

# MRS. BECTORS FOOD SPECIALITIES LIMITED

Better placed among peers amid slowdown

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- Mrs. Bectors Food Specialities Limited (MBFSL) reported 14.8% YoY revenue growth to ₹4.9bn in Q3FY25, in line with estimates, but margins were impacted by higher input costs. Gross margin declined 30bps YoY to 45.1% and EBITDA margin contracted 179bps YoY to 12.5% due to higher employee and freight costs. MBFSL has undertaken price hikes and grammage reductions, with full benefits expected from Q1FY26.
- MBFSL's Biscuit segment grew 15% YoY to ₹3.1bn, while the Bakery segment rose 20% YoY to ₹1.8bn in Q3FY25, driven by strong retail and institutional demand. Despite a domestic biscuit uptick, exports saw some slowdown due to a high base.
- We expect MBFSL to clock a Revenue/ EBITDA/PAT CAGR of 15%/15%/17% respectively over FY24-27E on the back of a recovery in domestic biscuits and improving the retail Bakery segment. We maintain our 'BUY' rating but revise our target price to ₹1,770 (from ₹2,000) to factor in the slowdown in the export market and a gradual domestic market recovery, which we will closely monitor. We assign a PE of 48x on FY27E EPS of ₹36.7.

## Margins impacted amid high inflation; Price hikes will continue to drive top-line growth

MBFSL reported a 14.8% YoY growth (-0.8% QoQ) in its Revenues to ₹4.9bn in Q3FY25 from ₹4.1bn in Q3FY24 which was In-line with our estimates however, its margins disappointed on account of higher input cost. The Biscuits segment grew 15%, driven by strong growth in exports, whereas the bakery segment reported 20% growth. The company's gross margin declined 30bps YoY (-226 bps QoQ) in Q3FY25 to 45.1% vs 45.4% in Q3FY24. MBFSL's EBITDA grew 0.4% to ₹614 mn in Q3FY25 vs ₹612 mn due to higher operational costs as employee and other expenses went up by 21% and 20% respectively. EBITDA margins came in lower by 179 bps YoY (-172 bps QoQ) to 12.5% in Q3FY25 vs 14.3% in Q3FY24. The company's Profit After Tax stood at ₹346 mn posting a de-growth of -0.1% YoY (-11% QoQ) with PAT margins at 7.0% in Q3FY25 vs 8.1% in Q3FY24 (-106bps YoY). In order to tackle input cost inflation, MBFSL has implemented strategic price hikes in the range of 5-10% along with grammage reductions in the domestic Bakery segment (completed in Q3FY25) and Domestic Biscuits segment (partly completed in Q3FY25, with the remainder planned for Q4FY25).

Key Financials	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Total Income (₹ mn)	13,621	16,239	18,935	21,563	24,727
EBITDA margins (%)	12.9%	14.9%	13.6%	14.2%	14.7%
PAT margins (%)	6.6%	8.6%	7.6%	8.4%	9.1%
EPS (₹)	15.4	23.8	23.3	29.4	36.7
P/E (x)	91.5	59.1	60.3	47.8	38.3
P/BV (x)	15.2	12.5	8.6	7.3	6.1
EV/EBITDA (x)	47.5	34.5	33.3	27.5	22.7
Adj ROE (%)	16.6%	21.1%	14.2%	15.2%	15.9%
Adj ROCE (%)	18.3%	21.2%	16.3%	17.0%	18.0%

### BUY

Current Market Price (₹)	1,406
12M Price Target (₹)	1,770
Potential upside (%)	26

### Stock Data

Sector	:	FMCG
FV (₹)	:	10
Total Market Cap (₹ bn)	:	91
Free Float Market Cap (₹ bn)	:	46
52-Week High / Low (₹)	:	2,200 / 964
BSE Code / NSE Symbol	:	543253/BECTORFOOD
Bloomberg	:	BECTORS: IN

### Shareholding Pattern

(%)	Dec-24	Sep-24	Jun-24	Mar-24
Promoter	49.03	49.03	51.18	51.18
MF's	18.72	20.42	20.22	20.42
FPIs	15.64	13.12	8.22	8.39
Insurance	0.68	0.22	0.27	0.04
Others	15.93	17.21	20.11	19.97

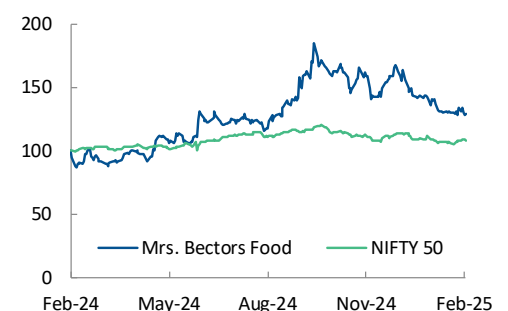
Source: BSE

### Price Performance

(%)	1M	3M	6M	12M
MBFSL	-8.2%	-18.6%	9.6%	29.3%
Nifty 50	-0.6%	-2.6%	-3.0%	8.5%

\* To date / current date : February 7, 2025

### MBFSL vs Nifty 50



MBFSL's Biscuit segment sales stood at ₹3.1bn in Q3FY25 as against ₹2.7bn in Q3FY24, registering a decent growth of 15% including domestic and export Biscuit segment. In Q3FY25 MBFL's Bakery segment revenue stood at ₹1.8bn as against ₹1.5bn in Q3FY24, registering a strong growth of 20% retail bakery and institutional segment. In Domestic Biscuits MBFSL saw improved traction despite overall slowdown and its export business it witnessed some slowdown due to high base.

#### Strategic initiatives to drive growth; Capex update

The company aims to expand its total reach from 0.7 mn to 1 mn outlets in the medium term, building on its current direct reach of 0.3 mn. Aggressive capacity expansion is underway to support mid-teens sales growth. While the domestic Biscuit segment has shown a volume uptick this quarter, sustaining momentum, a key risk remains the potential moderation in export business due to an unfavorable base effect.

On the capex side MBFSL is making steady progress across multiple locations. At its Dhar (MP) facility (greenfield plant), the construction of biscuit lines has been completed, and the plant is on track for commercialization by Q1FY26 (April 2025). Meanwhile, at the Khopoli (Maharashtra) site, construction of the bakery plant has commenced, with commissioning expected in Q2FY26. Additionally, the upcoming bakery plant in Kolkata is slated to become operational by Q1FY26, further strengthening the company's production capabilities and supporting its growth ambitions.

#### Quarterly Performance

(₹ mn)	Q3FY25	Q3FY24	YoY	Q2FY25	QoQ
Sales	4,921	4,289	14.8%	4,963	-0.8%
Raw Material	2,703	2,343	15.4%	2,613	3.4%
Employee Cost	687	566	21.3%	665	3.3%
Other expenses	917	768	19.5%	980	-6.4%
Total Operating expenses	4,307	3,677	17.1%	4,258	1.1%
EBITDA	614	612	0.4%	705	-12.8%
EBITDA Margin (%)	12.5%	14.3%	(179 bps)	14.2%	(172 bps)
Depreciation	194	162	20.2%	193	0.3%
EBIT	420	450	-6.7%	511	-17.8%
Other Income	70	47	48.8%	56	23.5%
Interest	25	34	-26%	43	-41.2%
Exceptional items	0	0	-	0	-
Profit Before Tax	465	463	0.3%	525	-11.5%
Tax	119	117	1.4%	136	-12.3%
Tax rate (%)	25.6%	25.3%	27 bps	25.9%	(25 bps)
Profit after tax	346	346	0%	389	-11.2%
PAT Margin (%)	7.0%	8.1%	(105 bps)	7.8%	(82 bps)
EPS (₹)	5.6	5.9	-4%	6.3	-11.3%

Source: Company, LKP Research

### Outlook & Valuation

MBFSL reported 15% sales growth which is above its large peers on the back of its growing presence in domestic & exports market coupled with its strong B2B presence. MBFSL's focused approach on premiumisation across categories coupled with healthy growth in its institutional/retail bakery and biscuit export business will continue to support its double-digit volume growth. Post commissioning of ₹3.5bn capex by Q1/Q2FY26 the company is aiming to increase its direct reach to 1 mn from 7 lakh outlets currently. We believe MBFSL will benefit from a) premiumisation trends in the underlying sector supported by structural tailwinds on account of consumption boost provided by the government b) Strategic expansion of capacities in key areas and enhancing distribution reach c) New product innovations across categories. We expect MBFSL to clock a Revenue/ EBITDA/PAT CAGR of 15%/15%/17% respectively over FY24-27E on the back of a recovery in domestic biscuits and improving the retail Bakery segment. We maintain our 'BUY' rating but revise our target price to ₹1,770 (from ₹2,000) to factor in the slowdown in the export market and a gradual domestic market recovery, which we will closely monitor. We assign a PE of 48x on FY27E EPS of ₹36.7.

### Risks:

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

P/E(x) mean and standard deviation



P/BV(x) mean and standard deviation



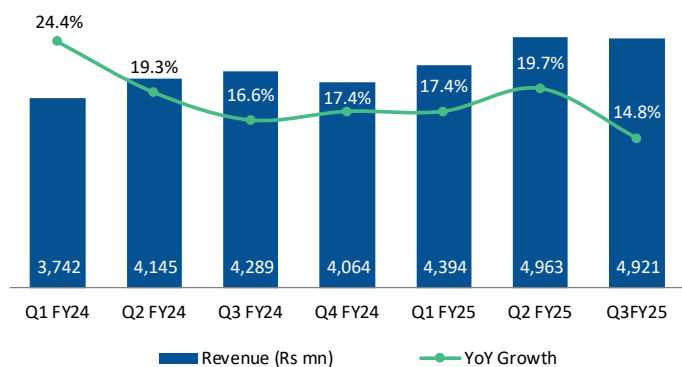
Source: ACE Equity, LKP Research

**Con-Call KTA's:**

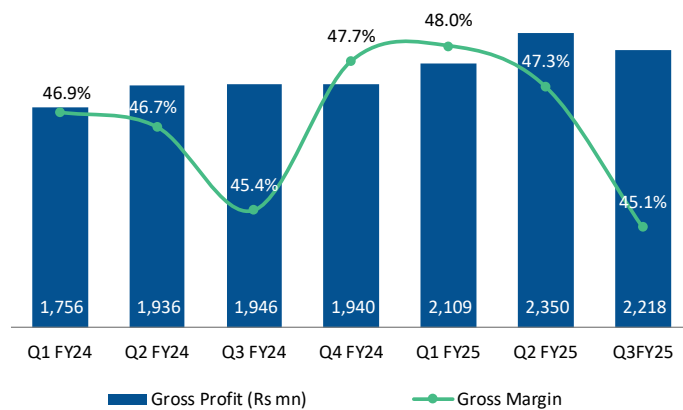
- **Segmental Performance:** The Biscuits segment grew 15%, driven by strong exports, while the domestic market saw a volume uptick after four quarters of muted growth. The Bakery segment grew 20% YoY, supported by robust demand across both B2C and B2B channels.
- **Cost & Inflation Impact:** Rising input costs, particularly in palm oil, maida, and cocoa, led to higher expenses. Additionally, freight costs surged due to the Red Sea crisis, pushing other expenses up 20% YoY. To offset inflation, the company undertook price hikes and grammage reductions, with the full impact expected from Q1FY26.
- **New Product Launches & Marketing:** The company introduced Non-stop mini-crackers in the savory snack category and Magic Crème Biscuits (Pineapple Crème) under the Cremica brand. Ad spends for the B2C segment stood at 3% of sales for 9MFY25, reflecting its focus on brand building.
- **Capacity Expansion:** The company is progressing well on its expansion plans. The Dhar (MP) biscuit plant is set for commercialization by Q1FY26, while the Khopoli (Maharashtra) bakery plant is expected to be operational by Q2FY26. Additionally, the Kolkata bakery plant is on track for Q1FY26 commissioning, further enhancing production capabilities.
- **Guidance:** Management reiterated its EBITDA margin guidance of 14-15%, expecting full benefits from pricing actions in Q1FY26. The company aims for mid-teens sales growth, supported by capacity expansion and improving domestic biscuit sales. However, input cost inflation and export moderation remain key watch factors.

## Financial Charts

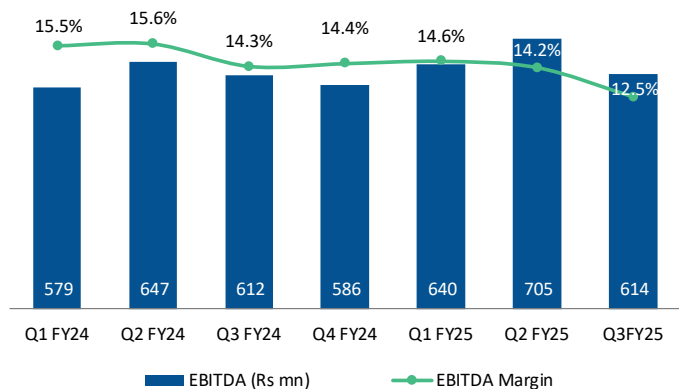
Revenue Growth sustains amid overall slowdown



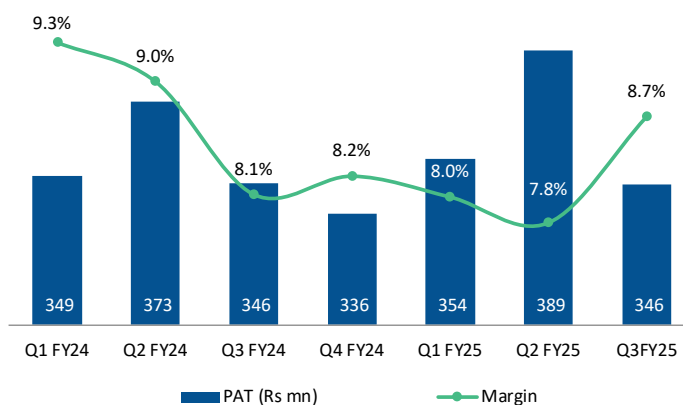
Gross margin impacted due to high input cost



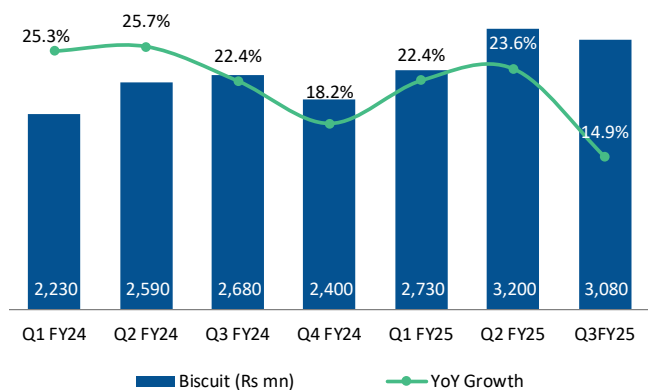
High operating expenses &amp; inflation derailed OPMs to 12.5%



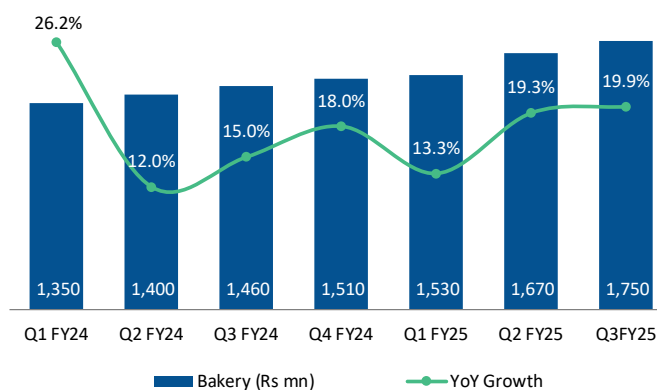
PAT miss largely led by EBITDA miss



Domestic biscuits recover in Q3FY25;Exports sees slowdown



Bakery Segment Maintains Strong Momentum



Source: Company, LKP Research

## Income Statement

(₹ mn)	FY23	FY 24	FY 25E	FY 26E	FY 27E
<b>Revenue from Operations</b>	<b>13,621</b>	<b>16,239</b>	<b>18,935</b>	<b>21,563</b>	<b>24,727</b>
Raw Material Cost	7,541	8,661	10,263	11,644	13,278
Employee Cost	1,630	2,182	2,613	2,954	3,412
Other Exp	2,699	2,972	3,484	3,903	4,401
<b>EBITDA</b>	<b>1,752</b>	<b>2,424</b>	<b>2,575</b>	<b>3,062</b>	<b>3,635</b>
EBITDA Margin(%)	12.9%	14.9%	13.6%	14.2%	14.7%
Depreciation	533	614	765	850	888
<b>EBIT</b>	<b>1,219</b>	<b>1,810</b>	<b>1,810</b>	<b>2,212</b>	<b>2,747</b>
EBIT Margin(%)	9.0%	11.1%	9.6%	10.3%	11.1%
Other Income	120	190	249	311	380
Interest	129	118	137	100	100
<b>Profit Before tax (PBT)</b>	<b>1,210</b>	<b>1,882</b>	<b>1,922</b>	<b>2,424</b>	<b>3,027</b>
PBT margin (%)	8.9%	11.6%	10.2%	11.2%	12.2%
Tax	306	479	490	618	772
<b>Profit After Tax</b>	<b>904</b>	<b>1,403</b>	<b>1,432</b>	<b>1,806</b>	<b>2,255</b>
PAT Margins (%)	6.6%	8.6%	7.6%	8.4%	9.1%
Other comprehensive income/loss	-1	-3	0	0	0
<b>Rep PAT</b>	<b>904</b>	<b>1,400</b>	<b>1,432</b>	<b>1,806</b>	<b>2,255</b>
RPAT Margins (%)	6.6%	8.6%	7.6%	8.4%	9.1%

## Key Ratios

YE Mar	FY23	FY 24	FY 25E	FY 26E	FY 27E
<b>Per Share Data (Rs)</b>					
Adj. EPS	15.4	23.8	23.3	29.4	36.7
CEPS	24.4	34.2	35.8	43.3	51.2
BVPS	92.5	112.7	164.3	193.7	230.4
<b>Growth Ratios(%)</b>					
Revenue	37.8%	19.2%	16.6%	13.9%	14.7%
EBITDA	43.0%	38.4%	6.2%	18.9%	18.7%
EBIT	59.4%	48.5%	0.0%	22.2%	24.2%
Adj. PAT	56.0%	55.0%	2.3%	26.1%	24.9%
<b>Valuation Ratios (X)</b>					
PE	91.5	59.1	60.3	47.8	38.3
P/CEPS	57.6	41.1	39.3	32.5	27.5
P/BV	15.2	12.5	8.6	7.3	6.1
EV/Sales	6.1	5.2	4.5	3.9	3.3
EV/EBITDA	47.5	34.5	33.3	27.5	22.7
<b>Operating Ratios (Days)</b>					
Inventory days	21.5	23.0	22.0	23.0	25.0
Receivable Days	23.9	29.5	27.0	26.0	27.0
Payables day	20.5	23.6	22.0	22.0	24.0
Debt to Equity (x)	0.22	0.34	0.12	0.10	0.09
<b>Performance Ratios (%)</b>					
AROA (%)	10.9%	12.7%	10.4%	11.4%	12.1%
AROE (%)	16.6%	21.1%	14.2%	15.2%	15.9%
AROCE (%)	18.3%	21.2%	16.3%	17.0%	18.0%
Asset Turnover(x)	2.17	2.22	1.85	1.90	1.95
Inventory Turnover(x)	16.7	15.7	16.4	17.8	18.8

## Balance Sheet

(₹ mn)	FY23	FY 24	FY 25E	FY 26E	FY 27E
<b>Equity and Liabilities</b>					
Equity Share Capital	588	588	614	614	614
Reserves & Surplus	4,855	6,041	9,473	11,279	13,534
<b>Total Networth</b>	<b>5,443</b>	<b>6,629</b>	<b>10,087</b>	<b>11,892</b>	<b>14,147</b>
Long term Borrowings	940	1,490	490	490	490
Deferred tax liability	98	95	107	128	133
Other Non-Current liabilities	186	341	423	477	531
<b>Total non-curr liab &amp; provs</b>	<b>1,224</b>	<b>1,926</b>	<b>1,020</b>	<b>1,094</b>	<b>1,155</b>
<b>Current Liabilities</b>					
Short term Borrow & Provs	327	806	822	829	838
Trade Payables	775	1,067	1,157	1,318	1,648
Other curr & fin liabilities	545	575	743	756	845
<b>Total current liab and provs</b>	<b>1,647</b>	<b>2,448</b>	<b>2,723</b>	<b>2,903</b>	<b>3,331</b>
<b>Total Equity &amp; Liabilities</b>	<b>8,314</b>	<b>11,003</b>	<b>13,829</b>	<b>15,890</b>	<b>18,633</b>
<b>Assets</b>					
<b>Gross block</b>	<b>6,586</b>	<b>8,041</b>	<b>10,235</b>	<b>11,349</b>	<b>12,680</b>
Net Fixed Assets	5,373	6,910	8,473	8,504	9,140
Inventories	814	1,037	1,157	1,210	1,315
Trade receivables	903	1,331	1,420	1,368	1,420
<b>Cash &amp; Bank</b>	<b>749</b>	<b>1,271</b>	<b>1,816</b>	<b>3,416</b>	<b>5,146</b>
Other current assets	475	454	963	1,392	1,612
Total current Assets	8,314	11,003	13,829	15,890	18,633
<b>Total Assets</b>	<b>8,314</b>	<b>11,003</b>	<b>13,829</b>	<b>15,890</b>	<b>18,633</b>

## Cash Flow

(₹ mn)	FY23	FY 24	FY 25E	FY 26E	FY 27E
PBT	1,207	1,883	1,922	2,424	3,027
Depreciation	533	614	765	850	888
Interest	129	118	137	100	100
Other Adjustments	613	614	902	950	987
Operating CF before WC changes	2,482	3,229	3,726	4,323	5,002
Changes in working capital	118	-472	-30	70	70
Tax paid	-298	-490	-490	-618	-772
<b>Cash flow from operations (a)</b>	<b>1,641</b>	<b>1,534</b>	<b>2,304</b>	<b>2,825</b>	<b>3,313</b>
Capital expenditure	-1,095	-2,152	-2,194	-1,114	-1,331
Other investing activities	-415	-84	-1,020	254	199
<b>Cash flow from investing (b)</b>	<b>-1,510</b>	<b>-2,235</b>	<b>-3,214</b>	<b>-860</b>	<b>-1,132</b>
<b>Free cash flow (a+b)</b>	<b>131</b>	<b>-701</b>	<b>-911</b>	<b>1,965</b>	<b>2,180</b>
Proceeds/Repayments from short term borrowings	-80	454	-	-	-
Proceeds/Repayment of long term borrowings	1	585	-1,000	-	-
Other flows in financing activities	-287	-351	3,650	-365	-450
<b>Cash flow from financing (c)</b>	<b>-366</b>	<b>688</b>	<b>2,650</b>	<b>-365</b>	<b>-450</b>
<b>Net chng in cash (a+b+c)</b>	<b>-235</b>	<b>-14</b>	<b>1,739</b>	<b>1,600</b>	<b>1,730</b>
<b>Closing cash &amp; cash equivalents</b>	<b>749</b>	<b>1,271</b>	<b>1,816</b>	<b>3,416</b>	<b>5,146</b>

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