

MBFSL/CS/2023-24

18<sup>th</sup> November, 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 – Q2 FY24 UNDER THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS), REGULATIONS 2015**

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on November 10, 2023 to discuss Q2 FY24 results.

We Request you to kindly take the same on record.

Thanking You,

Yours faithfully,

For Mrs. Bectors Food Specialities Limited

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

**Mrs. Bectors Food Specialities Ltd.**

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Mrs Bectors Food Specialities Ltd



“Mrs. Bectors Food Specialities Limited  
Q2 FY’24 Earnings Conference Call”

November 10, 2023

Mrs Bectors Food Specialities Ltd



**MANAGEMENT:** **MR. ANOOP BECTOR – PROMOTER & MD –  
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**

**MODERATOR:** **MR. PARTH PATEL – ORIENT CAPITAL**



**Moderator:**

Ladies and gentlemen, good day, and welcome to the Mrs. Bectors Food Specialities Limited Q2 and H1 FY '24 Earnings Conference Call. As a reminder, all participants' lines will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone Please note that this call is being recorded.

This call may contain some of the forward-looking statements, which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

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

**Anoop Bector:**

Thank you. Good afternoon, everyone. On behalf of Mrs. Bectors Food Specialities Limited, I extend a very warm welcome to all participants on Q2 FY '24 financial results discussion call. Let me take this opportunity to wish everyone a very happy and safe Diwali.

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. 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 an opportunity to go through our investor deck and press release that we have uploaded on exchanges and on the company's website. It gives me immense pleasure to announce that Q2 FY '24 has been another strong quarter for us on the revenue as well as the margin front. Our revenues increased by 19% and PAT by 70% on Y-o-Y basis. We have overcome multiple challenges across the domestic and international markets to give another stupendous quarter of growth and margin expansion.

Our continuous focus on distribution expansion, investments in our brands Cremica and English Oven, long-standing relationships with our large institutional players and focus on growing exports with existing and new customers, along with focus on margins, have helped us to deliver sustainable results.

Company's focus on onboarding experience and focused leadership team, strengthening of input KPIs, addition of distributor sales representatives and digitization initiatives of salesforce automation and distributor management system has helped us in increasing the distribution reach and better servicing to our outlets and channel partners.

We continue to invest behind strategic marketing initiatives to build long-term sustainable growth. We recently signed our first brand ambassador, Kareena Kapoor Khan, and have plans to build reach and awareness through TV media, alongside print and digital marketing initiatives.

In the current year, we have commissioned 2 new lines of Biscuits with a capacity of 2,000 tonnes per month. This will help us in meeting our demand and efficient serviceability.

Now I will discuss the financial performance.



Starting with Biscuits. Our Biscuit segment reported a revenue growth of 25%, which stood at INR259 crores in Q2 FY '24 as compared to INR206 crores in Q2 FY '23. This segment has grown by 76% over Q2 FY '22. Our domestic Biscuit segment and export witnessed higher double-digit growth in Q2 FY '24 as compared to Q2 FY '23.

Bakery. Our Bakery segment revenue for Q2 FY '24 stood at INR140 crores against INR125 crores in Q2 FY '23, thus registering a growth of 12% on Y-o-Y basis, including retail Bakery and institutional segment. This segment has grown by 69% over Q2 FY '22.

The consolidated revenues for the current quarter stood at INR415 crores versus INR347 crores in Q2 FY '23, thus registering a growth of 19.3% on a year-on-year basis. EBITDA stood at INR65 crores, resulting in a growth of 46% and 12% from the corresponding quarter on a year-on-year basis and sequential basis, respectively. EBITDA margin for the quarter stood at 15.6%, that is a growth of 281 bps year-on-year basis and 11 bps on sequential basis.

PAT stood at INR37 crores and saw a growth of 70% year-on-year basis and 7% on quarter-on-quarter basis. Our PAT margins for Q2 FY '24 was 9%, registering a growth of 268 bps on yearly basis.

Moving to H1 FY '24 financial performance. The consolidated revenues for H1 FY '24 stood at INR789 crores versus INR648 crores in H1 FY '23, thus registering a growth of 21.7%. EBITDA for H1 FY '24 stood at INR123 crores versus INR76 crores in H1 FY '23, with margins of 15.5% as compared to 11.7%, resulting in a growth of 387 bps year-on-year basis.

PAT for H1 FY '24 more than doubled from INR35 crores in H1 FY '23, now stands at INR72 crores, with improvement in PAT margins to the tune of 380 bps year-on-year basis.

Our focus remains on distribution and premiumization, supported by marketing to penetrate and capture newer markets. This will assist our company to increase its footprint not only in North India, but also penetrate in western and southern parts of the country, where the product is equally liked by the consumer.

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

**Moderator:** Thank you very much. The first question comes from Sashwat Jalan with Purnartha Investment Advisors. Please go ahead.

**Sashwat Jalan:** Congratulations on great set of numbers. I just had a couple of questions. Firstly, have you taken any price hike in the Biscuit or Bakery segment in the last few quarters?

**Anoop Bector:** Yes. Manu, it's your turn, yes, please. Sorry.

**Manu Talwar:** Yes. No, so we haven't taken any price increase in this particular quarter or the H1.

**Sashwat Jalan:** Sure. And sir, can you also please share with us any B2B business in the revenue spread...

**Anoop Bector:** Can you be a bit louder? Your voice is not very clear.



- Sashwat Jalan:** Yes. So I was asking if you can share with us the B2B and B2C revenue split, if possible?
- Manu Talwar:** So we normally, on the call, don't share B2B and B2C revenue. We share as we have shared, basically, for the overall Biscuit segment and Bakery segment revenues.
- Sashwat Jalan:** Right. And lastly, in the annual report for 2023, there was a small drop of charge. So are we in the outsourcing manufacturing?
- Manu Talwar:** See, outsourced manufacturing as a percentage to revenue will -- because we are focusing primarily on our own brand business, both B2B and B2C, and not expanding on the contract manufacturing side, which is primarily only we are doing for Mondelez, right?
- So as a percentage to revenue, as we grow faster for our own brand, so that, as a percentage to revenue, you would see a minor decline. But on our value terms, this is constant or growing at a small percentage.
- Sashwat Jalan:** Okay. So I thought the job work charges ] for our own Biscuits -- but thanks for the clarification.
- Manu Talwar:** Job work charges for our own biscuits?
- Sashwat Jalan:** I assumed that could be the case, but thanks for the clarification.
- Manu Talwar:** Yes, for the -- on the revenue side.
- Sashwat Jalan:** Okay. And lastly, sir, since you have announced the capex on the R&D side. So that's not exciting to hear that in the annual review. So can you share focus areas we are heading? Any comments on that?
- Manu Talwar:** So our overall capex, we primarily have given the details earlier also. So on the overall capex are -- one is that we invested in our own plant in Rajpura. We invested in 2 lines, which were commissioned in the quarter 2 of this financial year. And then the other big investments on the Biscuits side we are doing is an Indore, M.P., where we are investing in the plant. And that would -- plant would get commissioned in the next financial year.
- On the Bakery side, we have invested in our plant in NCR, which is in Bhiwadi. And that plant would get commissioned in this particular quarter, which is quarter 3 of current financial year. And then we have building up another state-of-the-art plant in Khopoli, Maharashtra. This is again a Bakery plant, and that -- both get commissioned in the next financial year.
- So these are some of the large investments which we are doing on a Biscuit and Bakery side, on the capex to expand our capacity to service our demands.
- Moderator:** The next question comes from Amit Purohit with Elara.
- Amit Purohit:** Congratulations for excellent results. First on the Biscuit growth, which has been very strong at 25%-plus, what you would attribute this growth to? Is it both existing as well as new markets? I'm sure both would be doing well.



But within existing market, is it like a distribution-led growth? Or is it more true with line selling also now started to come in, where in the segments that are the retail outlets you have already entered, we are able to sell a full offering or complete portfolio?

**Manu Talwar:**

So Amit, this growth is primarily led by distribution and supported by marketing. When we exited last quarter of the last financial year, which was March of '23, we were around 216,000 territories for outlets, right? And now in these 2 quarters, we have already touched 270,000 territories for outlets. And our Ac Nielsen number of our overall reach has crossed 6 lakh outlets.

So, a, we have increased our reach in the distribution; b, we had already implemented SFA, which was salesforce automation, last financial year; and this year, we are implementing DMS with partnering with [inaudible]. So we have already reached 400 distributors on the DMS implementation, and we are in the final leg of implementation of balanced distributor and the final modules on that side.

So to make this happen again, we have increased our distributor reach. So we have added number of -- more number of distributors. And also very importantly, right, other than distribution, we have worked on premiumization. So there is over 15% improvement on the premiumization over the last financial year. So distribution led by premiumization and the marketing-led support, so we continue to drive marketing alongside sales on both on-shop, in-shop, outdoor, print and digital media.

And while in the coming quarters, this quarter, we will -- as you're very well aware that we have signed the first brand ambassador, Kareena Kapoor Khan. And we will be now moving our journey to move towards a television, other channels for the media also.

So these are the efforts which are being made to drive the growth on the Biscuit side. And the Biscuit side growth, which you see there is both for domestic business as well as exports. So also on the exports, which is doing well for us, we are doing and adding a substantial amount of business with our existing customers and as well as adding new customers. So this is a brief response to your question on what is fueling growth on the Biscuit side.

**Amit Purohit:**

Sure. And sir, just on this Biscuit itself, any price reductions that you have taken or much of -- because most of this pricing would be investorizing, right? So of the 25% growth, is it safe to assume that 20% would be volume-led? Or how do you think...

**Manu Talwar:**

Yes. So you're very right. Majority of the growth is volume-led on this, right, so almost over 75% of the growth, and this is led by volume.

**Amit Purohit:**

And have we taken any price reduction? Because, I mean, we keep hearing the leader also talking about increase...

**Manu Talwar:**

So as we -- it's very important in Biscuit domestic market to keep seeing how the competition, especially the leaders, is taking it forward. So we ran some consumer promotions, right? We ran some promotions on the premium Biscuit side, right? And that's what we did for the consumers. So kind of you can say as a consumer offer, we did give the kind of price offer in -- more in form of a consumer offer.



**Amit Purohit:** Okay. So -- and when was that implemented in the...

**Manu Talwar:** We did that in quarter 2.

**Amit Purohit:** Okay, okay. So full of quarter 2 had this impact?

**Manu Talwar:** Yes. So quarter 2, we ran our consumer promotions.

**Amit Purohit:** Okay. And second point on the ad spends and margins, so basically, you highlighted. What would be the broader ad spend in first half as a percentage of sales? Would you be able to share?

**Manu Talwar:** If I would say, percentage to B2C sale, which is both on English Oven and Cremica brand side, so our overall spend, right, both BTC and ATL, continues to be around 8-odd percent. But yes, definitely on ATL side, we have moved up. And we are approximately 3.5% now on our ATL as has been briefed earlier also that we'll continue to keep investing more in our brands.

**Amit Purohit:** Okay. And sir, any outlook on the margin side? Do you think this quarter has also been a strong performance? And in the context that how is this raw material basket for us? And how do we see any change in the guidance you were talking about earlier, 14%, 15%? And then, what is the outlook for margins, should be building?

**Manu Talwar:** So before I hand it over to Anoop for the commodity side, but on the margin side, as we have been maintaining that we kind of achieved 14% over the last 2 quarters of last financial year. And our whole endeavor was to maintain the margins in the range of 14% to 15%. And that's kind of what we have delivered, is 15.5% in the first 2 quarters.

But yes, our endeavor is to keep around 15% consistently over the next coming few quarters. So anything between 14.5% to 15% is what we want to consistently deliver in terms of margin over the coming few quarters. And on the commodity side, Anoop, would you like to brief on the commodity...

**Anoop Bector:** Yes, yes. So on the commodity side, we definitely -- there are certain challenges. We have some benefits, like the oil prices are low. And -- but we do have some challenges there on the wheat side, where the prices are a bit on the higher side.

But definitely, as Manu has said, our aim is to maintain our target, which we've always been committing it to be around 14.5% to -- between 14.5% to 15%. And our company is on the buildup stage. So we are going to be building up, investing in distribution, investing -- keep investing on the brand. So -- but we will retain our targets, what we have been committing to our investors on a 14.5% to 15% sort of markets.

And in case -- I mean biscuit is an industry where definitely, if there is a price increase, which is going to impact us. Then there are price corrections happening and things like that. So at the moment, in the last 2 quarters, we have not seen anything like that because we have seen overall things under control.



But going forward, I do not foresee any much -- in the short term, you could have some challenges. But over the long term, we do not feel there are any challenges to maintain our targets of margins what we always stood to.

**Moderator:** The next question comes from Arihant with Bowhead.

**Arihant:** So my first question is that our employee cost has increased in the last 2 quarters. So what would be the reason for the increase?

**Manu Talwar:** So our employee cost, first, had a reclassification of some expenses, which were coming in other expenses. They moved to employee expenses. If you will notice particularly, our other expenses are down, and you'll see an increase in employee expenses. So that is one reason for that.

Secondly, as we have been indicating that we were doing a leadership hiring, right, over the last 3 quarters. So that's kind of reflecting in the -- some part of that increase. Now we are through with our leadership hiring, and we should be able to kind of consistently maintain.

But in a growth company like ours, and I'm sure you will appreciate, it was important to get the organization ready for the future growth. And thus, we needed to strengthen the organization at different levels. And that's what we did.

**Arihant:** And sir, my next question would be, sir, the Bakery growth has slowed a little bit, so is it because of capacity constraints? I mean, do you see it as a temporary blip? Or it is something structural?

**Manu Talwar:** Ishaan, would you like to answer?

**Ishaan Bector:** Yes. So, on the Bakery side, we have our Bhiwadi plant, which is actually coming up in this quarter, in Q3, pending which we had held back some new territory expansion, which we will start progressing with again. So that will definitely add to our growth outside of our core market of Delhi NCR.

I think secondly, what we also did witness in the past quarter is we were also coming off of a very high base, so I think that is the effect of that. But going forward, we are focusing on distribution expansion. We are continuing to open up outlets as per our targets. And we are confident that over the long term, we will be achieving a mid- to high-teen growth rate.

**Arihant:** Okay. Sir, and what you expect the runaway growth for the next 3 to 5 years to be because of the distribution and capacity expansion in Biscuits and Bakery?

**Manu Talwar:** So as we have already maintained, we want to consistently achieve mid-teens kind of growth over the next few years, and that's the endeavor.

**Moderator:** The next question comes from Kaustubh Pawaskar with Sharekhan by BNP Paribas.





- Kaustubh Pawaskar:** Congrats for a good set of numbers. Sir, my question is on Biscuit segment. As you mentioned that 75% of the growth is because of the volume. So if we consider 5% to 6% kind of a realization growth, how much is because of the premiumization?
- Manu Talwar:** It is primarily because of premiumization. Premiumization, as we said earlier, has, over the last year, improved by over 15%. So this is primarily whatever -- what you see in the rise side is led by the premiumization.
- Kaustubh Pawaskar:** Okay. And so can you help me understand how is expansion happening in some of your newer states, where you have recent? You have entered last year or maybe a year before that in terms of the Biscuit business because that was also one of your key driver because you wanted to enter into newer markets to gain share, and that is how you were planning to grow in the coming years. So if you could highlight on that.
- Manu Talwar:** So we did started our journey in south and west and we launched three cities Bombay, Bangalore and Pune -this year we have gone further from a presence in three cities to close to 15 cities. So, we did add a few more cities in Maharashtra, we did launch in city in Gujarat, Goa, Telangana, Andhra Pradesh & Karnataka. Now we are addressing South and west it is the initial part of this journey because we are there lets say for more than a year now, so we continue to explore new cities there. Because of this reason we are in process of setting up Plant in MP which is in the central part of India to service south and west market.
- Kaustubh Pawaskar:** Right, right, right. So the plant in MP would largely help you to expand further into the southern and western market?
- Manu Talwar:** Yes, southern, western and central part of it.
- Kaustubh Pawaskar:** Okay, okay. And this strategy will continue? We will continue to add more and more cities as you grow?
- Manu Talwar:** Yes.
- Kaustubh Pawaskar:** Okay, okay. And sir, any target in terms of market share you are looking for, maybe not immediately so, but over 3 years? Any particular target we have in mind that we should achieve in the business market share?
- Manu Talwar:** The kind of investment we are doing on the distribution side and marketing, our intent is to continue to grow our market share and Over the past 1 year, we have grown our market share from 4.1% to 4.4% in a highly competitive market. But yes, the whole aspiration is that we keep moving up the market share ladder.
- Moderator:** The next question comes from Harit Kapoor with Investec.
- Harit Kapoor:** Just one question on the premiumization bit. So you just expanded in Biscuit, what are the spaces where the growth that you are getting it so much faster, which is driving the significant realization? Some examples in terms of category that you've been able to grow at a much faster pace?



**Manu Talwar:**

Basically, as I said that in a premiumization, we have moved up more than 15% over last year. And our key focus remains on premium cream and cookies, which are, anyway, our faster-growing segment. And they are definitely showing a much higher growth to us in our sales mix also.

**Harit Kapoor:**

And second, on this -- on the distribution expansion, so you spoke about South and West and how MP will help you -- the MP plant will help you. But if you look at outside the core markets in the north, Rajasthan, U.P., some of those markets where you've expanded over the last 3-odd years, would you give a kind of report-card sense of how Biscuits have done for you for your level of comfort and how are you growing that? Or something around that could be helpful.

**Manu Talwar:**

For large part, you see, we were always strong on the upper north, which is Punjab, H.P., Haryana. We have high market shares in Punjab and HP, J.K. So our entire focus or large part of focus has been to build a lower part of north, which is probably a belt of Delhi, U.P., Rajasthan and then the central states like Bihar and M.P., right?

So yes, so the large part of distribution expansion in terms of outlet which you see, right, which has also moved up from 216,000 to 270,000 in last 6 months, is happening in the lower part of the north belt, which is U.P., Rajasthan and Delhi, right? And that's how we are expanding. That's where we are also expanding in the number of districts.

So if you look at the districts where we were kind of present, so we have moved up from a last year -- last financial quarter, we were at 269 districts. And now in the 6 months' time, we have moved up to 331 districts, so which is obviously addition of almost close to 18%, 19% of addition in district presence also.

So large -- the prime part of expansion which is happening here because our upper part of north is very well covered, right, is happening at the lower part of north, which is U.P., Rajasthan and Delhi belt.

**Harit Kapoor:**

And your level of comfort with the kind of early throughput you've seen over the last 6 to 9 months in some of those stores, any sense on that?

**Manu Talwar:**

Look, no, no, we don't have any concern. We've been moving well. We have also expanded our feet on Street, which was at 900 by end of the last financial year. Now we are sitting at close to 12,00. That's a number we wanted to achieve for this financial year.

So distribution plays a very key role in terms of driving not only the geographical presence as well as the growth, duly supported by strengthening our brand through different sources of marketing. So we are on that journey, and we will continue on that journey for the next many years to come.

**Harit Kapoor:**

Got it. And you mentioned something around DMS. I was wondering, about 18 months back -- 18, 24 months back, you made some changes there to third-party platform, etcetera. Any -- since then, has there been any kind of incremental change which has happened on the DMS side?



- Manu Talwar:** So DMS, actually, we started the implementation of the DMS starting this financial year. So far, we have reached 400 distributors. There are 2 key modules which are being implemented as we talk. The implementation started in November. We see the whole DMS as stabilizing over the next 2 quarters, and we should see a substantial benefit of DMS coming in the next financial year.
- Harit Kapoor:** And the last question is for Ishaan. Any call-out on the QSR part of the business? It seems like those numbers, at least on the QSR companies, are a bit slower in terms of growth. So I mean, what are you seeing there in your conversation with -- to those buyers? And any kind of growth impact that you could see in the near term there?
- Ishaan Bector:** See, no doubt that sales have been slower than expected on the QSR front. And given our exposure to some of the larger customers whose results you are also referring to, growth seems to be muted. But I feel this is a very short-term phenomenon. We have been speaking with our partners who are very bullish on store growth, adding new number of stores.
- So we see this entire QSR ecosystem to be very robust in the long term. And going forward also, with some new products for us, opportunities of expanding business are immense. So I would say that whatever we see is more on the short term. We can also see that we are expanding our capacities in terms of the capex that we are doing on the Bakery side, some of which is also for the QSR, right? So we are not concerned on the growth.
- Harit Kapoor:** Wish the team a very happy Diwali. Thank you.
- Moderator:** The next question comes from [Arun Marothi] with Shubhlabh Research. Please go ahead.
- Arun Marothi:** Congratulations for the great set of numbers. Sir, my question is with regard to the arrangement we have with the Walmart. So if you can throw some light on that, that will be quite helpful that what kind of supply we have and the size of opportunity we are looking for?
- Manu Talwar:** I would request Suvir to take that question. He handles the export business.
- Suvir Bector:** Sorry, I couldn't hear the question.
- Manu Talwar:** I can take it, please. It is the question about Walmart, what is the potential of Walmart on business?
- Suvir Bector:** Okay. So I think Walmart has a lot of potential. This was only our first year working with Walmart. Walmart, currently, is the largest retailer in the US, having a market share of upwards of 30%, 35%, with the store count of close to 4,800 stores to 5,000 stores. And I think we are meeting a lot of Walmart leadership just to establish a stronger relation with them and possibly get into a stronger partnership with Walmart for many more years to come.
- So I would say, this is the start with how big Walmart is. And with the size of Walmart, I think there is a lot of potential to grow and a lot of headroom for that. I hope that answers.
- Arun Marothi:** Okay, sir. And on the capex side, sir, is all the timeline which we have decided earlier also? So, capex plan is running as per that timeline or any modification on that?



- Manu Talwar:** No, it's running as per the plan. As we said that we had a plan for Rajpura lines getting commissioned in this year. Both the lines of Rajpura which we started last year have been commissioned in this quarter.
- We invested in NCR bakery capacity and we had a plan of commissioning in this quarter and that will be commissioned in this quarter. And then there were two other large investments other than the many small investments which were Khopoli for bakery and MP Indore for biscuit. Both are scheduled to be commissioned in the next financial year. And they are going as per the plan and they will be commissioned in the next financial year.
- Arun Marothi:** Okay, sir. And my last question on the recent development on the marketing side for the engagement with the Kareena Kapoor. So, because of that particular arrangement, what impact we can see on our marketing side, sir?
- Manu Talwar:** So, as I said earlier also that we had an intent to keep investing more on the ATL side and in this quarter also we have invested higher on the ATL. We are on the B2C side of revenue. We are around 3.5% now and that trend would kind of continue because objective is to step by step keep investing more.
- Moderator:** Thank you. The next question comes from Aashish Urganlawar with InvesQ Investment Advisors. Please go ahead.
- Aashish Urganlawar:** Yes, thank you for the question, sir. So, is it possible to bifurcate the growth of H1 which I think is around 20%-plus on the revenue between the new distribution initiatives versus the growth of current with earlier standard rate?
- Manu Talwar:** So, on this question specifically relates more to domestic biscuits and our 70% of growth is coming from existing outlets which outlet which existed as on 31, March of 2023 and the balance 30% growth is coming from new outlets. So, that's how that should kind of answer your question that how from the source of growth how much growth is coming from existing outlets which existed as on March exit of last financial year and how much is coming from new end.
- Aashish Urganlawar:** Okay. So, is it possible to build it further in the opening remark that you said that around 14%, 15% annualized growth that we are targeting for the next few years. So, is it possible to lay a strategic path to the journey that you are talking about into the more contributions from the expansion and lower market itself based out etcetera, [inaudible]. It is a bit difficult for us to comprehend how this growth is going down to 15% or it can be more than that because of all these initiatives.
- Manu Talwar:** So, that our almost 75% growth was led through volumes and the balance through premiumization and volume rate growth is entirely led by the distribution again where I gave you a bifurcation that out of this distribution led growth 70% of growth came from existing outlets. And balance came from the new outlets. So, this journey of expanding distribution as you see we clearly stated our intent in the March-April of 2022 that where we were presenting 1,60,000 outlets and we said over the next two years by March '24 we want to double.



By March of '23 we reached at 2,16,000 and we will be reaching around 3,10,000-3,20,000 outlets by March of '24. And that is why we start the plan now next two years to three years in terms of distribution. So, we will be happy to share the last quarter of the financial year that what is the plan like in terms of distribution expansion for the next two years.

So, in terms of source of growth the biggest driver will always remain distribution and duly supported by brand marketing. So, these two are the large levers which will help. The DMS which we are implementing because last year we implemented SFA and we clearly saw the results coming out of the SFA in terms of monitoring the large sales force or front line of almost 200 people now.

So, DMS will further integrate distributors with us whereby we will be able to monitor, drive the secondary sales, improve their stock availability and streamline other things also. So, which will further strengthen our distribution and execution effort and we will see majority of those results coming in the next financial year. So, this is how I see the both distribution, technology, marketing supporting the sources of growth on the biscuit side.

**Aashish Urganlawar:** Okay. So, my limited point was that should we assume that the current strong geography for us can organically grow at maybe 7%, 8% on volume. Since you mentioned 15%, so the assumption is that incremental growth of 7%, 8% that gets added, that comes from the newer initiatives on distribution? Or can it be higher because the territories that you have still not covered are pretty large and the placement efforts there and acceptability if it happens, growth could be in the range of maybe 20% and not 15%. Is it possible in that way or we are going to move on?

**Manu Talwar:** So, current our forecast which we have stated again-and-again, with all the efforts on the distribution, technology, marketing side we are seeing, we would like to consistently achieve a mid-teens kind of growth over the next quarter.

**Aashish Urganlawar:** Sure. And margins you will stick with that 14%, 15% band?

**Manu Talwar:** Yes, 14%, 15% band. Very right.

**Moderator:** The next question comes from Rajiv, an individual investor. Please go ahead.

**Rajiv:** Good evening, sir. Congratulations on a great set of numbers. I just have a couple of questions. One is a lot of companies that have declared the results over the last 15 days, 20 days have highlighted challenges in the rural segment. Do you see similar challenges for our company as well? And is it possible for you to share the split between rural and urban sales?

**Manu Talwar:** Okay. So, our primarily, we are largely present in urban as of now, with a reach of now 270,000 outlets, which is primarily urban, other than Punjab and HP, where we are widely distributed, both Punjab, both in urban and kind of rural. So, our overall basis, our rural share, I don't have exact number, won't be very high at this point of time. But as we progress and expand distribution, so we are entering into semi-urban and rural segment also over the next few quarters.



- Rajiv:** Great, sir. Thank you. The second question is on the media campaign that you highlighted, and that we will soon be stepping into TV as one of the medias. So, I mean, I'm assuming this campaign would be a national-level campaign, am I right?
- Manu Talwar:** So, this campaign will be largely focused, yes, it will be in this section. But yes, as you know, our weightage as of now is high on the north side, right, for the biscuit. So, obviously, we do keep a constant weightage corresponding to our revenue in the region and the state.
- Rajiv:** Right. So, I think the voice broke or I lost what you were saying. And so am I understand that it will still be focused on certain regions and not a national campaign.
- Manu Talwar:** No, no. Obviously, it will be focused based on the size of the revenue and potential in different states, right? So, whether channels or what program, how much frequency is completely dependent upon the potential and the current size of that particular state.
- Moderator:** The next question comes from Nishit Jain with MG Investments. Please go ahead.
- Nishit Jain:** Yes. Thank you for the opportunity. So, in our last call, if I can recollect properly, you said that our target is like around INR2,400 crores of revenue once our expansions are done in this year as well as the next year. So, we still maintain that, right?
- Manu Talwar:** No. So, last time the question was, after you do all this capacity expansion, what is the maximum revenue achievable by the company? And to which my answer was that once we invest in these expansions, which I just addressed earlier also, the maximum revenue which we will be achieving is INR2,400 crores to INR2,500 crores. It's not that next year we will reach INR2,400 crores to INR2,500 crores.
- Nishit Jain:** Okay. So, basically it is at full capacity utilization, it can be INR2,400 crores to INR2,500 crores, right?
- Manu Talwar:** Absolutely.
- Nishit Jain:** Okay. So, also one thing. So, as we go forward in next year, so we still feel that our EBITDA will be near about 15%, 16% or it can inch ahead more also?
- Manu Talwar:** So, again I will repeat. So, we as a company are clearly an equally focused company and that's what we have demonstrated that while we focus on growth, we also focus on margins, right? And if you go back a year back, we always said that we want to get to 13%, 14% EBITDA margin and by end of the year, the last two quarters, we were close to 14% EBITDA. And now we have been maintaining that we want to remain in the range of 14% to 15% because we are a growing company and we also need to invest more in the growth, right?
- So, yes, we as of now maintain over the next few quarters our endeavors to consistently deliver in the range of 14% to 15% EBITDA.
- Nishit Jain:** Okay, thank you. And last point. So, as we are a growing company, so I am pretty much aware that our employee cost if you see in percentage of sales, it will be higher to peers. But if you see our employee cost in FY23 was around 11%, 12% of sales. And just for reference, in the market



leader, if you see their employee cost would be 4% or so. So, I don't intend to say, the difference is too much. What I mean to say is going forward in a couple of years' maybe. So, will that be able to get the cost in percentage to like 8%, 9%? Do you feel that way?

**Manu Talwar:**

Yes, over the years. So, as of now, because we are in the growth phase, right? So, that's why we are investing ahead of the curve. You know, so what happens is that A, the companies you are referring to almost 12, 13 of us, right, size. 12x to 13x. So, that the scale which that 12x of us will get on the employee cost will be very different.

Second is, so we are at a higher growth trajectory. So, thus, we need to invest in people ahead of the curve to keep achieving that kind of growth, right? Yes, over a period of time. There will be always fast periods and slow periods of growth. But it's important that we invest in that capability. Yes, over a little longer period of time, should our employee cost come down? Definitely, it will and it should, both.

**Moderator:**

The next question comes from [Prakash Sunil with Value Research]. Please go ahead.

**Prakash Sunil:**

Thanks for taking my question. My question is pertaining to as the capex and expansion plan. So, as you said that you are investing ahead of the curve. And on the contrary, just now, what the previous conversation was, Ishaan quoted that refraining from expanding to new geographies because of capacity constraint in bakery segment. So, can you throw some more light on this?

**Manu Talwar:**

No, no. So, what I think, I'll just first clarify what Ishaan said was that we added a capacity to NCR which will help us grow faster and getting into new territories outside the NCR region, whether the region of, whether Haryana, whether the region of Rajasthan, [MP] or Punjab. Right. So, we had expanded well in the last financial year, the upper country, but the potential there is much, much higher.

So, that's what he said. Now, we are also going to the Bhiwadi plant in this quarter. And that would further strengthen the expansion in the upcountry of Northern India.

**Prakash Sunil:**

In our existing geographies, we are not facing any capacity constraint to meet the demand? Or is that the case? Is anywhere in either of the segments or this regard?

**Manu Talwar:**

So, in our existing territory, Bangalore, Bombay, or NCR, as of now, we are not kind of short of capacity in terms of our English Oven growth or others. But yes, we are investing there in Bombay to be ready for the future growth because, any kind of investment in capacity has to be done ahead of the curve for the next few years, almost five years to six years time. So, that's the reason we're investing because Bombay is a very big market. And we are a premium bakery player there and customers enjoy our bread. So, we need to give them the best and be ready to service the growth and the demand over the next five years. And that's the reason we're investing in a state-of-the-art plant in Khopoli.

**Prakash Sunil:**

Okay. And one question is related to the capex. How do we look forward to funding the capex? Will it be through internal accruals? Or will we need debt for any expansion, which have to take over?



**Manu Talwar:**

So, we will be keeping a mix of our own funds and debt, which is bank loan. And banks loans will be around 65 approximately percentage on approximate basis. And the balance will be our own fund. So, that's the kind of ratio we will maintain to fund. As of now, we're very comfortable on our debt-equity ratio of 0.24%. And so, that's how we will be taking it forward in terms of capex funding.

**Prakash Sunil:**

Okay. I guess my one last question that was related to this DMS, which you will be implementing. So, that is for, as you said, it's for better inventory management at the distributive front. So, any challenges we are facing as per the product mix shortages, which are not available in the front and they're not able to fulfill the demand in the market as of now? Or is it like as a future growth perspective we are doing that?

**Manu Talwar:**

So, in terms of our distributors, they maintain around three weeks of stock to ensure the stocks are available. But to get further efficiency into larger distributor base, it is very important that we are connecting them to both on order processing, claim processing, stock availability, secondary schemes. And that's the reason we are implementing DMS.

And we are implementing DMS with Bottree the largest DMS provider in India. We work with first-grade companies. And that will also further help in the coming years to also integrate this with SFA and also further start adding the analytics to that. Because as we see, this good amount of data is available. So, that's the roadmap. We started with DMS, we are on DMS now. And while we get into seeing some benefit of DMS next financial year, we will further start adding analytics to that. And that's how the journey will build up.

**Moderator:**

Thank you very much, sir. In the interest of time, that was our last question. I would now like to hand the conference over to Mr. Anoop Bector for his closing comments.

**Anoop Bector:**

Thank you so much for participating in the conference, and I hope we have been able to satisfy all the questions. And in case still we have -- there are any questions, you are please free to connect to our investment relationship partners. And we wish you a very, very happy Diwali, and thank you so much again.

**Moderator:**

Thank you very much, sir. In case of any further queries, you may write to parth.patel@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.