

MBFSL/CS/2024-25

10<sup>th</sup> August, 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 – Q1 & 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 02<sup>nd</sup> August, 2024 to discuss Q1 & 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.**

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Mrs Bectors Food Specialities Ltd



“Mrs. Bectors Food Specialities Limited  
Q1 FY’25 Earnings Conference Call”

August 02, 2024

Mrs Bectors Food Specialities Ltd



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

**Moderator:**

Ladies and gentlemen, good day, and welcome to Q1 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, Managing Director and Promoter. Thank you, and over to you, sir.

**Anoop Bector:**

Thank you. Good afternoon, everyone. On behalf of Mrs. Bector Food Specialities Limited, I extend a very warm welcome to all participants on Q1 FY '25 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. Arnav Jain, Chief Financial Officer; Mr. Parveen 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 has started the first quarter of financial year '25 on a positive note with a 17% increase in revenue from operations and a robust gross margin of 48%. Both the business segments, Biscuits and Bakery continue to exhibit strong growth trajectory. I would also like to highlight that this is our highest ever quarterly revenues.

While India's consumption story rail remains firm, the nation underwent a long schedule of Lok Sabha election in this quarter, followed by anticipation of results and an impending full union budget. This is on the back of extreme heat wave during this period, made for a steady but markedly cautious consumption patterns.

As an organization, Mrs. Bector's journey of expanding both domestic and international business continues to progress well. Our business philosophy is driven by developing robust product portfolios, investment in building brands and setting up state of art supply chain and manufacturing setup, we remain committed to that.

Our focus continues to bring in technology-led intervention for enhancing sales and distribution through SFA and DMS implementation. In this quarter, we piloted hand-held devices for our frontline Bakery sales team, for real-time billing and improving turnaround time. We believe this will boost in increasing efficiency and, in turn, improve ROI for our channel partners.

Our next step in technology adoption journey is to focus on supply chain and manufacturing over the period of next 24 months. On the export side, I'm happy to share with you that our company has reached to 70 plus countries with your preferred Cremica brand having a footprint in over 65 countries. We will continue to follow our stated strategy of calibrated expansion.

In terms of brand initiatives, to mark the occasion of World Health Day, English Oven came up with a Slice of Trust campaign, highlighting the goodness of fiber in our select range of breads. This was followed by contextual participation of Cremica biscuits in the highly visible Lok Sabha election campaign on news channels.



Towards the end of the quarter, Mother's Day campaign, Maa Se Happiness, a campaign close to my heart, witnessed enthusiastic participation from mothers across the country. On new products induction, being in touch with evolving consumer needs, we launched an English Oven Zero Maida, 100% Atta, no palm oil and no artificial preservative bread on e-commerce at INR60 for 350 grams, which has been received very well.

We also introduced Cremica Non-Stop cracker, which is baked not fried at INR10 for 25 grams. Our innovative frozen bakery products, as I had mentioned in our last call, also continues to grow. Updating on our capex plan. On the biscuits front, we have commissioned one more biscuit line in Rajpura in Q1 and one more line is expected to be added in Q2.

Commissioning of Madhya Pradesh plant is also expected on the -- in the current financial year. On the Bakery front, construction of a building for our Khopoli factory in Maharashtra will be commissioned in the current financial year. In the previous quarter, we embarked on Project Impact 1, a comprehensive initiative aimed at transforming our cost structure or growth organization. This ongoing journey will help the company to continue its path of sustainable growth.

Financial performance. Now I will discuss the financial performance. Biscuits. On our Biscuit segment, reported a revenue growth of 23%, which stood at INR273 crores in Q1 FY '25, as compared to INR223 crores in Q1 FY '24. This segment has grown by 53% over Q1 FY '23.

Bakery. Our Bakery segment revenue of Q1 '25 stood at INR154 crores against INR135 crores in Q1 FY '24, thus registering a growth of 14% year-on-year basis, including retail bakery and institutional segments. This segment has grown by 44% over Q1 FY '23.

The consolidated revenues for the current quarter stood at INR439 crores versus INR374 crores in Q1 FY '24, thus registering a growth of 17% on a year-on-year basis. EBITDA stood at INR64 crores in Q1 FY '25, resulting in a growth of 10.5% from the corresponding quarter on a year-on-year basis. EBITDA margin for the quarter stood at 14.6%. PAT stood at INR35 crores in Q1 FY '25 and saw a growth of 1.7% on a year-on-year basis. Our PAT margin for Q1 '25 was 8.1%.

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

**Moderator:** Thank you very much. First question is from the line of Percy from IIFL Securities. Please go ahead.

**Percy:** Can you give us a breakup of this year's INR350 crores capex in terms of locations as well as whether it is Bakery or Biscuit?

**Manu Talwar:** So Manu, this side. This year, capex, which we do spend is primarily, a large part of that is on two specific plants, which were mentioned by the Managing Director in his opening speech, which is MP plant for Biscuits in Indore. And second is a Khopoli plant in Maharashtra, which is close to Mumbai. And there are some other projects which are there. So largely a large amount of investment out of this is going for two large plants, which are setting one for Biscuit in Indore and one for Bakery in Mumbai.



- Percy:** Am I right in assuming that the total amount is INR350 crores for this year?
- Manu Talwar:** Yes. The total amount is approximately INR350 crores for this financial year.
- Percy:** Okay. Okay. So these two plants would account for somewhere around INR270 crores to INR280 crores out of the INR350 crores?
- Manu Talwar:** Yes, approximately that much in that range. Yes. There are other smaller investments. There are some investments we are doing in our current existing Bakery in Noida and there are other few investments which are there, which are a normal year-on-year investments. But yes, what you said it will be in ballpark that number.
- Percy:** And both these are greenfield, right?
- Manu Talwar:** Both are greenfield. Absolutely.
- Percy:** Right, right. Sorry to dwell a little deeper, but will you be able to tell me which one is the larger of the two in terms of the capital outlet, Khopoli or MP?
- Manu Talwar:** So Khopoli is the larger outlet and there is a reason for that. Let me also explain that. In a Biscuit plant, we are creating a larger infrastructure because these are both greenfield plants. And we have a -- we will have a space to keep adding lines in the future.
- And in case of Khopoli plant, Bakery plant because normally you have to put a line based on the capacity for the next few years. So that's always the difference between Biscuit and Bakery. So Bakery capacities are core, taking horizon of 5, 7 years.
- In the case of Biscuit, we are creating a larger building infrastructure, commerce facility, utility and we're putting up our two lines to start with and in future journey, we can keep adding that.
- Percy:** Understood. Understood. And with this INR350 crores of capex, assuming that whenever it is fully utilized, that would be able to generate a turnover of how much?
- Manu Talwar:** So as on our 100% usage, when these two kind of capacities come in place and also the capacity which we already have. On 100% utilization, we can almost start touch close to INR2,800 crores to INR2,900 crores.
- Percy:** Okay. But practically speaking, we would sort of start doing capex when we are at somewhere around 80%, right?
- Manu Talwar:** Yes. You're really right. In those particular territory.
- Percy:** Understood. So basically, with this...
- Manu Talwar:** For those particular territories here, but other territories where we are growing or we have to newly start the business, we would definitely need investment there.



- Percy:** Understood. So with this heavy capex done in FY '25, should we be right in estimating that FY '26 and '27 put together would be like just mainly maintenance like INR50 crores each or something like that? Would that be the right assumption? And then FY '28 might see another big one?
- Manu Talwar:** No, it won't be. Actually, we are just in the process of finalizing our layouts for '26 and '27, right? So probably in the next call, we'll be able to forecast, but it will be definitely more than that. Because when we are in a growth mode, we need to have our supply chain capacity well in place, right?
- And as I explained to you, especially in case of Bakery, we need to have core capacity well in place for the next few years. Because we can't keep adding capacity on a yearly basis, normally you add capacity to take care of good next 4 to 5 years or more than that in that particular geographical area.
- Percy:** Right, right. Understood. Understood. Coming on to the Biscuit segment. You have grown 23%, but any rough idea on what would be the domestic growth out of this?
- Manu Talwar:** So as we briefed in the last call also, and as you can see the consumer trends. So Biscuit growth have kind of slowed down over the last two quarters in a domestic side. But yes, we saw this quarter being better than last quarter. So that was a [inaudible 0:13:52].
- Percy:** Sorry, lost you, sir?
- Manu Talwar:** That we briefed in the last call also. And as you can see, all consumer businesses even in our industry of Biscuits are kind of slow down on growth over the last two quarters. But the good news is that this quarter, we saw a better movement up versus the previous.
- Percy:** Right. Right. That's very heartening. So roughly like -- I mean, since the average is 23% domestic and export put together, how much is the divergence? Like is it a 1000 basis points divergence between the two or lesser than that?
- Manu Talwar:** We at this stage won't share it, growth separately for both the businesses, both on the Bakery and Biscuit side. So I think I've given you good indicator numbers, how these progressing.
- Percy:** Understood. Understood. And finally.
- Moderator:** Sorry to interrupt, Mr. Percy, may we please request you to rejoin the queue.
- Next question is from the line of Harit Kapoor from Investec.
- Harit Kapoor:** I just had two or three questions.
- Moderator:** Sorry to interrupt, Mr. Kapoor, your voice is sounding low.
- Harit Kapoor:** Okay. The first question was on the bread side. So this quarter has been a bit slower at 14% growth. Would this largely have been on account of B2B given that the burger players have



continued to see slower rates of growth? Is that the key reason why growth rates are a little slow, is B2B the key reason is my question.

**Anoop Bector:**

So no, the bigger reason for this first quarter was, if you -- as you know Navaratri sometimes falls in the quarter 4, which is March, and sometimes it falls in April. So this time, Navaratri was in April. So that was one reason for that. And second reason was definitely the very extreme summer in the North India, which is the largest contributor of business for us on the Bakery side. So that was the second big reason.

Yes, definitely, large part of QSR business, as we know from all published results has been on - little sober. But yes, with the frozen range, which we have introduced last year and started adding customers and the ranges with our existing customers is giving a good fill up on the B2B business side on the frozen side.

**Harit Kapoor:**

Understood. And the second thing was the 17.7% revenue growth overall. I remember last quarter, you said volume growth is the primary driver here. There isn't much on the pricing. Would it be fair to assume that volume growth is large -- it's almost entirely volume driven, this 17.7% growth.

**Anoop Bector:**

So yes, it's largely, let me use the word largely volume growth and a fair amount of growth is coming from a volume growth at this time. Not entirely, fair amount of growth is coming from the stronger volume.

**Harit Kapoor:**

And my last question was on the Biscuit side. There has been talks of higher promotional intensity for the last couple of quarters. And I hear even smaller players outside yourselves have been significantly competitive, especially at the low end. Just wanted to get a sense from you about whether this is the pressure point for growth or a pressure point for gross margins, because you have delivered very good gross margin. But I just wanted to get a sense about what you are seeing on the ground right now on the Biscuit side? Especially on the competitive intensity, promotional intensity et cetera.

**Anoop Bector:**

So yes, you're right. Over the last 2, 2.5 quarters, the competition intensity has increased quite significantly, especially on account of the market leaders taking an aggressive stance on consumer promotions across variety. And thus we also had to join to ensure that we are able to kind of retain our market share. The good news is that we -- in this journey over the last two quarters, we have very well retained our market share.

So with our intervention on the distribution side, our intervention to match the -- or to play our part of the consumer promotion for the consumers, we have been able to very well retain our market shares over the last two quarters and not to the inch of space there. And this was very important to do. And also, it is also rescheduling our marketing budget towards -- more towards the consumer side than with the brand side. These are some of the static changes we did over the last 2.5 quarters to be -- to have a fair play in the market.

**Harit Kapoor:**

Got it. I'll come back for more.

**Moderator:**

Next question is from the line of Amit Purohit from Elara Capital.

**Amit Purohit:**

Congrats on good numbers and revenue terms. Sir, on the export side, what would be the growth drivers now? I mean, if you could give some flavour in terms of the growth has been driven by one client addition or same -- I understand you have expansion plans in Middle East as well as in U.S., but if you could provide some more details on that.

**Ishaan Bector:**

I'll answer this. So in the exports front, it's not coming from a single geography. But it's just our team is working towards all the territories, and we're trying to have associations with a lot of the retailers worldwide, who are liking the product quality, liking the taste and are liking our ability to craft the product for them according to their taste and preferences.

So we are building our presence in North America, South America and the Middle East, and that -- those are the areas where we're seeing major growth coming up from.

**Amit Purohit:**

Sure. And actually, last year, if I look at -- you indicated that the Biscuit segment grew at mid-teens and so in glide export would have grown significantly higher. So that momentum, one should expect it to continue? Or do you think that there could be further aggression in terms of the growth from here on, given the initial success that you would have got in some of the retailers?

**Ishaan Bector:**

So I'll let Manu ji take over this question.

**Manu Talwar:**

Yes. So we are seeing strong trends to continue. And if we don't -- we are not seeing any signs of that trend. But obviously, as the base keeps becoming bigger, you will not have the same rates of growth coming in, right, in sequential quarters. But yes, that on a trend basis, we see good trends to continue on the domestic business.

**Amit Purohit:**

Sure. And on the QIP that we planned, the usage of -- I mean this one is clearly, is it more to do with the debt repayment and probably funding this INR350 crores of capex? And you also indicated you have plans in '26 and '27 also. But those would be largely fund through internal accruals or they will be also large enough for you to raise debt? Or how do we think about from a balance sheet perspective at the debt level side?

**Manu Talwar:**

So first thing, Amit, just to put attention on that our debt equity ratio, it continues to be strong, right? And it is just about 0.36%, right? So that's a strong debt equity ratio. We are investing for the future and which we briefly know where we are investing in the manufacturing facilities side to ensure that we have a stronger supply chain with the ability to continue producing world-class Bakery and Biscuit on the product line.

Yes. So the fund raise, which has been kind of planned in this financial year. It is primarily to fund this capex and to stay more conservative in our approach and not to have a higher debt on our balance sheet. So it's in line with that.

Yes. So our cash flow, even now are fairly strong with the debt equity of only 0.36%. So that's not a challenge. It is just a more conservative approach to do that and fund this current capex and I'm sure that we have enough cash flow to fund our future capexes also, which will come up in '26 and '27.





- Amit Purohit:** So just one follow-up on this. I mean, we had, I think, INR225-odd crores -- yes INR225-odd crores of debt level. and which some of the machinery we would have bought for the capex, right. So post this QIP, would you look to repay it? Or one should keep the debt level the same since you have a fairly decent debt equity ratio? So.
- Anoop Bector:** So Amit, I -- we would be able to share. So I'm saying the fund raise in this financial year, which we have kind of got passed through in the AGM and the Board meeting. The modality and the usage of those funds will kind of follow. But yes, it will be fairly in that direction, which we are talking about.
- Moderator:** Next question is from the line of Yash Goenka from Awriga Capital Advisors LLP.
- Yash Goenka:** What kind of demand are you seeing from the Q-commerce space for garlic bread, burger buns, pizza base and kulchas?
- Anoop Bector:** Sir can you be a little closer to mike and louder?
- Yash Goenka:** What kind of demand are you seeing from the Q-commerce space for garlic breads, burger buns and pizza base.
- Anoop Bector:** I'll hand it over to Ishaan to kind of take up this.
- Ishaan Bector:** So, I think demand on the Q-commerce has been robust throughout. On pizza bases and burger buns, we are the market leaders in these segments. So I would say that we've seen a very, very positive response, not only on these products, but overall as well. We are also -- we have looked at launching -- we have launched healthier products as the Managing Director said.
- We have on Q-commerce launched the Zero Maida bread. For the first time, we have launched a product which is a preservative free. For the first time, we have launched a product which has no palm oil and we have seen exceptional response. So I would say that on the Q-comm, robust growth is there throughout and we have a leadership position in these products that you are mentioning.
- Yash Goenka:** Can you comment on the growth rates?
- Ishaan Bector:** So for us, I would say, modern trade is -- modern trade and e-com are becoming a very, very strong thing. We are growing I would say, by 20% plus in these segments.
- Moderator:** Next question is from the line of Rajit Aggarwal from Atharva Investment Managers.
- Rajit Aggarwal:** I just refer to the discussion on QIP. And I appreciate that you have planned out the usage of those funds. My request would be just one that while it might be seen as conservative to reach out for easier capital, at the same time, it leads to equity dilution and that too at an expensive rate.
- I mean, from very beginning, we have been taught that equity is more expensive. And with the kind of EBITDA and the strong balance sheet you have, I'm sure you can support a lot more



capex than what you are going to do even in this year. So that's just an input. Any thoughts would be much appreciated.

**Anoop Bector:**

So I appreciate your inputs and definitely, they are in the right direction. But this decision is fairly taken into account the growth trajectory, which company had and company wants to achieve, right? In the coming years. So keeping both into things into consideration, right? It's a fairly long-term kind of decision to arrive at that.

No doubt, what you're saying is absolutely right that equity is higher -- the cost of capital is the highest among any other source of fund raise. But it's a very thoughtful decision by the company and by the Board and duly supported by the shareholders that looking at the growth trajectory, which we want to achieve over the next few years. This is a right decision to go for.

**Moderator:**

Next question is from the line of Soham Samanta from Centrum Broking.

**Soham Samanta:**

Sir, two questions from my side. One is the gross margin. Like this quarter, we have almost the highest gross margin in the last 14 quarters. So can you expect for this year, FY '25 margin expansion of 100 and 120 bps of margin expansion can you expect for this year?

**Manu Talwar:**

Just go a little slow in the second part of the question.

**Soham Samanta:**

So basically, last year, we had a gross margin of 46.7%. This quarter, we have seen that last 14 quarters, we have exceeded the highest gross margin, right? So do we expect any gross margin expansion for FY '25?

**Manu Talwar:**

Further -- you are asking do we expect any further gross margin expansion?

**Soham Samanta:**

Yes, yes, compared to FY '24, yes.

**Manu Talwar:**

No. So see, this gross margin expansion has happened because of; first is improvement in the premiumization realization. Second thing is that happened on account of more favourable business mix towards export side. And third, it's also -- yes, third it has also happened because of -- this also -- this revenue also includes the freight recovery from our export customers and because of the Red Sea issue, those freights are a little on the higher side.

So these are the 3 reasons why it has happened. And correspondingly if you look at in the other expense line, there's a marginal increase also sitting there about, I think, 0.5. So if you kind of set off that, that's the right way it will be -- that would be the right way to look at it.

**Soham Samanta:**

Okay. Okay. And sir, the last question, like currently, you have a direct reach of, I think, 3.2 lakhs and indirect is more than 7 lakhs. So what is kind of a target?

**Manu Talwar:**

Direct reach is more on the Biscuit side and our overall reach has reported by inaudible 31:48 . So it's over 700,000 outlets.

**Soham Samanta:**

So what kind of target we're looking for next couple of years?



- Manu Talwar:** As we said in the last call also that over -- our next target to receive our overall reach over the next few years to hit at a milestone of 1 million outlet target from 700,000. So that's the target, which will take another few years, but that's our next goal to reach there.
- Moderator:** Next question is from the line of Mr. Percy from IIFL Securities.
- Percy:** Sir, I'm sorry if this question was answered. I was away for a while. If so, I will read the transcript. But if not, can you give some idea on your EBITDA margin? What do you see going ahead? This quarter, whatever you are done, is that a stable state kind of margin for us to take ahead?
- Manu Talwar:** Yes, Percy, that we have been maintaining that. Over the next few quarters, we will be maintaining our EBITDA within the range of 14% to 15%, right? And that's what -- and then we will start our next level of journey of moving upward side. So at least for the next few quarters, we see some maintaining of our EBITDA in this range.
- Percy:** Understood. And on domestic biscuits, while I know you're not giving the growth separately. Could you tell us if -- in your estimation, you have gained market share? And also which are the geographies in which the growth is significantly ahead of the company average growth, company average as in for domestic biscuits?
- Anoop Bector:** So on a market share, as I said, our market share on an overall basis, we have over the last two quarters, maintained our market share, right? And if I remember right, over the last year, there is a marginal increase over the last full year. So full year versus full year, there was some marginal gain. But yes, in this highly competitive actions and a very aggressive play by the market leader, we have been able to very well retain our market share and our space in the market.
- Percy:** Got it, sir. And finally, on exports, the growth in exports is coming from sort of which geography and what type of clients? So is it like supermarket clients? Or is it a sort of contract manufacturing for some smaller brands there? Or is it that you are selling in your own brands in the export? I'm sure it's a mix of all 3, but where is the growth largely coming from?
- Suvir Bector:** Percy, this is Suvir this side. So the growth we're experiencing is from South and North America. South America predominantly is where we're supplying our own Cremica branded products, which are going into the market, where we have distributors in a lot of the markets which are prevailing there, right? So we are experiencing a lot of growth from those territories.
- The second is North America, when you said clients, some of the clients, which we are associated with are Walmart, Walgreens, CVS, Dollar General. So we are supplying to these plants under their label. And with some of these retailers, we are also supplying them with Cremica label products. So it is a mix of a wide brand like a private label and also Cremica branded approach. And these two are the territories where we are experiencing major of our growth.
- And the third one is the Middle East, where our target market is the 6 GCC countries, where we have two employees who are based out of Dubai as well and they are instrumental in going to



the market, building our brand, finding distributors and also making our products available in the local retail chains. So that is how we are trying to get the most out of our growth.

**Moderator:**

Next question is from the line of Priyank Chheda from Vallum Capital.

**Priyank Chheda:**

Sir, one observation and I would like to know your thoughts on it. So, sir, recent launches if I had to track. So your whole of the portfolio, what I seen is has been in there price range of, say, INR20 to INR30 or INR40 per 100 grams. Now the new launches, which we have seen in the last quarter, which is again around the cashew cookie has been around, say, INR13, INR14 per 100 grams. Just go back to the slide number 19, which is new launch of Butter Double Delight has been around say, INR13, INR14 per 100-gram.

So do you find consumer getting downgraded and you also pivoting towards that end? Or you find a problem in the premium side of the portfolio, which is -- which might be under stress and the competitive intensity picking and getting intensive over there. What has been the strategy on the new launches, which we see the price points going downwards?

**Anoop Bector:**

Okay. So let me first brief you that the company has a very clear-cut focused strategy on the premiumization. And if you look at our trends on premiumization over the past two years, you would have seen a very aggressive movement in our premiumization over the last two financial years and even now.

So if I go back to premiumization, two years back, then our premiumization was on -- in high 20%, thrice it was 27% and 28% kind of stuff. The last year, we gain up to 37% of premiumization. And now we stand -- in the last two quarters, we stand at 39% premiumization on the Biscuit side.

Similarly, on the Bakery side, we are sitting on a very healthy premiumization, and we kind of moving like our premiumization on value terms. In volume terms, we're sitting at a premiumization of almost 56% and in value terms it translates into 62% contribution of premium standard.

So first is that, yes, the premiumization is the way which company is progressing and has progressed well over the last two years. Coming to one or two examples which we have given. They were -- as we particularly know that competition, the hyper competition drawn in by that aggressive consumer promotions and other things being done by the market leaders, we had to come and participate to protect our ground.

And the Butter Delight is a step-up on the butter, right? It's not a -- we have downgraded that entire range, which is clearly a bit in some of our territories. So we are only up and give our consumers superior product at a superior pricing to kind of maintain our lead in this particular product line. So premiumization is the way forward, and Ishaan also had just recently briefed you on the kind of product on the health side with no palm oil we have launched. And that's also all in that direction.



Similarly, on the Bakery side, on the B2B side, the amount of frozen product which we have launched over the last 9 to 12 months time has build our business on the frozen category side that again is on a premiumization journey mode.

So that premiumization is the way the company has been living a life and growing that very well, as I said, gave you the numbers over the last two years. And that's the way it will continue. And the same is on the export side also, and we have very well seen that premiumization of journey on exports is also continuing and moving in the right direction.

**Priyank Chheda:** Perfect. Perfect. And sir, would it be possible to share which are the top selling biscuits or maybe you can share the top-selling SKUs or maybe top 5 biscuits for us in terms of the revenue scale it would be great.

**Manu Talwar:** Can somebody get back to you separately on this. Because we have to give some other people also some chance to ask questions. Definitely I will make somebody just get back to you on that.

**Moderator:** Next question is from the line of Harit Kapoor from Investec.

**Harit Kapoor:** I just had a follow-up. This quarter, you have been seeing continued competitive intensity. You know there are some one-off challenges on the heat waves and out-of-home as well. And we all know how QSR businesses are operating currently. Would it be safe to assume that the growth has come in spite of all this. And if you do see improvements at a macro, growth can accelerate usually from there. Is that the right to think about how this year should pan out?

**Anoop Bector:** So, Harit, as I was briefing you earlier also that we -- let Ishaan, I think he'll be able to explain you better that how we build up the whole frozen range of new product development and also helping us in the revenue growth management. Ishaan, would you take up that?

**Ishaan Bector:** Yes. So Harit, our bigger part of our portfolio on the B2B side is burger buns, right? And I'm sure you know from -- you know the market trends, I don't think it's been growing very well. Though we strongly feel and we are very bullish that market trends will improve, new store additions will happen, because there is also a lot of competition intensity on the QSR front, right?

So yes, I feel that as stronger growth rates come up, that will definitely support the growth of the B2B business. Other than that, what we have been also focusing on is getting into non-bun businesses, right, to reduce our dependency on one product category.

And I think that story is playing out very well. On the frozen side, I think we've done a very good job. We are still very, very nascent on frozen desserts as a category, which we see has a big potential because whether it is our existing customers or opening new customers, this kind of product portfolio will definitely strengthen our position. So yes, we feel that good growth should lie ahead.

**Moderator:** Next question is from the line of Amit Purohit from Elara Capital.



**Amit Purohit:**

Sir, on the Biscuit, again, you had highlighted last year that mid-teens kind of growth. So in the context that we are in, where there is competitive intensity, and overall slowdown in consumption generally. Would you maintain that kind of a domestic growth outlook could continue this year as well? Or do you think there could be some challenges here?

**Manu Talwar:**

So Amit, as I had briefed you earlier that the consumer offtakes slow down for the industry, the competition intensity both have -- the competition intensity has increased and we very well know that consumer offtakes for the industry, it has been -- has slowed post Diwali over the last 2.5, 3 quarters, right?

We -- our first motto was to ensure that we hold our ground in this competition intensity and don't lose an inch of a space and maintain our market share. So I just want to confirm that we've done that over the last few quarters of overall maintaining our market share and participating in this highly competitive market to hold our ground and maintain our market share.

Second thing I said was that this quarter compared to the previous quarter. So preceding quarter, it was -- it has shown some forward moment and coming Diwali season, we are very, very hopeful that it will be a start of a turnaround for the industry as well, right? Because we are a smaller part of this industry, and we're very hopeful that with our continued focus on distribution and marketing and duly supported by the festive season which is there, it should move in the right direction.

**Amit Purohit:**

Sure. So second half should -- so one should start building a better outlook and Q2 would still be some challenges with that?

**Manu Talwar:**

Yes, I said that Q1 was better than Q4 of last financial year. And definitely, we expect Q2 also to be better than the previous quarter. And then coming next quarter which is a festive quarter, it should definitely start further improvement, and it should keep scaling up every quarter. That's what we as of now foresee.

**Moderator:**

Next question is from the line of Gurmeet Singh, who is an individual investor.

**Gurmeet Singh:**

Our net profit growth for the quarter is less than 10% compared to 17% revenue growth, even after premiumization and benefit of scale. What can be the reason?

**Manu Talwar:**

Yes. So yes, absolutely, you're right that our EBITDA growth is 10% versus our revenue growth of 17% and it is forming out of 2, 3 reasons. One is that our export contribution is higher, and because our export contribution being higher, we have a higher logistics cost kind of coming in. So the ocean trade has kind of gone up there.

Second is that we -- because of hyper competition, we have invested more in the marketing promotion price. Third, the financials that our employee cost is higher than the previous year and that's higher largely, one, because of the reason that we added new lines in Rajpura.

Last year, we added a new line, one line in this year. We added a new plant in Bhiwadi in Bakery. So we need to put the organization of people in place and the utilization fees improves quarter-on-quarter for these lines. So that's also impacting the cost -- employee cost. And plus some bit



of last leg of strengthening of the leadership was required, which we have done, which will kind of get normalized over the next few quarters.

So these are the few reasons why you see that. This is the reason and which -- as I said, you will see over the next 3, 4 quarters, that will get normalized.

**Moderator:** Next question is from the line of Chirag Lodaya from Valuequest.

**Chirag Lodaya:** Sir, If you can talk more about frozen dessert categories. How big is the opportunity here and what to expect over the next 3 to 4 years?

**Ishaan Bector:** You see, we are very new in the category. But what this also does is open up the HoReCa channel for us, right? It's not only the QSR channel, it also opens up the HoReCa channels, where is actually, if you ask me a new line of business for us, right? I think it also adds as we are seeing whether it is McDonald's or Burger King or Rebel Foods, today, they are introducing cafe models. Rebel Foods also has its own brand of frozen -- sorry, of desserts, right? So what I see is that the industry is definitely gravitating towards this. I feel that a lot of new customer acquisition will be in the pipeline. I really cannot put a figure to the size of the industry.

But for us, it is a natural extension as we aspire not to be only a bread company, right? We aspire to be a bakery. And it is part of that broader vision where we have an entire portfolio of products for a customer, whether it be deserts or whether it be savory products or whether it be burger bun or a pizza base. So, yes, for us, it's a very positive outlook. And we are going to be looking at ailing this in both the North market and the West market.

**Chirag Lodaya:** Any specific products you would like to highlight which would be still doing well or some sense on what kind of products we are doing? And what kind of investments you would have done so far?

**Ishaan Bector:** See, investments are not very large in this. These are like I said natural extension of our bakeries, these are smaller investments. But what we are using to our advantage is we are creating a frozen chain between all our factories, right? So whether it is Delhi or whether it is Mumbai or whether it is Bangalore.

All these factories, because you see at the end of the day, on the frozen side, logistic cost is an extremely important cost. Our multi-locational facilities and having the ability to create frozen products out of multiple facilities will give us definitely a competitive advantage, right? So that is the thought process behind it. And each bakery would be an independent bakery with multiple products lines.

**Chirag Lodaya:** Some sense of products currently, what kind of products you would be doing?

**Ishaan Bector:** So, it could be on the dessert side, muffins, cookies, cakes, products like -- speciality products like millet cookies. On the bread side, it could be frozen paninis, footlong breads, center-filled puffs. So these are all the kind of products that we are looking at. Cheesecakes.

**Chirag Lodaya:** Right. No, no, I got the idea. And just lastly, if you can call out A&P for the quarter and Y-o-Y?



- Ishaan Bector:** What?
- Chirag Lodaya:** Advertisement spend for the quarter and Y-o-Y?
- Manu Talwar:** So consumer spend and advertisement spend for the B2C business, they are ranging between 3% to 3.5%. So we're consistently maintaining that investment. So consumer promotion, marketing brand, product promotions, that's on B2C business around 3% to 3.5%.
- Chirag Lodaya:** So Y-o-Y as a percentage of sales on B2C, it is more or less flat. That is what you are saying, right?
- Manu Talwar:** Yes. So -- so yes, it's around 3%, 3.5%. I will have to check last year same quarter what it was. So we can check and get back to you on that. This quarter.
- Moderator:** Next follow-up question is from the line of Soham Samanta from Centrum Broking.
- Soham Samanta:** Sir, last quarter, we have launched this cake. So how is the performance? If you can give an update on that.
- Ishaan Bector:** Sorry, which cake are you talking about?
- Soham Samanta:** In the last call you had mentioned the INR10 cakes there was a launch.
- Ishaan Bector:** Yes, yes, yes. So that product is more of a product to support distribution, right? For us, our focus will always be on premiumization, right? I mean we have launched a Zero Maida Bread, right? I would be more excited to talk of a product, which is, let's say, INR60 for 350 grams rather than a INR10 cake.
- That is more of a tactical call for improving efficiencies of distributors and all of these things. But as a premiumization journey goes, we would focus more on healthier products as the industry shifting, gravitate towards the shift rather than de-premiumize.
- Soham Samanta:** Got it. And sir, last thing, like last quarter, you acquired this Cremica Bakery brand. So what is the update right now? Any capex plan or something on that?
- Manu Talwar:** Pardon, can you just repeat, please?
- Soham Samanta:** The Cremica Bakery brand you have acquired.
- Manu Talwar:** So we're still in the process. The process is not completed yet, as it completes we will update.
- Anoop Bector:** I will take this one. Yes, the Cremica brand deal is in the pipeline. So we are clearing -- we've given it to the legal. So once it is -- we get the response from legal, it will be done. But otherwise, I think it's a process of another 2, 3 months, but it will happen.
- Moderator:** Thank you. Ladies and gentlemen, in the interest of time, this would be our last question for the day. I would now like to hand the conference over to Mr. Anoop Bector for the closing comments.





**Anoop Bector:**

Yes. 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.

**Moderator:**

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