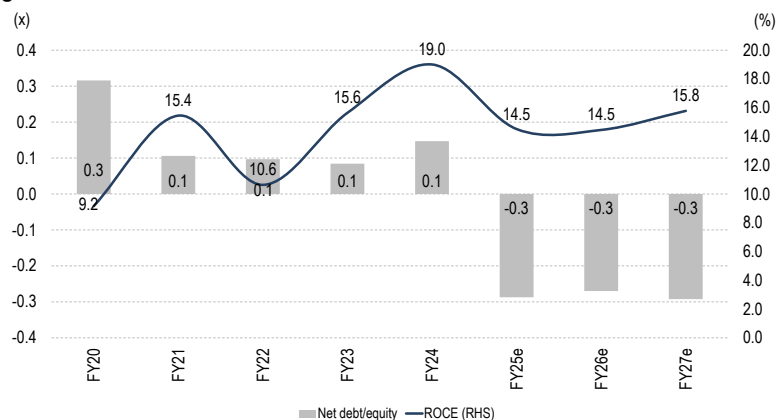


Source: Company, Anand Rathi Research

Debt-free, and ~15% return ratio

The company will be debt-free for FY25 after raising Rs4bn for debt payments and capital expenditure in Sep'24. With average annual free cashflow of Rs650m in the next three years, we expect it to fund its incremental capital expenditure from its accruals. We expect the return ratio to be in the mid-teens and rise gradually, driven by greater profitability and asset turns.

Fig 29 – Debt-free from H2 FY25



Source: Company, Anand Rathi Research

Valuations

Over the last four years, the company posted 21% revenue growth, its earnings, a 46% CAGR. Growth has accelerated in recent years aided by innovation, distribution expansion, additional capacities and marketing.

Consistent premiumisation, network expansion to the west and south with more feet on the street and the growing institutional bakery business keep us sanguine of the company's growth prospects. We expect healthy CAGRs over FY24-27 (16% in revenue, 20% in earnings). We initiate coverage on the stock with a Buy and a 12-mth TP of Rs1,875, 48x FY27e EPS, implying 26% potential. At the CMP, the stock trades at 60x/47x/38x FY25e/FY26e/FY27e EPS of Rs24.7/31.7/39.1

Fig 30 – Premium valuation likely to persist



Source: Bloomberg, ACE, Anand Rathi Research

Fig 31 – Peer comparison: revenue and profit growth

	Revenue (Rsm)					EBITDA margins (%)				PAT (Rsm)				
	FY24	FY25e	FY26e	FY27e	3 yr CAGR	FY24	FY25e	FY26e	FY27e	FY24	FY25e	FY26e	FY27e	3 yr CAGR
HUL*	6,18,960	6,35,109	6,79,411	7,36,949	6.0	23.7	23.6	24.1	24.5	1,02,750	1,04,765	1,15,889	1,28,881	7.8
GCPL*	1,40,961	1,47,927	1,64,413	1,81,348	8.8	21.0	21.4	22.2	22.8	19,163	20,699	25,659	30,354	16.6
Dabur*	1,24,040	1,30,487	1,42,666	1,56,196	8.0	19.3	19.0	19.7	20.1	18,427	18,579	21,441	24,202	9.5
Marico*	96,531	1,06,607	1,17,584	1,29,446	10.3	20.6	20.3	20.6	21.0	14,811	16,275	18,222	20,420	11.3
Emami*	35,781	39,258	43,449	48,002	10.3	26.5	27.5	27.9	28.4	7,331	8,492	9,624	10,586	13.0
Zydus Wellness*	23,279	26,812	30,818	34,282	13.8	13.2	15.1	16.6	18.0	2,812	3,803	4,003	4,604	17.9
Mrs Bector Foods	16,239	19,012	21,945	25,046	15.5	15.0	14.2	14.9	15.4	1,403	1,516	1,946	2,398	19.6
Nestle	1,67,895	2,05,093	2,26,803	2,50,155	14.2	22.1	23.2	23.7	24.0	23,905	32,195	36,279	40,625	19.3
Britannia	1,65,462	1,78,801	1,97,029	2,17,379	9.5	19.2	17.5	17.9	18.3	21,398	21,574	24,895	28,130	9.5
Tata Consumer	1,52,059	1,75,513	1,95,400	2,15,936	12.4	15.0	14.3	15.2	15.7	11,503	13,600	17,729	21,203	22.6
Varun Beverages	1,56,217	2,43,050	2,83,182	3,10,245	25.7	23.1	23.4	23.7	24.1	20,559	33,562	41,096	46,079	30.9
Bikaji Foods	22,344	26,413	30,804	36,004	17.2	17.5	15.2	15.5	15.8	2,657	2,779	3,411	4,151	16.0
Prataap Snacks	16,101	17,378	19,632	22,257	11.4	8.8	3.0	7.4	9.2	531	-160	549	950	21.4
Agro-Tech Foods	7,581	7,748	8,311	9,163	6.5	4.5	3.8	4.2	5.0	104	67	100	178	19.6

Source: Bloomberg, Anand Rathi Research Note: *Anand Rathi Estimates

Fig 32 – Valuation

	CMP	M cap	EV	PE (x)			EPS (Rs)			EV/E (x)		
	(Rs/Sh)	(Rs bn)	(Rs bn)	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e
HUL*	2,442	5,738	5,627	52.1	47.1	42.4	46.9	51.8	57.7	37.5	34.3	31.2
GCPL*	1,156	1,182	1,191	55.8	45.0	38.1	20.7	25.7	30.4	37.6	29.6	28.8
Dabur*	535	947	940	50.5	43.8	38.8	10.6	12.2	13.8	38.0	30.5	29.9
Marico*	673	872	866	52.4	46.8	41.8	12.9	14.4	16.1	40.1	32.5	31.9
Emami*	608	267	261	27.8	24.5	22.3	21.9	24.8	27.3	24.2	19.5	19.2
Zydus Wellness*	1,859	118	116	31.7	30.1	26.2	58.6	61.7	71.0	28.7	20.4	18.8
Mrs Bector Foods	1,491	91.6	89.1	59.7	46.5	37.7	25.0	32.1	39.5	33.1	23.9	23.0
Nestle	2,317	2,234	2,236	69.4	61.6	55.0	33.4	37.6	42.1	47.0	37.7	37.2
Britannia	5,106	1,230	1,241	57.0	49.4	43.7	89.6	103.4	116.8	39.7	35.2	31.2
Tata Consumer	1,036	1,025	1,045	75.4	57.8	48.4	13.7	17.9	21.4	41.6	35.3	30.9
Varun Beverages	583	1,970	2,035	58.7	47.9	42.7	9.9	12.2	13.6	35.8	30.4	27.2
Bikaji Foods	731	183	184	65.9	53.7	44.1	11.1	13.6	16.6	45.8	38.6	32.3
Prataap Snacks	1,057	25	26	-158.2	46.0	26.6	-6.7	23.0	39.8	48.9	15.5	12.6
Agro Tech Foods	813.9	19.8	19.9	298.3	198.5	111.4	2.7	4.1	7.3	68.1	52.3	43.3

Source: Bloomberg, Anand Rathi Research Note: *Anand Rathi Estimates

Risks

- Failure of brand launches
- A sharp rise in key input prices
- Price-based competition in key products/institutional business
- Brand ownership of Cremica shared by two divergent entities could impact the brand image if customer experience is affected or not consistent with MBFSL's
- Adverse geopolitical events/ forex volatility can hurt exports.

Company background, management

A leading manufacturer and marketer of premium and mid-premium biscuits (cookies, creams, crackers, digestives and glucose under brand 'Cremica'), Mrs Bector's Food Specialties started as a passion project by Padma Shri Rajni Bector. It also manufactures and markets breads, buns, pizza bases and cakes under its premium bakery brand 'English Oven'.

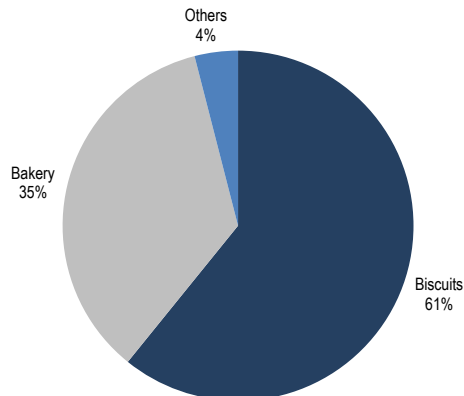
India's largest biscuit exporter (to 70 countries on six continents), it also contract-manufactures select biscuits (Oreo, Chocobakes) for Mondelez. It is the exclusive preferred supplier to many countries' well-known QSR chains (Burger King, India, Hardcastle Restaurants, Yum! Restaurants, India, and for cloud kitchens and multiplexes).

Fig 33 – Bector's Food at a glance



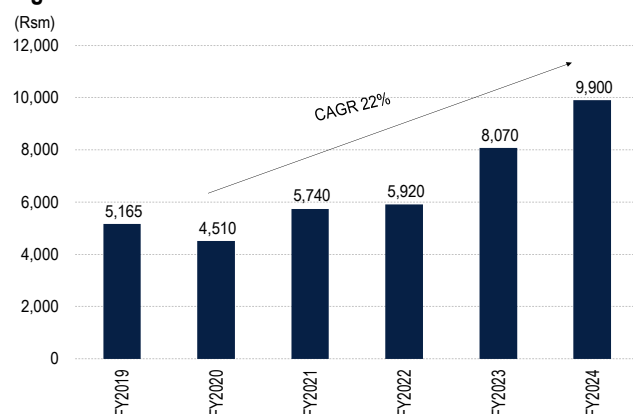
Source: Company

Fig 34 – Revenue contribution %



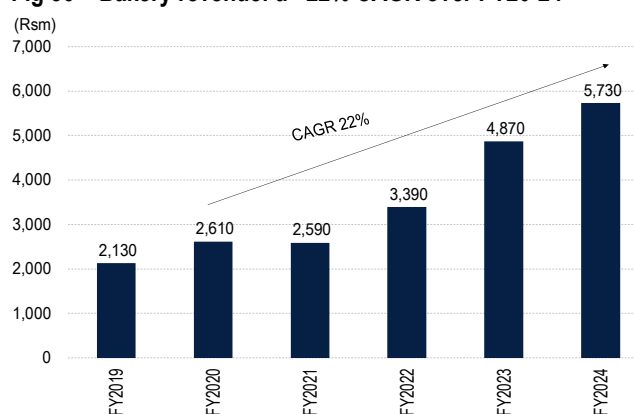
Source: Company, Anand Rath Research

Fig 35 – Biscuit revenue: a ~22% CAGR over FY20-24



Source: Company, Anand Rath Research

Fig 36 – Bakery revenue: a ~22% CAGR over FY20-24



Source: Company, Anand Rath Research

Fig 37 – Milestones

Year	Key events
2006	<ul style="list-style-type: none"> Investment from Jade Dragon (Mauritius)
2007	<ul style="list-style-type: none"> Commenced the Khopoli plant; capacity expansion at the Greater Noida plant
2010	<ul style="list-style-type: none"> Acquisition of stake by IL&FS Trust Co. and India Business Excellence Fund-I Entered into an agreement with Cadbury India to manufacture Oreo biscuits
2013	<ul style="list-style-type: none"> Brand separation MoU - "Mrs Bector's Cremica" biscuits brand and "English Oven" for bakery items are exclusive to Mrs Bector's Food Specialties Capacity expansion at Tahlilal, HP, with new imported lines to manufacture crackers
2014	<ul style="list-style-type: none"> Commenced the Bengaluru plant
2015	<ul style="list-style-type: none"> Acquisition of stake by Linus, Mabel, GW Confectionary and GW Crown Installed a new imported line at Phillaur, Punjab, replacing the Indian line for biscuit manufacturing
2017	<ul style="list-style-type: none"> Capacity expansion at the Greater Noida plant
2018	<ul style="list-style-type: none"> Greenfield investment at the Rajpura plant and commissioned a state-of-art plant for cookies and biscuits Established a new production line for breads at the Bengaluru plant Introduced a new bread line at the Greater Noida plant Land acquired at Dhar, Madhya Pradesh, for further expansion
2020	<ul style="list-style-type: none"> IPO with listing on the NSE and BSE with a ~Rs30bn valuation
2021	<ul style="list-style-type: none"> Capacity expansion for cookies at the Rajpura plant Completed another line of bread and one bun line at Greater Noida in Oct'21
2022	<ul style="list-style-type: none"> Commercial production: biscuit line for the Rajpura plant started in Jul'22 Entered south and west markets in domestic biscuits
2023	<ul style="list-style-type: none"> Commercial production from two new biscuit lines at the Rajpura plant started in Q2 FY24 Commercial production at the bakery plant started at Bhiwadi, Rajasthan Construction of biscuit lines at the manufacturing plant at Dhar New bakery manufacturing faculty at Khopoli

Source: Company

Management

- A board member since the company's inception in 1995, **managing director Anoop Bector** is a B.Com. from Panjab University. He had completed training in international supply-chain management with McDonald's in Singapore (2001). Recognised for his contributions, he received the 'Business Knight of Punjab' award from The Economic Times in 2015. He has been a non-official member of the Board of Management of Punjab Agricultural University since Jun'18
- Appointed CEO in May'22, **CEO Manu Talwar** brings more than 30 years' leadership experience in consumer-facing industries. A CA with CFO roles at Voltas and Pepsi, he had led at Coca-Cola, Airtel, and Viom during their high-growth phases. His CEO tenure at Luxor saw impressive market and financial growth, transitioning the company from family-managed to a professionally driven enterprise. Besides, he contributed to Lenskart's growth journey as part of the start-up team
- **Whole time director Ishaan Bector** is a B.A. from Michigan State University, USA. He attended a management programme for family business at the Indian School of Business. He is now 'Director – Breads', heading the bread and bakery business
- **Whole-time director Suvir Bector** graduated with a B.A. (Hons.) in management and marketing from the University of Exeter and a master's in global supply chain management from Cass Business School, City University, London.

Fig 38 – Board of Directors

Name	Designation	Age	Education	Other directorships	Specialty
Ashish Agarwal	Chairman & independent director (appointed Chairman on 10 th Feb'23)	56	B.Com, FCA, CPA (USA), DISA. Practicing chartered accountant since 1991	Currently, President of District Taxation Bar Association (direct taxes), Ludhiana, a body of ~600 professionals practicing income tax	Finance and taxation insolvency matters, management and administrative matters
Anoop Bector	Managing director	62	B.Com., Satish Chander Dhawan Government College, Panjab University. Training programme in international supply-chain management, conducted by McDonald's in Singapore in 2001	Appointed non-official member of the Board of Management, Punjab Agricultural University, Ludhiana, on 25 th Jun'18. - Bakebest Foods Pvt. Ltd.	Business experience of over 26 years. Specialised knowledge of supply chain and trade marketing Regulatory and stakeholder liaison; strong leadership skills
Manu Talwar	Chief executive officer		Chartered Accountant who became a CFO, gaining experience at Voltas and Pepsi		Business leadership experience of >30 yrs. Business strategy and growth; commercial and finance; human resource management Relationship / stakeholder management
Ishaan Bector	Whole-time director	35	BA, Michigan State University, USA, attended a management programme for family business at the Indian School of Business		New-age leadership experience. Strong knowledge of supply chains; customer liaison
Suvir Bector	Whole-time director	29	BA (Hon) in management and marketing from the University of Exeter; Master's degree in global supply chain management from Cass Business School, City University, London		New-age leadership. Specialised knowledge in marketing and supply chain; customer liaison
Parveen Kumar Goel	Whole-Time Director (CFO till 11th August, 2023)	61	B.Com., CA; S.C. Dhawan Government College, Ludhiana, Panjab University.		Finance and taxation; stakeholder liaison
Rajiv Dewan	Independent director	63	CA, Fellow of the Institute of Chartered Accountants of India 37 years' experience in taxation and business restructuring	Trident	Finance and taxation. Strategic business stewardship
Pooja Luthra	Independent director	35	B.Com, Jesus & Mary College, Delhi University; MA in industrial/ organisational psychology, Chicago School of Professional Psychology; PG diploma in business administration, global business operations, Shri Ram College of Commerce, Delhi University	Also, director on the Board of Trident	Business transformation Human resource development
Alok Kumar Misra	Independent Director (from february 11, 2022 till August 27, 2024)		Master's degree in statistics, PG diploma in personnel management from FMS, Delhi University and CAIIB. Also, fellow of the Certified Institute of Bankers of Scotland, Zambian Institute of Bankers.		Finance, banking and accounting. Management and administrative matters

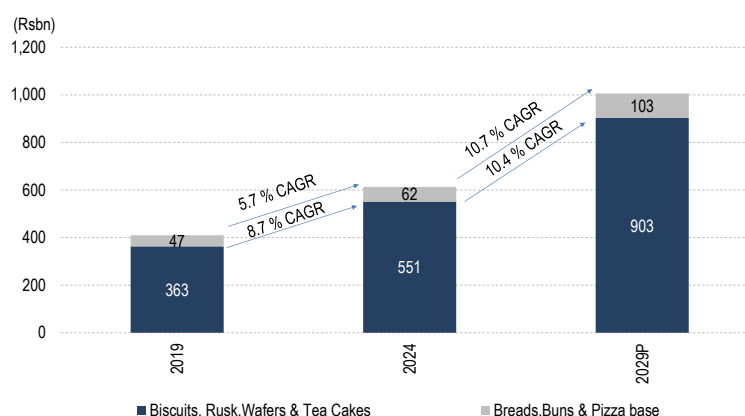
Source: Company, Anand Rath Research

Appendix - Industry

Immense potential in biscuits, baked items

Per Technopak's analysis, the packaged food market in India is diverse, with key segments of snacks, biscuits and baked items, dairy products, ready-to-eat meals, etc. Each segment has unique growth drivers and challenges. Savory snacks make up the largest share of the market ~21% in FY24, followed by Biscuits and Bakery, expected at ~17% for FY24. The Biscuit and Bread segment together is expected to be a Rs1,006bn market by FY29, registering a 10.4% CAGR over FY24-FY29.

Fig 39 – Indian packaged food retail market, break-up (Rs bn)

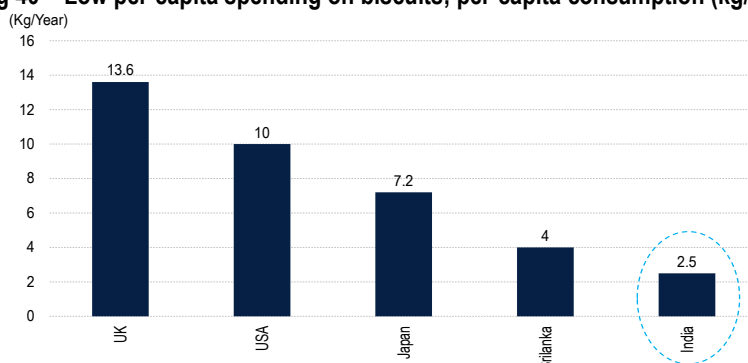


Source: Technopak Analysis, Company

Branded items dominate India's biscuit market, with a 95% share. Rising consumer preference and disposable incomes would deepen penetration of branded biscuits. (Small bakeries, cottage and household-type manufacturing units, which cater to local tastes and have close relations with retailers dominate non-branded biscuits.) The growth of distribution channels has aided this consumer shift, with hyper- and super-markets driving packaged food sales. Besides, e-commerce channels offer a plethora of choices, which nudged the shift.

India has the lowest per-capita biscuit consumption in the world (2.5-2.6kg), compared to over 4.25kg in southeast Asia (Singapore, Hong Kong, Thailand, Indonesia) and >10kg in the US and western Europe. This gap throws up growth opportunities and enlarges the formal biscuit and bakery market for many decades.

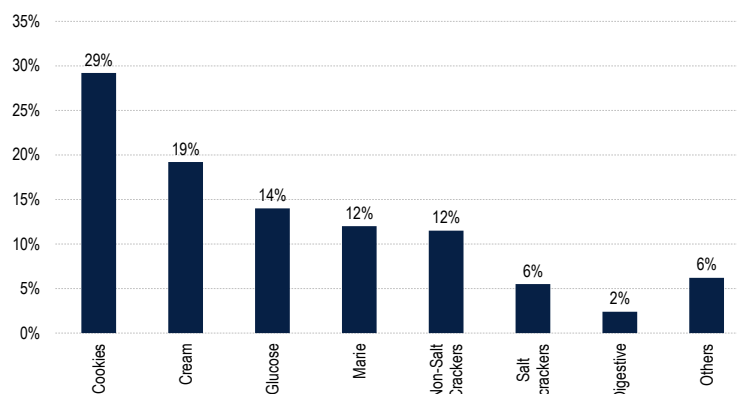
Fig 40 – Low per-capita spending on biscuits; per-capita consumption (kg/year)



Source: Company Presentation

Cookies continue to be the preferred choice (a 29% share), followed by cream biscuits (19%). Glucose biscuits come third with ~14%. Marie biscuits & non-salt crackers account for 12% of biscuits, the rest comprises salt crackers, digestives and others.

Fig 41 – Share of the branded-biscuit sub-segment



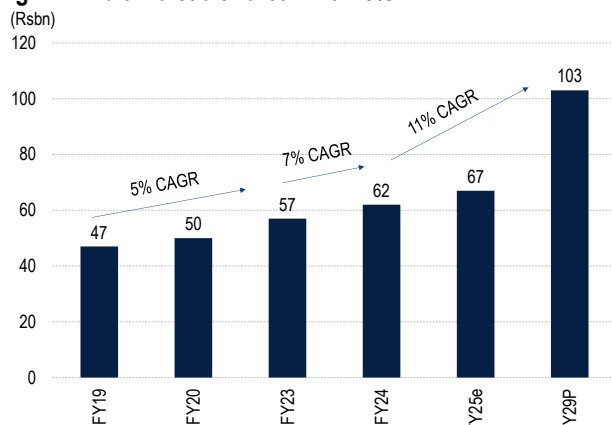
Source: Technopak Analysis, Company

Growth potential in bread and baked items

India's breads & buns retail market grew from Rs47bn in FY19 to Rs62bn in FY24 (a 5% CAGR), with 7% y/y growth in FY23-24. It is projected to reach Rs67bn in FY25 and Rs103bn by FY29, an 11% CAGR.

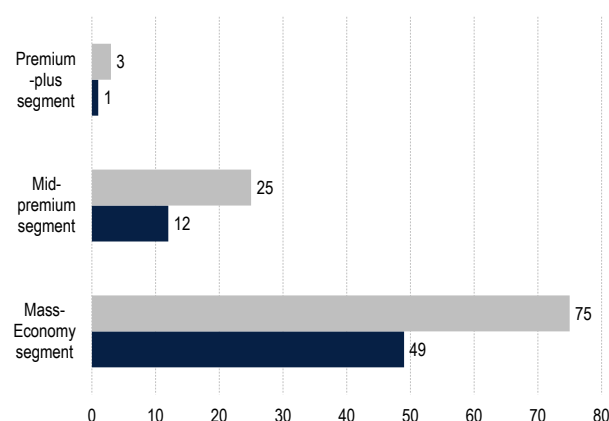
Vast growth in the premium and super-premium sub-segments are driven by higher disposable incomes, exposure to international cuisine, and types of bread available. Mid-premium and premium-plus segments are expected to clock 16% and 20% CAGRs for the FY24-29e period.

Fig 42 – Indian bread and bun markets



Source: Technopak Analysis, Company

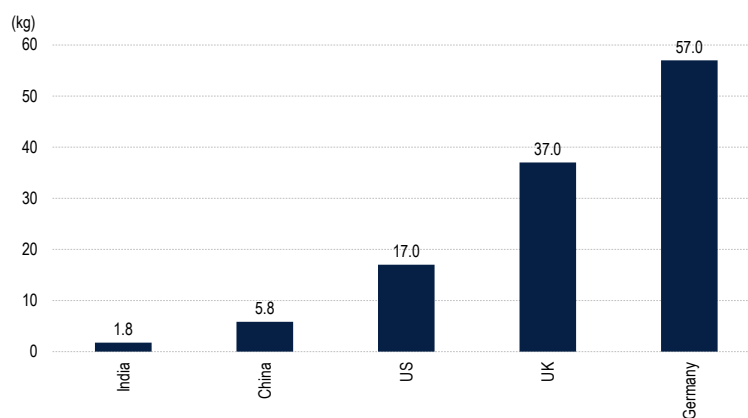
Fig 43 – Premium segment growing faster



Source: Technopak Analysis, Company

The bread category offers significant growth opportunities as a healthy and value-added product in connection with expanding to newer regions. The category has seen significant consolidation in the last couple of years.

Per-capita consumption of bread in India is only ~1.75kg, which suggests growth in bread consumption over time. Per-capita bread consumption is 5.83kg in China, 17kg in the US, 37kg in the UK and ~57kg in Germany, according to the All-India Bread Manufacturers Association.

Fig 44 – Per-capita consumption of bread

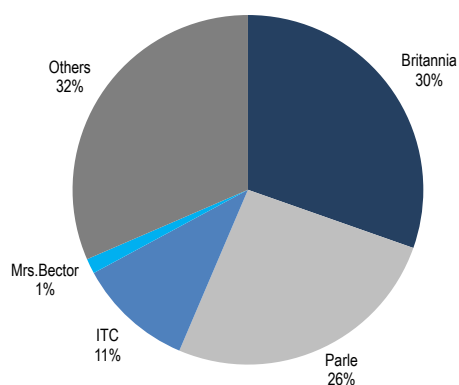
Source: Company

Competitor analysis

Nationally, the company's competitors are Britannia, Parle, ITC and Anmol; regionally, Surya Agro Foods, though on a wider scale, it competes with regional bakeries of non-branded biscuits.

In branded bread, competition arises from Harvest Gold Foods and Britannia, with their larger manufacturing capacities and well-established brands. Bector's and Baker's Circle are key suppliers of processed and semi-processed dough-based products. In this category, competition arises from in-house commissaries and smaller peers.

Fig 45 – Market Share for organized biscuits player



Source: Company, Anand Rath Research

Fig 46 – Products of key biscuit and bakery brands in India

Company	Biscuits	Bread	Buns	Cake	Other bakery items
Britannia	Y	Y	Y	Y	Y
Parle	y				y
ITC	y			y	y
Mrs Bector's Foods	Y	Y	Y	Y	Y
Surya	Y			Y	
Anmol	Y			y	y
Bonn	y	y		y	y

Source: Company DRHP

The company manufactures biscuits in-house and retails them via 600,000 outlets. Seeking to broaden its reach, it intends to expand to 900,000 outlets over the next 4-5 years.

Fig 47 – In-house manufacturing and distribution strength of key companies

Company	In-house manufacturing, %	Retail network (direct & indirect)
Britannia	65	6.5m retail points
Parle	<20	Not available
ITC	Not available	6m retail points
Patanjali	25	0.545m retail points (incl. over 47,000 pharmacies)
Ruchi Soya	25	0.5m retail points
Anmol	97	2m retail points

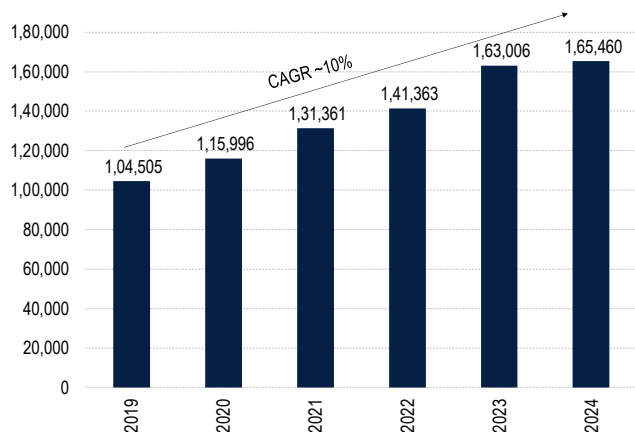
Source: Patanjali RHP, Anand Rath Research

The branded market is dominated by Britannia, Bector's (Cremica), Parle, ITC (Sunfeast) and others. Britannia and Parle together hold a ~50%

market share, ITC ~10.7%. Mrs Bector's brand Cremica in FY23 had 1.4%, which rose to 1.6% in FY24. The balance ~ 30% is shared by Anmol Industries, Surya Food and Agro (Priyagold), Patanjali and others.

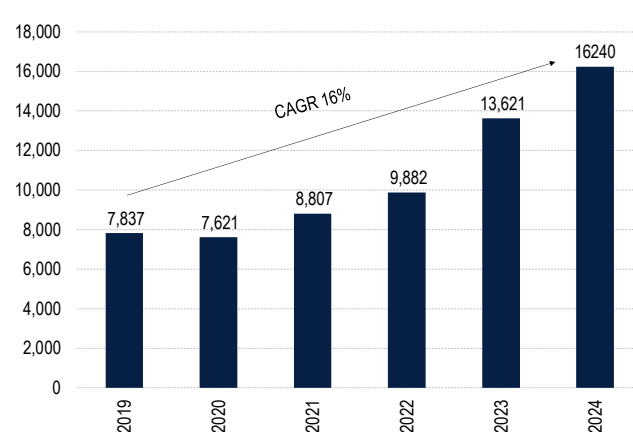
Given a similar portfolio, we believe Britannia is the most comparable to the company.

Fig 48 – Britannia, a five-year ~10% CAGR



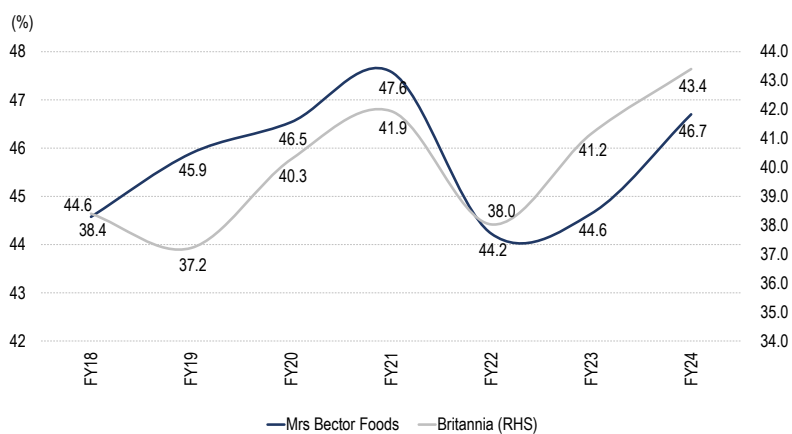
Source: Company, Anand Rath Research

Fig 49 – Mrs Bector's Foods, a five-year 16% CAGR



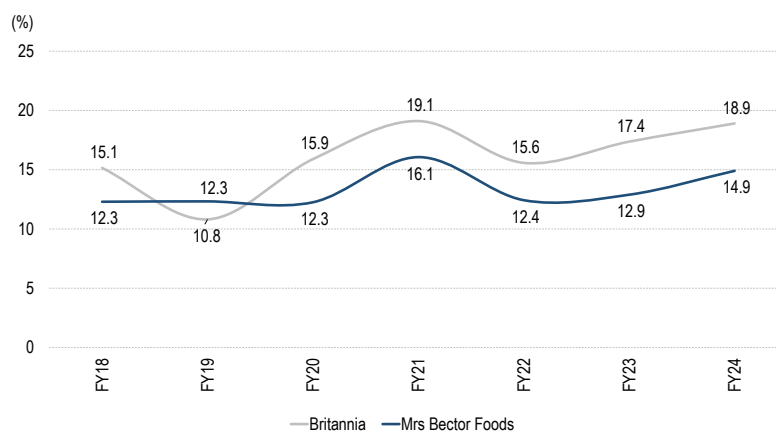
Source: Company, Anand Rath Research

Fig 50 – Gross margin higher than Britannia's; the gap has narrowed

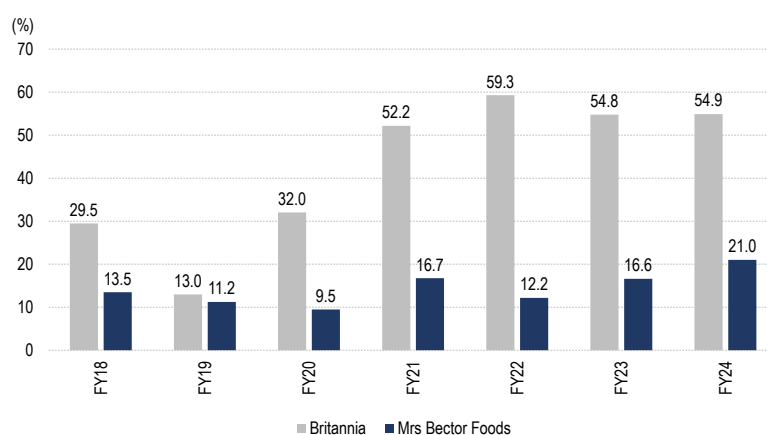


Source: Company, Anand Rath Research

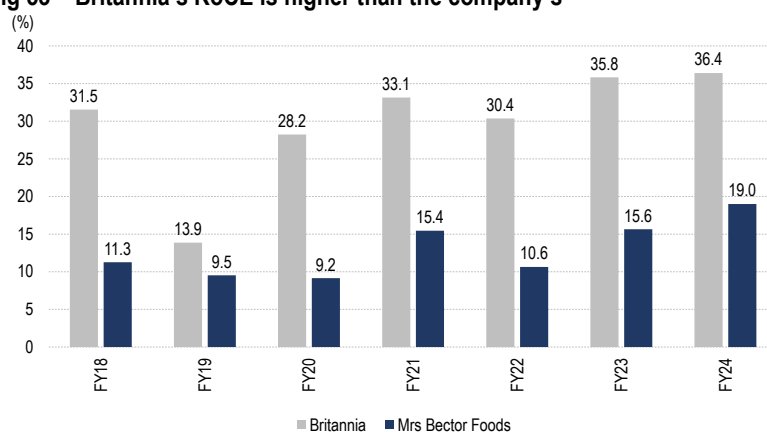
Fig 51 – Britannia enjoys a higher EBITDA margin than the company



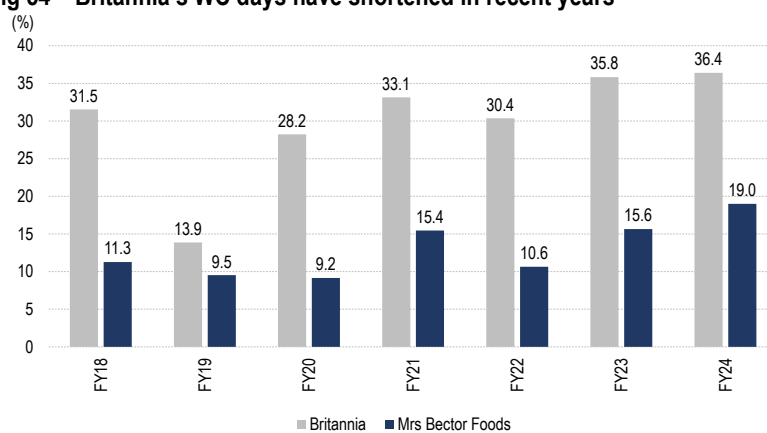
Source: Company, Anand Rath Research

Fig 52 – Britannia's RoE is higher than the company's

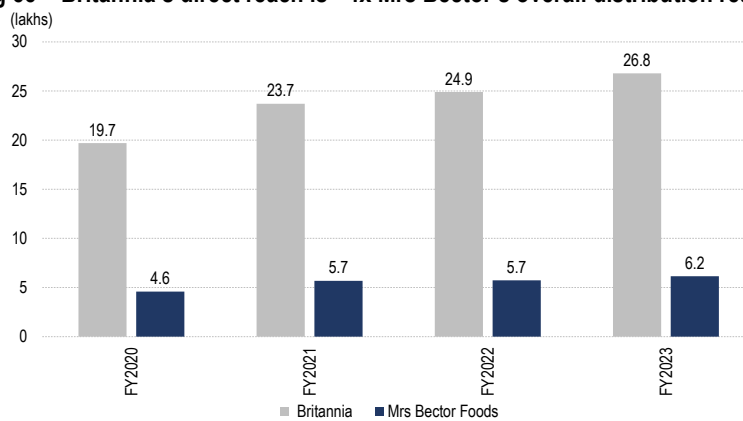
Source: Company, Anand Rathi Research

Fig 53 – Britannia's RoCE is higher than the company's

Source: Company, Anand Rathi Research

Fig 54 – Britannia's WC days have shortened in recent years

Source: Company, Anand Rathi Research

Fig 55 – Britannia's direct reach is >4x Mrs Bector's overall distribution reach

Source: Company, Anand Rath Research

Appendix

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