

MBFSL/CS/2024-25

15<sup>th</sup> November, 2024

To, Department of Corporate Relations, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	To, National Stock Exchange of India Ltd, Exchange Plaza, C- 1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai– 400051
Scrip Code: 543253	Scrip Symbol: BECTORFOOD

Dear Sir/Madam,

**SUBJECT: TRANSCRIPT OF EARNINGS CONFERENCE CALL – Q2 & FY25 UNDER THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS), REGULATIONS 2015**

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on 08<sup>th</sup> November, 2024 to discuss Q2 & FY25 results.

We Request you to kindly take the same on record.

Thanking You,

Yours faithfully,

For **Mrs. Bectors Food Specialities Limited**

**Atul Sud**  
**Company Secretary and Compliance Officer**  
**M.No. F10412**

Mrs Bectors Food Specialities Ltd



“Mrs. Bectors Food Specialities Limited  
Q2 FY '25 Earnings Conference Call”

November 08, 2024

Mrs Bectors Food Specialities Ltd



**MANAGEMENT: MR. ANOOP BECTOR – MANAGING DIRECTOR – MRS. BECTORS FOOD SPECIALITIES LIMITED  
MR. MANU TALWAR – CHIEF EXECUTIVE OFFICER – MRS. BECTORS FOOD SPECIALITIES LIMITED  
MR. ARNAV JAIN – CHIEF FINANCIAL OFFICER – MRS. BECTORS FOOD SPECIALITIES LIMITED  
MR. SUVIR BECTOR – WHOLE-TIME DIRECTOR – MRS. BECTORS FOOD SPECIALITIES LIMITED  
MR. PARVEEN KUMAR GOEL – WHOLE-TIME DIRECTOR – MRS. BECTORS FOOD SPECIALITIES LIMITED**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Q2 FY '25 Earnings Conference Call of Mrs. Bectors Food Specialities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Bector from Mrs. Bectors Food Specialities Limited. Thank you, and over to you, sir.

**Anoop Bector:**

Thank you. Good afternoon, everyone. On behalf of Mrs. Bectors Food Specialities Limited, I extend a very warm welcome to all participants on Q2 FY '25 financial results discussion call. Today on this call, I have with me Mr. Manu Tulwar, our Chief Executive Officer; Mr. Arnab Jain, Chief Financial Officer; Mr. Suvir Bector, Whole-Time Director; Mr. Praveen Kumar Goel, Whole-Time Director. We also have Orient Capital with us on the call who are our Investor Relations Advisor.

I hope everyone had a chance to review our investor deck and press release, which was uploaded on the exchanges and our company website. The company continued its growth trajectory in Q2 FY '25, achieving a 19.7% increase in revenue and a 21.4% increase in gross profit for the quarter. This strong performance was driven by robust growth across both business verticals, resulting in highest-ever quarterly revenue and PAT for the company.

Coming to macroeconomic environment, we witnessed a rather subdued June quarter consumption pattern on account of extreme heat and Lok Sabha elections, the impact of which continued over the September quarter as well. This coupled with extreme rains and inching inflation meant the consumption scenario remained muted, especially in the urban markets. We expect inflation on the back, key duty hikes and increased commodity prices to pose significant challenges as we move forward.

During the current quarter, we successfully completed INR400 crores capital raise, a milestone that will support several strategic initiatives. The proceeds from this capital raise will be allocated towards key priorities, including the liquidation of select outstanding borrowings. INR155 crores have already been paid. Further funds have been allocated towards investments in biscuit plants in Dhar, Madhya Pradesh and in our subsidiary Bakebest Foods Private Limited to set up a new bakery facility in Khopoli, Maharashtra.

Also, I'm pleased to share recent updates on our credit ratings from CRISIL and ICRA, which reflect our strengthened financial and business profile. CRISIL has revised its outlook on our long-term bank facilities to positive from stable. Reaffirming our rating at CRISIL AA, our short-term rating with CRISIL remains strong at CRISIL A1. In parallel, ICRA has upgraded our long-term ratings to AA stable from AA positive and reaffirms our short-term ratings at A plus, A1 plus. This positive outlook underscores the continued resilience and growth potential of our company.



Our focus remains on driving growth through several key areas. We are capitalizing on premiumization, trends by delivering quality premium products to meet rising consumer demand. Strategic capacity and distribution expansions are enabling us to reach more consumers, building a strong presence in new markets.

Additionally, our export business continues to grow steadily with increasing market share internationally, as we bring our trusted products to global audience. Together, these initiatives position us for sustained growth and success. In this quarter, we have repurposed and enhanced our health range of breadth with zero maida as well as zero palm oil, thus becoming one of the leading available brands to move towards cleaner ingredient products. The change was communicated with the campaign No means No, highlighting the no maida, no palm oil and no added colour through print and digital platforms.

In Cremica biscuits, our annual property School Shuru Cremica Bourbon Shuru was well-received across geographies. This included on pack promotion supported by TVC campaign and select channels. Our frozen bakery products like cookies, muffins, croissants continue to do well and strengthen our presence in the new upcoming segment. We strategically -- we are strategically spending our distribution reach and increasing our production capacities.

We have commissioned one more biscuit line in Rajpura in Q2. Our new upcoming facilities in Dhar and Khopoli are also advancing well with both expected to be operational by March and June, respectively. These additions enhance our ability to serve diverse regions across the country and provide us with competitive edge over other players, unorganized players.

Now I will discuss financial performance. Starting with biscuits. Our Biscuit segment revenue reported a revenue growth of 24%, which stood at INR320 crores in Q2 FY '25 as compared to INR259 crores in Q2 FY '24. This segment has grown by 55% over Q2 FY '23.

Bakery. On Bakery segment, revenues for Q2 FY '25 stood at INR167 crores against INR140 crores in Q2 FY '24, thus registering a growth of 19% Y-on-Y basis, including retail, bakery and institutional segment. This segment has grown 33% over Q2 FY '23. The consolidated revenues for the current quarter stood at INR496 crores versus INR415 crores in Q2 FY '24, thus registering a growth of 19.7% on a year-on-year basis.

EBITDA stood at INR71 crores, resulting in a growth of 9% on a year-on-year basis and a growth of 10.1% on quarter-on-quarter basis. EBITDA margin for the quarter stood at 14.2%. PAT stood at INR39 crores and saw a growth of 4.4% year-on-year basis and 10% on quarter-on-quarter basis. Our PAT margin for Q2 FY '25 was 7.8%.

Moving to H1 FY '25 financial performance. The consolidated revenue for H1 FY '25 stood at INR936 crores versus INR789 crores in H1 FY '24, thus registering a growth of 18.6%. EBITDA for H1 FY '25 stood at INR135 crores versus INR123 crores in H1 FY '24 with an EBITDA margin of 14.4%. PAT for H1 FY '25 stood at INR74 crores as compared to INR72 crores with PAT margin of 7.9%.

With this, I would request to open the floor for question-and-answers. Thank you so much.



**Moderator:** Thank you so much. We will now begin the question-and-answer session. The first question is from the line of Arun Maroti from Subh Labh Research. Please go ahead, sir.

**Arun Maroti:** Sir, thanks for the opportunity and congratulations for the good set of numbers, sir. My question is on the financials that we see in this quarter, our other expenses has got shoot up in a very aggressive manner. So I would like to know about that, sir?

**Arnav Jain:** Good afternoon. So yes, other expenses have gone up. Other expenses, primarily the largest contributor in other expenses is the freight and forwarding. The reasons for this is two. One is that our export contribution, export in this quarter is higher. And second, we all know the Red Sea issue, which has been persisting and the freight rates on account of it are higher, and so is our realization.

So actually realization on account of freight, which gets added on the top line and the expenses come here. So expenses are higher, primarily on account of higher contribution of export business. And secondly, the Red Sea issue because of the freights are much higher for the past few months.

**Arun Maroti:** So can we quantify the amount and sir, it will be great if you can guide us that the nature of these expenses will be recurring or is it one-time?

**Arnav Jain:** No, so this is the varied situation. This whole Red Sea issue started because of the war and this will -- we had a similar impact on the freight charges when in 2022, we had Ukraine war and now because of the current war, the situation is persisting. As this situation will normalize, these rates should normalize.

At this point of time to predict on account of this issue getting resolved, we don't have a visibility to that as of now, it is entirely on that issue getting resolved, which is primarily led because of the war situation, is persisting now close to a year's time.

**Arun Maroti:** Okay, sir. And one question on the gross margin side, sir, that despite lower CPI in the July and August, our gross margin has gone down slightly. So, any specific reason for that?

**Arnav Jain:** Our gross margin versus last year is better. Our gross margin versus Quarter 1 has slightly come down and that has come down primarily on account of one single item that we have inflationary trends, which are clearly resilient -- visible on the commodity side and they have started impacting. And in the recent months, last one or two months, we have seen a further higher pressure on the commodity inflationary prices. So, we see little more challenging times ahead.

**Arun Maroti:** Okay, sir. Thanks a lot, sir. That's it from my side.

**Moderator:** Thanks so much. The next question is from the line of Mr. Amit Purohit from Elara. Please go ahead.

**Amit Purohit:** Thank you for the opportunity and congrats on strong revenue growth. Sir, just one on the demand, you indicated that has muted. So, this was referring more to the biscuit -- domestic biscuit demand, right? Otherwise, most of the other segments were doing well, right?



- Arnav Jain:** Yeah. So what the Managing Director, mentioned about the trends, which is very much true for the entire FMCG and which is kind of reflecting also in our domestic business. Yes, they are more reflecting in our domestic biscuit business. In case of bakery business, both on the B2B and B2C side, we continue to kind of grow fairly well on the revenue side.
- Amit Purohit:** Sure. And I mean, just to get a sense, would -- because -- and the growth would be somewhere closer to like mid to high single-digits, is a fair estimate for the biscuits?
- Arnav Jain:** So, on the biscuit side, what we have seen and I think that everyone is aware that there has been a slowdown over the past few quarters and -- but only thing the goods -- the good sign was that Quarter 2 revenue growth over the previous quarter has started showing some good signs of growth and hopefully that trend should keep building up.
- But yes, that build-up as we see in all the reports that urban markets have again kind of slowed down. So, it will take probably a few more quarters by the time the trend on the consumption and the growth gets into the -- you know into the good growth bucket.
- Amit Purohit:** Okay. And the point you were referring to that gross margin, the input cost has gone up. So, you were referring to largely vegetable oil, right or that price would have gone up?
- Arnav Jain:** I would request Anoop to brief you.
- Anoop Bector:** Yeah. So, this is also you know, actually the edible oil prices have gone up and the cocoa prices have gone up substantially, right? So, that is one of the major things. And also the wheat flower prices have shown -- started showing upward trend or although we have some hedging in the wheat flower side, but there is a pressure on raw material prices, you know, which is necessary that the -- which has come in mostly from upsized duty, the import duty hikes which government of India has imposed and also some escalation of prices internationally.
- So oil has taken that and wheat, there has been an increase in prices because there was an expected release of wheat from the government, which has probably not happened yet, might happen at a later-stage. So these are few of the reasons why this impact is there.
- Amit Purohit:** And any price increase we have taken or the industry as such?
- Anoop Bector:** So, we are already working on it. So, in the biscuit side, the price increase does not come as fast as they come in our bread side because bread is very instant, but on the biscuit side, we have materials which are lying in the market, materials are lying in our stocks, there's packaging materials and things like that. So, but the process has already started and -- but however, this process takes some time, right? It will take probably two to three months to fully gear up and get the prices back to whatever increase has happened.
- Amit Purohit:** Okay. And on your comment that, I mean the other expenditures were higher because of freight costs, but I mean most of the exports would build in the freight cost, right?



- Arnav Jain:** So as I explained to you, Amit, that freight cost recovery comes in the top-line, and the cost comes in other expenses and that's why you know the cost is showing that increase because of the increase in the freight cost.
- And a higher contribution of export in this quarter. Both are the reasons. And just to add what Anoop was saying was that, yes, biscuit takes time in the time whole journey of price increase take two to three months' time. But on the bakery side, especially in the North, which is a larger part of the bakery English Oven business, the price increases although the Phase 1 of prices increase has already been executed by us in the market.
- Amit Purohit:** Okay. And what is the quantum of that price increase? If you could share?
- Arnav Jain:** I won't be able to share the quantum of that, but yes, obviously, price increase is always to commensurate with the material cost increases.
- Amit Purohit:** So would this covers up for the RM index increase or how should we think about it?
- Arnav Jain:** On the bakery side of the business, it should -- it should more or less cover.
- Amit Purohit:** Okay. And biscuit is yet to be.
- Arnav Jain:** And as we brief, it is in the process, but the whole Stage 1, Stage 2, Stage 3 rollout will take about two to three months' time.
- Amit Purohit:** Okay. And sorry, but just on the margin outlook, you've been guiding for 14%, 15%, should we stick around that kind of margin for near-term to medium-term?
- Arnav Jain:** So we definitely see some bit of a pressure on that in the in this coming quarter or in the running quarter, right? We will definitely have some pressure because as explained that price increase as a role also is in cycle. So yes, there would be -- they can be and there would be some impact from that. But that would be temporary. We saw that again in the Quarter 1 of 2022-'23, but we were able to get over that also very fast. So I see that temporary pressure coming in this quarter, but it should be fine over the next quarter.
- Amit Purohit:** And sorry, the last one is on bakery side. What would be the number -- contribution of the new product launches in the -- that's the last question in our total bakery sales?
- Anoop Bector:** On a total bakery side, we -- on a total bakery business, our contribution should be close to 4% to 5% of NPD.
- Amit Purohit:** Okay. Thank you, sir.
- Moderator:** Thanks so much. The next question is from the line of Rishi Mody from Marcellus Investment Managers. Please go ahead.
- Rishi Mody:** So, this freight component right that you've said, it's like it's a reimbursement for us or do we inherit any risk-on these cargo prices going up?



- Anoop Bector:** So we are able to recover these freight costs from our customers. So, as of now, we don't have any kind of a major negative impact on our bottom-line on account of freight cost, but you can very well understand that with a higher freight cost, it definitely have impact on the customers who are sourcing from us in India. But so-far we don't have any negative impact in terms of recovery of freight cost.
- Rishi Mody:** So could you call out that absolute amount that you have recognized in the top-line as well as in the expense on freight cost this quarter?
- Arnav Jain:** I won't have a ready number as of now in terms of that. But if you can specifically write to our Investor Relations, or we taking note, we can get back to you.
- Rishi Mody:** All right. And within -- apart from the freight cost, anything else in the other expenses, any one-offs or any seasonality impact which you want to call-out?
- Anoop Bector:** No, they are very minor, so there's no major item on that.
- Rishi Mody:** Okay. On the commodity inflation piece, right, you mentioned that breads you all will be taking price hikes, which is understandable. And biscuits also, are you all planning to take price hikes or are there any other levers that you all want to use to tackle the inflation?
- Anoop Bector:** No, no, we are -- okay, Manu, over to you.
- Manu Talwar:** Go ahead.
- Anoop Bector:** So we are already -- we have worked on taking a price rise. So, this price rise has been very, very instant. It has more affected the -- I mean, more from late September into October and you know, when the government brought in increased duties and things like that and then -- so I mean, we have already started working on it. We would be working on getting the increased costs over the commodities recovered, probably I think by the -- you know, by the next quarter, we'll be fully -- we should be able to recover it.
- Rishi Mody:** Okay, all right. And I'm looking at the balance sheet, your receivable days have gone up by 10 days when I compare it to Q2 FY '24. So anything you want to -- like could you explain what's driving that? Like I'm seeing INR70 crores increase in receivables.
- Arnav Jain:** Yeah. So as pointed out that our export contribution in this period has gone up and what happens is typically in the case of exports, the turnaround of the debtors to cash is slightly on the longer side and that is what is impacting.
- Rishi Mody:** So could you just tell me how much is your export contribution for the quarter and how much is the typical payment cycle there?
- Arnav Jain:** Typically, we don't share the breakup between the export and domestic, but payment cycle ranges from 60 to 90 days.
- Rishi Mody:** Okay. All right. Got it. Yeah, thank you. Also, just any start-up costs on the Rajpura lines in this quarter?





- Anoop Bector:** No major impact.
- Rishi Mody:** Okay. All right. Thank you.
- Moderator:** Thanks so much. The next question is from the line of Soham Samanta from Centrum Broking. Please go ahead.
- Soham Samanta:** Yeah, hello, sir. So thanks for the opportunity. So just wanted to check on basically domestic biscuits. So is it fair to assume that this quarter we have gained mid- to high-single digit volume?
- Anoop Bector:** Can you come again? Sorry.
- Soham Samanta:** So for domestic volume on a biscuit side, is it fair to assume the growth is mid to high single-digit?
- Anoop Bector:** So, growth in this quarter over the last quarter, which is Quarter 1, Quarter 2 or Quarter 1, yes, we had decent growth in the numbers. The growth of the Quarter 2 over the last year same quarter has been in low-single digit in terms of volume growth.
- Soham Samanta:** Okay. And what is our full-year expectation for this domestic volume?
- Anoop Bector:** So our expectation is that trend of growth should only improve from now onwards. But as we see the trends on the growth under pressure on the FMCG side and the inflationary trends are also not coming full in control as we see from the statement of the RBI governor both in September and October. So that the trend in terms of improving consumption seems to be a little on a slower side as per our estimate and will take another few quarters to get corrected.
- Soham Samanta:** Okay. The second question is on A&P, like what is our contribution for this quarter's advertisement and promotion?
- Anoop Bector:** Our advertising and marketing spend in this quarter, just hold-on. We normally maintain our advertising and marketing spend on our B2C businesses of about 3% to 3.5% and that's where we try and maintain. There could be a bit of an up-and-down over the quarters. So, that kind of happens. But yes, our consumer and marketing spends are around 3%, 3.5% for the B2C businesses.
- Soham Samanta:** Okay. Distributions that we have introduced DMS. So right now, the full -- all our distributor has covered in DMS system?
- Anoop Bector:** Oh no. So DMS system, we have onboarded close to 550, 600 of our distributors, right, and these distributor account for almost 65% of our revenue. And so we have implemented the order module there. We are now implementing the secondary sales and the claim management module. And beyond these, the distributors are small distributor where we are piloting the mini DMS and that pilot is going on as we speak and we should have reserved some mini DMS in the November and then we will start rolling on the mini DMS sometime in Quarter 4. So now, the whole effort is that we roll-out the balanced modules in terms of secondary tracking, inventory management and claim management in this top 500 distributors, which account for almost 65% of our biscuits revenues.



- Soham Samanta:** Okay. And sir, on margin, right, like you have already guided 14% to 15%, but right now as we have seen some commodity inflation and all, so are you looking this guidance from revised guidance like towards lower side or are you still maintaining this margin guidance towards upper side of 15%?
- Arnav Jain:** So you see, as I said guidance which we have given on our margins always is that on an annualized basis, we will be maintaining between 14% to 15% of EBITDA margin, right? And we still stand by margin. Only thing which I were explaining to Amit who asked this question was that because the commodity price going up and as our MD explained that especially in the biscuit side, it takes about two to three months in the terms of finalizing on pricing and executing that in the marketplace. So, you could see some bit of an impact in the -- in this coming quarter, right? But yes, I think in the next quarter, this should more or less stabilize.
- Soham Samanta:** Okay. And sir, last question from my side. What is the LUP contribution on biscuit on an average?
- Arnav Jain:** What is the...?
- Soham Samanta:** LUP contribution?
- Arnav Jain:** NPD contribution?
- Soham Samanta:** No, LUP that small packet one, the contribution, low unit packets on a biscuit?
- Arnav Jain:** You're referring to INR5 and INR10 pack?
- Soham Samanta:** Yes.
- Arnav Jain:** Okay. I don't have a ready figure as of now, but I can certainly get back to you on that.
- Soham Samanta:** Okay. Thank you.
- Arnav Jain:** Or you can take note of this and we can get back to you on that.
- Soham Samanta:** Okay. Thank you. Thank you very much.
- Moderator:** Thanks much. The next question is from the line of Abhishek Agarwal, an individual investor. Please go ahead.
- Abhishek Agarwal:** Hi, thanks for the opportunity. So my first question is around last call, I remember, sir, you had said that the company would also think about entering the frozen dessert business as this would open the HORECA category for us. So where are we on that? Do we have aspirations to enter that category? And if yes, what are the kind of margins that we can enjoy there and the asset turns that we can get?
- Anoop Bector:** So the frozen, just let me build-on this. We started Ishaan, who leads the business, he's not on the call he would have elaborated better, but let me do it for you. Frozen product as a category,



we started developing and started building that almost two years back. We started offering it to our B2B customers about a year, year and a half back and they are really moving very, very well.

The frozen products in terms of contribution out of our B2B kind of business has really grown well and now is contributing almost over 18% to 20% of our B2B business. So our frozen -- the frozen -- you see just to also make it a point, all of us know that the entire QSR business has been on a slow growth trajectory for the last few quarters.

But the whole NPD initiative taken by Ishaan two years back in terms of building the Frozen range and taking it forward has really helped to bridge and our B2B business has been growing very healthy, thanks to the frozen business and the contribution of frozen business is growing.

Now so we have been adding new product lines the frozen and the frozen side are in the -- in the B2B business side, our NPD contribution is almost touched 8% to 9% in this financial year. So that's going well. The next step obviously will be to start introducing also on the B2C segment and build it there, but this journey is moving very well for us.

**Abhishek Agarwal:** Got it, sir. So in general, the margins that we enjoy on the frozen products, the gross margins, are they higher than the biscuits category?

**Anoop Bector:** So it's in-line with the bakery business margin, let me put it that way.

**Abhishek Agarwal:** Got it. So sir, the other question that I have is on the biscuit side, the production that we have, is it all 100% of it, is it in-house or do we also outsource some of the manufacturing to contract manufacturers?

**Anoop Bector:** No, on the biscuit side, we are manufacturing everything ourselves at this point of time. So, there's nothing outsourced. But yes, as we briefed you over the previous many quarters is a new category of recipes started about a year and a half back or almost close to two years back now, is something which is outsourced and we get it manufactured from a contract back.

**Abhishek Agarwal:** Got it, sir. Those were my questions. Thank you so much and all the best.

**Moderator:** Thank you so much. The next question is from the line of Rishi Mody from Marcellus Investment Managers. Please go-ahead.

**Rishi Mody:** Hi, sir. Thank you for giving me the chance again. Just wanted an update on the project Impact 1.0. I think in Q4, you'd listed down six priorities. If you could just give us an update on what - where are we in each of those priorities and what impact can we expect over the next two, three years on those?

**Anoop Bector:** So project Impact 1.0 was to drive efficiencies and the cost efficiencies within the company. That project is kind of moving very, very well and we have projects identified in the different work areas, whether it's a manufacturing efficiencies, whether it's logistics cost or whether it's a efficiency on the human source side or whether it's the efficiencies on the revenue management side. So these are the -- all the four buckets we are kind of focusing on, which is obviously also added in the presentation.



And the whole project is kind of moving very well in direction and kind of adding the -- in terms of bringing our cost-down. This project, I would say because this project is kind of moving well and we are also being helped in this project by A.T. Kearney. So the full impact of this project will be visible on a 12-month basis in the next financial year in terms of cost optimization.

And then very importantly, what this is going to do is that we have also built our internal capability of taking up this project and executing this project. So, this will also enable the company in the coming quarters to make this as a way of life to identify the projects in each work area and then working with each function of the business ahead to implement and that will become a way of life in the coming years. That's how it is progressing.

**Rishi Mody:** So it's good to hear that it's going well. If you could just share any instances of where like any particular bottlenecks you identified and how you're solving for it?

**Anoop Bector:** Yeah. So if I if I was to give you kind of some example that on our logistics side, in terms of doing the network optimization, increasing the vital utilization, right, bringing efficiency in the rates, similarly on the manufacturing side, you know, identifying a -- in terms of faster changeover, right, in terms of reducing the wastages in terms of line manning efficiency improvement. So there are multiple number of projects which are in each of the work areas which is mentioned, which I spoke about, right?

And this will remain a continuous endeavour and process in our company, right? We will kind of identify also the projects for the next year, then we will implement. So this whole project 1.0 is kind of not only bringing us efficiencies but also has been able to build a capability within the organization to make that as a way of life and execute year after year and keep improving the excellence in this execution.

**Rishi Mody:** All right, sir. Thank you. That's helpful. That's it from my side.

**Moderator:** Thanks so much. The next question is from the line of Varun Gandhi from Fident Asset Management. Please go ahead.

**Varun Gandhi:** Thank you, Mr. Talwar, I'd just like to seek your commentary on traction you're receiving on QuickCommerce because, and I ask this because your larger FMCG manufacturers they've recently started talking about how competitive QuickCommerce is getting in comparison with regular distribution channel. Just like to seek your commentary there.

**Manu Talwar:** Sorry, can you just be a little louder?

**Varun Gandhi:** Mr. Talwar, I'd like to seek your commentary on QuickCommerce traction because your larger FMCG manufacturers are now talking about how inventory build-up is happening on the regular distribution channels.

**Manu Talwar:** Yeah, so I'll come to that. First, I would like to clarify that we don't have any inventory build-up with our distributors on the biscuit side and Bakery anyway is a daily business, so there's no inventory build-up at all there. So, we kind of brought in the fiscal discipline, both on the number



of days of stock and outstanding, especially on the biscuit side. And we continue to maintain that fiscal discipline, just wanted to first mention that.

Coming to e-comm side, e-comm has been a very high focus for us as a company over the last almost two years and a bakery segment which is a very high salience on, on our e-commerce, modern trade e-commerce side. We, we have really positioned ourselves very well and we are almost one of the leading players on the e-commerce side.

Our contribution also, if you look at our commentary over the past many quarters, has been kind of going up as a company. And now between empty e-com put together, it is almost kind of 18% of our revenue. And bakery, which has a very high salience, has been going extremely well and moving very high, where the contribution has kind of jumped over 25% in that kind of category.

So moving very well, even in the biscuit now, we have very, very aggressive plan of moving very fast on the e-commerce bucket. And in the next three to four quarters, we will continue our aggressive journey on the bakery side and further build up a very strong position also on the biscuit side.

**Varun Gandhi:** Thank you for the clarification.

**Moderator:** Thanks so much. The next question is from the line of Alisha Mahawla from Envision Cap. Please go-ahead.

**Alisha Mahawla:** Hi, sir. This is Alisha. Sir, while you've been calling out that we're witnessing a little bit of sluggishness and demand in the domestic market, especially in biscuits, biscuit revenue has grown very strongly both Q-o-Q and Y-o-Y. While I understand this will largely be driven because of export, has the domestic biscuit business de-grown for us or has it still managed to grow in say single digit?

**Anoop Bector:** So, the export business as I said earlier also, that on a Quarter 2 or Quarter 1 has shown some better trends of growth than previous quarters, right? And Quarter 2 over the last year has grown in single digit in volumes. So, yeah, so growth are still under pressure, as I would say, but trends are looking better. That's how I look at it.

But yes, does it, you know, the kind of trends we are looking at overall on FMCG and food consumption trends, I won't say that they're very robust kind of trends which we are looking at. They are still very low growth kind of trends, which we are observing and the industry is observing. So it will take about a few more quarters by the time we see some good growth in this business.

**Alisha Mahawla:** I understand. But has this business degrown for us in Q2?

**Anoop Bector:** Degrown?

**Alisha Mahawla:** Domestic biscuit business, has it degrown for us in Q2?

**Anoop Bector:** Our domestic business, in the quarter 2, over the quarter 1 it has grown and even the quarter 2 over the last year in volume it has grown.



**Alisha Mahawla:** Understood. And current demands in the one, one and a half months that have gone by in Q3 in the exports, are they continuing to be encouraging?

**Anoop Bector:** Pardon?

**Alisha Mahawla:** The exports demand for biscuits, is that strong even in the two, one and a half, two months that of Q3 or is that also now witnessing a little bit of degrowth?

**Anoop Bector:** So far our trends on the exports continues to be in the good trend, right? They continue to be as per our expectations which we have emphasized, right? So in terms of our volume trends, they stay good.

**Alisha Mahawla:** Okay. And last question, in the last quarter Q1, you were calling out that because of competition, we've upped our marketing spend and promotion spend. So what is the status of the competitive intensity in light of the weak demand? And is that going to maybe make us also spend a little bit more and could further hurt our margins in the near term?

**Anoop Bector:** So competition intensity has been extremely high since October, December quarter of '23. So it all started from November, December of '23 and the intensity of the competition in terms of extra dynamic sizing continues to be at the same level. It has not mellowed down much so far, but we do expect now in this and the next quarter definitely there should be some correction coming in, especially also in light of the commodity prices going up for everyone. So, we definitely expect some bit of correction coming in there in the industry.

**Alisha Mahawla:** Okay. Understood. Great. Thank you.

**Moderator:** Thank you so much. The next question is from the line of from Sakshi Trivedi from Vijay Associates. Please go ahead.

**Sakshi Trivedi:** Hi, sir, good afternoon. Thank you for the opportunity. I have a couple of questions. First would be, can you share some highlights on the biscuit segment? How is -- what's the demand in the domestic market? And can we expect similar momentum to continue in the export market?

**Anoop Bector:** Yes, I just answered both the questions to Alisha, right, that domestic biscuit demand is different than it has been like that for a few quarters, but quarter-on-quarter trends looks better. I expect the trends too on an improvement side, but I would say the demand continues and should for next few quarters remain little different and take little more quarters to expire. Export has been trending well for us and it is in line with our expectation. We have grown extremely well over the past few quarters in export. And so trend in terms of demand should continue in the same direction on the export side.

**Sakshi Trivedi:** Yeah, sounds good. My second question would be how do we roll out new products into the market and do we generally start rolling out newer products where we have strong presence?

**Anoop Bector:** So, we have new product role in all the four business segment of ours, which is B2C and B2B both. So, we have in Cremica Biscuits, we have in English Oven, and we have also on the B2B bakery side as well as export side, right? So, in B2B side where the exports business is primarily



customer led, and so we develop product for customers and they kind of give us order and the journey starts.

In a bakery B2C side where we have again, series of new products being launched, which was shared in the speech. So, they obviously we choose a market where to launch and we primarily launch in our daily NCR and north market first, so that's a stronger market for us. And then immediately replicate that in the other markets, right? Which is Bombay, Pune, Bangalore kind of markets. That's how we go.

On the biscuit side again, if we have any new kind of products, we choose to do a pilot in one or two cities and then kind of replicate and take it forward to the entire market.

**Sakshi Trivedi:** Okay. So thanks for the detailed answer. Thank you so much.

**Anoop Bector:** Pleasure.

**Moderator:** Thank you so much. The next question is from the line of Varun Gandhi from Fident Asset Management. Please go ahead.

**Varun Gandhi:** Thank you again for the opportunity. My next question would be to Mr. Arnav Jain. And this would be on the balance sheet. I see that the QIP, big proportion of it was used to pay off debt. Wanted to understand what was the understanding behind this and what's the outlook for raising debt capital henceforth? Would -- do you see that as an opportunity to improve on ROE or does the debt capital structure more or less be in the same line?

**Arnav Jain:** So the whole objective was to, you know, lighten the balance sheet in terms of retiring all the debts that we were carrying and since we had the funds available at the time. And even from going forward perspective, there will be some selective debt raising that could be required for the additional capex that will be coming in.

But primarily, the QIP could help us in terms of funding all the large projects which are coming up right now, which was highlighted earlier along with the QIP Communications as well, that this will be primarily for the two large plants that are coming up in Khopoli and in Indore.

**Varun Gandhi:** I see, thank you.

**Moderator:** Thank you so much. The next question is from the line of Karan Bhuwania from ICICI Securities. Please go ahead.

**Karan Bhuwania:** Hi, good evening, sir. I have a couple of questions. Firstly, in domestic biscuits business, right? I remember we were trying to enter new geographies in North India and the states of UP, Bihar, Uttarakhand, etcetera. I just wanted to understand how has been the performance in these markets and what is the status of distribution expansion in these markets?

**Manu Talwar:** So, just to update you, the new geographies for us were primarily in the south and the west region. North region, we were always present for years and we were only strengthening our distribution largely in the lower part of North. So we, two years back, started a journey with



Bombay, Pune, Bangalore, and then I did a few more cities in this in the last financial year. And that journey has been kind of going fine.

With the Indore Dhar plant coming up and getting, you know, commissioned in the Quarter 4 of this financial year. We will be able to further strengthen our play in the central western and some part of the south region because we will be able to improve our supply chain for it to be logistically closer to these newer territories.

So these new territories, yes, the journey so far has been fairly good. We've entered close to 50 North cities and we will strengthen it further both for Central, Western and some part of Southern cities as our indoor plants get commissioned in the Quarter 4 of this financial year.

**Karan Bhuwania:**

Got it. I just wanted to understand also the expansion, how has it been in the lower North market side as you mentioned you were trying to strengthen it.

**Manu Talwar:**

Were built at least INR200 in that particular month, right? That's how we take build outlet, not overall. So our direct -- direct build outlets grew very, as we have briefed earlier also and let me just take you through. So we took a very aggressive drive in from April '22 to March '24 in terms of expanding our direct reach outlets and these are all those direct reach outlets which were, which were built at least INR200 in that particular month, right? That's how we take build outlet, not overall.

So, our direct build outlets grew very expeditiously, almost from 160,000 to over 300,000 now. So, now in this quarter also we are over 310,000 outlets where we are directly reaching and expanding. A similar reflection of these outlets on overall reach on India basis has also shown some great progress. And as per AC Nielsen now we are present and reaching out to more than 700,000 outlets. So journey has been going and we continue to kind of build on that journey.

So while we were improving our overall kind of presence. Over the last two and a half years, we enhanced our focus on the Cremica preferred outlets. These are large outlets, high-end stores. There are entire range and well-merchandised range is present. And that has definitely shown extremely good results for us.

And now we have almost close to 5,000, sorry, over 5,000, over 5,500 Cremica preferred outlets now. And we are growing them at a very high speed. And the contribution of the Cremica preferred outlet also to our overall volumes is also growing very, very well. So overall distribution, reach of over 300,000 outlets, direct reach, overall reach as per AC Nielsen crossing 700,000 and the high rated outlet should be called Cremica preferred outlet. Also we have been able to drive that growth, a very high growth in that and there's a lot of focus on CPOs now.

**Karan Bhuwania:**

Got it, sir. Thank you, that's very helpful. Secondly, on the domestic bakery side, on the B2C side. I remember, we were trying to expand in Mumbai, Pune, Bangalore, right? But majority of our revenue stream came from Delhi NCR. Just wanted to understand how has been that this diversification generally, and how much of the revenues of the domestic B2C bakery now comes from these markets?





**Manu Talwar:**

So first, let me just step back and take you back. We were primarily in NCR in North India and NCR was a very big market. It was about two years back we started expanding into the upcountry of North and many other cities of North. And that journey has extremely gone well for us and now North upcountry which I call it other than the NCR contributes very, very, very well to the business and that business over two years has grown very well.

We also started journey a few months back in another big bakery market in North India, which is Punjab. And our next year focus will remain in North India a lot on building up of Punjab business over the next few years' time. But that happens to be a very big bakery market, which we must kind of make our product available and expand there.

Coming to Bombay side, Bombay market has been going very well for us, but we have been constrained on capacity. And that's the reason we are putting a state of the art plant, bakery plant, both for the English-Oven, as well as on the bun side, on the bread and bun side.

And that plant should come in place in the '25-'26 financial year. And that will really help us in expanding further in the Bombay, Bombay upcountry, Pune and other cities, right. So that will provide a very aggressive growth engine to us because we can clearly see that Bombay consumers really like English Oven and Pune customer really like English Oven. But we need now with expanding capacity, we should be able to expand and make it present all provisions and be able to grow that very, very well.

Bangalore is a very high contributor e-commerce market and we'll be doing very well on the e-commerce side in the Bangalore along with retail general trade. And yes, we do definitely have a plan to expand further as you aware that, you know, we are building a small bakery in Calcutta, where we'll be able to start a business, not only for the QSRs, but also for the English-Oven, in the Calcutta market and then expand from there.

And this also probably will happen Quarter 1 in the next financial year where they will start rolling out. And then beyond this, we have some plans to expand some more key cities, right, where we want to build a business, but we will be in a position to share with you, probably in the next quarter investor call, that what are the cities and what the plans looks like.

**Karan Bhuwania:**

Got it, sir. Very helpful. Just a quick follow-up on this. We bought the Cremica brand for breads business as well, right? So how is the thought process in terms of which brand you'll be deploying in which particular market for the bakery side? Just wanted to get a clarity on that. Yeah.

**Anoop Bector:**

So, you know, in this, actually, we've already launched our rusk in English Oven. And our immediate reaction is going to be launching the Cremica rusk also for our customers like Manu mentioned that we are already covering 700,000 outlets, you know, as per AC Nielsen and people are aware about Cremica brand.

So we feel that the rusk business will really, having a longer shelf life, we will be able to spread it out much further. And so, we will start using it in case of bread, English Oven has been a very well expected brand but we will keep Cremica, you know, will be within the purview but no



immediate decisions have been taken for what we should be doing but yes, Cremica Rusk, we will roll out immediately.

**Karan Bhuwania:** Got it, sir. Thank you so much. Very helpful.

**Anoop Bector:** Yeah, good. Thank you.

**Moderator:** Thank you so much. Our last question will be from the line of Manav, an individual investor. Please go ahead.

**Manav:** Sir, I just wanted to know that you are squeezing up a competition. So what will be revenue growth guidance? It will be remained intact at around high teens or any decrease in that?

**Anoop Bector:** So our guidance we have clearly maintained that on annualized basis, we will be endeavouring to grow around mid to high-teens kind of range. And so on an annualized basis, our guidance remains the same on revenue. That on an annualized financial year basis, we will be achieving mid-teens to high-teens kind of growth.

**Manav:** Okay, sir. And on the PAT margin, so any signs of improvement that operating leverage will play out in near term or anything like that?

**Anoop Bector:** So in terms of EBITDA margin, as I said earlier that our annualized EBITDA margin guidance was always 14% to 15% somewhere in between. As I said, that commodity price has been extremely high over the last 30 to 50 days, and that's kind of reflecting. There could be some minor correction but on an annualized basis, we will have an endeavour to remain between 14% to 15% range. There could be some temporary correction, but overall we will continue with that.

**Manav:** Okay sir, thank you so much.

**Moderator:** Thank you so much. As there are no further questions, I would now like to hand the conference over to Mr. Anoop Bector for closing comments. Please go ahead.

**Anoop Bector:** Thank you everyone for joining us. I hope we have been able to answer all your queries. In case you require any further details, you may please contact us or Orient Capital, our Investor Relations partner. Thank you so much.

**Moderator:** Thank you so much. On behalf of Mrs. Bectors Food Specialities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.