

MBFSL/CS/2023-24

1st June, 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 – Q4 FY' 23
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 May 26, 2023 to discuss Q4 FY '23 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
Q4 FY’23 Earnings Conference Call”

May 26, 2023

Mrs Bectors Food Specialities Ltd



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

MODERATOR: **MR. IRFAN RAEEN – ORIENT CAPITAL**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Mrs. Bectors Food Specialities Limited Q4 and FY '23 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions once the opening remarks 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 call is being recorded.

A disclaimer, 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. Manu Talwar, CEO from Mrs. Bectors Food Specialities Limited. Thank you, and over to you, sir.

Manu Talwar:

Thanks. Good afternoon, everyone. To start with, our Managing Director, Anoop Bector has not been able to join the call. So I will start with reading out his speech, and I'll read out on his behalf. So good afternoon, everyone. On behalf of Mrs. Bectors Food Specialities Limited, I extend very warm welcome to all participants on the Q4 and financial year '23 financial results discussion call. Today on this call, I have with me Mr. Manu Talwar, Chief Executive Officer, Mr. Ishaan Bector, Whole-Time Director, Mr. Suvir Bector, Whole-Time Director; Mr. Parveen Kumar Goel, CFO and a Whole-Time Director, and Orient Capital, our Investor Relations Consultant. I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on exchanges and on company website.

Financial year 2023 has been another very strong operational performance, driving healthy revenue growth and strong margins despite the macro economic uncertainties and challenges that the industry has been facing since last few quarters in terms of inflationary pressure, high freight costs, especially in the first two quarters but we continue to witness strong momentum across the businesses and we reported the market build yearly and quarterly performance and consistent in breaking our historical performance, operational and financial results.

Our robust performance was delivered by focusing on distribution expansion, excellence in selling execution, technology intervention, coupled with marketing execution, product portfolio optimization and premiumization and other responsible pricing actions aided in offsetting the ongoing pressure from consistent inflation during the year. Company continues to make significant investment on human capital and digitization of our new tracking system and has successfully smoothened the business during the year.

I'm pleased to inform, we have enhanced our presence in new geography and existing territories under both Biscuits and Bakery segments. We believe the export business will remain strong given the company's foothold in developed and emerging markets such as South America, Europe, MENA region and North America through a wider range of premium for us.

In Bakery segment, we expect this distribution and premiumization-led growth to continue the success of our brand English Oven. In Delhi NCR to other new regions like Mumbai and Bangalore. Under institution bakery business, we continue to focus on acquiring new clients and leveraging our deep rooted customer relationships.



Updating on capex plan, which we announced previously to meet the growing demand for our products across the segment for addition of two new biscuit lines at Rajpura, Punjab is estimated to get completed by Q1 financial year '24. And addition of the Bakery plant in NCR is estimated to get completed by the Q2 financial year '24. As you are aware, that two expansion plants in Dhar, MP, and Khopoli, Maharashtra are well in track and expected to be ready in financial year '24,'25.

I am satisfied with the overall financial year '23 performance of the company with a record turnover and profit. We continue on our journey of strengthening selling and distribution drive to achieve doubling our retail touch points by March '24. The distribution drive would be supported by our robust impact-led marketing, branding campaigns which will drive the next leg of growth for the company across business segments, supported by our passionate teams to address significant opportunities that lie ahead.

Now I will discuss the consolidated Q4 financial performance.

- The consolidated revenues for the quarter stood at INR346 crores versus INR252 crores in Q4 financial year '22, thus registering a growth of 37.2% on a year-on-year basis.

Biscuits

Biscuits segment revenue for Q4 financial year '23 stood at INR203 crores as against INR143 crores in Q4 financial year '22, thus registered a growth of 42% compared with Q4 financial year '22, including domestic and export Biscuit segment. Biscuit segment has grown by 48% as compared to Q4 financial year '21. Both domestic and export Biscuit has grown by higher double digit in Q4 financial year '23 as compared to the same period last year.

Bakery

Bakery segment revenue for Q4 financial year '23 stood at INR128 crores, as against INR95 crores in financial year Q4 '22, thus registered a growth of 34%, compared with Q4 financial year '22, including retail Bakery and Institutional segment. Bakery segment has grown 70%, as compared to Q4 financial year '21. Both retail and distributional bakery has grown by higher double digits in Q4 financial year '23, as compared to the same period last year.

Margins.

EBITDA stood at INR48 crores saw growth of 89.5% year-on-year. Our EBITDA margin for Q4 financial year '23 was 13.9%, as compared to 10.1% in Q4 financial year '22. PAT stood at INR27.7 crores saw a growth of 171% year-on-year. Our PAT margin for Q4 financial year '23 was at 8%, as compared to 4% in Q4 financial year '22.

Now moving to consolidated financial year '23 performance.

The consolidated revenue for financial year '23 stood at INR1,362 crores versus INR988 crores in financial year '22, thus registering a growth of 37.8% on a year-on-year basis.

**Biscuits**

Biscuits segment reported a revenue growth of 36%, which stood at INR807 crores in financial year '23 as compared to INR592 crores in financial year '22, including domestic and export sales.

Bakery

Bakery segment revenue in financial year '23 stood at INR487 crores against INR339 crores in financial year '22, thus registered a growth of 44% year-on-year.

Margins.

EBITDA for financial year '23 stood at INR175 crores, saw a growth of 43% year-on-year. Reported an EBITDA margin of 12.9%, as compared to 12.4% in financial year '22. PAT stood at INR 90.1 crores, saw a growth of 57.6% year-on-year.

With this, I would request to open the floor for questions-and-answer. Thank you very much.

Moderator: Thank you very much. Our first question is from the line of with Prithvi Raj from Unifi Capital. Please go ahead.

Prithvi Raj: Mr. Talwar, and gentlemen, good afternoon. Congrats on a great set of numbers. A couple of questions, and I'll go one-by-one. First up on the gross margin front Mr. Talwar, it seems to be flat sequentially. So is there a pricing lever available to us that we have not yet extinguished, or is this a function of high cost inventory that's in assistant that's kind of indicating on flatter gross margins?

Manu Talwar: In case of a gross margin, you would have seen that we kind of stabilize our gross margin. And we are equivalent to a little better than over last year, and it's in line with the last quarter. So as the prices for the commodities have settled well in the quarter 4. So there was no need to take any further price increase in this quarter. And that -- if you look at our gross margin, which is slightly better than last year, and it's in line with the previous.

Prithvi Raj: Okay. So is it fair to assume that we'll continue with these numbers for the year ahead? Is that the takeaway here?

Manu Talwar: Yes. So we would maintain and improve these gross margin percentages.

Prithvi Raj: Sure, sure. Two other quick follow-up questions, Mr. Talwar. Is there a blended average capacity utilization number you could share with us for the Biscuits and the Bread lines? We asked this question because given your high growth rates, the idea is just to understand how much of incremental elbow room you have for growth in FY '24 without having to resort to new lines coming in FY '24. I understand there are new lines coming in, but just to understand where are you on utilization numbers?

Manu Talwar: So our blended capacity utilization as of now should be close to 80% to 83%. And as we briefed you in the opening speech also. So we have two lines in Rajpura, which will be commissioned in this quarter itself on the biscuit side, which will add 2,000 tons of capacity, and we have



another set of capacity in the next quarter on the Bakery side will come in the NCR. Alongside that, we have some other projects, which is Khopoli project for Bakery.

We have MP projects for Biscuits, which is -- which will get commissioned in the next financial year. So if we take into account the capacity, which we are investing in, in this financial year and the next financial year, we have a headroom of going up to almost INR2,400 crores to INR2,500 crores of revenue. So we have sufficient headroom with the capacity which we are building in this year and next year.

Prithvi Raj: Lovely. And just the last question on your exports Mr. Talwar, we understand the business in a ramp-up mode. Any color on how our initiatives to go direct in the export markets are panning out? How should we imagine this business going forward?

Manu Talwar: So on the export side, as we briefed you, I think in the previous two calls also, we are growing very well across the region. But yes, we told you that in the BCC region, we have taken our initiative of setting up our own distribution execution in that region. And that whole effort is going very well, right? And we are investing there. And as we told you, we have our team there, we have office in Dubai. We have now 100% subsidy also there. So the whole effort is progressing very well and still confident that over the next two to three years' time, this region will contribute very well for us.

Prithvi Raj: Thank you, sir. All the best.

Moderator: Thank you. Our next question is from the line of Rahul Dani from Monarch Network Capital Limited. Please go ahead.

Rahul Dani: Yes. Firstly, congratulations on the great set of numbers, Manu sir. I think the initiatives you took has started to come in to play. Just a couple of questions from my end. Just wanted to understand, sir, in the Bread and the Biscuit front, what kind of growth are we seeing from the newer markets we have entered?

Ishaan Bector: Yes, hi. Ishaan, this side. So, Rahul, from all our markets, whether it is Delhi, with a blended of Delhi and outstation with Mumbai and Bangalore. We are looking at a 30%-plus growth, especially in Mumbai and in Bangalore market. We still see a lot of headroom in terms of ability to grow with Khopoli coming in. We are also very -- we have good expectations coming in from the Bombay market, which would be, I would say, the second largest market outside of Delhi NCR for us in the foreseeable future. So we are happy with our growth, and we're looking forward to our new capacities coming up in the next 1.5 years.

Rahul Dani: Sure. And in the Biscuit segment?

Manu Talwar: So again, as the biscuit segment side, if we, as a company, let me first tell you that we are looking at high-teens kind of growth, and we want to sustain and maintain that kind of growth side. And so Biscuit segment, again, with the effort we are putting on the selling and distribution side, marketing side. I think we should continue to grow in high teens on a Biscuit segment and as well as a company.



- Rahul Dani:** And sir, just wanted to check, last year, our focus area was to kind of expand our dealer retail networks. So what would be the final touch point as of FY '23? And what is the outlook there?
- Manu Talwar:** Sorry, can you come again, Rahul?
- Rahul Dani:** Sir, our strategy for FY '23 was to increase our retail distribution ship. So what is the target for next year in terms of retail touch points?
- Manu Talwar:** Okay. So as we briefed last year also when we started the last financial year, April of 2022. We had 1,50,000 direct distribution reach for the Biscuit outside. And that time itself, we said that our target is by March of 2024, we want to reach a number of 3,20,000. We also doubled our direct distribution reach over the two financial year. And so I'm happy to share that by end of last financial year in March '23, we were around 2,17,000 direct reach outlet. And this year, we will add another 1 lakh direct reach outlet to achieve our target of 3,20,000 by March of 2024.
- Rahul Dani:** Okay, sir. Thank you and all the best.
- Moderator:** Thank you. Our next question is from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** Yes. So just a couple of questions on my end. One was on the growth within the segment. So 40%-odd growth in biscuits and 34%, if could you give us even some qualitative flavor on which segments have within biscuits and which breads have done better. That will be very helpful.
- Manu Talwar:** So firstly, I think you would notice in all the quarters, overall Biscuits as a business and Bakery segment has quite grown in the same range, right? And within the biscuit also, our exports and domestic, again, have been going in similar kind of range, right? So if the overall growth was around 35%, 37%. So both are in the same range of few percentages here and there. And similar thing was very true for even our English Oven and the QSR segment.
- So in terms of -- both in the domestic and export segment, our effort has been to increase the premiumization. And I must say that we have moved well both in the domestic and export biscuit to improve our premiumization because that's the target of the company to keep moving up the ladder and improving our realization through driving the premium segment of the SKUs.
- Harit Kapoor:** Got it. And just one question on Breads. Last three years, you've kind of doubled our distribution reach in terms of touch points there as well. Where do we see this kind of target? We're currently at almost 35,000. I would assume, given that their premium mark, total universe is slightly lower than the overall mass universe for bread. So where do we see this kind of stabilizing over the next two years or so?
- Management:** For us, what we are seeing is contrary to what we had believed is, outstation is actually showing us good results, outside of Delhi NCR, which is, going into smaller cities, primarily that, the outlet universe would not be there. But, as we can see, that even in the bread industry, the premium category of bread is growing faster than the mass category. Right. So the growth rate is there in the industry and, wherever required, to make our distributors successful in smaller cities, we also provide them, all the support even in terms of additional SKU, if it's required. I



would not give you the number of outlets because as we are implementing our SFA, we are sort of rationalizing the number of outlets that, we believe versus, what data is being.

As, we get an accurate number of outlets that we are servicing, I'll be better able to give you, the number of outlets, we're targeting, but definitely, we are looking at even opening our Punjab market very-very shortly. We have started with our beginning. We have started with our recruitment drive and very soon, our products will also be available in Punjab, where we are quite sure, our product range is quite acceptable and is a very-very large opportunity. With the Mumbai market, that clearly is not a very big challenge in terms of our ability to drive further premiumization. So, yes.

Harit Kapoor:

Great. Thanks, Ishaan for this. The third one was on the profitability. You mentioned last two quarters that, we want to stabilize in the 13% to 14% band and then kind of look forward, but last couple of quarters, we've already kind of been hitting the upper end of that band. Just wanted to know, going into the next, say, 12 months to 24 months, at least the next 12 months specifically, is there, are we confident that we've kind of stabilized here and, you could look upwards and onwards or could there be some headwinds to this going forward?

Manu Talwar:

Well, that the intent remains the same to stabilize around 14%, continue investing in the business and growing the business well, in the high teens. So, that's the target and we are confident of achieving the same. And those few quarters, as we have said, that we will then start the journey of 14% to 15% and build up further.

Harit Kapoor:

Perfect. And my last one is just a bookkeeping. You have mentioned a couple of capexes for Q4 and some investments going into FY '25. Some of it will partly be made in '24. Just wanted to know, what would be the absolute capex number that we are finalizing for FY '24?

Manu Talwar:

In the financial year '24. Yes, the financial year '24, our capex should be close to INR120 crores.

Harit Kapoor:

Perfect. That's it from me. Thanks. Thanks and all the best.

Moderator:

Thank you. Our next question is from the line of Amit Purohit from Elara. Please go ahead.

Amit Purohit:

Yes, thank you very much and congratulations for excellent results. Sir, you highlighted your distribution strategy still continues and last time, we discussed you talked about efficiency and fleet on the street that helped in, you to drive growth. Do you think there is further room for, fleet on the street also going up and also I wanted to know the ad spend part of it because what would be the ad spend for the full year FY '23 and are we looking to increase our ad spends?

Manu Talwar:

Yes, so, we achieved our target of having a fleet on the street of approximately 850, which are there. Yes, as we expand our distribution, as we go deeper, as we expand our geography, we will be adding fleet on the street and thus, there is a plan this year also, to add fleet on the street because that's the only way to drive the distribution. And, I just wanted to clarify that this is a strategy, which will continue for next few years, right, because if we have to expand, we have to become a Pan-India player, we have to get into new geographies, go deeper, that's the only way to do it and we will continue that journey.



- Amit Purohit:** Sure, and just to follow up on this is, in terms of the growth rate, which you are highlighting in terms of teens, given that the momentum is similar, wouldn't that be kind of a higher number than probably, what we are looking at or?
- Manu Talwar:** Yes, so, it will be higher teens, not just the teens or lower teens and our target is always to stretch and do better. As of now, we had an outstanding year and a very large growth, so we would like to maintain a high teen kind of growth consistently, in this particular financial year, but yes, definitely, expiration is always to cross your own target.
- Amit Purohit:** And any signs that, you are seeing in terms of market dynamics, wherein you are, while you are getting into new markets, so for you, its competition is not so critical, but just to understand, how is the market scenario generally in the biscuit category, where pricing is being passed on to the consumer or you still think that, the price value equation for a consumer is now good enough for a biscuit? Have we taken any price cuts in Q4 and any plans in doing it in Q1 or going forward?
- Manu Talwar:** So, biscuit is a very, very competitive market as all of us know, right? And we normally follow and watch our market leaders in the market, whether any kind of price correction, both upward and downward, which has to be taken. Prices have definitely stabilized in the quarter 4 of the last financial year and thus, we haven't taken any kind of price increase in this quarter. And even from a consumer perspective, prices have really settled down. So, we will see as we progress, how the industry is kind of reacting because we being not a very large player, we will have to be market competitive with our products and prices.
- Amit Purohit:** Sure, sir. Agree. So, there is no pricing action taken in April and May is what I wanted to understand, at an industry level also?
- Manu Talwar:** Till date, we haven't taken any pricing action.
- Amit Purohit:** And ad spend, would you share some pointers on that? I mean FY '23, what was the better percentage of sales and how do you see that going forward?
- Manu Talwar:** So, overall our spend are around 8% odd between BTL and ATL. And on the ATL side, we briefed you last year from the quarter 3 of last financial year, we had enhanced our spend on the marketing side. And we are maintaining a spend range of 2.5 % to 3%, which is on media, which is on outdoor, which is on print and on and in shop. So these are the four verticals of spend, which we do to build our marketing.
- And as we scaled up from the quarter 3 of last financial year, we continue to maintain that, in the range of 2.5 to 3%. Rather this year, we started extremely well. I'm sure some of you had a chance to kind of look at it on a bakery side. We had a very good campaign on the Mother's Day. So, marketing calendar is well planned for this year, for the company and we have initiated execution of the pay from the month one itself.
- Amit Purohit:** Sure. So in the context that, we may probably keep it same, right? Is what, I understand 2.5% to 3% of sales as they expect?



- Manu Talwar:** Yes, as of now, we're keeping it around 3%. But as the year will progress, depending upon market situation, our ability to invest more, we will take that decision.
- Amit Purohit:** Okay. This is helpful. Thanks a lot.
- Moderator:** Thank you. Our next question is from the line of Sameer Gupta from India Infoline. Please go ahead.
- Sameer Gupta:** Hi, sir. Thanks for taking my question. Two questions from my side. First, this 42% growth that, the company has done in biscuits and you said that, it is broadly in line between domestic and export. So can you give two sets of breakups here, in domestic biscuit growth? One is volume versus pricing, Y-o-Y basis. And second is in terms of overall growth, how much has the core markets of our, where our market share is high, Punjab, Haryana, Himachal, versus the newer markets that, we have been entering. So, just these two, granular details on domestic biscuit growth, if you can?
- Manu Talwar:** So firstly, as I said last time, also domestic and export, both have grown in the same region. Now coming to the domestic side, just to share with you, that our market share is high in the upper part of the north, which is Punjab, Himachal, Jammu, J&K, where we again had a good high double digit growth. But yes, definitely in the lower part of the north, which is your Delhi, UP and Rajasthan belt, where we were investing heavily on distribution, because those were not so strong areas for us. They have definitely given a much higher growth. So the growth in the lower part of north is much higher, which was also expected and should be there, because our share is low there.
- So, on an overall basis, in north, we moved our share from 3.8% to 4.6%. And our share growth was much steep, steeper and higher in a place like Delhi, where we moved from 2.9% to 4.7%. And similar was the case in UP and Rajasthan, where both the shares moved up. And even in Punjab, where our share was higher, we moved up from 13.6% to 14.5%. So yes, on a growth perspective, lower part of the north, which is Delhi, UP, Rajasthan had a much higher percentage of growth. But yes, we had a good high double digit growth even in the upper part of the north.
- Sameer Gupta:** And sir, volume versus pricing this quarter, Y-o-Y?
- Manu Talwar:** Volume versus pricing, very simple that in a whole biscuit segment between exports and domestic put together, our growth would have been approximately 12% odd from the pricing and balance from volumes.
- Sameer Gupta:** And this 12% odd is similar across export or domestic or there is a wide difference?
- Manu Talwar:** Export is marginally higher than domestic on pricing.
- Sameer Gupta:** Okay, and one follow up here, sir, you said 4.6% market share in the north, and PPT mentioned 5.4%. So, why is there a difference?
- Manu Talwar:** No, that 5.4% which you're reading on the left hand side corner up, is the premium contribution. If you look at that slide, the presentation, that's on the premium product range side.



- Sameer Gupta:** Got it, sir. Last question, capex just mentioned INR125 crores in FY '24, INR120 crores. Can you give us similar guidance for FY '25 also? I believe, there are some Greenfield projects lined up.
- Manu Talwar:** Yes, so we are in the process of finalizing the final amounts there. Right, in the next quarter meeting, we'll be able to share the exact amount, which will be for '24, '25 financial year.
- Moderator:** Thank you. Mr. Sameer Gupta, may we request that you return to the question queue for follow up questions as there are several participants waiting for their turn. Thank you. Our next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Hi, thanks for the opportunity and congrats on good set of numbers. A couple of questions from my side, sir. So you spoke about a feet on street strategy for domestic biscuit category in terms of thrust on that part along with direct feet expansion. So just wanted to know the technicality of this expense of feet on street is rooted through our P&L or is it through distributors P&L?
- Manu Talwar:** It is put on distributors.
- Tejas Shah:** Distributors P&L. And just second, as we enter hyper premium market of Maharashtra, Karnataka, what is the strategy to get shelf space because it is a very competitive market. So is it higher discounts or is it higher schemes? How do we entice the existing shelf space to be replaced or to get shelf space for our sales versus the existing brands there?
- Manu Talwar:** Okay, just a brief view that we launched in these three cities of Bombay, Bangalore and Pune, towards the beginning of last financial year. And you know, we, our sense is product quality and product. So, we are not, neither over discounting there, not pushing anyone. We are placing our product on retail.
- We are executing it well through merchandising. And so it's pretty happy to share in that, in all the three markets, we have now reached a presence of almost 17,000 outlets in these three cities. And happy to see that, in just a short period of some nine months, 10 months, our numeric availability or numbers are very well showing even in market reports. So, we play on our strength of good products and good quality products, which consumers enjoy. So, primarily we are building a distribution expansion. We launched in three cities in the last financial year and this year, we will be launching in couple of more cities in the year, financial year '24.
- Tejas Shah:** Thanks, sir. And the trade terms also remains the same here, in terms of receivable days and others?
- Manu Talwar:** Yes, almost similar.
- Tejas Shah:** Okay. That's all from my side. Thanks a lot.
- Moderator:** Thank you. Our next question is from the line, of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead.
- Kaustubh Pawaskar:** Yes. Good evening, sir. Thanks for giving me the opportunity. Congrats for a good set of numbers. So my question is on your bakery plant expansion in Khopoli. So, can you help me



with the capacity you are coming over there? Because last quarter, I believe you said that you are still, yet to come up with any particular plan. But, have you decided on what, how much capacity you are planning to put in Khopoli?

Ishaan Bector:

So, here in Khopoli, we are looking at a very state of the art infrastructure. We are looking at the kind of lines, which are very-very efficient, very large production lines. In fact, we are now just about to close our capex plan on these fully automatic lines, which will either be between 4000 breads per hour to 6000 breads per hour. So, these lines are going to be fully automatic, very-very less manpower, untouched by hands. So it's going to be a significant capacity expansion. And for us, in terms of, let's say scale, we would envision our Mumbai factory to be as big as Delhi, in terms of capacity.

Kaustubh Pawaskar:

Okay. So that will give a significant scale for your bakery business over the next two years to three years. If a facility comes on board in FY '25, then it should be a significant scale over the next two years to three years?

Ishaan Bector:

On that, it will give us a long headroom to grow. Yes.

Kaustubh Pawaskar:

Okay. And correct me, if I'm wrong, bakery business have little better margins compared to your biscuit business. So, if the contribution of bakery business continues to improve, will that be, additional reward for you, in terms of overall margins to improve in the coming years?

Manu Talwar:

Just to share with you that we, our effort is to improve margins in every business. And we haven't been able to do the same in the previous financial year, which was '22- '23. And as our biscuit division has grown more, slightly more than the bakery. So Bakery contribution has remained stable over the -- in '22, '23 versus '21, '22. But yes, we are improvement in margins -- so we, as a company, which we have kind of stated on earlier calls also that we are equally focused company. For us, revenue and margins are equally important, while we step-up and invest in distribution, marketing, which leads to good growth in revenues. Our focus on cost efficiency and margin remains as strong as revenue.

Kaustubh Pawaskar:

Got your point sir. Thank you.

Moderator:

Thank you. Our next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande:

Yes, sir. Thank you for taking my question. So just wanted to understand in the three cities that we penetrated in FY '24 with 17,000 outlets, what would be the volume sales for Biscuit?

Manu Talwar:

So volume for the last financial year was not much as we were just in the process of opening outlets and servicing those outlets. But we kind of very confident that it's a too early statement to make, but I think that the South and West should start contributing well in next two to three years' time as a contribution of domestic Biscuit sales on India basis. As of now, you would kind of completely agree that the first is the journey of seeding, right, opening more cities, opening more outlets.



If you look at Bombay, Bangalore, Pune are very big cities. So for us to, in the first nine, 10 months, we opened -- have our products blend in 17,000 outlets and servicing customers from there. It's an extremely large number. So we will be opening more cities in this financial year and adding more outlets in these two cities. And these sales will start adding. And in the south and west, I must add that we are also penetrating faster and very well through modern trade channel. And there will be a significant effort also in the financial year, '23, '24 to penetrate much faster than general trade through the modern trade on the domestic Biscuit side.

Pallavi Deshpande: So just to understand if there were growth that you've shown in the Biscuit side, just want to understand how much of it on the volume growth side, how much of it would be to organic growth and how much will be to this -- the new geographies that we have penetrated? So maybe some color you can give us on Delhi or like you mentioned, the upper North, how much is the volume growth there?

Manu Talwar: The first thing is that large growth is primarily from Northern India. Bombay, Pune and Bangalore have hardly contributed to the growth because we were just placing our products and penetrating our products and starting our journey in these areas. Second, the growth which we got on the domestic side, I would say around 9% to 10% would have come from the price and the balance entire growth has come from the volumes. So large part of the growth in the year -- last financial year of -- financial year '23, it is volume driven.

Pallavi Deshpande: Right. This is much higher than the industry growth. I understand that the market share numbers, which you shared.

Manu Talwar: It is much higher. Much, much higher.

Pallavi Deshpande: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Ameet Kalyanpur from East India Securities. Please go ahead.

Ameet Kalyanpur: Yes. Hi. Thanks for the opportunity. Sir, the capacity expansions, which have been mentioned at Rajpura, NCR, MP and Khopoli, so what will be the respective capacities at the places, the additional capacities that is?

Manu Talwar: So Rajpura will get commissioned in the next few months' time -- next two months' time. And Rajpura, we are commissioning through line. So it will give us 2,000 tons of additional capacity a month. Khopoli will take some time. Khopoli capacity will get added only towards the later part of next financial year.

Ameet Kalyanpur: So at NCR, what will be the capacity addition?

Ishaan Bector: We see the increase in capacity to about, by about 80,000 bread per day. And in Khopoli, it looks like it would be about 120,000 per day.

Ameet Kalyanpur: Okay. And at Dhar, MP?

Management: Dhar is a biscuit line.



- Manu Talwar:** Biscuit line, again, in the Madhya Pradesh, Dhar, we will be starting there with two lines. So we're really starting there with approximately 2,000 tons a month. And as we have a large area there. So we will keep expanding as we need to put up more lines to fulfil our demand in future. But we will first start with two lines there, approximately 2,000 tons.
- Ameet Kalyanpur:** It's 2,000 tons per month?
- Manu Talwar:** Yes.
- Ameet Kalyanpur:** Okay. And what will be the debt for this capex that you have planned, the two capex, any debt - additional debt being planned or it's from internal?
- Manu Talwar:** Overall, on the funding of our project, we have kept a ratio of some 65% to 70% of debt and the balance to our own funds. That's the kind of ratio we are maintaining. But just to give comfort to all of you that -- even if you look at our ratios, our debt equity ratio, which was 0.27, if I'm right, last year has further improved in the financial year '22, '23, to 0.22. So we're fairly more than comfortable on our debt equity ratio. And -- but yes, for financing of these projects, we're keeping around on own funds of 30% to 35% and borrowed funds are up 65% to 70%.
- Ameet Kalyanpur:** Okay, sir. Thanks. Thank you. That's it.
- Moderator:** Thank you. Our next question is from Naveen Bothra from Subh Labh Research. Please go ahead.
- Naveen Bothra:** First of all, congratulations for excellent set of numbers. So my question is regarding this INR1 crore investment in Mrs. Bectors English Oven Limited, is it related to Bakewalk Cafe? And if you can throw some more light on the reason about the Bakewalk Cafe? It will be quite helpful, sir.
- Ishaan Bector:** Yes. So for the longest time, we've been talking about developing our frozen bakery range of products, right? And in English Oven, we've always thought of ourselves as more of a bakery company rather than just a bread company. Bread being a large part of the portfolio, but the value addition coming in from Bakery. So we actually, we have all the right or the necessary product for a company today to sort of open up a cafe whether it is a pizza, whether it is a burger bun, whether it is croissant or whether it is desserts like muffin, cake etc. So we had the whole bouquet of products.
- And with the entire cost as of a Bakery that's where, we had incorporated Mrs. Bectors English Oven, where we have set up four cafes which are using almost the majority or almost 80% of the Bakery product captively from our range of products that we have out there for the market. So that's what Bakewalk has been about. We have about four stores, it is still at a very nascent stage, and we are very excited about the opportunity and also showing to our customers that English Oven can be a one-stop solution for everything bakery that would be required to open up a cafe anywhere in India.
- Naveen Bothra:** So the four café are in the NCR region, Gurgaon and these things? We are a company owned company-operated model. So if you can throw more light about the franchise as well as COCO



in the next one or two years, the ratio will be how much between the COCO and the franchisee-led models?

Ishaan Bector: We haven't really thought that far ahead. Seeing our model, I mean, the success of our modules, we have got to franchise theory, but we are first focusing on building a strong brand opening more number of stores. And I think that is something that we will work on a later stage.

Naveen Bothra: Thank you very much, sir. All the very best.

Moderator: Thank you. Our next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: Hi, good afternoon, sir. Sir, my first question is, so we have gained market share on the Biscuit side. Any sense, are we gaining market share from the players like Britannia and Parle or more like Tier 2 players like, Annapurna and Priya, in those geographies?

Manu Talwar: So we are still a very small player. If you look at -- I shared what is a non-India market share gains, right? And if I look at that number on all-India basis, our market share would be just about 1.39%, right. I thought there'll be some marginal gains from different players. It's very difficult to say that it's coming from a regional player or from the large players.

Dhwanil Desai: Okay. Okay. Specific categories where we are doing much better, or it is like across the board, we are doing equally there?

Manu Talwar: As we were focusing more on the premium segment side. And so we have seen that we are doing well there, and that's the whole objective that we build our premium segment, both on cookies and breads.

Dhwanil Desai: Okay. Okay. And second question is on institutional bakery side. So on that segment, any new products that we have won with our existing customers where we are kind of scale up more. And also QSR segment in general because of the overall discretionary spend slowdown is going through a challenging time. So are we seeing any challenges on that front for us?

Ishaan Bector: See, with our existing customers, we are working on a couple of projects, these are ongoing projects. So it's not right for me to really speak about them. But yes, on the sweet side, on the dessert category, we're expanding our portfolio which is helping us increase our presence with some of our partners. We have also started working with a couple of new concepts with one of our customers. We are supplying now frozen pizza dough balls, not a pizza itself but frozen pizza dough balls.

But what we are seeing is that over time, on the -- even on the QSR front, the acceptance of frozen products is becoming very good. We see a very bright future for this industry. I think the focus for us has to be to execute world-class R&D at a scale. And that's where we are focusing on. I'm very sure that we will be able to add new customers sequentially and we have a very strong line of products that we are working on. So that's fair.



And I think on the QSR space, I think, whatever slowdown that you see is probably going to be very short term. The point is that there is just so many opportunities in terms of to add number of stores. And what we also see is that even our customers seem very bullish on the number of stores that they are planning for the next three to four years in terms of store additions. So we are very optimistic about this business and we have a lot of good time.

Dhwanil Desai:

Okay, great. That's it.

Moderator:

Thank you. Our next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer:

Sir, congratulations on strong setup number. Sir, this is regarding in the Q3 FY '23 call, if I'm not wrong. So you did say that we are moving towards 13% to 14% EBITDA margin and we are here and we'll be targeting something like 14% to 15% margin in coming quarters. So just wanted to understand how are we placed as of now? Because if I'm right to understand we have not actually taken any price hike as such compared to quarter 3 due to the raw material price stabilize. So just if you could share this.

Manu Talwar:

Yes. As we said in Q3 also that over the next few quarters, we would like to stabilize and deliver 13% to 14% EBITDA. We have delivered close to 14% in last two quarters of the last financial year. And I think it's very important for any organization to bring that stability of delivery. The whole objective should be to bring that stability of consistent delivery of around 14%. That's why we say, 13% to 14% EBITDA.

And then once we stabilize this level of EBITDA, obviously, the next step will be moving up from 14% to 15%. So we stick to what we said. Yes, we have delivered close to 14% in the last two quarters. Our objective is to sustain and maintain that consistency while working on the growth side and then take a next step, prepare for that next step and move towards 14% -- 14% to 15% revenue.

Vignesh Iyer:

Okay. But would this movement from this 14% to 15% would it be primarily due to premiumization?

Manu Talwar:

It's -- yes, premiumization of our revenue and our product is a key contributor to that journey. But that's not the only reason. It's a revenue scale, the revenue growth, working on cost efficiency and other two big elements, which are drivers to the margin improvement.

Vignesh Iyer:

Right, that's all from my side. Thank you.

Moderator:

Thank you. Our next question is from the line of Pratik Kapoor from ProInvest. Please go ahead.

Analyst:

Hi, thanks for the opportunity. And congrats on good set of numbers. Sir, just two questions from my side. Firstly, what is your view on wheat crop going forward?

Manu Talwar:

So wheat crop early January, February, we had good announcement that crop is good. We had record production in India. Then we had some challenges in the later months of February, March that there were unseasonal rains, which was kind of impacted. Things seem to be stable now. I



don't have an expert view on this. So I would not like to comment any further on that. So we see somewhat of stability now as of now on the commodity on the wheat side. That's what I will stick to at this point of time. I won't be able to comment on any further on this particular subject area.

Prateek Kapoor: What kind of asset turns we can expect from upcoming addition of new biscuit line of Rajpura and bakery line of NCR once commissioning Q1 and Q2 of FY '24?

Manu Talwar: If you have an average asset turn for our company with so much of investment going in, they'll as of now stay around 3%. We have a better asset turn on the biscuit side, which is 3.5% to 4%, and on a bakery side, 2.5% to 3%. We would maintain those kind of asset turns because, you know, you would appreciate that the way we are growing and also investing and investment by the time, any investment takes time to stabilize is always at a lesser percentage of utilization and then it grows to a higher level of utilization. So yes, we would maintain our company as a turn for approximately around 3%. A little lower on the bakery side and little higher than 3%, on the biscuit side.

Prateek Kapoor: Okay, thank you. That's it from my side.

Moderator: Thank you. Our next question is from the line of Vidhi Dadia from Raeden Securities. Please go ahead.

Vidhi Dadia: Good evening, team. Thank you for the opportunity. Sir, I just wanted to understand one data point from you, for the newly acquired geographies of newly entered geographies of South and West. What is the size of opportunity, there in terms of number of retail outlets? And what is the potential target reach for the next few years?

Manu Talwar: You see, South and West of India for biscuit industry is the most premium market, right? And the size of revenue as an industry of South and West is equal to more than North India, right? So, as an opportunity is a very big opportunity of being presented.

Vidhi Dadia: I wanted to understand, I mean the data point, just the data point, the number of retail outlets, which these geographies have.

Manu Talwar: So, I will have to get back to you on that. What is that, outlet universe of South and West of India. I don't have ready in hand that particular part of it.

Vidhi Dadia: But and how are we, what are the number of outlets that, we are looking to add quarter-on-quarter or yearly, in these geographies?

Manu Talwar: So you know, in the coming financial year, which is the existing financial year of 2023-2024, we expect that, we should be able to almost double our outlet present in South and West of India, by growing in the same city and entering the newer city. That's the target for this existing financial year of 2023-2024.

Vidhi Dadia: Okay, so that's great to hear. All the best, all the best for the future. Thank you.



- Moderator:** Thank you. Our next question is from the line of Amit Kashyap from Shubh Lab Research. Please go ahead.
- Amit Kashyap:** Sir, my question is with regard to the margin profile, sir. What is the margin profile for the frozen products and the current percentage of share of frozen products in the revenue?
- Ishaan Bector:** So, frozen products are still at a very-very basic stage for us. Our largest customer for the frozen side would probably be, somewhere where we are providing, the frozen steak. But on the margin side, we don't share individual margins of our businesses, whether it is on the bakery or the biscuit. So, we'd like to keep it like that.
- Amit Kashyap:** Okay, sir. And one follow-up on you said that, the additional product line, which we are introducing in the near future, so what time we can expect a break-even for that?
- Ishaan Bector:** Can you repeat your question?
- Amit Kashyap:** Sir, the additional product line, which we are adding in near future in the Rajpura area for the biscuit capacity, at what particular time, we can expect a break-even for that particular product line? The time there may be the six months.
- Manu Talwar:** The new lines which, we are putting on a bakery and biscuit side has a payback period of approximately seven years. So, that's the way we calculate. It has a payback period of approximately seven years based on the current forecasted sales over the next few years.
- Amit Kashyap:** Okay. That's it from my side. Thanks.
- Moderator:** Thank you. Our next question is from the line of Rushabh Doshi from Nirmiti Investment Advisors, LLP. Please go ahead.
- Rushabh Doshi:** Yes, congrats on a great set of numbers. So I just wanted to understand, what is our presence for modern trade and e-commerce and also like in modern trade for both breads and biscuits, like in which geographies are we currently present in? And how well is this trade segment growing for us?
- Ishaan Bector:** So, on the modern trade side, we are present in about 2,300 outlets this year. Our target for the next year is to be present in almost double the number of outlets, which is about 80% coverage of the number of doors. On the bread side, we are primarily listed with almost all modern trades and e-commerce in Delhi, Mumbai and Bangalore. And we have also now started, in fact, signed national duties with, a couple of companies and our endeavor is to sign national duties all across, which will help our penetration into modern trade and e-commerce across India.
- Rushabh Doshi:** So, how big is this trade segment in our domestic business for both bread and biscuits?
- Ishaan Bector:** Sorry, can you say again?
- Rushabh Doshi:** How big is this trade segment in our domestic business for both bread and biscuits, the modern trade and e-commerce?



Ishaan Bector: So modern trade e-commerce for bakery, I would think, would be around 14%. And on the biscuits side, it would be around 11%.

Rushabh Doshi: Okay, yes, that's all from me.

Moderator: Thank you. In the interest of time, that will be our last question for the question and answer session. I would now like to hand the conference over to Mr. Manu Talwar for closing comments.

Manu Talwar: Thank you everyone for joining us. I hope, we have been able to answer all 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. In case of any further query, you may write to irfan.raeen@linkintime.co.in. On behalf of Mrs. Bectors Food Specialities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.