

MBFSL/CS/2022-23

13<sup>th</sup> June, 2022

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

Dear Sir/Madam,

**SUBJECT: TRANSCRIPT OF EARNINGS CONFERENCE CALL - Q4 & FY22  
UNDER THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS),  
REGULATIONS 2015**


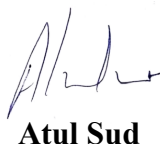
Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on June 6, 2022 to discuss Q4 FY22 results.

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 Limited  
Q4 FY22 Results Conference Call”

**June 06, 2022**



**MANAGEMENT: MR. ANOOP BECTOR – MANAGING DIRECTOR & PROMOTER – MRS. BECTORS FOOD SPECIALITIES LIMITED  
MR. MANU TALWAR - CHIEF EXECUTIVE OFFICER – MRS. BECTORS FOOD SPECIALITIES LIMITED  
MR ISHAAN BECTOR – WHOLE-TIME DIRECTOR – MRS. BECTORS FOOD SPECIALITIES LIMITED  
MR. PARVEEN KUMAR GOEL - WHOLE-TIME DIRECTOR – MRS. BECTORS FOOD SPECIALITIES LIMITED**



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**Moderator:** Ladies and gentlemen good day and welcome to the Q4 FY22 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 phone. Please note that this conference is being recorded. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. I now hand the conference over to Mr. Anoop Bector - Managing Director & Promoter. Thank you and over to you Sir!

**Anoop Bector:** Good afternoon everyone. I am Anoop Bector - Managing Director of Mrs. Bectors Food Specialities Limited. 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 Q4 and FY22 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; and Orient Capital, our Investor Relations Consultant.

I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded on exchanges and on the company's website.

Before discussing our Q4 and FY22 results, let me use this opportunity to introduce our new CEO, Mr. Manu Talwar. Mr. Talwar has over 30 years of proven business leadership exposure in profitable business expansion, operations and general management primarily in consumer facing industry. He is a Chartered Accountant by profession who moved into Business Management with Coca-Cola in year 2000 and after working with Voltas and Pepsi in finance stream. He was leading South Region after working North and East before he moved to Bharti Airtel as CEO of Mumbai and Maharashtra circle. Telecom journey continued with Viom Networks till 2013 and then he took a role of CEO of Luxor Writing Instruments Private Limited. He has managed tough times during Coca-Cola (pesticide scare 2003), Viom (Telecom license cancellation, 2012) and managed business turnarounds and transformations. He has also the experience of working with new age company 'Lenskart' during its high growth phase. His diversified and great deal of experience would help the company to achieve its vision and create wealth for its valuable stakeholders in the long run.

Overall FY22 was a challenging year and we witnessed unprecedented challenges in the business environment, but the company has been successful in mitigating them and managed to post an annual revenue growth of 12.2% in FY22. The company continues to see strong growth outlook in both biscuits and bakery segment. The company is one of the largest suppliers of buns to quick service restaurants (QSR) chains in India and its bakery brand, English Oven, is one of the fastest growing brands within the premium bakery space. Despite of the challenging macro environment



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the company is trying hard to strike the right balance between scale and profitability. Dependence of any single category has never been a winning formula for any consumer company and we focus to add new products in our both business segments during the year. Given the nascent stage of the packaged food industry in India, we believe in focusing on high gross margin through premiumization.

Company is further focusing on technology to drive efficiency both on sales and supply chain side hence company has initiated to implement salesforce automation and distributors management system, which will help us to drive availability, market share and premium outlet reach to improve sales efficiency.

The company with a large presence in North India, is currently looking to expand reach in its existing market and gradually explore newer markets. It is in the process of expanding its Rajpura facility in Punjab and has plans to set up a Greenfield facility in Madhya Pradesh to cater to the West and South India. During the year the company has taken various right steps. Number 1) To expand its distribution reach in existing market, and enter new geographies. 2) Building management strength by hiring of senior professionals in operational, sales, digital and IT and on the human resource front. Number 3) Enhancing capacities to capture market growth opportunities in existing market and new geographies.

During the current quarter, we continue to witness inflationary pressures on our key raw materials and our other expenses and we expect inflationary trend to continue in the next two quarters because of geopolitical concerns and supply chain disruptions. Thereby we are focusing on improving price realization as well as cost efficiency. We would continue to seek a balance between growth and profitability through our diversified portfolio actions in domestic and export markets in the biscuits and bakery categories both for domestic and export market. Going forward, we will continue to focus on premiumization and consolidating our market share through brand awareness both digitally and in retail store through in-store branding exercises and aim to cater to wide variety of retail customers by introducing new niche products with a target to expand distribution network and increase penetration in Tier-1 and Tier-2 cities. We plan to focus more on digital marketing initiatives such as social media integration, influencer marketing and content marketing.

In terms of the new capex, the company has started investment on another biscuit line from the IPO proceeds of Rs. 40.5 Crores to finance the cost of the Rajpura expansion project and the commercial production for this plant has started in the month of May 2022. As communicated before for bakery plant extension in Mumbai, the company has purchased land in Khopoli adjacent to our current factory. The total project cost is estimated to be at Rs. 73 Crores including land, out of which Rs. 25 Crores would be invested in FY23 and balance in FY24. Commercial production is proposed to be started by October 2023.

**Now I will discuss the Q4 performance.**



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The consolidated revenues for the quarter stood at Rs. 252 Crores versus Rs. 224 Crores in Q4 FY21 registering a growth of 12.6% on a year-on-year basis.

#### Biscuit

Our biscuit segment reported a revenue growth of 4.3% which stood at Rs. 143 Crores in Q4 FY22 as compared to Rs. 137 Crores in Q4 FY21. This segment has grown by 27.2% over Q4 FY20. Our domestic biscuit segment has witnessed higher single-digit growth in Q4 FY22 as compared to the same period last year.

#### Bakery

On the bakery front bakery segment revenue stood at Rs. 95 Crores against Rs. 75 Crores in Q4 FY21, thus registering a growth of 26.8% in Q4 FY22. Including retail bakery and institutional segments, Bakery segment has grown by 40.8% as compared to Q4 FY20. Both the retail and institutional bakery has grown by high teens in Q4 FY22 as compared to the same period last year. We continue with our brand promotions in various e-commerce channels for biscuits and bakery products and are listed with leading e-commerce platforms in India. The company continues to witness cost pressures in prices of raw materials as a result, both gross margins and EBITDA margins saw a decline of 50 bps and 300 bps respectively and stood at 44.9% and 10.1% respectively. Profit after tax for the quarter stood at Rs. 10.2 Crores versus Rs. 12.8 Crores last year. PAT margin for the quarter stood at 4%.

**Now coming to our 12-month performance**, FY22 consolidated revenue stood at Rs. 988 Crores versus Rs. 881 Crores registering a growth of 12% on year-on-year basis. Revenues from biscuit segment have grown by 3% to Rs. 592 Crores as compared to Rs. 574 Crores in last year. Revenues from bakery segment have increased by 31% to Rs.339 Crores as compared to Rs. 259 Crores in FY21. EBITDA saw degrowth of 13% Y-on-Y and stood at Rs. 123 Crores. Our EBITDA margins for FY22 was 12.4% as compared to 16% last year. Profit after tax stood at Rs. 57 Crores versus Rs.72 Crores in FY21. PAT margin for FY22 was 5.8% as compared to 8.2% last year. I would like to mention the main reason for reduction in PAT as compared to last year is due to the entry tax provision reversal in the last year amounting to Rs.5.5 Crores. Also during the year due to COVID-19 pandemic, the company witnessed some expenses were lower than usual in the previous year. The company has also declared final dividend of Rs. 1.25 per equity share. With this I would request to open the floor for questions and answers. Thank you so much.

**Moderator:**

Thank you very much. We will now begin the question and answer session. Our first question is from the line of Nidhi Babaria from Dalal and Broacha Portfolio Managers. Please go ahead.

**Nidhi Babaria:**

Hi Sir, thank you for taking my question. I wanted to ask that in this quarter our gross margins were pretty decent while our EBITDA margins have gone down significantly even on Q-on-Q



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basis so is this because of some expansion cost which we had incurred, which is leading to reduction in EBITDA margins?

**Anoop Bector:**

Our gross margins as you rightly said vis-à-vis FY21 which was 47.6% in FY22 it was 44.2%. This is for the year, but in Q4 if you look at our last year margins were at 45.4% now they are at 44.9% so we have actually been improving on our gross margins because this will be happening due to increased prices which we have been monitoring, managing from the market. However we have seen some cost increases especially there have been cost increases which have come in other expenses which have come in due to increased fuel prices, increased transportation cost on logistic costs, so that has been one thing, on certain costs we have managed the savings, but on certain costs we have had a big hit especially on account of fuel and travel and transport. So if you look at on this overall size for everyone, on the drop of gross margin we are dropped by 3.35% this is due to raw material prices specifically on the gross margin side. This quarter this 3.35% drop has been now moved to 0.47%. Our EBITDA drop has come down to 3.62% in the year; however, for this quarter it is at 2.97%, the drop has been because of raw material prices, fuel, transport and also employee costs. On our PAT side the drop seems to be a bit higher because there is a provision of 5.5 Crores which have come in because it was a one-time expense, now what has gone better for us is that in FY22 we have seen our employee cost has come down, but in Q4 our employee cost has gone up this was because of certain one-time expenses which have come in, we have been talking about digitalization on the sales side front, so there has been recruitment due to field force recruitment since we are putting in field assist we have put in a lot of frontline workers which have come in, in this quarter their effectivity could not be shown because they were under training and also there were certain onetime payouts as incentives which have come in, in this quarter, so that has been the reason why our employee cost in the Q4 is looking a bit higher and on the other expenses which are looking substantially higher from 18.4% we are looking at a 20.3% which is like a 2% higher is because of the fuel, transport and travel expenses, so this has been the reason why the EBITDA margin has taken a bigger hit than the gross margin.

**Nidhi Babaria:**

If you can give some color or guidance on how this quarter on absolute basis what was the portion of investments or expenses done towards the expansion side or adding distributors or any on those sides?

**Anoop Bector:**

We have worked on distribution and what we have done is on the ADSR front we had 65 ADSR when we exited in December quarter, in March quarter we have moved to 266 ADSR that is why you are seeing a higher increase in the cost. We have increased our distributors from December quarter which was 527 distributors we have moved to around 543 distributors, so there is a continuous effort because once in these areas the recruitment had started there is a complete working being done on increasing distribution and I would like to mention that our field assist has finally been effective from June and we are able to now collect each information about the shop, about the outlet, about what he is selling, what time is he reporting, so effectivity of our



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sales distribution team should be seen as much, we should get much better results from our sales team, so this is on the distribution front.

**Nidhi Babaria:**

What would be the cost for ADSR?

**Anoop Bector:**

Cost is a very interesting thing earlier on we had 300 people approximately now I am giving an approximate number. We had approximately 300 people working on our roles, but now the ADSR were not working on our roles they are working on distributor roles, but we would be supporting the distributors till the time their effectivity starts coming in, so what is going to happen is most of the people who are on our roles will continue to reduce and our ADSR will continue to increase. The ADSR normally depends on which city he is working, on a rural area the ADSR cost is much lesser and when he is in a bigger city Tier-2 city it is averaged out but effectively you can count around Rs.12000, Rs.13000 whereas other person costs much higher.

**Nidhi Babaria:**

On biscuit demand side like I was just saying our Q4 overall biscuit sales are up by 4% where our competitor is up by almost 15% so are we losing any market share or is it the premium segment which is a bit lackluster as compared to the basic biscuits?

**Anoop Bector:**

No, there is nothing like it, specifically we had worked out that you have seen that all raw material prices were on the very higher side, it was very important to reduce your stocks in the market and work towards bringing in better efficiencies in the system so that is the reason, otherwise as per our report we have not lost any market share in fact our position as of date is much stronger than what we were earlier, so effectively what has happened is our secondary sales are much higher in the quarter than our primary sales, so there has been an effort by the company that since we are at the peak of the raw material prices we should not be having excess stocks in the market so that is the reason. We brought in better efficiency not that we have excess stocks but we brought in better efficiency so that could be seen as a slower growth number.

**Nidhi Babaria:**

If you can also give some breakup on our domestic sales versus export sales and in bakery again the bakery portion and the QSR breakup?

**Anoop Bector:**

Both sales are doing extremely well and we have already mentioned on the growth numbers future numbers for us are looking bright we are looking at around 13%, 14% growth numbers going forward and both the export side and the domestic side we have to create a fair balance where our profit margins also worked out well for us and growth stays intact. In the coming year we would be able to show you a 14% growth numbers for both.

**Nidhi Babaria:**

From this quarter second half of this year?

**Anoop Bector:**

Yes, in the biscuit side sales normally start peaking till October, November, so April onwards the season starts looking brighter, peaks by July and it goes down till November and with the increased distribution numbers that we are working on and the investments what we have done



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on our IT system which is specifically on our sales digitalization I think we would be seeing good numbers coming in.

**Nidhi Babaria:** If you can just give a color on price hikes that we have done in this quarter and what kind of price hikes do we expect in all our segments in coming quarters?

**Anoop Bector:** What we have seen this time is the first time in our history that once normally it used to be one price rise and we used to adjust the price, but over here every quarter we are adjusting our prices, we are working towards how to cover up the inflation and in fact certain part of this is still lying pending which is happening in this quarter so things get impacted before and we have to move afterwards we cannot move before the inflation has hit us, but overall our company has been able to do a good job, we have recovered our costs much better and we have broadened a lot of efficiencies in the system and we will continue to bring in a lot of automations, better systems, better efficient, more better plant which can bring in lower cost for us, so this is a crisis period especially because of the Ukraine Russia war where Ukraine was a very large producer of both wheat and of oil, so the impact has been there, but our company has done a fairly good job, you are already seeing it in the Q4 raw material prices and effectively I think we have done a good job, on the biscuit side our realizations have got better. On the domestic side today we are able to realize approximately around Rs.90 a kilo and on our export side we have done fairly well we have increased our realizations which have come in Q4. I am talking about Q4 numbers at the moment, so approximately 10% in the domestic side and around 15% plus in the export side. So certain price rises are still lying pending for us like CSD is lying pending for us, so there are certain areas where still work is happening.

**Nidhi Babaria:** Thank you Sir I will come back in queue.

**Moderator:** Thank you very much. Our next question is from the line of Saiprasad Prabhu from Bajaj Holdings & Investments Limited. Please go ahead.

**Saiprasad Prabhu:** Hi Sir, just a couple of questions from me. You mentioned about biscuits growing 4% and in the presentation it was mentioned that domestic biscuits grew by mid single digit so I was just wondering if biscuit exports were flattish this quarter and if yes then what is the reason for it, is it the price hikes which you have taken?

**Anoop Bector:** Yes, you are absolutely right exports were flattish because there were logistic issues on the shipping front and so export for Q4 has been flattish, but as an information for the whole year they grew by 17% which is a good figure and so export continues to do well for the company and we are seeing considerably gains coming in going forward.

**Saiprasad Prabhu:** Yes, so on a full year basis if it has grown 17% next year on this high base do you expect exports to maintain that 13%, 14% growth is what my question is?





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**Anoop Bector:** Yes, definitely the company's export team has worked very well on this and we are looking at a 14% growth numbers going forward.

**Saiprasad Prabhu:** Secondly is on the inflation overall on your raw material how much inflation are you seeing in Q4?

**Anoop Bector:** As an individual it is very difficult to bring in on a quarter-by-quarter basis, but like I mentioned earlier to Nidhi's question also my gross margin which is the raw material to my sale price in FY21 was 47.6% and in this year it was 44.2% so there was a drop of 3.35%, but in Q4 this drop was only 0.47% because in Q4 FY21 it was 45.4 and we have this year brought in 44.9% so effectively the drop has been reduced drastically and has been brought down to 0.47%.

**Saiprasad Prabhu:** You plan to maintain it in Q1 and Q2 as well at least quarterly sequentially?

**Anoop Bector:** Our focus is very clear to have a profitable and a sustainable growth so it is not only about growth it has to be a profitable growth and we continue to do so and we expect things to get better and work towards it.

**Saiprasad Prabhu:** On the employee cost you said there were certain one-time expenses and you have added a lot of sales force even at management level so what I wanted to ask is if sequentially this employee cost is going to remain or we may see some dip from current levels?

**Anoop Bector:** No, you will see a considerable dip going forward because there were certain one-time expenses which had come in and you will see a dip going forward because the company's strategy has changed we are having front liners who are going to be not on company roles, but company currently was supporting them because those people had been on training as the company has also maintained its own people because till the time ADSRs who are on distributor role takeover we cannot move our people to distributor role and so therefore both costs have got booked up and also we had some certain incentives which came in the last quarter so that is the reason otherwise you will see a dip going forward.

**Saiprasad Prabhu:** But Sir then your distributor cost will go up right?

**Anoop Bector:** No distributor cost will not go up I will tell you the reason for that. It will be at very, very small places where we might have to support this, areas where we are opening new people new distributors are being appointed let us say you have to appoint distributors in Mumbai right so we do not want people to be at our role because our own people are always going to be 30%, 40% more expensive than the distributor role, so effectively there will be 100% savings which will be coming in, efficiencies will be coming in because of the IT tools because earlier we were working on a home ground tool which could not support the today's requirement which our business needed, but we have now gone in for field assist which is actually giving us information what the biggest competitor is getting information the same sort of information we are having



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today in our system, so there is going to be definitely better efficiencies coming in going forward.

**Saiprasad Prabhu:** My last question is on the fuel prices you said that fuel prices and logistic cost have resulted some dip in EBITDA margin so if I can ask what is the percentage of sales and how it has changed quarter-on-quarter in Q4 like after 200 bps impact you had on EBITDA margin so how much would have come from this logistics and fuel prices?

**Anoop Bector:** On my other expenses side there has been a 2% increase, now I do not have it as a separate on the fuel and the transport logistic side and travel, but however I can just see if my support team can help me, so power and fuel actually is a 1% increase which was earlier at 4% and this year is at 5% but what we are seeing is that in Q4 I have annual figures and sorry the Q4 numbers which was earlier at 4% is now Q4 at 5%.

**Saiprasad Prabhu:** Logistics would be?

**Anoop Bector:** From a 7.5% last year we see this quarter we are looking at 8.81%.

**Saiprasad Prabhu:** That is it from my side, best of luck for your future. Thank you.

**Moderator:** Thank you. Our next question is from the line of Percy Panthaki from IIFL. Please go ahead.

**Percy Panthaki:** Hi Sir, your overall biscuit growth for the full year is 3% and you mentioned that exports grew for the full year 17% so the domestic biscuits declined by about 5% to 7% for the full year is my calculation correct?

**Anoop Bector:** Yes, you are right.

**Percy Panthaki:** What would be the reason for this?

**Anoop Bector:** In fact in the last quarter we have taken a dip. In the year 2021 it was a COVID year where sales were aggressively higher we all know about it and we should try to remember where pantry loading was extremely high so that is one of the biggest reason for the growth to come down and 5% what you are seeing is because of the pantry loading which happened in 2021, but like I mentioned we have had great growth going forward in the two years numbers, growth over FY20 Q4 is 27% of our total business, if I see what is my growth over FY20 to FY22 it is at 27%, so we have grown at 13.5% year-on-year. In Q4 our growth has been at 4% and I would actually correct it because in the Q4 I mentioned of course we are flattish in fact domestic biscuit business grew by 8% in Q4.

**Percy Panthaki:** I just wanted to understand in biscuits on our distribution front can you share some numbers in terms of total number of outlets both on direct reach as well as including the indirect reach how much has it grown compared to 12 months earlier?



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- Anoop Bector:** Actually what has happened is our growth numbers are coming but they are more coming on our quarterly basis, why so I will tell you. Our sales digitalization which we used to call it Parry actually was discontinued by the month of February because when the existing person came to know that we are moving to a more professional, a more trustworthy system as in field assist we stopped getting support from outside because this was a small company which was providing us help. So currently what we are seeing is our growth numbers are coming well and as I mentioned earlier this field assist is already working online, May we have seen good results, June we will now be 100% on it and our numbers will start coming in more intact, but what we saw in the last quarter. Now as a direct reach I think we increased our numbers but I would really tell you please that these numbers are going to be more exciting going forward because we are going to get hold of field assist now because there were certain small improvements which were needed which are already happening and effective June I think we would be able to share the exact numbers with you going forward. We will be able to give you percentage improvements in our system.
- Percy Panthaki:** Sure Sir on FY23 if I make a simplifying assumption that the input cost remains constant at the current level what kind of EBITDA margin for the company as a whole would you target for FY23?
- Anoop Bector:** We have always looked at a 14% which is the right number for us and we will stick to our numbers of 14%. You have already seen we came to at a 12.4% this was actually the worst off for the time we faced and it took us time to increase our prices, so still we would work towards the 14%.
- Percy Panthaki:** Actually one more questions on the B2B bread segment for the full year what has been the growth?
- Anoop Bector:** We have seen considerably good growth numbers coming there the double digit numbers, so B2B business continues to do well for the company not only are we working today with the current companies with whom we were working we are also adding newer companies, we are also adding newer products into the B2B side of the business so this business should be outperforming.
- Percy Panthaki:** That is all. Thank you.
- Moderator:** Thank you. Our next question is from the line of the Digant Haria from GreenEdge Wealth. Please go ahead.
- Digant Haria:** Sir first question is after the appointment of Mr. Talwar how will be the responsibilities or split between you, Mr. Talwar and Ishaan, in general like I am just trying to understand that how will this new appointment help us scale better and focus on more things?



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- Anoop Bector:** Mr. Talwar brings to the company a lot of experience and a very large experience from Coca-Cola to telecommunication to a family-run company and then finally a fresh startup which has been one of the most dynamic experiences. Our company has to have a changeover and has already started its process since last year working on digitalization not only digitalization in the sales side complete automation on the production side, so I think he is going to be leading the operations with Ishaan on the bakery side and so we are on the exports side the reporting directly to him and Manu reports into me so effectively Manu is going to be responsible for giving us better margins, better systems, more digitalization so overall he will bring in a lot of resource to the company. He has just joined us a month back it has been around 40 days and going forward I think he shall be more interacting with you than I would be interacting with you and so he is going to be responsible for the operations of the company.
- Digant Haria:** Sir surely look forward to him being on the call later in the year. Sir second question is on this institutional bakery in the last call you had said that we fix our prices in the month of March and April with all of our vendors...
- Anoop Bector:** I did not say March or April I said in the first quarter.
- Digant Haria:** How does this work well because we fix the price for the whole year and with this uncertain situation what is the pricing strategy you are adopting this time because earlier year it was fine...
- Anoop Bector:** It stands the same because of our large relationship it is more about predictability so our customers like predictability so we have a price correction which happens once a year but then we also block that raw material for them for the whole year so there are no shocks which can come in either to us or to them so the wheat, the oils or the other things not exactly the oil currently because oil is already at a peak so the blocking happens and we are expecting the price rises are already in the final discussion we are expecting to get them in the next few days.
- Digant Haria:** Just in the year when COVID hit us which is FY20 we did revenue of say 130 Crores in the institutional bakery division which fell down to the 75 Crores last year so this year have we crossed 100 Crores or we are still like far away from the all-time high of this division of 130 Crores?
- Anoop Bector:** I would not have the figure with me currently, but the sales of the B2B businesses are actually doing very well and I think they would surely cross the numbers what you are mentioning.
- Digant Haria:** Fair to say we would have crossed pre-COVID levels in this division also.
- Anoop Bector:** Yes, I think so we have crossed pre-COVID levels but the businesses are doing well they are very positive I think people are moving towards more organized retail, more B2B in a good format and so they are doing very well B2B is doing well for us.



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**Digant Haria:** Last question is that in the last four years we have almost spent 370, 380 Crores in terms of upgrading or building our manufacturing capacities and building capabilities and in the last four years we have not generated cash flow which is 380 Crores so a lot of that money has come, some of it has come from the IPO and some from our internal generation so we have created so much what is your outlook on say next two, three years will our cash flows be significantly better like I understand inflation plays a spoilsport this year but otherwise when you say 14% margins is it possible that in a stable year we do even more because we did around 16% margin in the COVID year as well?

**Anoop Bector:** Our cash flow from operations have always been quite decent in FY21 it was at 110 Crores and this year we were at 84 Crores our net debt to equity ratios are at 0.1 so we are effectively getting better, if you look at my working capital days they are getting better, other than we see in stocking we have some higher stocks because these are opportunity stocks which have been created and whenever there is a need we would dilute these stocks, but effectively the company is in a very, very strong position and is also taking up certain projects like we mentioned about the project which we had started for IPO proceed at a 40.5 Crores I think that has already started working so it has been affected from May onwards and we are also doing certain other expansions, it is not about expansion it is about creating the most lowest cost production base for the company so we are working towards shifting two of our lines from Tahliwal to Rajpura and making Rajpura as the largest base of production for Mrs. Bectors Food because of certain issues which are like very, very high transportation cost what we have already seen labor costs, other efficiencies Tahliwal plant was around a 14-year-old plant and considering the gas prices today we wanted to bring in better efficiency so what we have seen is investing around Rs.50 Crores there is a clear generation of money which comes in from here and the unit actually pays back for itself 100% in the four to five years' time so certain investments on the biscuit side are these. On the bakery side the company is looking at Bombay as a great opportunity going forward, the land has already been bought, the plants have been finalized, we are about to finalize the equipment and this year we are looking at investing 25 Crores, next year would be the balance amount of the 70, 73 Crores what we are looking at investing in this total project, in fact when you look at the size of the building like 73 Crores I am talking about the complete infrastructure is being looked at for three lines, but we will initially be putting up one line, so for the next three years or four years whenever new lines are coming up the cost of the project will significantly reduce and same is the case where we are actually putting 50 Crores for two lines actually the building and the infrastructure has been created for three lines, the third line will actually come out at a much lower cost, so this sort of investments are happening and the company other than building capabilities, capacities is also bringing in lower cost productions that you save immensely on the cost to produce so which will go a long way for the company to improve its profitability further.

**Digant Haria:** Thank you so much for your detailed explanation all the best.

**Moderator:** Thank you. Our next question is from the line of Prithvi from Unifi Capital. Please go ahead.



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**Prithvi:** Thanks and I just have a couple of questions. The first one on the inflation side for biscuits what has been the raw material inflation over the last 12 months and what has been your price hike could you quantify both the number?

**Anoop Bector:** Actually like I said earlier it is very difficult for us to quantify the numbers because inflation it is dynamic it just keeps changing and along with the inflation our price rises are changing, now what is important to see is when you are talking about raw material like I mentioned in FY21 our gross margin was at 47.6 in this year it is at 44.2 so there was a 3.35% drop so the raw material prices increased the company could not manage the complete price rise in the full year, but as time passed in the Q4 from 45.4% we have brought it up to 44.9% so effectively the difference now is only 0.4% drop, so the company is working on it and this is the most important thing for the company is to work towards the right gross margin and to drive an EBITDA margin of around 14% and the company today is very well placed, there are certain other price hikes which are happening in the first quarter they should be over by end of June, but also there are certain price rises which will take another one quarter or approximately another quarter where is like CSD the canteen stores department where our price rises are still pending with them and we expect them to take another three months time for the price rises. So effectively our target is to get an EBITDA of 14% and work towards wherever there are price rises happening. On the raw material side we cover them with either through price increase or through bringing efficiencies or cost cutting and that is the way forward for us.

**Prithvi:** Coming to the export biscuits obviously you mentioned on a container shortage, etc., so how is the situation now, is it any order book for you on the export side?

**Anoop Bector:** Normally what happens is in the last quarter every company is fulfilling its targets so there was a shortage for some time in the last 20 days, but otherwise things are okay now, things are more than normal there is no shortages and going forward we are looking actually at some benefits coming in from the shipping cost also, but right now we do not have any challenges on availability of containers.

**Prithvi:** Just a followup so what kind of growth you are looking on the export side?

**Anoop Bector:** I told you overall on the company side we can do anything about 14% so the numbers for us in the last two months are looking positive and the growth numbers seem to be going good.

**Prithvi:** Just one bookkeeping question in this quarter employee plus other expenses is almost 88 Crores and you mentioned there are certain one-offs could you quantify that one-off number?

**Anoop Bector:** It will be difficult to quantify exactly, if we look at the annual figure of 13.9 to 14.5 in fact last year it was 14.4 where the whole year cost come down to 13.9 and in the last quarter it was 13.9 now at 14.5 so you can expect around 0.6% to 0.7% numbers which have come in as a hit in the last quarter.



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- Prithvi:** Thank you Sir that is all from my side.
- Moderator:** Thank you. Our next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.
- Alisha Mahawla:** Hi Sir good evening thank you for taking my question. Just wanted to understand that in this quarter we have done about 10% kind of EBITDA margins and you did mention that considering inflation and geopolitical issues, etc., and some price hikes still remaining do we expect the pressure on margins to continue in H1 and do we expect the 10% to be the low or can margins go lower in the near-term?
- Anoop Bector:** I do not think so 10% is the right number the numbers are going to be better than this and so effectively like I mentioned we are looking EBITDA margins at approximately around 14% on the full year basis and we do not look at any challenges in that regard because most of the raw material prices have gone up we are looking at now prices to actually going forward in the next after two quarters to settle down and we could look at certain benefits coming in, but we are quite hopeful that anywhere between 13.5% to 14% we should be able to manage on the EBITDA side.
- Alisha Mahawla:** This aspiration of 13.5% to 14% are we expecting this in 2023 or will it take two, three years considering there is going to be some amount of cost upfronting that we are looking at?
- Anoop Bector:** No I am talking about numbers for this year I am not talking about two, three years I am talking about numbers this year.
- Alisha Mahawla:** One more clarification our bakery business grew at a much faster pace compared to the biscuits business yet there was such a high impact on the margins despite bakery being the better margin business can you help us understand why?
- Anoop Bector:** I need to know your question again.
- Alisha Mahawla:** The bakery business grew at 26% in the quarter versus biscuits which grew at 4.5% normally bakery is a better margin business so if that is outpacing the overall growth the margin should be slightly better just wanted to understand?
- Anoop Bector:** As a multi-product company these are certain safety measures which every company has so certain businesses are doing better, certain businesses need infrastructure development, so biscuits like what we have seen it has been a year when we had our IPO last December 2021 and we have continuously worked on making our company into a competitive mode with the largest biscuit company and we are working well towards it. We are seeing our premiumization paying off. This year also only in our GT business we have seen our premiumizations growing by 3% to 4% but in case we look at our modern trade, our modern trade has done well for the business and has grown by around 45% in the full year, so this is showing the strength of the brand. So



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effectively we are looking at our businesses to get premiumization to be a strong player in the modern trade because modern trade for us is a smaller part of the business currently but has immense potential and our biscuits are well accepted in modern trade today so effectively we are going to be looking at premiumizing, cost cutting and also doing price corrections for the market so effectively 13.5% to 14% is what we are looking at.

**Alisha Mahawla:** Just one last question what has been the ad spend in this year and what are we expecting it to be in next year?

**Anoop Bector:** Well our ad spend overall we have been spending around 8% on ATL and BTL activity and this year we have worked at around approximately at around 2% ATL and more has been on BTL 6% on BTL because we need to increase our distribution so we need in-shop activities more but overall spend is standing at 8%.

**Alisha Mahawla:** It will be similar in 2023 also?

**Anoop Bector:** Yes, absolutely similar but could be the movement happens from BTL to ATL.

**Alisha Mahawla:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

**Gaurav Gandhi:** Thanks for the opportunity Sir. I just want to ask that what is the possibility of our institutional customers not taking the contract ahead with us do we face any kind of risk there, competition risk or any other risk there?

**Anoop Bector:** Can I get your question again please I am so sorry.

**Gaurav Gandhi:** What is the risk we face or the possibility of our institutional customer not taking the contract ahead say next year or is there any kind of competition risk we face there?

**Anoop Bector:** Currently we have been working with our partners who are important to us for the last 25 years and we have never had experience anything like that and very, very ethical ways of working our partners have and so do we have and everything is discussed at the highest level and this is a strategy a plan what is their costgoing to be, how are they going to take their price increases so it is a complete business where we have an important part of their business we help them be the best in their cost so there is no reason for anybody to backtrack or anything and we have never experienced anything like that and I do not think so such things can happen because the contracts are made on a right price on the right quality of the product not on any speculation.

**Gaurav Gandhi:** Where do we see our company in the next 10 years how much big it can grow and how much confident are you of growing it?





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**Anoop Bector:** We are very confident to grow this business into a very, very strong consumer company, so if you look at all our parameters we are extremely strong, our fund generation is good, our challenges the challenge what the company has faced in this year in the last year how the company has been able to come out of these challenges, has invested on IT system, on sale digitalization during the challenging time and also shown the right result. So the company is very, very confident and with the growing business and what we are seeing for the biscuit side increasing our distribution, working on premiumization, cutting down costs and also in the bakery side it is growing at such good numbers we feel that we are in a very, very strong team and also what you are seeing is professionalism today in the last one year the amount of new people we have IT head, we have a new sales head and we have a modern trade strong team, now our CEO joined us in the company, so this is going to be a very, very strong, the company is fully geared up to be a very, very strong food company in India.

**Gaurav Gandhi:** Thanks that is it from my side all the best for the future.

**Moderator:** Thank you. Our next question is from the line of Abhishek Maheshwari from SkyRidge Wealth Management. Please go ahead.

**Abhishek Maheshwari:** Thank you for the opportunity. Just one question regarding wheat, your cost for the entire year has been booked in May so I wanted to know so you already know what cost inflation in wheat is like, do you think you will be able to pass on the entire inflation there to the end customers or there are some negotiations still happening?

**Anoop Bector:** We have been talking about this yes we come to know about on the cost effect and this will need to be passed on to the customer and that is okay so there are no challenges we have already taken this in our EOP plan so we are okay with that.

**Abhishek Maheshwari:** So there has been no lag in taking price hike because we have passed on the entire inflation?

**Anoop Bector:** Price rises will happen as per competition so wheat prices are going to be the same for me or for my competitors so it is not going to be very different and so all the impacts come at the similar time for somebody it comes one month earlier somebody comes two months later but the prices of all raw materials tend to be same for us and the competition so the necessary price rises will happen.

**Abhishek Maheshwari:** Thank you. So you are still planning to take some hikes or you have taken what you could do...

**Anoop Bector:** We have taken some price hikes in the last quarter which are going to be happening now, beyond this currently we are not looking at anything else coming up for time being because I think we have covered it well and we have CSD price rise which should happen in the second quarter so other than that we should be able to recover all of that.



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**Abhishek Maheshwari:** Thank you very much. All the best.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today and I would now like to hand the conference over to Mr. Anoop Bector for closing comments.

**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 the Orient Capital, our Investor Relationship Partner. Thank you so much. Thank you for joining us in our call.

**Moderator:** Thank you. On behalf of Mrs. Bectors Food Specialities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.