

MBFSL/CS/2022-23

17th August, 2022

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

Dear Sir/Madam,

**SUBJECT: TRANSCRIPT OF EARNINGS CONFERENCE CALL – Q1 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 August 10, 2022 to discuss Q1 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



“Mrs. Bectors Food Specialties Limited Q1 FY 23 Earnings Conference Call”

August 10, 2022

Mrs Bectors Food Specialities Ltd



MANAGEMENT:

**MR. ANOOP BECTOR - MANAGING DIRECTOR,
MRS. BECTOR'S FOOD SPECIALITIES LIMITED
MR. MANU TALWAR - CHIEF EXECUTIVE
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MR. ISHAAN BECTOR - WHOLE-TIME DIRECTOR,
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Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY23 Earnings Conference Call of Mrs. Bectors Food Specialities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

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

Anoop Bector: Thank you. Thank you so much. Good afternoon, everyone. I hope that all of you and your families are safe and healthy. On behalf of Mrs. Bectors Food Specialities Limited, I extend a very warm welcome to all participants on Q1 FY '23 financial results discussion call. Today on this call, I have with me Mr. Manu Talwar, our Chief Executive Officer; Mr. Ishaan Bector, Whole-Time Director; Suvir Bector, Whole-Time Director; Mr. Parveen Kumar Goel, 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 the company's website.

Before discussing the quarterly performance, it gives me an immense pleasure to update you all that the new production line of biscuits at Rajpura plant has started commercial production in July 2022. This line comes with an installed capacity of 12,000 tonnes per annum, and has been effective from July 15, 2022. Project got delayed due to COVID-19 pandemic. Coming to our Q1 FY '23 performance, we witnessed revenue growth of 33% with strong growth momentum across both the biscuits and the bakery segment. I'm pleased to share that we saw growth in both volumes and realization. In first quarter, we continue to experience pressure on raw material prices. And the company also took price hikes to mitigate these pressures. Having said this, the company is currently witnessing softening of raw material prices. This coupled with price hikes is expected to have a positive effect on our EBITDA margins going forward. Mrs. Bector has focused over the past few months on strengthening leadership team, building capacities to enhance manufacturing infrastructure, driving S&D through digitization and field force augmentation alongside premiumization.

As we have communicated in the previous call, the company continues to focus on strengthening its senior level team. We have successfully onboarded marketing and supply chain heads from reputed organization to achieve our long-term growth targets. Apart from senior-level hires, the company is also looking at -- to strengthen its operational team. On manufacturing infrastructure ramp up, we are investing further in Rajpura to add in Rajpura plant for biscuits alongside Madhya Pradesh and investing in state-of-art greenfield manufacturing facility in Maharashtra for our bakery business.

Technology will play a critical role going forward and as a result, Mrs. Bectors is focusing its efforts on digitization. The company has recently implemented salesforce management system and is expected to implement distributor management system in the coming quarters. DMS enabled our company to track real-time coverage, sales efficiencies and effectiveness, and working discipline of our distribution network. Further DMS system also helped to increase productivity of sales teams by providing access to critical information like promotions, sales plans, etc. on a real-time basis. Company continues to enhance its existing distribution and plans to double its network in North India in the next few years. Further, it will also focus on enhancing its presence in Western and Southern India over next three years.

Now I will discuss the financial performance.

The consolidated revenues for the quarter stood at INR 301 crore versus INR 226 crore in Q1 FY '23. Thus, registering a growth of 32.9% on a year-on-year basis.

Biscuits

On the biscuit side, our Biscuits segment reported a revenue growth of 24%, which stood at INR 178 crore in Q1 FY '23 as compared to INR 144 crore in Q1 FY '22. This segment has grown by 26% over Q1 FY '21. Our domestic Biscuit segment and export witnessed higher double-digit growth in Q1 FY '23 as compared to same period last year.



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Bakery

In the Bakery segment, the bakery segment revenue stood at INR 107 crore against INR 69 crore in Q1 FY '23 thus registering a growth 56% compared to Q1 FY '22, including retail bakery and institutional segment. Bakery segment has grown by 114% as compared to Q1 FY '21 both retail and institutional bakery have grown by higher double-digit in Q1 FY '23 as compared to the same period last year. The company continues to focus on increasing distribution and premiumization of the products.

On the EBITDA side, the EBITDA stood at INR 31 crore, saw a growth of 30 bps point on quarter-to-quarter basis. Our EBITDA margin for Q1 FY '23 was 10.4% as compared to 10.1% in Q4 FY22.

PAT stood at INR 13 crore saw a growth of 20 bps quarter-on-quarter basis, our PAT margins for Q1 FY '23 was 4.2% as compared to 4% in Q4 '22.

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 Percy Panthaki from IIFL. And before we move to the first question, we'd like to remind our participants to restrict their questions up to two, if you have a follow-up question, we request you to please rejoin the queue Percy Panthaki from IIFL. Please proceed with your question.

Percy Panthaki: Sir, could you give us some idea on the domestic biscuits business, what is the growth on a Y-o-Y as well as on a three-year CAGR basis here? And also if you could give some flavor on what part of the growth is coming from our core existing states and what part is coming from the new states that we have ventured in the last two, three years?

Manu Talwar: So your first part of the question was how is the domestic performance, so domestic basket has grown well in high-teens over the last year as well as over the -- last year same quarter as well as over last quarter of last year. So it's a good volume growth, double-digit volume growth, as well as a high-teens revenue growth, which we have witnessed in the domestic business. And this growth was briefed by MD in the opening speech has been led by the strong work, which is happening now on the distribution strengthening side. so the whole implementation of the SFA, digitization and growth in our field force. So just to take this opportunity updating you that in the previous call also I think we updated we have started adding ADSR which is area distributor salesmen. And in the last year, we had added 300. So just to share with you that in this year itself, we have already added 300 more ADSR which was close to the full plan for this year. So we are front-loaded the addition of the ADSR.

So now if you look at over the last, almost seven months, we have added 600 ADSRs, which are working in the field, we have implemented sales force management system by which we are able to not only track, drive the efficiency productivity of our sales force. So domestic biscuit for us has grown in high-teens in revenue side and also on the double digit on the volume side both compared to the same quarter last year, as well as quarter four of last year.

Percy Panthaki: Yes, on a three-year basis that is versus 1Q '20 would the CAGR growth over three years also be double-digit volume growth?

Manu Talwar: We will just get back on this. We just quickly get this number available, we will just update you during the call itself.

Percy Panthaki: Sure.

Anoop Bector: So normally Percy, what we are doing is on the volume basis, because we are always looking at premiumization. Volume numbers for our company become quite irrelevant, we focus more on the value proposition because if you start counting volumes low price products will get a better. So I think from Mrs. Bectors that we should always look at value proposition than volume contribution.

Percy Panthaki: Fair enough, sir. My second question is on the margins that is the gross margin as well as the EBITDA margin. So firstly on gross margin, it is roughly flat Y-o-Y and there has been



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fair amount of input cost inflation. So just surprised as to how you are able to keep the gross margins largely unchanged. And secondly, on the other expenses line there is a very big inflation, some 67% Y-o-Y growth in the expenses. So can you let us know what is the reason for that?

Manu Talwar:

So the first thing is on the gross margin side. So as you said we are very close to gross margin of same percent, which was in the same quarter last year and versus last quarter of the '21-22 financial year our gross margin is lesser by 1%. And I think that across the industry, we have seen quarter one continue to have a very high pressure on the material prices. Right. So our improvement which we did over the quarter one over '21-22 is we had done some improvement in our margins over the first six, seven, eight months of last financial year, but then we started getting hit across the industry, everybody started getting hit with inflation post November onwards. And that's the reason that in the Q4 '22, our gross margin was -- or rather our value addition gross margin had dipped a percent versus quarter two.

Now in the quarter one '23, although the pressure continued on the material cost side, but we were able to still sustain and retain it around 43.8%.

Anoop Bector:

Yes. So another thing Percy, this is Anoop Bector here. If you see the bakery business has grown better than the biscuit business and our bakery business definitely on the bread side, our English Oven is doing great in the market, has a better EBITDA margin so that also reflect, but surely going forward, the numbers should be better as we are looking at subduing our prices some price increases happened, which happened in the middle of the quarter, we did not get the complete price increases in the first quarter also. So we would -- we should look at going forward, we are looking at better than now the gross margin coming over to the company.

Percy Panthaki:

Understood. And on the other expenses.

Anoop Bector:

On the other expenses side, basically there are two large reasons, which are there. So one large element is fuel prices, so our fuel cost has gone up, which is the one large part of the increase, which impacted over 1% to us. Second is the freight and forwarding, right. The freight and forwarding has gone up because of two reasons versus the same quarter last year. One is the fuel price went up and secondly also our mix change we had a very good quarter in terms of exports. So export has shown a higher growth so that -- because of the tilt in the mix the freight and forwarding is slightly higher. So we got an impact of close to over 1.5% on freight and forwarding. And one more smaller reason is that that you will remember that quarter one last year was a second wave of COVID when the travel was literally zero. So with now everything opening up our travel is back so the sales staff everybody and the business people are traveling. So that's another small reason. So these are the primarily three reasons which fill up for the increase in our other expenses versus the same quarter last year.

Moderator:

Your next question is from the line of Digant Harsha from GreenEdge Wealth. Please go ahead.

Digant Haria:

Sir very good to see the INR 300 crore number on the revenue front and that our distribution management system is picking up. So congrats on that, sir. Sir, my question was mainly on the Bakery segment that now in this quarter the entire QSR is running full throttle all the malls, all the outdoor activities are open. So is it fair to say that this quarter represents the true potential of our B2B bakery business. Like have we bounced back to our complete potentially and now going on from here, the growth should normalize to that 12%, 15% as the sector grows?

Ishaan Bector:

Yes. So, this is Ishaan Bector here. Yes. So definitely there has been a very, very strong recovery on the QSR side. And we have also been updating that we are constantly looking at the addition of new customers, in fact one very big account that we have also sort of onboarded has been subway. So as and as I think we are improving our capabilities, as we are improving the quality and the number of products that we have on offer to some of our customers as we are onboarding new customers, I think we will continue to see a healthy growth. What we are seeing in terms of the market outlook as we are talking to some of our partners is a great sense of aggression coming forward in the next three to four years in



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terms of number of store openings. And I think what we are doing in the back-end is also gearing ourselves to have the ability to meet the market expectations in terms of demand. So we see a very healthy forecast for the QSR business going forward. But, yes this significant increase that you see on the QSR as compared to quarter one of last year is because also the QSR business was impacted by COVID last year. I hope that answers the question.

- Moderator:** The next question is from the line of Amit Purohit from Elara. Please go ahead.
- Amit Purohit:** Yes, thank you for the opportunity, sir. Sir, on the bakery side, while you indicated that you have added new customer and then there is overall growth expansion by the QSR players. So wanted to check is, would you expect a sequential kind of ramping up of this business from here on as things are opening up and with the kind of inquiries that you are getting from the new customer. Is that a fair number? And this becomes...
- Anoop Bector:** As in similar numbers in terms of growth as compared to...
- Amit Purohit:** No, no, not in terms of -- I'm saying in terms of a run rate. So we did 107. So one, you have a QSR piece, other is the bakery piece. So wanted to know as we look at in the second half or even the ensuing quarters probably this run rate should improve, right? Given the fact that at that overall level.
- Manu Talwar:** So if you look at on the bakery side, I think on a long term -- for the long term, we have -- sorry Medium term, we have always said that we are targeting strong growth in double-digit in terms of, let's say, 20% for the bakery side and we sort of continue to hold firm on that as we see a lot of opportunity both on English Oven and the institutional side on the English Oven side, we are seeing great response of our brand, and this is not only in one market, right. I think the test of the brand has -- the brand has proven itself in the Delhi market, in the Mumbai market, in the Bangalore market and now as we're moving outside of Delhi, we have taken focus cities for us in the North India side being in Punjab, Chandigarh, Ludhiana, Jaipur, Agra, which we see are very high potential areas and in fact we have already started - - our brand is already present there. We are seeing great acceptance of the brand.
- So in terms of think distribution, we have a long headroom to grow. And what we are going to be focusing on is continuing to execute on distribution and at the same time building world-class infrastructure like our Mumbai project, which is being envisioned is going to be a state-of-the-art facility and we are very confident that it will give very, very superior product to the market. So we will continue to remain bullish on the bakery side with both these businesses on a positive outlook.
- Amit Purohit:** Okay. So this quarter from trade you will look to build it up from there, here on, right? Is that fair -- is there any seasonality in this, that probably second half does, because I mean last couple of years has been impacted because of COVID and whenever you look at sequentially, it still looks good only, but I just wanted to know second half versus first half?
- Manu Talwar:** Seasonality, there is a little bit of seasonality in the sense that winter the sales of breads are higher, but then also then Diwali time comes in. But yes, I think you must understand that on the bread side, what we have also done this time is we have been able to cover the increase in our costs by price rises. And I think oftentimes, whether it is in the Delhi market we despite not being the leader in terms of number of the volume we sell, we have always very aggressively taken price rises from the market in order to protect the margins. So there has been a significant price rise that we've taken this quarter.
- Amit Purohit:** Okay. And sir, on the biscuit side you -- just wanted to understand this growth is largely -- it would be both existing as well as new markets, but wanted to know as in the new markets it's more of a -- you indicated distribution led growth, but would that be largely primary sales or largely also secondary sales would you have some sense on how that growth would have been? And existing versus new markets in terms of growth rates.
- Manu Talwar:** So first thing is that our domestic growth is as of now largely led by North India, which is our existing territory. Correct. And our all growth are secondary led. So we are a secondary company, we primary follows the secondary sale. So it's all about treasury and secondary, plus the growth is in both in general trade and the modern trade. So we are expanding also



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on the modern trade and general trade side, so both the verticals have grown well. And this is on the domestic biscuit side of the growth. And I'll just take this opportunity also to request, Suvir, to say because we also have a very good growth on the export side. Our momentum on export is building up very well. So Suvir, I would request you to update on that.

Suvir Bector: Hi, everyone. This is Suvir Bector this side. So in exports, we are significantly increasing our branded sales in developing markets such as the Middle East region specifically the 6th GCC countries. Plus we are also rapidly expanding in the North American market. Currently, we are growing our business at a double-digit growth and we continue to see this pace growing -- it will grow at the same rate. And our target focus is going to be North American and GCC markets. Hope it answers your question.

Amit Purohit: Yes. Thanks a lot. And last, sir, on the other expenditure, you highlighted that freight cost would that also be some extent because of the entry into new markets, or it's again like the growth has been largely in the existing market? Impact of higher freight costs is also felt in the existing markets, is that right?

Manu Talwar: So in the domestic side, our growth has been primarily we have just launched in three cities in South which is Bangalore, Mumbai and Pune. So these are three city launch it's a very small volume, we just started our journey there about two months back. Our majority of domestic growth is from our existing markets. What I briefed earlier that our freight cost going up has two reasons, which is obviously the fuel price hike over the year. And second is our mix of export was higher than normal mix, which has led to higher freight costs.

Amit Purohit: Okay. Okay. And anything you would highlight on the overall, what's kind of margins that you are looking at for the full year? Any indication range.

Manu Talwar: So our -- so as Anoop, MD said that we are clearly seeing a softening of material prices and which will clearly start reflecting to us in our margin improvement over the next few quarters and as briefed in again previous quarter meeting that our aspiration continues to be reaching a 13% to 14% EBITDA margin. That's where we are -- that's our first milestone where we are targeting to reach. But yes, it was quite seriously impacted, like the industry by the very high inflation is material prices. But yes, we are seeing now softening and we -- definitely this trend should continue, and we should see improvement in the next few quarters.

Moderator: The next question is from the line of Sonal from Prescient Capital. Please go ahead.

Sonal Minhas: Yes. Sir, I had two questions, first, I wanted to understand what part of price rise is still pending to catch up with the rise in the raw material prices? If you could quantify that? And what is the timeframe within which you intend to take the subsequent price rises in the next few months? Just if you could help with that.

Manu Talwar: So in terms of, as a company, I think we are through with large part of our price rise, right, because in one segment, we have taken whatever price rise we had to take and we have come up the price rise for our current inflationary time. In other part of the segment, we are doing a gradual price increase we have definitely in the quarter four of last year and quarter one of this year, we have taken price rise to cover as much as possible. But we also always have to keep in account, the industry and the industry large players. So, we will still have something to catch up in this quarter on the price rise side.

Anoop Bector: So I'll take this, Anoop Bector. So there are certain areas. I mean there was a price rise which came in mid of the first quarter, so 100% rise could not come in. And even our QSR business the price increases have come in the later part of the first quarter. So going forward, also we are looking at further price increases, but they will take some time as might happen in Q3. They would start getting reflected in Q3 and because we are seeing certain of our competitions changes happening or any part increases, which are yet to take place. So it is a continuing journey. So this is never going to stop. Till the time inflation is going to stay, we will have to cover up our costs.



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So this is going to be -- we cannot correlate it to a percentage because it's changing. I mean last quarter, we really saw a big jump in certain -- especially in the fuel cost. So gas prices have gone up and things like that. So this is a continuing journey and our teams are fully geared up to keep this exercise on. We are currently evaluating our competitors, what they're doing, especially our senior leaders in the industry and we see there are certain changes happening and are we going to continue to make price amendments and to reflect on the inflation.

Sonal Minhas: And you don't see any softening in demand because of this price rise like everybody has been taking around. I'm talking more from the market perspective not...

Anoop Bector: See these price rises are taken very, very carefully. And for us, we are in a high distribution increase you see what Manu told you about the ADSR, we are focusing very heavily on improving our distribution on the SF pay, on the VMS. So that is really promoting the company to increase its outlets. I mentioned in my speech, we plan to double our outlets in two years. Now that's going to be something which is going to be a turnaround. And also, I mean, in biscuits the price rises are not that big. We do it in a sense, which are -- for the customers they able to take it.

Yes, I mean when we say the rural economy has gone down, that's not down because biscuit price rises, that's down because agriculturally there are certain challenges which has happened, inflation has happened and the overall, still but for us with the increase in distribution we have seen such high numbers coming in, in our business I think that reflects very clearly that in the biscuit business we have grown by around 23% on the value terms, which is considerably good.

Sonal Minhas: Sure, sir. Sir, I have a follow-on on this one. So when we compare your biscuits branded business compared to your larger competition, what is the difference in price in your brand vis-a-vis your peers, if you could broadly indicate for product?

Anoop Bector: There is some price difference because we are still a lower volume player and extra margins are given in the retail side or in the -- or distributors with economics are working. On the MRP side most of our products would stand very similar to competition.

Sonal Minhas: So more on the MRP is what I was basically trying to...

Anoop Bector: Yes, MRP side we will stand very close to competition.

Sonal Minhas: Okay. And sir, lastly, I don't have a question, I have just a request on disclosure that just to understand the branded and the unbranded business. So when I say B2C and the B2B businesses better, if you could just start sharing data on the direct consumer-facing businesses bundled where you bundle the bread and the biscuits together and the other businesses that will just help understand how the mix of the business is changing. It is more a request if we're analyzing the company...

Anoop Bector: Yes, fine, we will look after take care of it and we will discuss internally and you will see in short we can...

Sonal Minhas: At a broader level that will just help, sir.

Anoop Bector: Actually, we normally would not like to share because we deal with very, very large customers and information passing down on any large customers becomes a bit difficult, but we'll see, we'll let that you all...

Sonal Minhas: I think if you can just bundle the institutional together, export together and the B2C together broader I think just share as a pie that will help.

Anoop Bector: We'll look at it. Yes, thank you.

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



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- Dhwanil Desai:** Hi, team. Good afternoon. Sir, my first question is on biscuit. So we have been present in North India predominantly for last 20 years. And if I -- when I looked at your DRHP given the market share rate wise, so if I analyze that data, we are very well present in some of the smaller states like Punjab and Himachal with very decent market share. But even market share in larger states like UP, Rajasthan, Delhi was pretty low and some of the other players like Anupam and [indiscipherable] had a very decent market share. So is there any reason why we are -- we have a lower market share in spite of our presence in those markets for many, many years? Why is it so difficult to track the market?
- Anoop Bector:** Yes. Dhwanil this is about history because I mean we could not grow into these markets, because these markets are not our focus markets. So that was one of the particular reasons. Today, we have opened out complete North India and we're seeing rapid growth coming up because we are ramping up our distribution in those markets. So very, very high double-digit growth numbers are coming into the markets in North India, which we were not our focus markets earlier and now have become a focus market.
- So, as a matter of fact, let's take about Delhi, UP, Uttaranchal, Rajasthan modern trade very high double-digit number growth coming in from the market. We are having a strong base, which we are creating over there and the markets are huge. So this will be a very long-term growth plan, which would come to the company. So like I mentioned, we created a complete great infrastructure for the company. Mr. Manu Talwar joined as CEO. Our sales market -- sales head has come in from Britannia, marketing head we brought in from Dabur. So supply chain we've brought a person with great capabilities.
- So overall, the company has created an environment of high growth numbers and with our quality products, with our quality being one of the better qualities available in the market, we are getting a great response.
- Dhwanil Desai:** Okay. So we should see increasing market share in those markets over...
- Anoop Bector:** Absolutely we should see and we are working towards it.
- Dhwanil Desai:** Okay, got it. Sir, second question is with respect to bakery, I think as Ishaan was mentioning that we are also planning to tap markets, which are Tier 2 cities around our present market. So can you give some sense Ishaan in terms of what is the radius to which we can sell from existing plant because I understand that bakery is a very localized business? So what is the areas that we can sell and with exist Mumbai or Noida what is the potential market?
- Ishaan Bector:** So we are looking at 300-kilometer radius and if you look at any of these focused towns that I have also spoken about are within this radius. In fact, let's say, moving into Punjab, we are also identifying how we can manufacture in Punjab so as to open up newer markets, which were unserved by us in the past. So I would say 300-kilometer radius is something what you should look at.
- Dhwanil Desai:** Okay. So currently are we serving those markets and that's more like in next couple of years, we are planning to tap the market?
- Ishaan Bector:** Yes, so we are servicing markets within 300-kilometers and this is creating the base for sustained growth because we have already started seeding. So we have been in, let's say, Agra and Jaipur for about a year, year and a half, which have now become our focus markets. So when we say focus markets, then we will significantly look at expansion in terms of distribution having feet on the street. So, definitely, we are already servicing certain cities within that 300-kilometer radius. But now it is the time to ramp up.
- Dhwanil Desai:** Okay, got it. And the last question, sir, I think you have -- in the past, we have guided for 15% kind of a top-line growth. But if I look at your commentary, we are almost doubling our distribution on the domestic biscuits side. On the bakery side, we are targeting 20% plus growth and even export is doing well. So that 15% number or you think that there are some challenges that we might have, while you are guiding for 15% growth?
- Ishaan Bector:** I think, we are focusing as a company, more on the input rather than the outputs. I think we are doing the hard work in terms of opening up outlets, opening up distribution, hiring



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people like ADSR. I think the results will follow. And I'm sure we will be a very aggressive company.

Moderator: The next question is from the line of Gaurav Gandhi from Glorytail Capital Limited. Please go ahead.

Gaurav Gandhi: Hi, sir. Congratulations on the good set of numbers. Sir, the new biscuit line that we added in Rajpura, which has 12,000 tonnes capacity, and the INR 40 crore investment that we did, what is the maximum revenue that it can generate?

Anoop Bector: So average, we should be able to generate around INR 130 crore to INR 140 crore, we can generate.

Gaurav Gandhi: And similarly, the bakery plant at Khopoli that is getting ready, with INR 73 crore investment, how much will it generate?

Anoop Bector: Bakery plant will happen in 2024, but normally bakery plant you should consider at the -- because we do very high automation, so that the bakery plant four to five person runs operations, quality is very good. Plant is expensive, but the cost of producing the bread becomes much lesser. And it is a greenfield project which will give 2x to 2.5x sale of the investment.

Gaurav Gandhi: Okay. Annual sales?

Anoop Bector: Yes. Consider 2x, in the bakery side Noida would do like that. So in the biscuit side, this is slightly increased. Wherever there is more automation, the multiple goes down. Wherever the automation is less, the multiple increase, cost of production also increases with it.

Gaurav Gandhi: Okay. And the biscuit manufacturing contract business, how revenue does it generate and what is the margin of that?

Anoop Bector: Very marginal, it is a very, very small business for us. I don't think it is more than 2%, 3% of our business -- 4% for us. So we only do conversion over there. So I mean that's okay. It's a small business.

Moderator: The next question is from the line of Harsh Yogesh Shah from NZ Capital. Please go ahead.

Harsh Yogesh Shah: Yes, hi, sir. Thanks for taking my questions. Sir, just following up on the previous question, what is the kind of payback period we expect from our CAPEX in bakery and biscuit segments?

Anoop Bector: CAPEX normally the investment that we do, especially in Rajpura they are more aligned towards automation, reduction of cost so that all businesses, the investments that we are making today, this will be sustainable for us over next 10 years. And so we actually look at around four to five years payback.

Harsh Yogesh Shah: Okay. So that because I wanted to link that four and five years, that you said, you want to shift to biscuit lines from Tahliwal to Rajpura, right, the estimated cost is INR 75 crore. Now that might not come with higher incremental revenues, but the savings is INR 12 crore per annum, right? Sir, if we look at that the payback period for us would be more six, seven years?

Anoop Bector: Gaurav it's not like that because what is happening was with the cost of logistics increasing, we want to consolidate our production basis, we do not want to have higher number of units, [indiscipherable] unit so that our numbers are -- the next unit, we will start in Madhya Prades that should also be a bigger unit within the next five years. So that cost of production will go down drastically. When Rajpura unit will start complete costs on -- with our own management or on staff everything gets over. And also the logistic cost, which we are moving material from Himachal Pradesh into Rajpura are avoided. So the savings are immense. And also we have built up today those -- lines were 12 years 13 years old line they had some inefficiencies with them.



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So instead of raise of publishing the lines over there, we have thought it is better to have completely automated lines in Rajpura with a complete auto. Rajpura site, it is 10 kilometers from Haryana, it is 50 kilometers from UP and 150, 200 kilometers from Delhi and in Punjab. So it's a very beautiful site. So, basic reason is about consolidation, about automation because our company other than supplying for Indian market, we also supply to export market. And when we supply spot market, we see that the product quality what we are producing should be of the highest quality and the same products also go into the Indian market. So the repayment will be in five years. All the CAPEX returns and there is no doubt about that.

Harsh Yogesh Shah: So basically, I mean what you were saying is that 13%, 14% EBITDA, the first milestone looks quite -- I mean, we can easily surpass that milestone in the medium term, right, given the kind of automation we are doing and the cost savings, which will happen because of shifting of the lines.

Anoop Bector: Our commitment to our investor fraternity has always been to have EBITDA at a 14% and the company is working towards whatever commitments we have done, we will always work towards fulfilling our commitments and our targets, our aspiration is always going to be higher. And as soon as the things shape out we will keep sharing down with all of you.

Harsh Yogesh Shah: Okay. Thank you, sir. And then one last question, what is the kind of CAPEX we envisage for this year FY '23?

Anoop Bector: Things are still completely getting lined up, I'm sure, within the next one to two months we line it up and we will -- we can always connect later to give you the right number.

Harsh Yogesh Shah: Okay. But then again, we can assume this INR 75 crore, majority of it will be in FY '23 and the INR 20 crore of bakery plant in Punjab right? So majority of these two will be in this year, right sir?

Anoop Bector: Yes. So Bombay will come up in '23-24 and this year it will be about Rajpura.

Moderator: The next question is from the line of Rushikesh Bhise from MoneyWorks4me. Please go ahead.

Rushikesh Bhise: Congratulations for wonderful set of numbers, sir. So my question basically is on the retail bakery side, wherein your current -- so for example, the current Khopoli plant that is catering to Goa, Mumbai, Pune and Hyderabad QSRs and just like you mentioned that QSR business is also growing very well, wherein you onboarded one client called Subway. So this particular plants are also helping you in penetrating your retail bakery business, just like you mentioned you supply your retail bakery products in 300-kilometers radius, but -- so stocking especially Pune region, but your product is still not available, majorly Puna region. So my question essentially is to penetrate your retail bakery products more are you looking forward to, one, is the distribution side and on the other side, what kind of CAPEX plan do you have in the near or in the medium term future in the other parts of the country to penetrate your retail bakery products?

Manu Talwar: So I think as we are growing, we are supporting growth by adding infrastructure, whether it is our own or looking at co-manufacturing as a way to maintain a good capital efficiency. We are seeing strong double-digit numbers in all our markets whether it is the Noida plant, whether it is the Mumbai plant, whether it is the Bangalore plant. In Mumbai, we have already spoken about a very large facility for bread production coming in and this has been kept in mind seeing the immense potential and the brand acceptance that English Oven has had both in Pune and in Mumbai, we are present in Pune and here also we are seeing a good growth number. With Bangalore also, we have already started work on increasing the plant capacity of our existing unit and in time, we will be looking at putting up a new facility in Bangalore as well. But that will be in the future as we are currently upgrading our existing facility to produce more capacity.

Punjab have already -- we have already updated will give us access to newer markets, which were previously untouched by English Oven. So I think there is a robust plan to support and we are confident that with our new manufacturing, which is coming up in Mumbai, our



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penetration into Bombay and Pune will significantly increase and modern trade also impacts.

Rushikesh Bhise: So, thank you for this answer. Just one follow up question on that. So, in foregone quarter, we also saw that you came up with some new products into the market on the bakery side especially. And so, one is on the product pipeline. And secondly, what kind of -- you can just give me a range on what kind of margins -- EBITDA margins do you enjoy on your bakery segment?

Manu Talwar: So individual EBITDA margins unfortunately division wise, I will not be able to share because of the competitive nature where we are operating both with B2B and B2C customers.

Rushikesh Bhise: If you could just give on the retail side? I'm not asking for the insititutional side.

Manu Talwar: I think over the past couple of meetings, we have had challenges in terms of sharing numbers on retail versus B2B. So, we will be only able to give your number of -- the way we are currently giving it on a consolidated basis.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question. I now hand the conference over to Anoop Bector for his closing comments. Over to you, sir.

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

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