

Mrs. Bectors Food Specialities Limited



4QFY24 Results Review

Rating: BUY (Target Price: Rs 1,510)



4QFY24 Results Review

Mrs Bector Foods and Specialities Ltd reported 4QFY24 results:

- Revenue Mrs Bector Foods and Specialities reported a good set of numbers and broadly in line with our estimates.
- Revenue is up by ~17% YoY (declined 5.2% QoQ) to Rs4.06bn, which is in line with our est.
- EBITDA grew by ~21.6% YoY (declined 4.2% QoQ) to Rs586mn, which is also in line with our est.
- EBITDA margin stood at ~14.4% in Q4FY24 vs. 14.3%/13.9% in Q3FY24/Q4FY23, respectively.
- PAT stood at Rs336mn, up by ~21% YoY but declined by 2.9% QoQ.
- PAT margin stood at ~8.27% in Q4FY24 vs. 8.1%/7.99% in Q3FY24/Q4FY23, respectively.
- Company has reported its best-ever quarter with the highest-ever PAT margin.
- Mrs Bector Foods has achieved its stated objective of doubling direct coverage to over 3 lakh outlets in 2 years. The Q4 numbers were good due to the company's strategy of expanding both domestically and internationally. The company has focused on selling and distribution side through SFA and DMS implementation in the past 2 years and now has taken an agenda of technology intervention in manufacturing and supply chain over the next 24 months.
- Cremica brand now has a footprint in over 65 countries

Valuation- We expect Revenue/EBITDA/PAT CAGR growth of 20%/23%/29% in the FY24-FY26 period. Given the trailing history and growth prospect of the company, we have kept the EV/EBITDA multiple constant at 23x. This gives a price target of Rs1,510 and an upside potential of 19% on forward EBITDA of March FY26.

Risks: Raw material price, product quality and price war from large competitors.

Key Market Data

Bloomberg code:	BECTORS
Target price	1,510
Rating	BUY
CMP	1,266
Upside	19%
Current shares (mn)	59
Mkt cap (₹ mn)	74,400
52 Wk H / L (₹)	1,374/757

Price Performance (%)

1 Month	(1.2)%
3 Months	18.5%
12 Months	66.5%

Shareholding Pattern Mar-24

Promoter	51%
DII	21%
FII	9%
Public	19%

Analyst

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Particulars (₹ mn)	FY23A	FY24A	FY25E	FY26E	CAGR (FY24-26E)
Revenue	13,621	16,239	19,620	23,468	20%
EBITDA	1,752	2,424	3,090	3,696	23%
EBITDA Margin	12.9%	14.9%	15.7%	15.7%	80bps
PAT	901	1,404	1,803	2,230	29%
EPS (₹ per share)	15.3	23.9	30.7	37.9	29%
EV-EBITDA	42	31	24	20	

Source: Company, ACMIIL research

Quarterly Performance

Consolidated (Rs mn)	Q4FY24	Q3FY24	QoQ(%)	Q4FY23	YoY(%)
Revenue	4,064	4,289	(5)	3,461	17
EBITDA	586	612	(4)	482	22
EBITDAM	14.4	14.3	16.1	13.9	49bps
PAT	336	346	(3)	277	22
EPS (₹ per share)	5.72	5.89	(17.00)	4.70	102bps

Source: Company, ACMIIL research

Management Conference Call

- In Q4FY24, because of the demand cycle, there has been a decline in the contract manufacturing side. This is a temporary decline and the numbers will normalise in one or two quarters.
- Premiumisation is the largest lever for growth in revenue for the company; it has reached 37% of the total portfolio.
- The biscuit segment reported a revenue growth of 18%, standing at Rs240 crores in Q4FY '24 as compared to Rs 203 crores in Q4 FY '23. This segment has grown by 68% over Q4 FY '22.
- The bakery segment revenue for Q4FY24 stood at Rs151 crores against Rs128 crores in Q4FY23, registering a growth of 18% Y-o-Y basis, including retail bakery and institutional segments.
- There was 27% increase in the working capital of the company in FY24. This was primarily driven by increase in the sugar stock, bought and booked for a long 8-month period.
- Mrs Bector Foods is expanding into cake business. It has launched a small SKU under its 'English Oven' brand. Going forward, the company will work on improving the shelf life of the product.
- Under the capex plan in the biscuit segment, the company commissioned two plants in Rajpura in FY24 with two additional lines planned. They are estimated to be commissioned by H1 FY24-25. Capex of around Rs390 crore is expected in this fiscal year.
- Commissioning of the MP Dhar plant is also expected in the current financial year. On the bakery front, the company commissioned its Bhiwadi plant in FY24. It has started construction of building for its Khopoli bakery in Maharashtra and is putting up another bakery unit in Kolkata. Both will be commissioned by Q4FY25.

- Mrs Bector Foods has initiated Project Impact 1.0, a journey towards cost transformation throughout the organisation. It is an initiative across multiple fronts, which include procurement, packaging, optimising manufacturing process, reducing wastage and streamlining logistics. The preliminary assessment work has started across these functions. Management believes that this will lay a strong foundation for a sustainable growth, moving forward.
- Growth opportunity for the company is in the buns section but it is also exploring to enter in frozen desserts segment.
- The company will be taking more debt for expansion, going forward,. The current debt to equity level is 0.34, which may increase, but not to an alarming level.

Changes in Estimates

Particulars (Y/E March) (₹ mn)	Old Estimates			Revised Estimates			Change		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	16,165	19,512	23,338	16,239	19,620	23,468	0%	1%	1%
EBITDA	2,510	3,073	3,675	2,424	3,090	3,696	(3)%	1%	1%
EBITDA Margin	15.5%	15.7%	15.7%	14.9%	15.7%	15.7%	(60) bps	1 bps	1 bps
PAT	1,452	1,801	2,225	1,404	1,858	2,340	(3)%	3%	5%
PAT Margin	9%	9.2%	9.5%	8.6%	9.5%	10%	(4)%	3%	5%
EPS (₹ per share)	24.7	30.6	37.8	23.9	31.6	39.8	(3)%	3%	5%

Source: Company, ACMIIL research

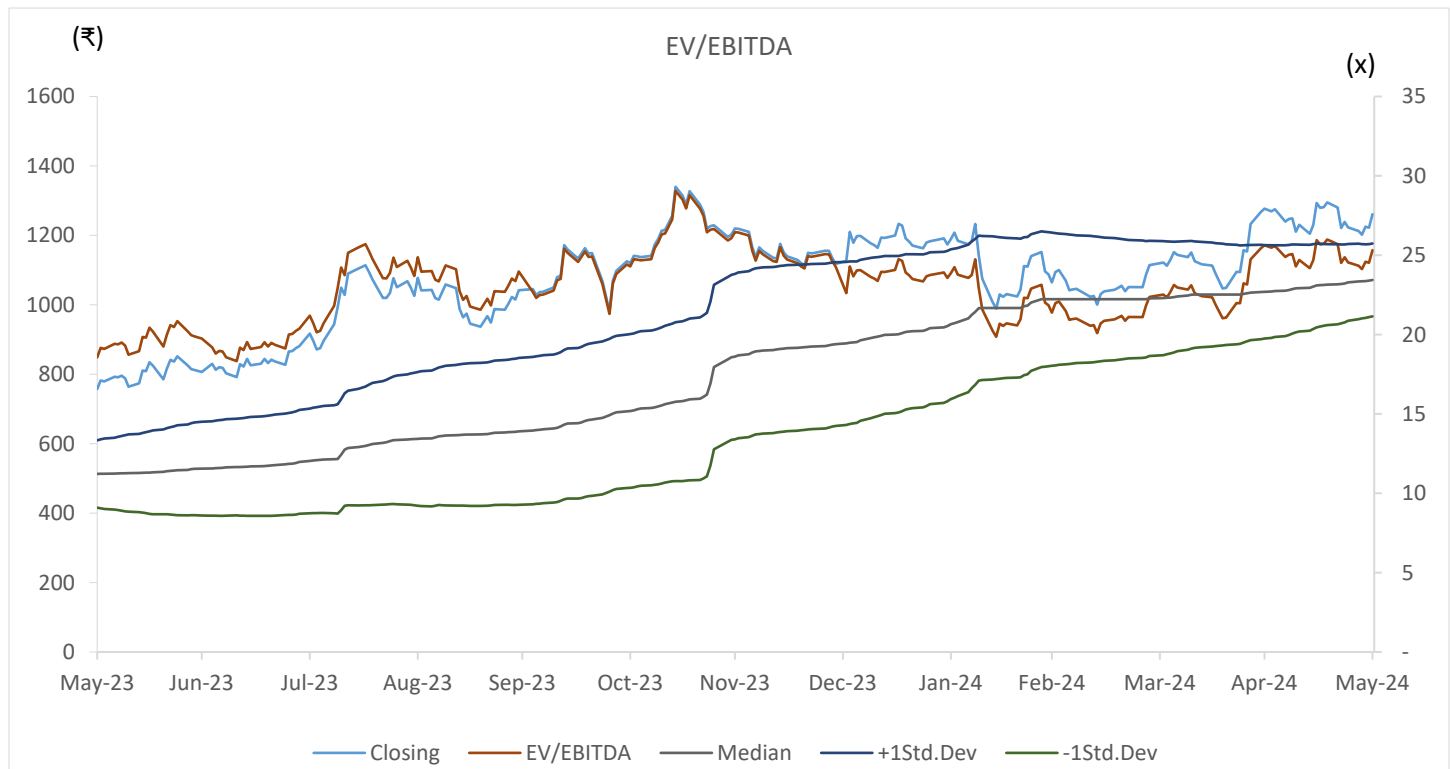
Valuation

Valuation Table	FY24
EBITDA FY26E (Rs mn)	3,696
EV/EBITDA (x)	23
EV (Rs mn)	85,013
Less: Net Debt (Rs mn)	(3,794)
Equity Value (Rs mn)	88,807
No. Of Share (mn)	59
Target Price (Rs)	1,510
CMP	1,266
Upside/ Downside	19%

Source: Company, ACMIIL research

Management has given a guidance of improving its EBITDA margin to high-teen level from the current mid-teen level. New plants will be commissioned in the current financial year, which will impact the top line, going ahead. The company is expanding its territory in new locations. It has initiated Project Impact 1.0, a journey towards cost transformation throughout the organisation. It is an initiative across multiple fronts, which includes procurement, packaging, optimizing manufacturing process, reducing wastages, streamlining logistics. The preliminary assessment work has started across these functions. Management believes that this will lay a strong foundation for a sustainable growth moving forward. This will also help in reducing the cost of the company and improving the PAT margin for the company.

Chart



Source: Company, ACMIIL research

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	$\geq 15\%$
SELL	$< -10\%$
HOLD	$> -10\%$ to 15%

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