

MBFSL/CS/2022-23

19<sup>th</sup> November, 2022

<b>To, National Stock Exchange of India Ltd, Exchange Plaza, C- 1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai- 400051</b>	<b>To, Department of Corporate Relations, BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001</b>
<b>Scrip Code : BECTORFOOD</b>	<b>Scrip Symbol : 543253</b>

Dear Sir/Madam,

**SUBJECT: TRANSCRIPT OF EARNINGS CONFERENCE CALL – Q2 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 November 14, 2022 to discuss Q2 FY23 results.

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**

Encl: as above



“Mrs. Bectors Food Specialities Limited  
Q2 FY 23 Earnings Conference Call”

**November 14, 2022**



**MANAGEMENT:**

**MR. ANOOP BECTOR - MANAGING DIRECTOR AND PROMOTOR**

**MR. MANU TALWAR - CHIEF EXECUTIVE OFFICER**

**MR. ISHAAN BECTOR - WHOLE TIME DIRECTOR**

**MR. PARVEEN KUMAR GOEL - WHOLE-TIME DIRECTOR**

**MR. GAURAV JAIN - SENIOR VICE PRESIDENT, FINANCE,**

**ORIENT CAPITAL, INVESTOR RELATIONSHIP CONSULTANT**



*Mrs. Bectors Food Specialities Limited  
November 14, 2022*

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Mrs. Bectors Food Specialities Ltd. Q2 and H1 FY'23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "\*" then "0" on your touchtone telephone. Please note that this conference is being recorded.

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

**Anoop Bector:**

Thank you so much. Good afternoon, everyone. On behalf of Mrs. Bectors Food Specialities Limited, I extend a very warm welcome to all participants on Q2 and H1 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. Parveen Kumar Goel, whole-time director; Mr. Gaurav Jain, Senior Vice President, Finance; 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 the company's website.

I'm pleased to share that we have reported the highest ever quarterly sales, EBITDA and PAT since IPO. Demand for our products continue to remain robust. We registered strong and profitable growth from all of our business verticals, i.e **Biscuits** - Domestic and Exports, **Bakery**- Institutions and Retail in Q2 and H1. Our investments in capacity building along with organic talent development, hiring of various department heads have allowed us to substantially grow our business and report strong quarter and half year performance.

We are very well positioned to leverage the opportunities that lie ahead of us and will be supported by premiumization, strong leadership team, manufacturing, infrastructure, digitization, and distribution network. In the current quarter, the company has witnessed marginal improvements in prices of raw material, but challenges of inflation continue to remain for the entire industry.

I would now like to provide an update on our capex program.

- Starting with our **Rajpura biscuit line**, as you are aware, the company has successfully started commercial production of a new biscuit line with an installed capacity of 12,000 tons per annum w.e.f July 15, 2022.

Further, we are also adding two new biscuit lines to meet the growing demand. These two lines are expected to be completed by Q1 FY '24.

- **Madhya Pradesh, Dhar**, the company is building new biscuit lines. We have started construction of boundary wall and received approval for construction of building plan. We expect these lines to be ready by FY '24-'25.
- Lastly, we have purchased additional land next to our existing bakery plant in **Khopoli, Maharashtra**. The new capacity is expected to be completed by FY '24-'25.

We are confident of delivering positive results going forward driven by strong distribution network, marketing and digitization expansion.

**Now, I will discuss the Q2 financial performance.**

The consolidated revenues for the quarter stood at INR347 crore versus INR246 crore in Q2 FY '22, thus registering a growth of 41% on a year-on-year basis.



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#### Biscuits

- Our biscuit segment reported a revenue growth of 40%, which stood at INR206 crore in Q2 FY '23 as compared to INR147 crore in Q2 FY '22 including domestic and export sales. This segment has grown by 35% over Q2 FY '21.
- Our domestic biscuit segments and exports witness highest double-digit growth in Q2 FY '23 as compared to same period last year.

#### Bakery

- On the Bakery front, bakery segment revenue for Q2 FY '23 stood at INR125 crore against INR83 crore in Q2 FY '22, thus registered a growth of 51%. This includes both retail bakery and institutional segment.
- Bakery segment has grown by 99% as compared to Q2 FY '21. Both wholesale and institutional bakery has grown by higher double-digit in Q2 FY '23 as compared to the same period last year. The company continues to focus on increasing distribution and premiumization of its products.

#### Margins

- On margins, EBITDA stood at INR44 crore, saw a growth of 42% quarter-on-quarter. Our EBITDA margin for Q2 FY '23 is 12.8% as compared to 10.4% in Q1 FY '23.
- PAT stood at INR22 crore, saw a growth of 72% quarter-on-quarter. Our PAT margin for Q2 FY '23 is 6.3% as compared to 4.2% in Q1 FY '23.

#### **Moving to half year performance.**

The consolidated revenues of H1FY23 stood at INR648 crore versus INR472 crore in H1 FY '22, thus registering a growth of 37% on a year-on-year basis.

#### **Biscuits.**

- Biscuit segment reported a revenue growth of 32%, which stood at INR385 crore in H1 FY '23 as compared to INR292 crore in H1 FY '22 including domestics and export sales.

#### **Bakery.**

- Bakery segment's revenue in H1 FY '23 stood at INR232 crore against INR152 crore in H1 FY '22, thus registered a growth of 53% year-on-year.

#### **Margins.**

- EBITDA for H1 FY '23 stood at INR76 crore, saw a growth of 19% year-on-year, reported an EBITDA margin of 11.7% as compared to 13.5% in H1 FY '22.
- PAT stood at INR35 crore, saw a growth of 10% year-on-year basis.

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

**Moderator:**

We have the first question from the line of Sameer Gupta from India Infoline. Please go ahead.



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**Sameer Gupta:**

Hi, sir and thanks for taking my question. First of all, a big congrats on a very good set of numbers. I have three questions. So firstly, your distribution in your domestic biscuits, can you give a sense on what is the kind of direct reach and total reach today versus let's say 12 months back and how this has grown, as in which states have seen the highest amount of growth in terms of reach and which states are lower in terms of total reach coverage etc.?

**Manu Talwar:**

So should we answer this question now or you want to ask all three questions?

**Sameer Gupta:**

Maybe you can answer this and I can take follow-ups if there are any.

**Manu Talwar:**

Okay. So, as we have been reaching earlier, we have huge imputes on the driving distributions on the biscuit side and we have a plan of doubling our directory's outlook for 1,50,000 from the year beginning to reach 3,20,000 by March '24. So, basically doubling our direct reach outlets in two years now. We are progressing extremely well on that side and we should be some midway mark by March of '23 and then reaching 3,20,000 in March of '24.

So, that's on the distribution side, but distribution side is also supported by a digitization journey. And just to first fill you up on a digitization and then I will come on the geography side.

So, on the digitization, the fully maintained salesforce automation to work field, this as a partner and which was implemented in the month of April-May. This is helping us track route wide performance, sales, source wide performance on a daily basis. So, it gives us that how many calls have been made, how many calls are productive, what is the route productivity, what are the line sold, right All those KPIs are visible suppose on a daily basis, which helps us drive the performance of the sales force and the last.

So, this was the first phase of sales digitization. The second phase of sales digitalization, which we had planned was on a distributed management system, where large amount of distributor will be directly connected with us and we will be able to monitor their inventories, their performance, their routes also on a virtual basis.

So, just to share with you our DMS journey also started and which will make a significant progress of covering all the large distributors by quarter four of this year. So, these are the two large chunk of intervention on distribution side.

Third side on the distribution side we have discussed earlier that we were adding the distributor salesman, right. So, we were adding a large amount of resource to increase our coverage and drive out there. So, we had a plan of adding over 700 distributor salesman, and which we have completed and – down worth and that's also adding to our productivity and sales growth there.

And the fourth bucket was our capability building, which was providing a training through our partner to large amount of salesforce in all the key cities and that program is under implementation as we talk. So, these are the four large actions -- input action, I would call them, which we have taken to drive up sales distribution, sales execution, sales performance measurement to which is helping us drive our sales growth, which you're seeing in our number, right?

Which geography is another question if you ask, so, just to share with you these numbers are for northern India. We were always stronger and upper north primarily on the Punjab side. And so, this large part of distribution growth is coming in the lower part of the North, which is your Delhi, UP, Rajasthan.

But nonetheless, we are also growing well on our distribution in upper north, which is Haryana, Punjab, J&K and HP. So, that would be my response to your query on our journey on distribution leading to the sales growth.

**Sameer Gupta:**

Just a followup sir here. So, direct reach by September, I missed that number.



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- Manu Talwar:** Direct reach by September, we have crossed 1,71,000 outlets – 1,75,000 outlets is something which we have crossed --the highest. We have crossed that much of direct reach of our objects.
- Sameer Gupta:** And we've planned to do around 2,40,000 By March, right?
- Manu Talwar:** We will be doing around 2,25,000 or 2,30,000 by March and these are the build outlet, which I told you. In terms of outlets, which we have started reaching and billing, right? They have already started touching 2,00,000.
- Sameer Gupta:** Great, sir. That is very helpful. Second question on the biscuit side. So, biscuit growth of 40%, If you can give any kind of a color, how much of it is domestic or -- and exports and within domestic, again how does this growth compare across states, which are the states which have contributed the highest in terms of growth and which have grown less than average. Any color on that sir would be helpful.
- Manu Talwar:** Firstly, let me answer your question that both our exports and domestic, they're both growing very, very aggressively, both are neck-to-neck to each other, both are growing in large high teens, right? And they are duly supported by the high teens volume growth, right? So, it's a good revenue growth supported by the high teens volume growth both for exports as well as domestic business.
- On the domestic size of business, as of now, all our territory are growing extremely well, but in terms of percentage of growth, because we were always – had a, larger business and upper side of north. So in terms of percentage you can say, the lower part of north in percentage term is growing more than the upper north, but yes, the business is going again in good double digits, high teens across the territory.
- Sameer Gupta:** Great sir. And just a follow up here. We also had reiterated around an analyst meet last time we met that Maharashtra and South also are in plans. So there we might be looking at other revenues directly supplying -- right now, we may not be directly supplying, but other revenue. So, how much of that has materialized?
- Manu Talwar:** So, just to share with you, we have launched our distribution of our products directly, right through our distributor network like in north, in Bombay, Pune and Bangalore, right. And so we started this journey about three to four months back. Journey is building up well. Our products are being accepted well in these territories and we have a plan to keep growing this distribution in this particular financial year itself. So, we have launched in three cities, product is being accepted well, we are present as of now over the last few months in over 5000 outlets and we have a plan to enter a few more cities in this financial year before end of the march.
- Sameer Gupta:** Great sir. Last and final question from me on more than -- more of bookkeeping one. So bread contribution of Delhi NCR today and two years back, just bookkeeping.
- Manu Talwar:** You see, both Bangalore and Bombay have grown well for us. And also -- we are also now selling in a lot more cities which are outside Delhi NCR, which are in say 200-kilometer distance from the Delhi NCR, right. So, I won't have exact answer on two-year back and all. I can get back to you later in terms of exact percentages, but to just to share with you that yes, we also are Bombay business, Bangalore business and nearby cities to Delhi NCR. We also covering them well and they are also going well for us.
- Sameer Gupta:** Today's number if you can share sir, that would be helpful. Current...
- Ishaan Bector:** Yeah, I can intervene. So now we actually look at territories as Delhi NCR, outstation north, Bombay and Bangalore. Delhi NCR today would be contributing about 55% to 60% of our sales and about 40% is coming from Northern market outside of Delhi NCR, Bombay and Bangalore.
- Moderator:** Thank you. We have the next question from the line of Amit Purohit from Elara. Please go ahead.



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- Amit Purohit:** Yes, sir. Thank you for the opportunity and congrats for excellent numbers. Sir, I wanted to understand on your new territories that -- for specific on biscuits, you indicated 5000 outlets in reach. So what are the type of outlets? Is largely modern trade or it's a mix of both?
- Manu Talwar:** No. 5000 outlets, which I spoke about are general trade, FMCG outlet.
- Amit Purohit:** Okay. And sir, earlier, I mean, we had some thoughts on focusing on modern trade in these markets or what is our modern trade salience and -- right now at an aggregate level and also in the new territories like UP and all? How is this strategy? I mean, is it not so much modern trade or is it largely GT land?
- Manu Talwar:** No. So, we have a -- had a very special plan on modern trade for the northern India and getting into the western and southern markets, right. And our modern trade business is the highest growth business today for us as a business vertical in biscuit, right. So the modern trade is going very well. Now, also, we have started penetrating into the south and west market. So we have a target to get over -- you see modern trade universe in India is around 5,000 to 5,500 outlet wise, store wise.
- Amit Purohit:** Okay.
- Manu Talwar:** If you have a target of touching and crossing beyond 2000 By March, as of now, we are already in September crossed around 1600 store reach and we started our journey, both our west and south modern trade source. So modern trade is growing very well, growing at a very high growth change rate and it's one of the highest growth business verticals biscuit for us. We have started our journey on modern trade also for southern belts. We have a target of crossing over 2000 store belts by March 2023 and we are now sitting at proximately 1600.
- Amit Purohit:** Sitting at approximately?
- Manu Talwar:** 1600.
- Amit Purohit:** Yeah. That is at an all-India level, right?
- Manu Talwar:** That's at all India level. South and west journey, we have just started scaling up in the last few months.
- Amit Purohit:** And what would be the contribution of modern trade in our total sales?
- Manu Talwar:** Modern trade in our overall sales as of now should be close to 9%.
- Amit Purohit:** 9%?
- Manu Talwar:** Yeah.
- Amit Purohit:** Okay. And sir, just some understanding of the cost also better. So, we have seen there is a sequential improvement in gross margins and with commodity pricing appeasing of, you think the gross margin trajectory would keep improving and whatever price increases that we have taken is now good enough, or in fact, more than compensates for the cost increase?
- Manu Talwar:** Yes. So as of now, we are almost close to our last year, same period gross margin. But I'm sure just to brief you that, in place of follow costing you have to chase the industry, right -- out as of now. So, there would be -- we are going to take some of the price increases also in this quarter, October to December quarter, just to ensure that we are able to maintain and improve our gross margin.



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- Amit Purohit:** And what would be the price increase that you would have taken in the first half, say from April to now or calendar year, whatever, if you could help us in? At an aggregate level for biscuits, as well as breads.
- Manu Talwar:** Both in bakery business, as you can see, we've taken sufficient size increases to protect our gross margins, right, which are visible both in our quarter and H1 results so far.
- Amit Purohit:** Okay. So would this be like 20% plus kind of range increase?
- Manu Talwar:** No. So, it's not that high, but I can probably tell you the exact numbers of price increase as a percentage term.
- Amit Purohit:** Sure. Okay. And sir, on the cost – other cost side, which is basically your ad spends and your distribution costs. So we have seen a significant increase on a Y-o-Y basis. What you would ascribe it to more due to the distribution cost or it would be largely because of increased ad spends as well, how would be the mix rate?
- Manu Talwar:** So now, these costs have three reasons for -- So first reason, yes, we have incremental marketing sense there. Second reason is that our logistics also tough because in our growth mix, there's a little higher mix on account of our export logistics, and there's a bit of a bakery logistics cost, that's the secondary reason. The third reason is that last year; we were cycling COVID. So transport was extremely low both international and domestic, rather it was just about not there, but now air business is back, back both our domestic and international travelers are back, which was kind of missing in the last year, same period.
- Amit Purohit:** Yeah. So what is the average -- I mean, likely advertising costs for the full year, or freight costs, I mean, if you could help us broadly as a percentage to sales?
- Manu Talwar:** As a percentage to sales, we normally spend about – just a moment, I'll tell you. So what happened as a percentage to say both in AGR and BGL, we normally spend about 8%, and out of these 8%, approximately as of now 3% is the AGL with digital and balance around 5% odd approximately is our spends on sales promotion. So this is the broad plan.
- Moderator:** Thank you. We have the next question from the line of Digant Haria from GreenEdge Wealth. Sir, please go ahead.
- Digant Haria:** Yeah, hi sir. Congratulations on the great performance. Sir, first question is on the export side. If we have seen a similar growth YoY, which is the 30% plus, I just wanted to know that is it more of our own brand, which has increased in exports or is it white label, any color on this?
- Anoop Bector:** So, I'll take this.
- Manu Talwar:** Right.
- Anoop Bector:** Our focus very clearly is on building up our brand and so, we have been working very aggressively in the middle east side to be growing our business. In fact, we have added distributors in these areas, especially in Saudi Arabia, we have added distributors. So work is on in -- during this period, during for building -- brand building, but on the sales side between branded and third party brand, would be very similar like 50% each till now.
- Digant Haria:** Okay. Sir, even during IPO, we're 50:50 sir. Today also, we are 50:50, which means both the brands are growing.
- Anoop Bector:** -- approximately will be the same. So, there is not much difference on the branded and the unbranded side.





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- Digant Haria:** Okay. It was good to know both are growing equally fast, so.
- Anoop Bector:** Yeah. Both are growing well.
- Digant Haria:** Okay. Okay sir. And the second question was, sir the last entire -- last four quarters, inflation had been behind us nonstop and even our other costs were going up because we are implementing this distribution changes in our domestic biscuits. Sir, now -- even now, it feels that the raw material inflation is not going away so easily. So, as a company, are we better prepared than last year because last year, it was after 10 years that such inflation was coming, and we took a lot of time to pass it on, but the next rounds of inflation as in when they come, will we be able to do it better than say what we could do last year?
- Anoop Bector:** Yeah, with the journey, what Mr. Manu Talwar has mentioned also on strengthening distribution, strengthening digitization, strengthening into information of the market, it is adding strength to the company to react faster. So, definitely going forward, in case there are such inflationary trends or such reasons, when we have to react to the market, our reaction will be much faster for sure. Yes.
- Digant Haria:** Right sir. And these other expenses, which always used to go much faster, I think now they've stabilized So, now, we can expect this operating leverage to continue, right, because as the distribution, investments gain lead us to more sales, these costs will not rise as fast or is that not the right understanding?
- Anoop Bector:** Yeah, so, definitely, I mean, the benefit is going to be coming in because we haven't rested on people like what I had said in the speech also that, our top line management was brought in with the great experience and we are seeing the result of that coming into the company. We have added -- we have gotten a lot of people on feet on street people so that our distribution could be increased. And now with the support of the digitization and the DMS system, which Manu had mentioned that our large distributors, will be on DMS by March this year -- next year, end of this quarter. So I think these results will be received more positive towards the company. So definitely, it will be that, but our effort on branding, distribution, investing on distribution, will have to keep continuing.
- Moderator:** Thank you. We have the next question from the line of Nidhi Babaria from Envision Capital. Please go ahead.
- Nidhi Babaria:** Hi, sir. Thank you for taking my question. Sir, what would be the price hike for us in last three years as our revenue growth is around 23%, 3-year revenue CAGR. What would be the volume and -- volume breakup and price hikes during these three years?
- Anoop Bector:** So what price hike. I will -- this will be -- Manu, would you be able to give a three-year price like?
- Nidhi Babaria:** Like, just on an average basis.
- Manu Talwar:** No. It will be little tough to give you. I have to give you separately, but just to share with you that our majority -- the product price increase definitely happened in this financial year because of having late pressures over the last six to eight months, but yes, I can -- we can get back to it if you need help with the last three years hike.
- Nidhi Babaria:** And on Y-o-Y basis if that is easily available?
- Manu Talwar:** Pardon.
- Nidhi Babaria:** Y-o-Y basis like Q2 '22 versus q2 '23.



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- Manu Talwar:** So, see our price increase as a company in this particular H1 over the last year H1, on an exit of September, right should be around 9-odd percent. And our larger part of growth is coming through the volume growth.
- Nidhi Babaria:** Okay. And sir, any feature on the new geographies like how easily are we able to take these price hikes because northern belt is surely our home area, but when we go to other parts of the north regions only where we are expanding, any outlook on what is the growth trajectory over there and the acceptance level also?
- Manu Talwar:** See our growth is primely as we explained in the first-person response also, is led by our sales and distribution and the sales execution. These are the two key pillar and KPI that is driving our sales growth, which is covering larger number of outlets making what -- well, the larger support for us. So these are the two key KPIs, which are driving our force in our existing geographies and we are putting all our efforts through sales digitalization, through training of the sales force -- to enhance our excellence in sales execution, right and the selling and distribution. That is the key thing. This is duly not supported by the inputs on the marketing side, the brand side and as I briefly mentioned in between that brand and marketing is largely led as of now through digital media and the print media, right and on the in-shop and on-shop activities. So these are the three large verticals based on which or three large areas where we are effectively doing our marketing. And as we have got a new leader in marketing, Apoorva, who joined us in July. So that in part of investment in marketing is also scaling up and supporting well over and above our sales execution and S&D execution to build up revenue growth.
- Nidhi Babaria:** Okay. And sir, on modern trade side, what would be the revenue contribution last year for us like this year as you mentioned, it's roughly 9%. And what -- like what was the store accounts we were serving in modern trade last year versus this year?
- Manu Talwar:** So our contribution has also improved in modern trade as a part of our sales by almost 25% over last year -- contribution to sales, which you are asking,
- Nidhi Babaria:** Okay. And how many store counts have we increased, like currently they are 1600, last year...
- Manu Talwar:** We are at 1,600 store coverage in modern trade as of now. We're targeting to be beyond 2000. And we are very sure that in two years after that, we should be able to cover almost 85 to 90% of the universe, which is as of now ...
- Anoop Bector:** No, manu. The question is what was it last year?
- Manu Talwar:** Oh, how much was the outlet coverage last year?
- Nidhi Babaria:** Yeah.
- Manu Talwar:** Okay. Yeah. Just a minute. Just hold on.
- Nidhi Babaria:** And also sir, what type of as it turn, do we expect with these new lines coming in, like whenever like, within six to eight months, whenever we will be at peak utilization level.
- Anoop Bector:** See on the biscuit side, it could be anywhere above 3.5, okay, and on the bread side, it will be around 2 to 2.5 times. So, on the biscuit side, you will have a larger, much higher turnover -- asset Turnover; on the bakery side, it's a bit lower, but the automation about the investment drives the profit, which compensates us for the higher investment because automation levels are very, very high.
- Nidhi Babaria:** Okay, and any color on QSR is demand? How the QSR segment is doing for us?



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- Anoop Bector:** The QSR, as you have already seen, most of the QSRs also now today listed. You have seen their results and so very, very robust. So they are growing well. So I think they're doing extremely well.
- Nidhi Babaria:** Okay. Have you added any new QSR or have you increased any share of business with any of the player?
- Anoop Bector:** Ishaan, you want to take this?
- Ishaan Bector:** Yeah. So, last time we had updated that we are -- we got onboarded with subway. So our share of business is increasing as we are proving ourselves to be a more reputed supplier. Other than that, we are working with some other QSRs and as and when we get a breakthrough, we will be very happy to update.
- Nidhi Babaria:** Okay. Sir, this is the last question that modern trade store count numbers.
- Anoop Bector:** Yeah. Manu?
- Manu Talwar:** I missed it. What was the question?
- Anoop Bector:** The last year store count for modern trade.
- Manu Talwar:** It was around close to 1200.
- Moderator:** Thank you. We have the next question from the line of Mayur Parkeria for Wealth Managers. Please go ahead.
- Mayur Parkeria:** Yeah. So sir, just wanted to check, have you given any long-term guidance with respect to the business, sir. Sorry, I'm not aware if you had. Can you in terms of next three years, five years, any long-term guidance, have we given?
- Manu Talwar:** We haven't officially shared any long-term guidance there on our business, but we are in the process of creating a plan and strategy over the next few months' time. We should be in a position and we'll be happy to share somewhere towards the end of this financial year or starting of the next financial year on a guidance over the next three to four years' time.
- Mayur Parkeria:** Okay, so both on the top line or bottom line or in terms of efficiency or anything. So, all forms, it will help you keep in touch upon whenever you plan to give that in the next quarter or so.
- Manu Talwar:** Yeah. So on a directional basis, I can definitely share with you that we are very, very firm of driving our revenue growth alongside our margin side. So, we are keeping an eye on our margin. Definitely we know that we need to aggressively drive our revenue because in both categories of business, which we are doing domestically, which is bakery as well as biscuits, we have a very large potential over the next few years to consistently grow up, become a pan India a player over next three to four years' time and that's clearly our intent.
- But alongside our revenue growth, we are very, very firm that we will have a -- we will do that journey alongside keeping an eye on the margin so that we are able to grow both well over the next few years times. That -- in general, that would be our guidance, but yes, specific plan definitely around Q1 of next financial year is something where we'll be ready and we'll be happy to share.
- Mayur Parkeria:** Right. And just another clarification kind of -- just let me know if this working is correct from my side or the understanding. Sir our interest cost as I see, finance cost as I see is in closer in the region of INR4 crore. It was closer to the region of INR1 crore to INR1.2 crore year-on-year last -- I mean sir Q2 of FY '22, right? That's an increase of almost closer to INR2.5 crore to INR3 crore. If I annualize that, it is around INR11



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crore to INR12 crore and at current rates, it's like an utilization of almost close to INR100 crore more on the... So sir, am I getting this math right and what is driving this kind of increase in financial costs? And when I see the cash flows, they remain pretty much robust. So just was wondering, where is this coming from?

- Anoop Bector:** Manu, you're taking this?
- Manu Talwar:** I'll take it partially, then Praveen can add. Okay. You see what happened when our commodity prices are extremely volatile, we had to ensure our supply chain is protected. And as a part of ensuring our supply chain is protected and corrected for this financial year, we had done some contracts of booking our commodity for the – over the next few months for this financial year ensuring that. Some part of that cost as a part of our written agreement is the carrying cost which is interest cost, which is reflecting here. So, there is a little larger spike in the interest bucket, but over the next quarter, we should see some bit of normalization. But just to share with you, a decent spike which you're seeing in this quarter is on account of that, which is a specific cost of carrying, which is part of the contract of these commodities, as we are using the allocated commodities as per the contract and reducing that carrying costs, it will get normalized.
- Mayur Parkeria:** So will...
- Manu Talwar:** The cashflow continues to be fairly robust and you would have seen that and in terms of our cashflow, which are EBITDA, they're kind of back to terms growing healthy.
- Mayur Parkeria:** So sir, just trying to dwell this a little long -- just one more step down, is this to protect the price or is it to protect the supply sir?
- Anoop Bector:** No. It is to protect the price. Now listen, so supply chain has already been -- so normally we would do at some places -- we -- this is more on storage of certain commodities, especially on the wheat side, where the things are not to be very sound. So, you will see a reflection of this in the coming quarters, where the cost will be -- the debited costs will be accommodated, will settle down in this quarter some and the next quarter some.
- Mayur Parkeria:** Okay, will this...
- Anoop Bector:** This is just the carrying costs, which will actually...
- Mayur Parkeria:** Yeah. I understood. But will this have any kind of impact on the gross margins, whether positive or adverse in the next coming quarters?
- Anoop Bector:** They will not be -- there's nothing going to be adverse. So, it cannot be positive because we've already booked the cost.
- Mayur Parkeria:** Okay.
- Manu Talwar:** There will be nothing adverse. Yeah.
- Mayur Parkeria:** Okay. Last question. Sir on the bread side, when we see into the market, there are many value-added products, which are there in terms of – on the bread category as an overall. Do we have any plans to go that side right now, or first we know, it's just the right now the B2B supply and our own basic product, which is there or how do we see that part of the business and some medium term understanding on that?
- Anoop Bector:** Ishaan, you want to take it?
- Ishaan Bector:** Yeah. So, for us, currently, we are still a small player in the entire game. For us, our focus is going to be to firstly get what we have out there, increase our distribution, increase our presence, open up in more cities, and we see that as a natural form of



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growth for a growing brand. On the premiumization bit, we are always testing the boundaries of premiumization and we've always done so in the past with breads such as the footlong breads that we launched, the paninis that we've launched. So, we will continue to work on introducing premium varieties, but with the aim that they should be available or be readily acceptable by the larger audience rather than a very niche customer.

- Mayur Parkeria:** Okay. So mass -- within that mass or mass premium?
- Ishaan Bector:** Mass premium. So, they are going to be premium varieties, but we would like to develop these markets, like our experience with footlongs also has been that, yes, there is a market, but to get the consumer into the habit of taking a footlong home and getting him to make a footlong is a journey, which, I would say we as a brand are first movers in and we are trying to create a market, and I'm sure that over time, this will lead to higher brand recognition for us, premiumization. But the idea should always be to have these products where we can sell volumes in.
- Moderator:** Thank you. We have the next question from the line of Vignesh Iyer from Sequent Investments. Please go ahead.
- Vignesh Iyer:** Thank you for the opportunity, sir and congratulations on a good set of numbers. I would like to know, if I am not wrong, you've given -- you said in the quarter 1 con call that you aspire to do somewhere around 13% to 14% margins. Sir, as of now, it seems that on the raw material side, there more or less, the volatility has reduced a bit and in taking into consideration that can be saved by Q4, you might have a chance to reach around that 13% to 14% margin, Q4 of FY '22.
- Anoop Bector:** Yeah. Going forward, we are seeing certain decrease in the cost and we surely see improvement coming in going forward. And by Q4, we would look at touching the numbers what we've estimated at.
- Vignesh Iyer:** Okay. Right. Yeah. So my second question of mine, sir during your management commentary, you said that the new land that is what we purchased in Khopoli for the factory, should be completed by FY '24-'25. If this is the same factory, which is going to cost around -- including the factory around INR75 crore, right, if I'm not wrong.
- Anoop Bector:** Yeah. So till we are in the working process. So by the time things are finalized, we'll be coming back to you with the exact numbers on what we are planning to do and so, the target date is '24-'25. Land is already in possession. We have sent our papers for approval -- for the necessary approval to the government. And once we have it, then, everything else will move ahead.
- Vignesh Iyer:** Okay. Because -- if I'm not wrong, in the quarter, one management commentary, you said that we expect to start the production in October 2023. Is there any?
- Anoop Bector:** Yeah. So there has been a slight change in plan, because, we are also -- with this journey, you're seeing a 50% growth coming in, in the bakery side, right? 100% growth coming in approximately in the two years. So, there are very dynamic changes happening. So, while our planning was happening, there are certain changes happened, where we had to directionally make certain amendments in our needs, which were -- which are to be met in the future. And so, that is the reason why there was a bit of delay. We were running -- because in this plan, there was a small need for more land. So that land acquiring took us further time. And therefore, this whole process got delayed, but otherwise, we are sure that the factory is coming up, and in the next -- by next three months, we'll be able to give forward to everyone, our complete plan on what is happening there.
- Moderator:** Mr. Kapoor, does that answer all your questions?
- Anoop Bector:** Hello.,



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**Moderator:** As there are no further questions from participants, I would like to hand the floor back to the management for closing comments. Please go ahead, sir.

**Anoop Bector:** Yeah, thank you. Thank you so much. Thank you everyone for joining us. I hope we have been able to answer all your queries. In case you require any further details, you may please contact us or Orient Capital, our investor relationship partners. Thank you.

**Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Mrs. Bectors Food Specialities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.