

## Mrs. Bector's Food Specialities Limited

Instrument	Amount	Rating Action
	In Rs. Crore	November 2016
Term Loans	59.50 (earlier Rs. 51.83 crore)	[ICRA]A+(Stable); assigned/outstanding
Fund Based Limits	27.00	[ICRA]A+(Stable); outstanding
Non-fund Based Limits	17.50 (earlier Rs. 17.00 crore)	[ICRA]A1+; assigned/outstanding
Unallocated Limits	60.00 (earlier Rs. 54.17 crore)	[ICRA]A+(Stable) / [ICRA]A1+; assigned/outstanding

ICRA has assigned a long term rating of [ICRA]A+ (pronounced as ICRA A plus) and short term rating of [ICRA]A1+ (pronounced as ICRA A one plus) for the enhanced bank facilities (enhanced from Rs. 150.0 crore to Rs. 164.0 crore) of Mrs. Bector's Food Specialities Limited (MBFSL)<sup>†</sup>. The outlook on the long term rating is Stable.

The assigned ratings factor in MBFSL's strong brand and widespread distribution network in its key operating markets of northern India; its diversified sales channels in terms of retail sales of biscuits and breads, institutional sales, private labelling and exports; and its long standing relationship with reputed institutional customers such as McDonald's Corporation, ITC Limited, Burger King India, KFC India and Mondelez India Foods Limited. The ratings also take into consideration the steady improvement in MBFSL's operating margins, owing to favourable changes in the product mix and subdued raw material prices. Better margins coupled with inherently low working capital intensive nature of the operations have resulted in strong cash flow generation and comfortable liquidity position. Further, strong accretion to reserves has led to healthy capital structure, with gearing of 0.24 times and robust debt coverage indicators marked by interest cover of 13.4 times, net cash accruals/total debt of 123% and debt/OPBDITA of 0.66 times as on March 31, 2016 (provisional). ICRA notes that the proposed debt-funded capital expenditure would not materially weaken its credit metrics from the existing levels in the medium term, given the steady internal accrual generation. The ratings continue to take comfort from the long standing experience of the promoters in the food processing industry, addition of new clients in the institutional segment, and growth initiatives to expand its product offerings and geographic reach.

The ratings are however constrained by the high competition in the domestic biscuit/breads market due to the presence of few dominant players and numerous regional players, which coupled with the slowdown in the domestic biscuits industry has put pressure on the volumes. In the bakery division also, the volumes have remained sluggish due to depressed growth in quick-service restaurant (QSR) segment. These factors have resulted in a stagnant operating income in FY2016. The ratings are further constrained by susceptibility of the company's profitability to raw material price changes, and regulatory risks regarding the quality of the processed food products. ICRA notes that MBFSL has obtained necessary approvals from Food Safety Standard Association of India (FSSAI) and has additional quality certifications such as ISO 9000 and Hazard Analysis and Critical Control Points (HACCP) from United States Food and Drug Administration (USFDA).

The ability of the company to maintain its credit metrics while growing revenues and profitability would be the key rating sensitivity.

### Company Profile

MBFSL was established in 1995 as a joint venture (JV) with Quaker Oats for supplying condiments such ketchup and sauces to McDonalds and gradually added buns, batter, and bread. The JV partner withdrew from MBFSL in 1999 and during 2007, the biscuits and bakery business was transferred to MBFSL through slump sale. During 2013-14, the company pursuant to a business reorganisation scheme, demerged its food supplements (sauces, spreads, and namkeen) division to a separate company named, Cremica Food Industries Limited.

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's Website, [www.icra.in](http://www.icra.in), or any of the ICRA Rating Publications.

As a result, MBFSL currently manufactures biscuits and bakery products which are marketed under Mrs. Bectors Cremica and Mrs. Bector's English Oven brand respectively. MBFSL has five manufacturing locations namely Phillaur, Tahlwal, Noida, Mumbai (housed under its wholly owned subsidiary, Bakebest Foods Private Limited), and Bangalore. The company operates in consumer segment through its network of distributors and retailers besides supplying to export markets and catering to institutional customers.

During FY2016, private equity investors – CX Partners and Gateway Partners acquired 46.75% stake in MBFSL from Mr. Ajay Bector and the earlier private equity investor Motilal Oswal (which held 23.37% stake). Further, there was a family restructuring where in Mr. Anoop Bector and his family became the major shareholders, holding 53.25% stake with the exit of Mr. Dharamveer Bector and Mr. Ajay Bector.

#### **Recent Results**

For FY2016, the company (on a consolidated basis including its subsidiary Bakebest Foods Private Limited) reported an operating income of Rs.582.6 crore and a profit after tax of Rs. 39.9 crore as against an operating income of Rs. 583.9 crore and a PAT of Rs. 29.2 crore in FY2015.

**November 2016**

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