

MBFSL/CS/2023-24

14th August, 2023

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 – Q1 FY24
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 August 7, 2023 to discuss Q1 FY24 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 Limited Q1 FY-24
Earnings Conference Call”

August 07, 2023



**MANAGEMENT: MR. ANOOP BECTOR – MANAGING DIRECTOR, MRS. BECTORS FOOD SPECIALITIES LIMITED
MR. MANU TALWAR – CHIEF EXECUTIVE OFFICER, MRS. BECTORS FOOD SPECIALITIES LIMITED
MR. ISHAAN BECTOR – WHOLE-TIME DIRECTOR, MRS. BECTORS FOOD SPECIALITIES LIMITED
MR. SUVIR BECTOR – WHOLE-TIME DIRECTOR, MRS. BECTORS FOOD SPECIALITIES LIMITED
MR. PRAVEEN KUMAR GOEL – WHOLE-TIME DIRECTOR AND CFO, MRS. BECTORS FOOD SPECIALITIES LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of Mrs. Bector's Food Specialities Limited.

As a reminder, all participants' 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

I now hand the conference over to Mr. Anoop Bector – Managing Director. Thank you and over to you, sir.

Anoop Bector: Good afternoon, everyone. On behalf of Mrs. Bectors Food Specialities Limited, I extend a very warm welcome to all participants on Q1 FY24 Financial Results Discussion Call.

Today on this call I have with me Mr. Manu Talwar, our Chief Executive Officer, Mr. Ishaan Bector – Whole-time Director, Mr. Suvir Bector – Whole-time Director, Mr. Praveen Kumar Goel – Whole-time Director and CFO, and Orient Capital, our Investor Relationship Consultant.

I hope everyone had an opportunity to go through our Investor Deck and Press Release that we have uploaded on the exchanges and on the Company's website.

It gives me immense pleasure to inform you that the Company has managed to stay ahead of the curve by continuing to invest in its brands and ensuring strong execution of expansion plan across biscuits and bakery segment. Domestic business growth has driven majorly by distribution, expansion in existing and new markets complemented by marketing campaign for consumer promotion for both biscuits and bakery businesses. We believe the growth of QSR chain and new customer acquisition would boost our institutional bakery business for coming quarters.

We continue to build our manufacturing capacities to service our growth. We are commissioning the two lines in Rajpura in Q2 enhancing our production capacity and shall be adding capacity on the bakery side in the National Capital Region by December. Our further investment in Indore, Madhya Pradesh and Khopoli, Maharashtra for biscuits and bakery respectively is progressing as per plan to be commissioned in FY24-25.

During the quarter, the Company has successfully navigated the challenges relating to high prices of some raw materials with our prudent raw material procurement. Although volatility in prices of essential commodities like wheat, sugar etc. still remains. Company has achieved significant growth in financial performance driven by strong growth across categories over the



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sequential quarter and this is the testimony of our activities of building strong leadership team, strengthening distribution reach and marketing. We are confident Mrs. Bector's team would continue with same level of passion and deliver robust growth led by strong execution across segments, accelerating distribution reach, enhanced marketing input and entry into newer markets.

Coming to our Q1 FY24 Performance:

It has been another strong quarter for us on the revenue side as well as on the margin front. Our revenues increased by 24.4% and PAT by 174% on YOY basis. Our focus on sales training program for salesperson, improvement on technology side in order to track our costs and get latest frontline reports about SKUs and inventories have helped us in a long way to reach where we are right now. This will also assist in preparing a roadmap for us to construct our future strategies.

Now I will discuss the Financial Performance:

The consolidated revenues for the current quarter stood at INR 374 crores versus INR 301 crores in Q1 FY23, thus registering a growth of 24.4% on a year-on-year basis.

Biscuits:

On the biscuit side, our Biscuit segment reported a revenue growth of 25%, which stood at INR 223 crores in Q1 FY24 as compared to INR 170 crores in Q1 FY23. This segment has grown by 54% over Q1 FY22. Our domestic biscuit segment and export witnessed higher double-digit growth in Q1 FY24 as compared to the same period last year.

The bakery segment:

The Bakery Segment revenue for Q1 FY24 stood at INR 136 crores against INR 107 crores in Q1 FY23, thus registering a growth of 26% y-on-y basis, including retail bakery and institutional segment. Both retail and institutional bakery have grown by higher double digits in Q1 FY24 as compared to the same period last year.

The Company continues to focus on increasing distribution and premiumization of the product. Our EBITDA stood at INR 58 crores resulting in growth of 85.2% and 20.1% from the corresponding quarter on a year-on-year basis and sequential basis, respectively. EBITDA margin for the quarter stood at 15.5%, that is a growth of 509 bps points year-on-year basis and 155 bps points on sequential basis. PAT stood at INR 35 crores saw a growth of 174% year-on-year basis and 26% on a quarter-on-quarter basis. Our PAT margin for Q1 FY24 was 9.3%, registering a growth of 508 bps and 132 bps on a yearly and quarterly basis, respectively.



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Company continues to work on expanding its distribution network across India followed by increase in marketing of its products in order to penetrate and capture new markets. This will assist our Company to increase its footprints in North India as well as Western and South India where the product is equally liked by our customers. As we look to the future, I am excited by the opportunities that lie ahead for the Company. There is a strong pipeline of significant projects in both our businesses and we have a strong opportunity to grow demand and consumption.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sameer Gupta from India Infoline.

Sameer Gupta: First question, can you give your overall CAPEX guidance for the next 2 years and out of the 105 crores earmarked for the Rajpura and Noida lines how much have you already spent till FY23? That will be my first question.

Management: Our overall CAPEX guidance for this and the next financial year is between 350 to 400 crores. Our CAPEX for the current financial year which is 2023-24 should be approximately 225 odd crores and the balance would happen in the financial year '24-25. This is a broad breakup of the CAPEX.

Sameer Gupta: And this 105 crores on Rajpura and order that you have stated in the PPT, all of it will be in FY24.

Management: Yes.

Sameer Gupta: Second question sir, on the biscuits and bakery, you've recorded around 25%-26% growth in both the segments. Can you give a breakup of volume and value?

Management: So, our overall as a Company is largely led by volumes, value or the price led growth is about 5% or 6% out of total 24%. So, largely it's a distribution led, marketing led and the volume led growth.

Sameer Gupta: This 5% to 6% price increase is similar across bakery and biscuits, is it?

Management: This is a price impact this quarter versus the same quarter last year. So, our price increase in fact is little higher on the bakery side because we increased the prices last year in the month of May and June but little higher on the bakery side. But on a Company, on an average basis about 5% to 6%.

Moderator: The next question is on the line of Amit Purohit from Elara Capital.



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Amit Purohit: Just wanted to know your thoughts on the gross margin side. You've done pretty well this quarter as well and even the EBITDA margins have been strong despite marketing spends. So, how do you think about it? We have talked about 14% to 15% kind of margin outlook. Added to that, there are some players talking about the regional players or unorganized guys getting aggressive. So, just wanted to know your feedback from the market. How are you seeing it and how do we look at for FY24?

Management: So, first thing, I think that both biscuit and bakery are fairly competitive industry and the competitiveness in the industry is there to remain. Our whole effort and source of growth as we have mentioned also, is a distribution led and marketing led. So, we have put a lot of effort last year also when we spoke to you in all the four quarters last year, we clearly stated that on a biscuit side we had a mission that from a direct reach of 160,000 outlets, we want to get to 3,20,000 direct reach outlets by March of '24. So, we are on that journey. In Quarter 1 we have reached 2,50,000 direct reach outlets and as per AC Nielsen, we have crossed 6 lakh mark of our overall reach of outlet. So, similar is a journey also on the bakery side, the entire focus is on distribution, expansion and improving the sales execution through digitization. And similar efforts are being done on the marketing side on the consumer demand creation and we took both on bakery and biscuit side marketing initiatives to drive our growth. So, I would say that it's an S&D and marketing led inputs which are driving the growth. Coming to the EBITDA margin which you asked; so, we have delivered a 15.5% EBITDA in this quarter. So, as we have been saying earlier, so our endeavor should be to stay in the range around 15% EBITDA and keep it consistent over the next few quarters. Last year we were around 12.7% EBITDA, last two quarters, if you notice we were touching 14%. Now we have got 15%. Our endeavor will be to continue to just deliver around 15% EBITDA over the next few quarters.

Amit Purohit: So, just follow up on that. Have we taken any price reduction and grammage and what would be the case, especially on the biscuits or bakery?

Management: So, we haven't taken a price reduction, but we have been offering higher value to consumers. And that's what we had rolled out consumer promotion or consumer offering of a higher grammage in Q1 and now in the month of July also we have rolled out a consumer promotion on Bourbon which is just being launched.

Amit Purohit: Raw material input cost scenario remains stable for you, basically the wheat.

Management: Raw material commodity pricing, I would just request Anoop to pitch in.

Anoop Bector: So, on the raw material front, definitely there have been some pressures which are coming on the wheat front, but the Company has done some forward contracts where they will be quite secure even going forward. So, there will not be any major impact on account of wheat going forward, at least for the next two quarters.



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- Amit Purohit:** Second question is on the management side, so we have done quite a bit of talent upscaling for the entire organization with a lot of recruitments. Are we done with that process or are we still in the process of hiring talent in terms of whether it's marketing, IT, distribution side?
- Management:** So, we are done with our leadership hiring now. We are through with our leadership hiring in Quarter 1 of this financial year, whatever few positions were left out. So, very well in place in terms of all the leadership positions.
- Moderator:** The next question is from the line of Harit Kapoor, Investec.
- Harit Kapoor:** I just had a couple of questions. Firstly, on the distribution side, at 2.5 lakh outlets and another probably 30% to go for this year, I just want to get your sense of how you're looking at the revenue trajectory. You've done 23%-24% this quarter. I think your expectation is to kind of hit the high-teen number. Just wondering whether there is a possible upside to that as well, given that you still have a large distribution to be done for this year itself.
- Management:** So, on a distribution side as we told earlier, we also want to double and reach 3, 40,000 direct reach outlets by March of '24. In terms of growth, I think we've been consistently maintaining that we would be maintaining a mid to high-teens kind of growth in the coming quarter also and that's what our aim and effort is to continue maintaining a mid to high teen kind of growth.
- Harit Kapoor:** And the second thing was on pricing. So, when does the pricing kind of come into the base? You currently have 5%-6%. Would that be Q3 onwards the pricing starts to come in the base and it would be largely volume led growth from there on?
- Management:** This year it seems to be largely volume led, although last year we as a Company was largely volume led. But this year will be entirely distribution and volume led growth. We don't expect price increases or price correction like last year and this year.
- Harit Kapoor:** And the third thing was on the CAPEX side. The image that you put up for in FY25. Which part of FY25 would they be commissioned? You mentioned that you expect a commissioning in FY25. Would this be kind of back end of FY25 where you expect the Indore and Noida units?
- Management:** I think Indore should come up in the second quarter and Khopoli should come up in the third quarter of FY25.
- Moderator:** The next question is from the line of Kaustubh Pawaskar from Sharekhan By BNP Baribas.
- Kaustubh Pawaskar:** My question is on the international business. So, how the business has performed and what is your outlook about this part of the business? And second question is on the market share whether we have gained any market share in any of our key markets? These are my two questions.



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Management: On the export side, we continue to do well and grow well. So, export side also, this was again a consistent good quarter for us. We have grown well in this quarter and your second part of question was on?

Kaustubh Pawaskar: Market share.

Management: On market share side; in the same time last year, Quarter 1 last year, we were at in North India we were 4% market share and now in the Quarter 1 we are at 4.6%. So, same period last year we have gained 0.6% market share in the north region where finally we are present. And on all India level we have moved from 1.19% in the same quarter last year to 1.43% now. So, there has been a consistent market gain over the same period last year.

Kaustubh Pawaskar: And this realization growth of 5% to 6% you mentioned, is there any element of mix improvement into it or it is because of the price increases what we have taken last year?

Management: Yes, there is. As you are aware that as a Company, we continue to focus on premiumization and our continuous focus on premium creams, cookies continue to be there. So, on a premiumization side on a biscuit side, we have moved up by 5 percentage points. So, our premium percentage on a biscuit side has stuck 36% and there is a clear-cut movement of over 5% on premiumization. So, mix has also improved. Although the premium categories are growing much faster than overall growth in biscuit and this is leading to improvement in our premiumization and improvement in our mix.

Kaustubh Pawaskar: So, you mean to say that creams contribution has gone up from 31% to 36% now, is it right?

Management: Premium percentage.

Moderator: The next question is from the line of Sashwat Jalan from Purnartha Investment Advisors.

Sashwat Jalan: I just have two quick questions; one is on new products. Can you please share which ones are those and what would be their share in revenue? And secondly is on distribution in newer geographies. So, can you please share any comments on any difference in competitive landscape we are seeing for the new geographies compared to Punjab or Delhi and other neighboring states?

Management: So, firstly, on the NPD side, as we brief you around Quarter 3 of last financial year, we had launched Melto, a premium cream biscuit and we had launched rusk in this segment. So, clearly the Melto doing well in the market is reflected in our market share. Our market share on the premium cream side has gone up from 1.4% in Quarter 4 of financial year '23 to 1.8% in Quarter 1 of '23-24. So, that's kind of doing well and this was launched just about in Quarter 3 of last financial year. On the rusk side also we launched in the Quarter 3 of last financial year and that's also building up very well and growing very well. Both the new products are doing fairly well and building up well.



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Sashwat Jalan: And second question was on distribution side, in new geographies can you share any comments on the difference in competitive landscape from what we are experiencing in Punjab or Delhi?

Management: On the competitive landscape, we were always strong on the upper North side, which was Punjab, HP, J&K and Haryana. We continue to grow even there fairly well. We have grown in mid-teens there. In the lower part of the North, which was UP, Rajasthan, Delhi, MP and East Bihar, in terms of Bihar, there we have obviously grown in high double digit. So, the growth has been much larger there and even the newer markets of South and West are moving well where majority of our effort is going in terms of opening new outlets and expanding our distribution. So, on all the three geographical segments we are doing fine. We're growing well.

Management: On the competitive landscape we are same. I mean, even in North we compete with the same 3 to 4 companies and in south and west also we compete with the same companies. So, competitive landscape remains the same. Hope this answers your question.

Moderator: The next question is from the line of Kaushik Jawa from AK Investment.

Kaushik Jawa: I have questions on particularly the bakery segment. Can you give me the exact breakup of the retail and institutional?

Management: Exact breakup in terms of percentages is about two thirds and one third, about 60%-65% towards bakery and 35% towards buns.

Kaushik Jawa: 35 is institutional, right?

Management: Institutional ;QSR.

Kaushik Jawa: And the second question is on the working capital. Do you foresee, is there any possibility that can be improved further on the working capital cycle?

Management: On a working capital cycle, we did quite a considerable improvement in the last four quarters, both in terms of NODs on outstanding side and the stock side, both have come down. If I compared to the last-to-last financial year, we used to be on outstanding NOD and stock NOD of 31 and 37 days and now we are sitting at 11 and 22 days. So, yes, we are now implementing PMS, which will take you two quarters to stabilize and we can see some more improvements post that. But we are at a good level now because bakery is a fairly cash business for us. On a domestic biscuit side, we have come down by almost 40%-45% of improvement between the debtors and stock. On our export side, we tend to keep our distributor out, our outstanding fairly in control between 45 to 50 days. I think we are in a fairly good level as of now. The focus is to maintain the hygiene, keep this good standard and focus on growth.

Kaushik Jawa: The last question I have so, as we are trying to become the pan India player in the longer run, so currently what percentage of revenue comes from the Southern part of the India?



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Management: So, from the West and South, in terms of percentage revenue because we launched just about a year back is very low. We had launched in 3 cities last year. We are launching in multiple new cities in this financial year. So, as a percentage of revenue to the GT biscuit business, it will be very marginal, about 3% odd. But yes, it's time for this year and next year to invest more in distribution penetration and also to support through marketing efforts to build that territory.

Kaushik Jawa: How many years are you envisaging that we would be reaching at a good pan India level?

Management: I think we said earlier that we want to take about next 4 to 5 years to penetrate well, even in South and West in next 4 to 5 years' time, we should be well present in all the key large cities of South and West India also.

Kaushik Jawa: I have a last question, if I can. So, if I see historically, our revenue growth was around 10% to 15% odd. Currently we are guiding and hence we are proving that we can grow up to 15% to 20% in FMCG more competitive area. So, I know that we are working on the distribution led, if anything more you want to add what are the future things you are more excited about here in this space?

Management: So, three things. One is distribution and growing our penetration. Second is marketing, inputs to create demand led, plus the new product introduction and the last side of the triangle is improving our mix through premiumization. These are the three efforts which are being made and we want to stay consistent on them in terms of driving, in terms of defining our revenue growth management, our RGM. We will as of now, stick to these three things to drive our RGM .

Moderator: The next question is from the line of Diksha Iyer from Fort Capital.

Diksha Iyer: My question is, for the biscuit and the baked front, what kind of growth are we seeing from the newer markets that we have entered?

Management: So, the newer markets which we have entered are basically South and West for biscuits as of now and the North upcountry for the bakery side, English Oven. So, obviously, the base of South and West is so small, the percentages are extremely high because we never had actually. In case of upcountry north, which is outside NCR, we are going in a high double digit. So, are we going in high double digit even in Bombay. So, the newer territories of Bombay and upcountry north, it's a growth of a high double digit.

Moderator: The next question is from the line of Rushabh Doshi from Nimiti Investments Advisors LLP.

Rushabh Doshi: My question was one of the products launched by Cremica Industries which is run by Akshay Bector. So, they have a product called Cremica French Fries peri-peri flavored. So, my understanding was they would be focusing on the condiment side and we can use the Cremica brand for the biscuit side on the biscuit side. So, on other categories, can they launch more products? So, that's my question.



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- Management:** Can you repeat your question again?
- Rushabh Doshi:** My question is regarding the Company run by Mr. Akshay Bector; they've launched a product which is Cremica French Fries with the Cremica brand. So, my understanding is that....
- Management:** I'll tell you; I understood your question. They were in snacking business where they were making chips and these products. So, in the snacking side, yes, they could use Cremica as a brand, but not for anything else. Other than their own business what they were trying like condiments and snacks, yes.
- Rushabh Doshi:** Like also in future if we want to enter the snacking category. So, we will have to build a new brand like English Oven or we can leverage on the trade....
- Anoop Bector:** When we create brands, we create them for the particular reason that English Oven was created and the reason was that we wanted to premiumize. So, if our Company tomorrow thinks of entering into a snacking business, we will create a relevant name. Cremica is not a relevant name for getting into a new segment which might not suit us. So, effectively, our Company can use Cremica for biscuits and we have our brand on the biscuit side, English Oven is used on anything today. We can use it on anything. We just launched our rusk in our brand English Oven, which is doing very well in the market. So, in case there are products which are, there will be a relevant brand which we will create for that.
- Moderator:** The next question is from the line of Reshabh Sisodiya from Sameeksha Capital.
- Reshabh Sisodiya:** Slightly on the market opportunity. In the North, Punjab, Haryana, Delhi, how would you define your market size for biscuits and if you could quantify that?
- Management:** You are referring to the industry size?
- Reshabh Sisodiya:** Yes, industry size.
- Management:** The biscuit industry size North region contributes almost 23%-24% of the industry. So, that's how industry is.
- Reshabh Sisodiya:** And on the gross margin industry size as explained earlier, so just the clarification on that. So, the majority of the improvement has happened in the numbers or we can still see further gross margin expansion from here on?
- Management:** As of now, I think that our whole effort should be to maintain our margin and consistently deliver both gross margin and the EBITDA margin. So, around 15% odd. So, that would be our effort because we have moved up well if you look at the last four to five quarters. So, now the whole effort is to consistently deliver over the next few quarters around this.



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Reshabh Sisodiya: This and on the current capacities. So, we have, like you mentioned, Khapoli, next you would be commercializing? Is there enough capacity for the year.

Management: Just to brief you, that capacity for Khapoli started around Quarter 3 of financial year '24-25. And we have two lines which are being commissioned now in July-August, in Quarter 2 of this financial year which is right now. In Rajpura plant which will add 2000 tons of capacity and again on the bakery side, we will be adding capacity for our fresh English Oven side in December of this financial year by December of '23. So, we have both these biscuit and baking capacity getting added in this year also and also in next year where in Quarter 2 MP plant is scheduled to be commissioned and the Khapoli in Quarter 3 of next financial year.

Moderator: The next question is from the line of Dwhanil Desai from Turtle Capital.

Dhwanil Desai: My first question is we are commissioning the MP plant in Q2 next year. So, in terms of establishing the distribution network beyond MBOs what are we doing, which are the states that we want to start out with, if you can talk a bit about that?

Management: So, we are expanding our distribution in MP which is central part of India. As we said, we have already launched in South and West of India. We were in 3 cities and we are launching in multiple new cities now and we will be present in states of Maharashtra, Karnataka, Telangana and Andhra. So, we will be present in all these 4 states in multiple cities. So, over the next financial year, next to next financial year, we expect to make a much faster progress in these geographies.

Dhwanil Desai: Any aspirational numbers about reach in terms of retail outlets or distribution points on those 4-5 states that you want to kind of capture the market.

Management: We are in the stage of planning or putting a plan in place for the financial year of '24-25 and '25-26 specially from new geography point of view and we can share in our next quarterly call with you more clear distribution targets for these new geographies.

Dhwanil Desai: As the second point was on the bakery side, I think a couple of quarters back were saying that our response to the retail bakery in the Mumbai and around area is very good, but this Khapoli plant still will take some time for us to commercialize. Is there any shortage in terms of capacity, availability to serve demand? How are we bridging that gap, some color on that would be helpful?

Management: Like mentioned, we still have some time for the Khapoli unit to come up, but we have been already since the past last quarter, developed an outsourcing partner and we have been outsourcing some of our production. We are well planned for ramping up both outsource as well as our own production till the Khapoli plant comes up online and we don't really foresee any shortages.



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Dhwanil Desai: Any new development in terms of customer or product tradition on the institutional bakery side, is there something which is of significance.

Management: We had updated that Subway has become a very important partner to our QSR ecosystem and we are seeing them putting a lot of trust on our organization as we see our volumes and our business scaling up. On the dessert side, on the frozen side, we are also working very strongly on products for the Café businesses. In fact, we are going to be launching with some of our existing customers on Cafes a variety of new products which are going to be very exciting. I think these would be the two highlights.

Dhwanil Desai: So, when you say Café means McD putting up McCafé, Burger King putting up Café, those kind of things, right?

Management: Absolutely and also you could have certain coffee chains, etc., which are also cutting into the coffee and the bakery space.

Dhwanil Desai: One last question so when we are done with whatever current CAPEX that we have planned both MP, Khopoli, and Rajpura and the NCR bakery. All put together, once they are in place, we should be able to do around 2,200-2,300 crores top line. Is that the potential of the total CAPEX available with us?

Management: Absolutely. So, with these CAPEX getting delivered in this and next financial year and commissioning our plant, we should have a revenue reachability of around 2,400 crores approximately.

Moderator: Thank you the next question is from the line of Amit Thawani from Clear Blue Capital.

Amit Thawani: My question is regarding actually I don't know if it's already been covered in the conference call but it's regarding the development in the Ukraine and Russia situation where we have kind of stopped exports of food from Ukraine. Have we seen an impact on the prices of wheat that we are procuring because of that?

Management: We work on partial long-term contracts so, you know, we feel that we will not be majorly impacted because of the Ukraine war but Ukraine and Russia war does impact on everything, right? So, there would be some impact which will come in. But on the wheat front, we might be marginally affected but not majorly affected.

Amit Thawani: Any quantification if you can give us.

Management: See, listen, the Indian government is already talking about cutting down import duties so you cannot predict a commodity. You cannot talk about a commodity because what is going to be happening, we don't know. So, you can never predict a commodity. But I think there is going to be pressure. But we have seen in the last years also whenever there's been pressure, the market



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has responded accordingly. But currently we do not estimate in the coming quarters there is anything which is going to be majorly affected because most of our raw materials have been covered for us in this quarter at least, and let's see how it shapes out in the next quarters.

Amit Thawani:

When you said that our contracts are long-term, what is the period of our contracts?

Management:

We really don't work on some system, but currently, since the markets have been erratic and wherever we feel markets can be erratic or the crop shortages are there, then we work on long-term contracts. So, we could see wheat coming under shortage. So, there were long-term contracts which have been brought in. On the raw material side, we could see some pressure, but right now we have not had a foresight of it, that what will be the impact, because currently we are well secured on the Biscuit side, on our QSR side. But it's very difficult to forecast, I'll tell you very frankly, because you never know when the Ukraine, Russia is going to start allowing wheat. Indian government is already talking about wheat getting imports free. So, the world prices of wheat have already fallen down substantially. So, we cannot foresight right now on this.

Moderator:

The next question is from the line of Bharat Gerani from Money Control.

Bharat Gerani:

To the earlier question, you were alluding that with all the new CAPEX that you pointed out in this fiscal as well as in the upcoming fiscal, with the Khopoli plant coming, as well as the MP plant coming, you could reach a revenue rate of 2,400 crores. But that would be by what fiscal? 2,400 crores would be reachable because obviously in FY25 there would be some time lag as you enhance your distribution as well as there is a capacity ramp up in the plants, so, 2,400 crores revenue that you pointed out, that would be reachable by what fiscal year? That would be my first question.

Management:

So, that was an answer to the question that what will be the peak revenue potential after these capacities are added? And that's where I clarified that on 100% capacity or 95% capacity of the new addition, we can reach up to 2,400 crores of revenue. Now, in terms of growth, as I clarified earlier also, as of now, we intend to deliver mid to high-teens revenue growth over the next few quarters. And that itself, you also know, is much higher than the industry growth, which industry is reflecting on an overall basis both for Biscuit and bakery. So, the whole endeavor is to deliver consistently mid to high teens of revenue growth by investing in distribution, by investing in marketing new products and improving our mix group in the market.

Bharat Gerani:

My next question would be like, obviously, you have achieved a good margin in this quarter, and we have heard your commentary that you would keep the margins around this level for the next two to three quarters. But my margin question for you is from a slightly longer-term perspective, basically from FY25, FY26, that kind of level. So, do you think that in your type of industry and given that the growth prospects that you have, and given that there is obviously RMC, you cannot predict, as you earlier pointed out, that globally it's very difficult to kind of



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put a forecast on the commodity. So, this 15% kind of margin, do you seem, is a peak margin that you have reached, or on a long-term perspective you can improve from here on? So, that would be my last question.

Management: So, on a long-term basis, as we have always said that we are an equi-focused Company which focuses on revenue growth and margin growth. We have both, and I think we've demonstrated that well over the past few quarters. So, as of now, coming to over 15% EBITDA, our endeavor is to keep delivering consistently around 15% EBITDA alongside mid to high teens of revenue growth. Definitely after we have consistently delivered, we continue to work on margin improvement KPIs and in the long term, definitely we feel there is enough opportunity to keep raising the margin bar.

Moderator: The next question is from the line of Janhavi Jain from Axia India. We lost the line for the participant. The next question is from the line of Rajit Aggarwal, an individual investor.

Rajit Aggarwal: I have just a couple of questions. One is on the CAPEX. Given that our growth is as we had been projecting, and by FY25 you would hopefully be ramping up the utilization also. Are there plans to or is there a thought beyond FY25 as to some tentative plans on the CAPEX beyond that?

Management: Not yet. We work continuously on our growth plans and also on our capacity plan. So, as of, we had four, particular two now which we implemented commissioning this year and two for next year. And again, towards quarter three, quarter four of this financial year, when we will start planning for the next 2-3 financial years, we'll put down those plans in place. So, that's how the planning cycle rolls. So, definitely towards Q4 of this financial year, we will start getting visibility on what's the kind of...

Management: Manu, I would like to add that in Madhya Pradesh, the infrastructure what we are putting is for actually four lines. So, major investment is being done for four lines. But currently two lines are getting installed. So, we will always have the capability to invest in two more lines without much of major investments. So, that can be taken up whenever there is a need be going forward.

Rajit Aggarwal: Second question is on the contract manufacturing piece. Can you share what percentage of our revenue comes from contract manufacturing? And the reason I'm asking is, given the ramp up in utilization of our own facilities for our own products, is there a thought to reduce contract manufacturing? I'm assuming contract manufacturing would be a lower margin business.

Management: Contract manufacturing as where we are doing contract manufacturing or what we are doing from outside?

Rajit Aggarwal: What you are doing for others.

Management: We are only working with Mondelez, in contract manufacturing and that percentage of business Manu, you can please tell them how it has been reducing as a percentage of the total business.



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Management: That percentage is continuously coming down year on year. Now we are around 3.5%-4% of that. Because our key entire focus is on the growth of our own business. We are not as much focusing on expanding the contract manufacturing business. So, that percentage year on year is on a reduction side.

Rajit Aggarwal: On the margin front, my assumption was the Company was looking at a range of 13% to 14%. So, it was a very good surprise to see it at 15.5%. Now, going forward, as the new capacities come on stream, there'll be certain overheads which will increase as soon as they are capitalized. So, I mean, will there be a substantial impact on the margins because of those overheads in, let's say, Q2 and Q3?

Management: In this month we are commissioning, as like in this quarter, two lines in Rajpura which are very well required to service our growth. And similarly, we are commissioning our NCR plant on the bakery side to service growth. We don't see an impact on margins on account of adding these two capacities.

Management: Rajpura is a brownfield expansion. In fact, it will help only in reducing costs, so not increasing costs.

Moderator: The next question is from the line of Naveen Bothra from Subh Labh Research.

Naveen Bothra: My question is to Mr. Ishaan and Manu sir, if that helps. When we talk about the overall CAPEX Rs. 350 crores to Rs. 400 crores for the next financial year, does that include our new subsidiary which was incorporated in the last quarter for Bake Walk the English Walk? And if you can separate the CAPEX and overall...

Management: That CAPEX is not included for the Bake Walk because like we said, it's still on a trial phase, it is a very nascent stage right now. And this CAPEX that we're mentioning is mostly for the larger manufacturing facilities.

Naveen Bothra: If you can talk briefly about the Bake Walk, it will be helpful for all.

Management: Currently we have four stores and the entire reasoning behind this business was to display our capabilities on the frozen side. And what we have seen is our range is so diverse today that we have a lot of solutions for cafes, etc., and it is also making us learn as to how a frozen business can be scalable. So, what we are seeing in Bake Walk itself is month-on-month our sales are improving as we are also improving our menu and focusing on R&D for newer products for our own cafes first. And as we see this business developing further, we can look at ramping up more stores. But currently it is still at a very conceptual stage.

Moderator: The next question is from the line of Amit Purohit from Elara Capital.



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- Amit Purohit:** Basically, I just wanted to know in terms of total expanded capacity in tons, if it is possible to share by FY25 what it would be for biscuits and breads and buns that you give.
- Management:** Amit, thanks for the question, Amit, can I share with you separately? Can mail it across.
- Amit Purohit:** Yes, we can do that.
- Moderator:** The next question is from the line of Himesh from Purnartha investment Advisors.
- Himesh:** Could you help us know what will be the total capacity utilization maybe at the end of Q1 FY24?
- Management:** Capacity utilization as of now for the Biscuit side, we are around 95%, but as we said, we are just implementing two more lines. One line has got commissioned and the other is getting there in a month, which will enhance our capacity by 2000 tons. On a bakery, we are around 70% to 73% capacity utilization as of now on an overall basis.
- Himesh:** And I just wanted to understand more detail on the distribution network for the bakery business apart from the northern region. And given the low shelf life of the product, just wanted to understand the entire supply chain management, if you could just help us understand that.
- Management:** So, for us, our supply chain is focused on opening distributors as well as having our own direct distribution to outlets where we find it viable and where we are wanting a focus directly from the Company. We try to limit our geographical reach to around 300 km from any plant that we do. And as we scale up Pan India, we could also be looking at another factory, the upper north particularly it could be at the Rajpura site where our business is to serve the upper north market. Mumbai and Bangalore, like we said, are growing well, and Mumbai will be seeing a capacity expansion.
- Himesh:** So, in terms of distributor addition, could you help us understand more of the addition will be done on the western and the southern part of India or more distribution is required on the northern part as well.
- Management:** I think both territories, I think even in Delhi NCR, we have a lot of room to grow as what we see is an opportunity to at the moment still double our distribution numbers in Delhi NCR. In the rest of the North, I think Punjab and upper north is actually a territory where we are absolutely not present. So, a lot of distribution expansion gains are available there for us. And Mumbai again, while we have been there for some time, we are continuing to see growth in double digits and there's still a lot of room for distribution expansion there as well. So, we'll be focusing both on the north and the west and south.
- Himesh:** And in terms of QSR, any kind of client addition or more reach that is required.



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- Management:** So, I think for us, reach that is required, see with QSR, there's two fronts of growth, with our existing partners with new store openings, and there we see quite aggressive and bullish nature in terms of new store opening plans that are there with our partners. On the second portfolio is how we can diversify our product range and how we can add new customers. So, like we had shared that as we got into the frozen dough business, were able to add Subway to our portfolio for frozen breads. And then on the frozen side, like I said, the cafes are also a big opportunity.
- Himesh:** So, just that part of the business will be more driven by the store additions currently and not from the client addition perspective, right?
- Management:** Yes, by existing customers.
- Moderator:** The next question is from the line of Janhavi Jain from Axia India.
- Janhavi Jain:** My question was that as you mentioned, Rajpura will add 2000 tons of capacity, if I'm not wrong by quarter two.
- Management:** Yes.
- Janhavi Jain:** If you could elaborate on the capacity addition in the Indore plant for Biscuits and Khopoli and Bangalore expansion for bakery.
- Management:** So, in the MP plant, again, as our MD briefed, we will also be creating a larger infrastructure in terms of building space. But we will be initially starting with two lines of approximately 2000 tons capacity there. The plan on addition on Khopoli I would request Ishaan to brief on that.
- Ishaan Bector:** So, on Khopoli, we are expanding capacity both on our breads as well as buns. On the bun side, we will be adding an additional about 5 lakh buns a day capacity. This will be additional. And on the bread side we will be putting up an additional 1,20,000 breads capacity.
- Janhavi Jain:** So, in terms of breads packs.
- Ishaan Bector:** So, like I said 1,20,000 bread packs a day.
- Janhavi Jain:** And 120,000 for breads and 5000 for buns.
- Ishaan Bector:** 5 lakhs individual buns.
- Janhavi Jain:** The second question is regarding the distribution for North India. Like you said, it will be like you have scope for distribution for North India. So, do we have any strategic plans by when can that come through?
- Ishaan Bector:** This is for the bakery or the biscuits that you are asking?



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Janhavi Jain: Biscuits.

Management: As we briefed, by March of 2024, we want to reach a direct outlet reach of 320,000 outlets. So, that's our plan, which has been pretty consistent from last year when we started this journey, when we were at 1,60,000 and we wanted to double it, our direct reach outlets to 3,20,000 over the financial year. So, that's our target as of now. We had reached around 216,000-217,000 in March of 2023. In June of 2023, we are around 2.5 lakh outlets direct reach. And as per AC Nielsen our overall reach of Biscuits has crossed over 6 lakh outlets.

Moderator: In the interest of time, this would be our last question. I now hand the conference over to Mr. Anoop Bector for closing comments.

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 relationship partner. Thank you so much. Thank you for joining.

Moderator: Thank you. In case of any further queries, you may write to irfan.raeen@linkintime.co.in. On behalf of Mrs. Bectors Food Specialities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.