

MBFSL/CS/2022-23

15th February, 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 – Q3 and 9M FY23
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 February 8, 2023 to discuss Q3 and 9M FY23 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



“Bectors Food Specialties Limited
Q3 and 9M FY '23 Earnings Conference Call”

February 08, 2023

Mrs Bectors Food Specialities Ltd



**MANAGEMENT: MR. ANOOP BECTOR – MANAGING DIRECTOR AND PROMOTOR – BECTORS FOOD SPECIALTIES LIMITED
MR. MANU TALWAR – CHIEF EXECUTIVE OFFICER – BECTORS FOOD SPECIALTIES LIMITED
MR. ISHAAN BECTOR – WHOLE-TIME DIRECTOR – BECTORS FOOD SPECIALTIES LIMITED
MR. SUVIR BECTOR – WHOLE-TIME DIRECTOR – BECTORS FOOD SPECIALTIES LIMITED
MR. PARVEEN KUMAR GOEL – CHIEF FINANCIAL OFFICER AND WHOLE-TIME DIRECTOR – BECTORS FOOD SPECIALTIES LIMITED
ORIENT CAPITAL – INVESTOR RELATIONSHIP CONSULTANT – BECTORS FOOD SPECIALTIES LIMITED**



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Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9 Months FY '23 Earnings Conference Call of Mrs. Bectors Food Specialties Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

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

Anoop Bector: Thank you. Good afternoon, everyone. On behalf of Mrs. Bectors Food Specialties Limited, I extend a very warm welcome to all participants on Q3 and 9 months FY '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 Whole-Time Director; and Orient Capital, our Investor Relationship Consultant. I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on exchanges and on company's website.

Firstly, I am pleased to share that we have crossed previous full year revenue and EBITDA in 9 months of current financial year. I'm glad to share the company has reported strong quarterly and 9-month financial numbers, supported by revenue growth in both domestic and export markets. The company is satisfied with the double-digit revenue growth for both biscuits and bakery business.

As we mentioned in our previous earnings call, we are strengthening our leadership team to lead our business and support functions. The company continues to increase its distribution footprint in existing and new geographies; build manufacturing infrastructure, digitization in selling and distribution along with marketing and brand initiatives.

In Q3 FY '23, the revenue grew by 40% on year-on-year basis witnessing good growth across business verticals and improved our EBITDA margin to 13.9% as compared to 12.6% in Q3 FY '22. We will continue to increase our competitiveness by innovating and introducing new products in the premium category of biscuits and bakery. Our consistent performance is reflective of our strategic clarity, marketing initiatives, excellence in execution, strengthening coating, technology adoption and increasing distribution reach. Also I am pleased to share that we have declared interim dividend of INR 1.25 per share.

Now I will discuss the Q3 financial performance. The consolidated revenues for the quarter stood at INR 368 crores versus INR 263 crores in Q3 FY '22. Thus, registering a growth of 40% on a year-on-year basis. In biscuits, biscuits segment revenue for Q3 FY '23 stood at INR 219 crores against INR 157 crores in Q3 FY '22. Thus registering a growth of 40% compared with Q3 FY '22. This includes domestic and export biscuit segment. Biscuit segment has grown by



50% as compared to Q3 FY '21. Both domestic and export business has grown by higher double-digit in Q3 FY '23 as compared to same period last year.

Bakery. Bakery segment revenue for Q3 FY '23 stood at INR 127 crores against INR 92 crores in Q3 FY '22. Thus, registered a growth of 38% compared with Q3 FY '22, including Retail Bakery and Institutional segments. Bakery segment has grown by 77% as compared to Q3 FY '21. Both Retail and Institutional Bakery has grown by higher double-digits in Q3 FY '23 as compared to the same period last year.

Margins, EBITDA stood at INR 51 crores, saw a growth of 54% year-on-year. Our EBITDA margin for Q3 FY '23 was 13.9% as compared to 12.6% in Q3 FY '22. PAT stood at INR 28 crores, saw a growth of 79% year-on-year basis. Our PAT margin for Q3 FY '23 was 7.5% as compared to 5.9% in Q3 FY '22.

Moving to 9 months performance, the consolidated revenues for 9 months FY '23 stood at INR 1,016 crores versus INR 736 crores in 9 months FY '22. Thus, registering a growth of 38% on a year-on-year basis. Biscuits segment reported a revenue growth of 34%, which stood at INR 604 crores in 9 months FY '23 as compared to INR 450 crores in 9 months FY '22, including domestic and export sales.

Bakery segment revenue 9 months FY '23 stood at INR 360 crores against INR 244 crores in 9 months FY '22, thus registering a growth of 47% year-on-year. EBITDA for 9 months FY '23 stood at INR 127 crores, saw a growth of 31% year-on-year. Reported an EBITDA margin of 12.5% as compared to 13.2% in 9 months FY '22. PAT stood at INR 62 crores, saw a growth of 33% year-on-year.

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

Moderator: The first question is from the line of Rahul Dani with Monarch Network.

Rahul Dani: My first question is about the distribution. Just want to know, you had given a target in the last call, where have we reached? And what is the outlook there? My second question is regarding how the export market is moving out for us, if you could just throw some colour? And my third question is regarding the update on the capex plan and where have we reached so far?

Manu Talwar: So thanks, Rahul, for your best wishes. Let me take up your first question on our distribution first. Yes. So what we have shared in the previous two calls also that we are on a journey of strengthening our distribution and distribution is strengthened with taking four key actions. First of all, to expanding on the feet on street, where we told last time also that we have done that. We had a target of expanding our feet on street to 850 which we have reached and to expand our distribution.

Second thing which we had, what to do on the import side, was to build the capability and have a well-designed sales training program. So our company in particular learning created a joint learning and training program for the capability building of the sales team and we executed the



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first leg of that, which is again showing a good result, and we've just started the second leg of that phase, right?

Third thing was to implement or digitize the sales through SSL. So we have implemented SSL in the April, May of this year, through which we are able to crack all the sales KPIs, where there's all the people -- are the people starting on the right time, what are the total calls we're making, how many calls are productive, what are the lines source? So all these KPIs are being monitored on a daily, weekly, and monthly basis to improve that.

So these were the 3 input KPIs, which we are working upon and have worked upon. And we had a clearcut target that by March '24, we will double our direct reach outlet to 3,20,000 and we are on the way -- we're progressing absolutely well to achieve that target. And by this March, we will be at the midway point.

And we just got a latest AC Neilson report which also kind of validated that we have moved, and we have now reached, total outlet reach, this is indirect outlet reach of 6 lakh outlets. So this is on the distribution side.

And I missed on one point. Last time, we also briefed you that we'll be implementing DMS, which is distributor management system, which we have partnered with botree. The implementation is underway. By March, we would have implemented all our large distributors, and the balance will be done in the H1 of next financial year. So this is on distribution side.

Rather today morning was a time when I reviewed the distribution plan for the next financial year also. So we've executed as per our plan so far, and we are on the right path to keep expanding and taking it forward into the next financial year.

Your second question was on the export side. And as our MD said in the speech also that we've grown well both in domestic and international export market. So export market is doing very well for us. We have not only grown well, we've also improved our realization very well in the international market.

And we are, as of now, focusing more on Middle East market to make it a -- limit our market mix 3 to 4 years' time, but it doesn't say that we're not focusing on other markets. Our focus also continues to be North America, Canada, and the East Africa side. So export is doing well for us, very well for us. It is growing in almost all the geographies where a large focus on distribution and execution in the Middle East market, and objective is that over the next 3 to 4 years' time, we should be able to make a strong Cremica brand market in Middle East.

The last question which you asked on the capex, which again in line with what we bring last time to you with one addition. So we have Rajpura, we're adding two more lines, which is work in progress. It is well in time. And in quarter 1, both these lines adding almost 2,000-ton capacity per month will be commissioned in the quarter 1 of next financial year. Other than that, we are also expanding our bakery capacity for the NCR and the nearby cities. So we are putting up a bakery line in Bhiwadi which is close to NCR. And this line will be commissioned in the



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quarter 2 of next financial year, which will give us additional capacity of 80,000 pieces of bread on a daily basis.

Third, what we briefed you last time was that we are finalizing a plan of putting up a state-of-the-art bakery plant in Khopoli and that work is in progress. Land has been acquired. We are at the final stages of negotiating with machinery suppliers and layout of the factory has been almost finalized. This will be commissioned in '24-'25.

And the other one was putting up a biscuit plant in MP. So that also plans have been finalized and the work of boundary line construction has started. Plant construction should start in another 40 to 60 days' time, and we can again expect this plant to be commissioned in the financial year '24-'25. So these are our supply chain manufacturing capex plans in terms of expanding our capacity to keep feeding into our growth.

Rahul Dani: Sir, just one last question from my end. Just on the margin front, you had alluded to about 14% by end of Q4, but we've already achieved that almost there right now. So what's your outlook on margins? And where do you see this -- and if you could just help us with a number in exports of our brand versus outsource brand, the percentage?

Manu Talwar: Both our division between our own brand and outsource brand is just about close to 50-50. So just to answer that. On the margin side, Rahul, I think we've been maintaining that. We are doing a journey of 13% to 14% and consistently delivering it, right? So I would say that we are still doing the journey of 13% to 14% and deliver it consistently before we take the next leap of moving from 14% to 15%, which we aspire to reach over the next few quarters.

Moderator: Our next question is from the line of Percy Panthaki with IIFL.

Percy Panthaki: Sir, for the Biscuits segment, can you give some flavours as to how different is the growth rate in the domestic versus the exports?

Manu Talwar: It's very interesting that it's very similar. Both are in high teens.

Percy Panthaki: Sir, isn't it closer to 40%?

Manu Talwar: Yes. Revenue growth it's about 30%, 35%. So it is between 30% to 40%, both are in the same range.

Percy Panthaki: And how much of this growth in your view is coming? Because you're expanding distribution and there is an initial sell-in into the channel, which would be driving some part of this growth. So can you probably try and quantify how much is the impact of that?

Manu Talwar: It is largely because of distribution expansion and selling execution, S&D execution. So I would say there are two parts to it, and as explained to you. One is our distribution expansion and selling, improving the sales execution in the marketplace and marketing activities. These are the 2 large factors of sales growth.



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Percy Panthaki: So what I'm trying to get a handle here, and don't get me wrong, your efforts are very much appreciated. But sometimes what happens is that when we expand the distribution then somehow after a few months, it doesn't work out and we may not get repeat purchases. But in the initial sort of few months, we get the benefit from the fill-in into the channel. So I am just trying to pass that channel expansion led sales growth out so that even in the worst case, if those new outlets do not have repeat purchases, then we can still bank on at least the other outlets, which have been serviced since the last several months or years. And that part of the growth is at least secure. So I just wanted to understand that.

Manu Talwar: So just to explain to you a journey for any FMCG company side, so what we said is by hiring more feet on street, by training them, by measuring the performance of sales force automation and now going to DMS, we are going to double our outlet from start of this financial till March '24 that it reached outlet and reach to 3,20,000.

So as long as we are able to it, these sales will continue to show a momentum, right? And we are at a very low level of coverage. We have a large ground to cover. So as a company, we have a large ground to cover, so this is a worry for a company which are at very high level of penetration, right?

We have a long journey to do in terms of adding our distribution, adding more towns and geography to keep expanding and in the same city also to add more outlets. So -- and that's primarily the journey which is done by every FMCG which moves up the distribution expansion.

Percy Panthaki: Secondly, I wanted to understand for the B2C breads business, what is basically the change in salience of the non-North market? So basically, your Bombay, Puna, Bangalore etcetera, what percentage are they contributing today versus what percentage they were contributing two or three years ago?

Manu Talwar: I would request Ishaan to pitch in because I know only the current status. Ishaan, you there?

Ishaan Bector: Yes, yes. So Percy, I would request you to sort of look at it not as North, West, and South because initially, we were only in the Delhi NCR market. What has now also opened up for us in North is the outstation areas, which I have also been mentioning on the previous calls.

So for us, North also was a city-focused territory, which is now sort of becoming bigger in terms of opening up new cities outside. So for us, our largest growth is coming from the North, but it is not only on account of Delhi NCR. It is also on account of opening newer cities outside of Delhi NCR, where we are now getting stronger in terms of market share in cities in Uttar Pradesh, Haryana as well as getting Punjab.

Percy Panthaki: Can you name a few of these cities?

Ishaan Bector: So it would be Agra, Jaipur, Chandigarh, these would be the big ones. We have also started, in a way, to open up Lucknow, but this is still at a very nascent stage. So we are focusing on the



big cities to get market share, which will also help us put up infrastructure, new plants in the years to come to support larger markets.

Percy Panthaki: And any reason why we have not seen that same kind of success in West or South?

Ishaan Bector: No, we've seen great success in West as well. In West market, we would also be growing at about 35% on a volume basis, and that's why we have also taken up some outsourced capacity and are also in the plans of firming up our new plant in Khopoli. So the brand is growing well in all markets. I'm just saying that it's not our contribution of North South, West would probably remain the same because North is also being fuelled by many other cities in the North.

Percy Panthaki: And lastly, on export biscuits, can you give some idea as to how we are getting this explosive kind of growth?

Manu Talwar: So have also Suvir. Suvir you can answer this.

Suvir Bector: So, we're really expanding, we're opening new markets. We are also – few more customers. Now to give you an example, like how our CEO, Manuji was saying, we're really penetrating into the Middle East. So we've appointed new distributors for our brand, Cremica in almost all of the GCC market.

So whether it's the Qatar, Saudi, Bahrain, even if we go to the market, we'll have our products present in the market. And we are also trying to penetrate in markets where we're trying to enter the leading modern trade outlets with some consumer driven promotions. This is all through sales. And also with our focus in North America Market, we're trying to work with established retailers. So that's helping us in growing our business.

Moderator: Our next question is from the line of Mr. Harit with Investec.

Harit Kapoor: I just had two quick ones. One was on the breads business. So, what's the differential in growth between say, the domestic piece and the institutional piece? Are they broadly similar or there is a big gap there this quarter?

Manu Talwar: Harit, you're asking about institutional...

Harit Kapoor: The bread.

Manu Talwar: Between the institutional and B2C business of bakery, right?

Harit Kapoor: Right, right, right.

Manu Talwar: So you see, both these businesses are going in double-digits in that high-teens, right? Both have heavy in a range similar indoor, but both are growing high teens, just to answer your question. The volume increase in both in this quarter is in high teens.



Harit Kapoor: And the second question was on margins. I think you mentioned 13% to 14% is a journey that you're at, and you've moved to the next one over a period of time. But if you look at the material cost environment right now, how are you seeing it? Do you see incremental pressures over the next, say, couple of quarters or next 2, 3 quarters as the new season of reprice have kind of come through?

In that context, how do you look at pricing given in certain parts of your business, you don't get pricing immediately like in the institutional guide where it's an annual kind of number? So how are you thinking of that? Are you pretty confident still of 13% to 14% in spite of possible headwinds going forward?

Anoop Bector: Yes. So Harit, I'm Anoop here. So basically, if you look at our business, last year had been one of very, very difficult years because with very, very high inflationary and we took time to increase the prices. Now what has happened is our price increases have happened and the complete full year price increases will come into the company.

Also, what we see is softening of certain raw materials which will definitely assist the company to achieve these targeted numbers. So we are working towards it. I do not feel there would be a challenge on getting the numbers right on the EBITDA and the PAT.

Moderator: Our next question is from the line of Prithvi Raj with Unifi Capital.

Prithvi Raj: Sir, my first question on the growth outlook for the coming years. So you had a phenomenal FY '23. See, on this high base, how are you looking at growth for each segment? And can you break up the growth between expanding the distribution reach? And what is the like-to-like growth numbers?

Manu Talwar: So in terms of growth, I know we have a very impressive growth this year across our business segments. But our plan for next year, which is still in the last stages of finalization, we are looking at a high-teen growth. So

Prithvi Raj: And is it for volume of revenue, high-teens?

Manu Talwar: Revenue. Yes, high-teen growth in revenue, we're looking at that.

Prithvi Raj: And how much of this is because of adding new distribution outlets and how much is because of the existing outlets?

Manu Talwar: So, it's very difficult to differentiate that what percentage will come from the new outlet. But you see the growth will come from two ways that existing outlets, we need to increase our throughput, right, and we need to premiumize, very important. We are on the journey of increasing our contribution and we've done fairly recently, but we have a much stronger plan for expansion. So that is a plan. Can you hear me?

Prithvi Raj: Yes, I can hear you now.



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Manu Talwar: So that's the plan we have to do a journey of premiumization, but along with that, there is a strong plan of driving our distribution and taking it up. So both these factors combined will help us to achieve our high-teens revenue growth in both the segments.

Moderator: Our next question is from the line of Mr. Amit Purohit with Elara.

Amit Purohit: Just on the distribution side, you indicated that you have made some plans. If you could highlight, I remember last year, you were talking about some 5-lakh outlet reach. Now we have reached to close to about 6 lakhs, so what is the -- you have highlighted the direct reach outlook of 3,20,000. I just wanted to know what would be the overall reach maybe FY '24 and '25?

Manu Talwar: So as I said that by March '24, on a direct reach, we want to reach a 3,20,000 outlet mark. When we started the year, we were at 1,60,000, so we want to double the outlet over 24 months' time. As we are doing this journey, taking in some report that we have moved from a 5-lakh kind of indirect reach to close to 6 lakhs. So we expect a similar kind of growth should come to us in the next year also by the March '24, right?

So, it is very difficult to find out that exact equation of between direct-to-indirect. But taking the trend line I think we should be by March '24, we should be reaching close to 700,000 approximately with indirect reach of outlets.

Amit Purohit: And just on the bakery side and comparing biscuits. So which, according to you or how do you position each when you enter into new markets? And which is the easier one as of now? I mean, relatively, I know both would be tough to get into the markets. But I'm generally saying that the acceptance from the consumer or your positioning is better and hence, easy to scale up?

Manu Talwar: So first thing, both businesses are different. Only handicap with bakery business has that it's a short shelf-life business. So you can definitely can't dispatch or you can't have a market beyond 200 kilo meters, right?

So in like a biscuit, definitely, there is an ease that you can produce and make it travel, say, 500 kilo meters. So if we are supplying somewhere from a plant in Punjab, I can still send it to Eastern UP, which can travel 400 to 600 kilo meters, right?

But that's a handicap in a bakery business that you need to have a sourcing location, which is within an approximately 200 kilo meters. So that's one big differentiation, which is there because bakery products have to be serviced, they have short supply, they have to reach and outside early morning at 6.30, 7 am. So that's the one largest -- both brands are strong enough.

Just to share with you, like we launched our business also in three cities of Western South, which is Bombay, Puna, and Bangalore. Now we were very delighted that we got a very good response of acceptance of our brand in these markets. It's a general way, which only reflects all the quality and the strength of our brand, which is there.



- Amit Purohit:** And any experience on the UP because now you said that you have both biscuit as well as breads now in UP as well, right? Any specific markets that you are giving biscuits also in the large towns or biscuit is more in the smaller towns, whereas bakery is...
- Manu Talwar:** Biscuit today is in all large and medium size towns . And we have a plan for next financial year, where we want to cover majority of medium-sized terms of UP is definitely a priority market for us in the north of India. And the UP market has started doing well for us, and we have aggressive plans to expand our distribution in UP.
- Amit Purohit:** And you would describe the improvement in UP to largely to the implementation of the distribution -- I mean, GTM and plus BMS and what...
- Manu Talwar:** Absolutely GTM and a selling execution, improvement in selling execution.
- Amit Purohit:** And sir, last question. I mean, just for bookkeeping. What would be the capex FY '23, you would spend and FY '24?
- Manu Talwar:** Sorry, I didn't get you.
- Amit Purohit:** The capex number for FY '23 and '24?
- Manu Talwar:** Capex I just said, we are spending about INR 75 crores on go line which we are putting in Rajpura. As I briefed that we're putting up a plant, expanding a bakery, plant in Bhiwadi, where we have an approximate capex of around INR 22-odd crores. We have a proximate capex, which will be investing in this. This is the two particular capex, which will mature in the year of '23-'24. The rest will be work in progress, which will mature in '24-'25.
- Moderator:** Our next question is from the line of Alisha Mahawla with Envision Capital.
- Alisha Mahawla:** Sir, my first question's is with respect to the employee cost, which has seen a sequential growth. And while we understand that the company is in team building, adding feet on street. When do we expect this to stabilize or how much more can we expect this to, as the businesses grows and enter newer markets? What type of growth are you anticipating?
- Manu Talwar:** Can you repeat? You saying that you want to understand on employee costs, right?
- Alisha Mahawla:** Yes. That is increasing sequentially. And we do understand that the company is team building, we are adding feet on street etcetera. I just want to know when will we hit a more stable run rate or what would that number be like?
- Manu Talwar:** So just to brief you on that, the feet on street is, we are adding is on the distributor or we're adding area distributor's salesman, right? They are not on the company role. So they are a low cost and that's what we will need to add. Even next year, we will be adding a fair amount of ADSR to expand our distribution. Because as we are planning to grow our distribution aggressively and we have a lot of ground to cover, I particularly see that our addition in the



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salesforce to ADSRO will continue for next few years to come. It will not. But yes, we will have our efficiency coming in sales as a cost to, say as a percentage to revenue, right?

And as our throughput of the distributors will keep going up, then they will be more independent. And our support in terms of that cost will keep coming down over the next two years' time. So I would say it will take at least two more years to kind of stabilize. But yes, we're very confident as we keep going in next year and next to next year. Our cost of sales as a percent of revenue will only improve.

Alisha Mahawla: Sir, if I understand correctly, the employee costs will continue to keep going up, but like you're saying, the efficiencies will ensure the percentage of revenue doesn't cross a certain threshold and it will take about two years to stabilize?

Manu Talwar: Yes.

Alisha Mahawla: Sure. And in terms of other expenses, we've seen almost flat number on a sequential basis. So is it because power and fuel is now starting to come off or is it that we spend slightly less on marketing during the quarter, and maybe we'll see a bump up in Q4?

Manu Talwar: No, no, it's a market – if you look at other expenses at 19% last quarter, if I remember it was at 20%. So it will remain stable around this, right? Because primarily, this went up in this year because of 3 reasons, right? One is, we had a larger contribution of exports and exports as well in being domestic logistic costs have kind of gone up.

Second was because of travel because a year before that travel was literally zero because of COVID and other reason, now travel is back, both domestically and nationally. Entire sales team, non-sales team, exporting, they're all traveling. Third reason was that we had expanded our marketing investments over the last few months, which we will continue to do that, right? So it will remain stable around this.

Alisha Mahawla: Understood. And with respect to what an earlier participant was asking that raw material stocking in the fest season, and we are seeing some amount of cooling of RM inflation witnessed last time, but the price increase is already in the channel.

So, with the incremental margin, are you expecting to invest that back in the channel or invest it towards maybe building more on the marketing side? Or will we consider retaining some of this?

Manu Talwar: Actually, our next year AOP plans are under finalization now. And hopefully, within the next 15 March, we will be able to close it. And then -- that's the time when we will truly come to know how we're going to be supporting the whole business. But otherwise, things look positive than the last quarter.

If we look at the first quarter last year to this year, first quarter calendar. So it's going to be -- we feel it's better, but these numbers would get closed by probably in the 20, 25 days.

Alisha Mahawla: Okay. Sure. And just one last question. Considering the...



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- Manu Talwar:** but also, on the employee cost, when we're talking about feet on street people, increasing on feet on street, that's -- those people are not on our roles, right? So they do not add to the employee cost. So they are only going to help us increase our sales. So as a percentage, we're going to see a dip in the employee cost.
- Alisha Mahawla:** Yes. There's an increase in commission, which will come in other expenses.
- Anoop Bector:** Of course, No, not really because most of our teams have already joined in because this last year was more about building infrastructure. If you see 40% growth coming in your business because of a lot of work which has been done by our CEO, Mr. Manu Talwar, our Sales Head and our infrastructure team, our IT team, there is a lot of work -- most of the people have joined us. So it's only people who would need to come in. So we don't expect any major costs coming in.
- Alisha Mahawla:** No, I'm saying that while I understand the employee cost, it will not come in employee cost because they are not on our payroll, but some amount of incentives will have to be shared with them, which will probably be part of other expenses and if not employee expenses?
- Manu Talwar:** Yes, yes, yes. That is perfectly okay. Yes, that's a small percentage and it's also linked to premiumization, it's linked to a number of things. So also, when we count the number of shops, we do not count any shop which doesn't bill less than INR 200. So, when we are going to talk about 3,20,000 shops, the minimum billing to the shop has to be INR 200. So that is another a very big thing, right? So yes.
- Alisha Mahawla:** Got it. And just one last question. We are expecting a healthy expansion of our distribution network, and we still have a lot of wide spaces in terms of geographies or areas that we have to address. Despite that next year good aspiration continues to be in high teens, is that slightly conservative?
- Manu Talwar:** Yes. We expect ourselves, and we want ourselves to grow in high teens.
- Alisha Mahawla:** Okay. Great. Thank you.
- Moderator:** Thank you. Our next question is from the line of Vidhi Dadia with Raedan Securities. Please go ahead.
- Vidhi Dadia:** Good evening, sir. Thank you for the opportunity. I have just one question to ask. As per referencing the data points on the Q2 earnings call, the retail reach in new geographies was 5,000. What is the number now? And what is the potential target reach you are looking at?
- Manu Talwar:** So current number is 10,000.
- Vidhi Dadia:** 10,000.
- Manu Talwar:** Yes.
- Vidhi Dadia:** Alright. Thank you.



Moderator: Thank you. The next question is from the line of Resha Mehta with GreenEdge Wealth Services. Please go ahead.

Resha Mehta: Yes. Thanks. So, if you could highlight that we had started with direct distribution of biscuits in West and South with Mumbai, Pune, and Bangalore with around 5,000 [0:45:30 inaudible]. So have you added any new cities and how are we seeing the traction in those cities?

Manu Talwar: So we have analyzed a plan for the next financial year to expand in West and South, and we would be adding almost 10-odd cities in next year, but our plan will be final, and we'd be happy to share directionally how many more cities we want to add is South and West to grow our distribution.

So first is we need to also grow in cities where we have loss because – all the three are very big city. They have a great potential. But alongside, we're going to be expanding into the new cities in the next financial year. And so we are discussing and finalizing that plan. We'll be able to share it with you by 15, but there'll be at least 10 more cities or more, we'll be adding in the next financial year.

Resha Mehta: And in the retail bakery side, so again, apart from Mumbai, Pune, Bangalore Delhi, have you started supplying to cities like Jaipur, Chandigarh, Agra, Ludhiana, like we had called out in the previous call.

Manu Talwar: Yes. So we have expanded our footprint very aggressively in this financial year outside of Delhi NCR with other cities you are mentioning. And that is also one of the reasons that we are putting up a bakery plant in Bhiwadi, Rajasthan, which is about an hour distance from Gurgaon to strengthen not only our NCR region supplies but also to feed into the upcountry cities and make them grow faster.

Resha Mehta: Right. And lastly, if you could share what is the revenue contribution for 9 months from modern trade and e-commerce? And we did highlight that there are around 5,000 modern trade outlets and we're targeting to reach 2,000 outlets by this financial year-end. So where are we on that? And would all of Bector's products, so both on the bakery as well as the biscuit side, be present in these modern trade outlets?

Manu Talwar: So we -- so you see, modern trade outlets on the biscuit side be present in the modern trade around 6,000 outlets, right? And we are, as of now, we've reached approximately 2,300 out of those 6,000 outlets, right? And that's what we had targeted for this year. We have a plan to achieve 50% of that penetration by the -- in the next financial year. So that's primarily on our penetration on the modern trade side and the quick commerce side, right? That's where we are.

Resha Mehta: And what is the revenue contribution from these 2 channels put together?

Manu Talwar: So revenue contribution from these 2 channels is close to approximately 13% to 14%.



- Resha Mehta:** Okay. And would it be fair to say that modern trade would be having a higher -- much higher channel since your revenue [inaudible 0:49:03].
- Manu Talwar:** Sorry, your voice was breaking, much higher?
- Resha Mehta:** Yes. So is it fair to say that [inaudible 0:49:17] Mumbai, Pune, Bangalore, the revenue contribution of modern trade quick commerce [inaudible 0:49:24]?
- Manu Talwar:** Yes, our modern trade and quick commerce contribution in bakery is higher. But in terms of -- on a biscuit side, we aggressively started our journey of expanding into modern bread and South and West from this year only. So our contribution of West and South started growing well, started penetrating well. So yes, in the next year, you should see a much higher contribution of modern trades, quick commerce e-commerce for both the sectors.
- Resha Mehta:** Got it. Thanks and all the best.
- Manu Talwar:** Yes. Thank you very much.
- Moderator:** Thank you. Our next question is from the line of Saptarshee Chatterjee: with Centrum PMS. Please go ahead.
- Saptarshee Chatterjee:** Thank you sir. Thank you for the opportunity and Congratulations on a superset of numbers. My first question is on the like if you can indicate what would be the differential of retailer and distribution margins for us versus the national players? And for how long if it is higher, how long period you would be wanting to continue this?
- Manu Talwar:** Yes, definitely from the leader, right, who is almost 13x of ours, our retailer and distributor margins are marginally higher than theirs, right? And we do have a plan. As we keep expanding and growing, we would keep rationalizing them over the next period of -- next few years.
- As of now, we don't have any definitive plan in place that how much will reduce over the next 3 years' time, but that definitely is a part of a plan that as we will keep expanding and strengthening our territories and geographies, there we will start reducing the gap on our margins given by us versus our market leader in that particular territory.
- Saptarshee Chatterjee:** Understood, sir. And secondly, like, because we are implementing a distributor management system and sales force and we are tracking the sales of our outlets, is it possible for you to quantify or maybe indicate, in coming quarters, what would be the like growth on the existing outlets or maybe the outlets that you have acquired in quarter 2, what would be the growth on those outlets Q-o-Q? So that we can understand some indication of how the growth in the new outlets or repeat purchases happening on the new outlets?
- Manu Talwar:** Yes, we should be able to with help of SFA and BMS, which we are implementing now. Over the next 2 quarters, we should be able to also look at that data. That what is the growth, what is the frequency, what is the throughput increase, we should be able to look at data and influence and work on that data.



- Saptarshee Chatterjee:** I know it's early days, but is it possible to quantify anything currently?
- Manu Talwar:** Correct. You see all these digitized tracking, they have accuracy of anything close to 80% to 90%, and they give you directionally correct data for even the best of the FMCGs. So yes, they should be able to indicate directionally that how is it progress. And that's how we also use data to improve our sales performance.
- Saptarshee Chatterjee:** Understood, sir. And my last question would be the advertisement and sales promotion and freight cost in 9 months as a percentage of revenue.
- Manu Talwar:** Come again, sales promotion and advertisement cost?
- Saptarshee Chatterjee:** Advertisement and sales promotion and the freight cost in 9 months as a percentage of revenue?
- Manu Talwar:** Okay. So our sales promotion in marketing side expense is almost in the range of 7% to 8%, right? And out of the sales promotion or you can say that marketing side which is approximately 2% to 2.5% and rest is from the sales promotion. So that's broadly the kind of a breakup there.
- Saptarshee Chatterjee:** And the freight cost?
- Manu Talwar:** Our freight cost of bakery, domestic biscuit and including exports is approximately in the range of 5-odd percent.
- Saptarshee Chatterjee:** Okay. And for the biscuits?
- Manu Talwar:** No, this is combined I said for the company.
- Saptarshee Chatterjee:** Okay. Okay. Sure. Thank you. Thank you so much this is very helpful.
- Moderator:** Thank you. Our next question is from the line of Ayaz Motiwala with Mirabilis. Please go ahead.
- Ayaz Motiwala:** Yes sir. Thank you. Good evening, sir. My question is regarding the other expenses. They've growing very sharply in this particular year and in the last few years. You have shared an explanation of adding people also the change of the sales personnel from inside with the movement outside of the distribution staff. So can you share a little more detail on that, please?
- Manu Talwar:** Let me start with employee expenses first. So if you would notice, on a 9-month period as well as on the quarter. In the 9-month period and a quarter, both, we were around 13.6% last year. And this year 11.9% on an employee cost side. For employee cost side, certainly, we have a good reduction in terms as a percentage to revenue over last year, right? So that's -- on other expenses side, definitely, we have moved up 17% to 19%.
- So I was giving the reason. There are 3 prime reasons to that. A, in the previous year, there was literally no travel. So the travel has come back because during COVID years, strictly travel was not happening both domestic and international. So that travel is back. We have the -- increase in the fuel and freight cost momenta and...



- Ayaz Motiwala:** Sorry sir, I'm not able to hear you correctly, sir. The second point was?
- Manu Talwar:** Can you hear me now?
- Ayaz Motiwala:** Yes, much better.
- Manu Talwar:** Okay. So other expenses have definitely moved up from 17% to 19%. There are 3 prime reasons for that to happen. One was on the travel side because literally during COVID years, there was no travel happening. Now both domestic and international travel is back, and which is necessary to grow the business.
- Second, there has been increase in the fuel and the freight cost. And our contribution of export has also gone up, which has led to a slightly higher jump in the freight cost, right? And also on the fuel side in the manufacturing, there has been a steep increase on that side.
- So that doesn't matter. Last is that we have augmented our investments on the marketing, which you can see very well in the last quarter also and this quarter. So that's kind of a third reason, which has led to this increase. But we're very confident now we'll be able to stabilize in this percentage as we move forward and as we keep growing our business.
- Ayaz Motiwala:** Sure. So that's very helpful. And just as a follow-up on that, you had just shared to the earlier question, I think a breakup on the sales and marketing investments and the percentage that you talked about. Some of these 19 -- 19-odd percent, would you -- what you called out about 7% to 8% is on account of sales and marketing investment including advertising.
- Manu Talwar:** No, no. Let me clarify this. You see that -- I said that we spend about 7% to 8% in sales promotion from marketing put together, in which marketing is around 2%, 2.5%. And the sales promotion doesn't come in other expenses, right?
- So that is the entire BPL and the promotion expenses, which move into sales, and it get deducted from the gross revenue and the P&L is presented. So, it's not other expenses line.
- Ayaz Motiwala:** Right. So sir, you're saying since we want to take this is a key point you're making and it's very helpful. You are saying the core advertising, which is above the line, about 2.5% to 3%, is part of the other expenses versus the BPL, most of it is netted off from sales?
- Manu Talwar:** Yes. 2% to 2.5% will be part of the other expense.
- Ayaz Motiwala:** So this number of 19% includes only 2%, 2.5% of advertising core and the other is below the line and that's debited or netted off from sales?
- Manu Talwar:** Yes. And yes, but some part will be also part of that, which gets into the sales expenses, so which is also part of that.
- Ayaz Motiwala:** Right. And sir, I see 1 more clarity. You had shared this, but I was a little unclear. You had talked about making very strategic investments on people front, in the last 2, 3 years, efforts of



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which are showing up in this kind of stupendous 40% growth in this quarter or these 9 months, some very good numbers have come.

Now in terms of investments on people and coming on the payroll, if you could re-clarify what are those, which is the pace of growth of that investment will not happen is what we are trying to all understand, right?

So if you can explain that sir, as some sort of number of heads or whatever that you've hired, I think in a couple of quarters back, you were talking about the feet on street and distribution expansion, that has been added and that pace of addition will not happen.

So we can appreciate that employee cost or other expenses not expanding in line with sales because you're linking sales to be growing at high teens. So that versus today at 40%, these costs don't bite you, in fact, your margins have gone up. So if that you could explain, that would be very helpful, sir. That's my question.

Manu Talwar:

So we've added a management leadership strength in this financial year, right? And which was required for a growth of the company. Majority of leadership position has been higher and there are only very few which are in the pipeline. So the intensity of leadership hiring is not going to be the same as this year.

As Anoop, our MD, also briefed you. So yes, so that's how it's going to be. So majority of leadership positions are already hired, people have joined. There are a very few in the pipeline, which will be closed over the next 2 months' time. So your intensity of hiring will not remain the same, which was in this financial year.

Ayaz Motiwala:

Sir if I may ask you 1 quick question and if you permit me. On the Indian breads, I see a picture of some Indian breads in your presentation, which is looking quite interesting and impressive. So what are the Indian breads? And is there a market which is you're trying to test to break into? Or there is really a ready market?

Manu Talwar:

No, so, it's -- see, bakery is a fast-growing market for India. There is no ready kind of or other data available. These are some external research reports from we have picked up the data and share with you guys. But it's a fast-growing market in the bakery segment. We have an aspiration over the next 4, 5 years to become a pan-India player. And we are on that journey to be a strong English oven bakery brand pan-India over the next 4 to 5 years' time.

Ayaz Motiwala:

So the Indian breads are basically the kulchas and others which you have described in the past? Is that...

Manu Talwar:

Okay. You are referring to those Indian breads, okay, yes.

Ayaz Motiwala:

Yes, specifically, Indian breads, which I was trying to understand what type of breads are these and are we going to see frozen naans and parathas, et cetera, which is a business in other parts



of the world, including America or Southeast Asia? And are you seeing that as a market opportunity? That was my question, sir.

Manu Talwar: Yes. So what is happening is that in the last 3 months, quarter, we have upgraded and now we are a supplier to Subway, right? We have started supplying to Subway. So we are currently not into Indian breads. We would not be there. But currently, there is enough business which is -- and opportunity where there is about value addition like sourdough bread.

We just -- in our English oven brand we have just launched Rusk - which has just got launched in 2 months back and shown a very promising business which is coming on the Rusk side also. So, the journey is more aligned to us which is -- the products which are aligned to us. So currently not on the side of parathas or Indian breads.

Ayaz Motiwala: Thank you very much sir. I'll come back -- I have another few questions if time permits, thank you.

Moderator: Thank you. Our next question is from the line of Arpit Shah with Stallion Asset. Please go ahead.

Arpit Shah: Hello.

Manu Talwar: Yes. Please go ahead.

Arpit Shah: Yes. I Just wanted to understand a few number-keeping points. On the 40% growth, what would be a realization growth, volume growth and the mix change?

Manu Talwar: What will be the...

Arpit Shah: Realization growth, volume growth and the mix change...

Manu Talwar: Our realization growth is about -- our realization growth is about 10% to 11%, right, largely driven by the volume growth.

Arpit Shah: Got it. And in the INR 368 crores, what would be the share of exports and what will be share of domestic revenues?

Manu Talwar: Out of what, sorry?

Arpit Shah: Out of INR 368 crores, our total revenues this quarter, what will be the share of export and what will be the share of domestic revenues?

Manu Talwar: So half our exports are approximately 25% of our revenues, overall revenues as a company.

Arpit Shah: Got it. And what would be our share of retail and institutional revenues in the INR 368 crores?

Manu Talwar: Pardon? Sorry.

Arpit Shah: What would be a share of retail and institutional revenues?



- Manu Talwar:** Our institution sale is approximately 12-odd percent of our company.
- Arpit Shah:** And the rest is 88% will be retail to distribution channels?
- Manu Talwar:** Pardon?
- Arpit Shah:** The rest 88% would be through distribution channels?
- Manu Talwar:** Yes. Including exports. I told you exports is also there.
- Arpit Shah:** Yes. So exports would be distribution -- would be retail or it could be institution?
- Manu Talwar:** No, no, so out of 100, export is 25%, our institutional business is around 12-odd percent, right? And we have around a small percentage of contract manufacturing and balance is entirely B2C.
- Arpit Shah:** Got it. Got it. And in the current revenue run that we are having right now INR 1,200 crores of revenue, so what will it take for us to say INR 2,000 crores revenue in the next 2 or 3 years?
- Manu Talwar:** Yes, that's what we're aspiring and going for that, that we should seek that benchmark over the next 3 more years.
- Arpit Shah:** Got it. And the margin line that we're targeting is around 13% to 14%, right, on the operating side?
- Manu Talwar:** No, no. No, no. We are saying that we want to stabilize consistently deliver 13% to 14% and then move our journey to take from 14% to 15% over the next few quarters.
- Moderator:** Thank you. That was the end of our question-and-answer session. I would now like to hand the conference over to Mr. Anoop Bector for closing comments. Over to you, sir.
- Anoop Bector:** Thank you, everyone, for joining us. I hope we have been able to answer all your queries. In case you require any further details, you may please contact us or Orient Capital, our Investor Relations partner. Thank you so much.
- Moderator:** On behalf of Mrs. Bectors Food Specialities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.