



“Mrs. Bector’s Food Specialities Limited Q4 FY 2021 Results Conference Call”

June 09, 2021



MANAGEMENT: MR. ANOOP BECTOR – MANAGING DIRECTOR & PROMOTER
MR. ISHAAN BECTOR – WHOLE TIME DIRECTOR
MR. SUVIR BECTOR – WHOLE-TIME DIRECTOR
MR. PARVEEN GOEL – WHOLE TIME DIRECTOR & CHIEF FINANCIAL OFFICER
MR. DEEPAK JAIN – HEAD (FINANCE & CORPORATE STRATEGY)
MR. GURPREET SINGH AMRIT – CHIEF MARKETING OFFICER



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Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY 2021 Earnings Conference Call of Mrs. Bector's 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. I now hand the conference over to Mr. Anoop Bector – MD and Promoter, Mrs. Bector's Food Specialities Limited. Thank you and over to you, sir.

Anoop Bector: Hello, and Good evening, everyone. I hope you all are keeping safe and healthy during these times. Today on the call, I am joined by Mr. Ishaan Bector – Whole Time Director, Mr. Suvir Bector – Whole Time Director, Mr. Parveen Goel – Whole Time Director and CFO of the Company, Mr. Gurpreet Singh – Chief Marketing Officer and Mr. Deepak Jain – Head Finance and Corporate Strategy.

We have uploaded our investor deck and results highlights on the stock exchanges and the company website. I hope everybody had an opportunity to go through the same. The second wave of COVID-19 had adversely affected the economy and our Company too. In these tough times, our priority had clearly shifted to continue supply the essentials, and at the same time to take care of our people on ground who were working relentlessly in these challenging times. The company organized vaccination camps at the factories for employees and their families. We also extended the health insurance program for all our employees.

Now coming to the performance of financial year 2021:

In spite of all the challenges faced due to the pandemic, the company recorded a 16% growth in revenues and a stellar 52% and 138% growth in EBITDA and the PAT margins respectively. This was due to increase volumes for all our products and increase in price realizations. Your company saw an accelerated increase in sales of the biscuits to the retail customers. For FY 2021, the domestic biscuits sales increased by 23% to Rs. 349 crores. This is in spite of revenues degrowing from CSD and even from the sales from the Indian Railways have been impacted due to COVID-19 pandemic as trains were not running. During the second half, we have seen improved revenues in these segments too.

Your company is one of the leading exporters of biscuits from India, having a 12% share of the total exports of biscuits. Exports for the company for the year 2021 grew by 34% to Rs. 225 crores. Your company saw a robust growth of 41% in sales of bakery products to retail customers. This was on the back of increasing the value added products in the portfolio and increased distribution network. Newer territories, Mumbai and Bangalore, where we have seen robust growth and "English Oven" is now well accepted in these two large markets too.



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Due to COVID-19 restrictions, we saw a de-growth in the institutional bakery segment. Institutional bakery sales also started picking up as the restaurant has started opening after the relaxations of COVID-19 restrictions.

In the last year, we have seen a strong uptick in the modern trade and e-commerce segment. We are also expanding our distribution in modern trade. We are introducing larger and midsize packs of existing high selling products based on buying patterns and regional preferences for sale through modern trade. We have started our brand promotions in various e-commerce channels for our biscuits and bakery products and are listed with leading e-commerce platforms in India.

Our biscuits are distributed across 23 states in India, through a widespread network of 250+ super stockists, 900+ distributors, supplying to a wide range of customers through our retail and preferred outlets. We are continuously expanding our retail reach. Over the last year, our retail touch points have increased by over 1.2 lakhs from 4,30,000 to 5,50,000 touch points. In FY 2021, our direct touch points have also increased by 65,000 outlets from 135,000 outlets in FY 2020 we are now covering around 2 lakh+ outlets in FY 2021.

We supply our bakery products to our customers through over 210+ distributors and over 18,000+ retail outlets. We are one of the few bakery companies in India that can handle fresh, chilled and frozen products. And this model enables us to distribute our bakery products across India.

As a strategy going forward, we are expanding the sales of our biscuits by emphasizing on introducing and marketing our premium biscuits, increasing our market share by increasing brand awareness through digital channels, and building visibility and retail stores through in-store branding activities.

On the bakery side, we are focusing on leveraging opportunities in new cities and expand our product portfolio by introducing niche products to our retail customers, such as sub breads, foot longs, pizzas and garlic bread. We plan to focus more on digital marketing initiatives such as social media integration, influencer marketing and content marketing for our bread side.

Coming to our CAPEX plan:

- The company has already started cookies line at Rajpura in February 2021 with a capacity of 300 metric tonnes per month.
- We are also expanding one bakery line and bread line at Greater Noida, in Uttar Pradesh, which will start somewhere in Q3 FY 2022.
- In line with our discussions during IPO, the capital raise of Rs. 40 crores which will be utilized for one biscuit line at Rajpura and the commercial production of the same will start from April 2022.



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While we are doing CAPEX, we are very mindful to expand in an environmentally friendly and cost effective manner. We have embarked on initiatives in this direction by investing in solar energy generation and rainwater harvesting. This will help us fulfil our needs captively for both power and water. The company is investing on renewable energy and is providing solar power plants at Rajpura, Phillaur, Tahliwal and Khapoli, with an investment of more than Rs. 5 crores.

Coming to our branding and marketing strategy: We have been marketing across channels to increase our brand awareness through advertising in print media, digital and outdoor promotional campaigns. We have also entered into arrangements with our preferred retail outlets which will help us in enhancing our brand visibility. We believe that a strong and a recognizable brand is the key strength in our industry, which increases customer confidence and influences purchase decisions. We have developed our recipes and products based on extensive understanding of our key products for our biscuits and bakery products with a focus on improving the quality standards. We believe that our focus on quality, our product range and our effective pricing have enabled us to develop strong brand recognition and consumer loyalty in our key domestic and export markets.

On the CSR front, we have initiated towards the education of the underprivileged students, by building new classrooms in a government school in Phillaur. The company has also adopted water ponds near Rajpura and set up water rain harvesting facilities. This will generate clean water and help nearby villages to use clean water on a regular basis.

To end, I would like to thank all the stakeholders, our employees, suppliers and our customers who have supported us during this pandemic times. Also going forward, due to certain competitive issues, we will not be able to provide segmental data.

With this, I would like to hand over to Mr. Deepak Jain, our Head of Finance and Corporate Strategy for the financial highlights. Thank you so much.

Deepak Jain:

Thank you, Anoop sir. Our company has reported a strong growth for the quarter and the year ended 31st March 2021.

The Board of Directors have recommended a final dividend of Rs. 2.4 per equity share at a face value of Rs. 10 which is equivalent to 24% on face value for the financial year ended 31st March 2021.

Now, coming to our Q4 performance:

Revenue for Q4 FY 2021 stood at Rs. 224 crores versus Rs. 194 crores, registering a growth of 15% on year-on-year basis. Our revenue from the domestic biscuits segment have grown by 10% to Rs. 72 crores as compared to Rs. 66 crores in the Q4 FY 2020. Our biscuit export business has grown by 39% to Rs. 65 crores as compared to Rs. 47 crores in Q4 FY 20. Revenues from



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the retail bread and bakery segment grew by 27% to Rs. 48 crores compared to Rs. 38 crores in Q4 FY 2020. Revenues from the institutional bakery segment are at Rs. 27 crores compared to Rs. 30 crores in Q4 FY 2020, a 10% degrowth.

EBITDA has seen a growth of 15% which stood at Rs. 29 crores as compared to Rs. 25 crores in Q4 FY 2020. During the last quarter, the company has seen increase price of raw materials, especially palm oil prices and packing materials which has affected our gross margin in Q4 FY 2021. Our EBITDA margin for the quarter stood at 13.1%.

Profit after tax for the quarter stood at Rs. 13 crores versus Rs. 9 crores in Q4 FY 2020, registered a growth of 41%. PAT margins for the quarter stood at 5.7%, showing an improvement of 100 basis points compared to 4.7% in Q4 FY 2020.

Now coming to our yearly performance:

Revenue for FY 2021 stood at Rs. 881 crores versus Rs. 762 crores, registering a growth of 16% on a year-on-year basis. Our revenue from the domestic biscuit segment have grown by 23% to Rs. 349 crores compared to Rs. 283 crores in FY 2020. Our biscuit export business has grown by 34% to Rs. 225 crores as compared to Rs. 168 crores in FY 2020. Revenues from the retail bread and bakery segment have shown a robust growth of 41% to Rs. 183 crores compared to Rs. 130 crores in FY 2020. Revenues from the institutional bakery segment are at Rs. 76 crores compared to Rs. 132 crores in FY 2020. The degrowth is due to restriction on hotels and restaurants because of COVID-19.

Our EBITDA for FY 2021 stood at Rs. 141 crores compared to Rs. 93 crores in FY 2020, registering a growth of 52% year-on-year. The EBITDA margin has also seen a healthy improvement of 380 basis points, which stood at 16% compared to 12.2% in FY 2020. Going ahead, we foresee increase in branding and distribution once we expand our business to newer geographies, this will increase the cost for brand development going ahead. We expect margin to stabilize at 14% to 15% going ahead.

Profit after tax for FY 2021 stood at Rs. 72 crores as compared to Rs. 30 crores in FY 2020, recording a strong growth of 138% year-on-year. PAT margin stood at 8.2%, a stellar improvement of 420 basis points as compared to 4% in FY 2020.

Our return on capital employed which is at 22.9% showed an improvement of 920 basis points year-on-year. Return on equity is at 16.8% improved by 730 basis points year-on-year. Net debt is Rs. 33 crores, reduced from Rs. 73 crores in FY 2020. Net debt to equity is at 0.08x, reduced from 0.23x in FY 2020. Working Capital days is at 30 days as 31st March, 2021.

With this, we will now open the floor for question and answers. Thank you.



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- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Percy Panthaki from IIFL. Please go ahead.
- Percy Panthaki:** My first question is on the institutional bakery segment, which has seen a 10% decline for this quarter. Just wanted to understand the reason behind this decline, because most of the QSR Companies and restaurants have actually reported a Y-o-Y growth in their sales in this quarter.
- Anoop Bector:** What we have seen is that we continue to supply all the QSR the way we were doing, however the momentum of sales at the end of March started going down, and not all the restaurants had come back to opening. There were a few of the restaurants which had not opened, the new restaurant openings had not happened. So, that is the reason why we saw sales not fully recovered in Q4FY21.
- Percy Panthaki:** Okay. Understood. Secondly, there's been a sequential compression in the gross margin. So, just wanted to know your view on how you see the input cost inflation and what measures have you taken to counter that, either in terms of price increases, etc., which you have already taken or any price increases which you think need to be taken in the near future?
- Anoop Bector:** Yes, so there has been big impact in Q4 on the price rises in the palm oil side and also on the packaging material side. And we have taken very concrete steps which are long-term steps where we have done cost optimization. We have improved efficiencies in the system, we have brought in price increases which have been passed on to the customer and also reduction of trade schemes has been done. So, it was a big jump with a very big cost increase, which had been rapidly happening from the fourth quarter and going into the first quarter too. So, we were not able to imagine what the true cost increases were coming, but now things are looking stabilized and we are seeing fall happening in prices of palm oil now, and I think the prices have peaked. So, for us, I think we have substantially been able to cover up our costs, and this in the longer term would be beneficial to the company.
- Percy Panthaki:** Sir, any kind of number you can share in terms of the weighted average price taken on the biscuits portfolio?
- Anoop Bector:** It all depends in the premium range where the fat quantity is higher, the packaging quality is better, the impact is more, but the price rise is also easier to get into the market where there's value. Over there, the impact is lower and we have to do work on de-grammages or on cost efficiency programs we have to bring in. But for a company we have not seen such an increase in the last 25 years of working, but it has been substantially taken care of. And by start of Q2 we shall be fully recovered.
- Percy Panthaki:** Okay. So, basically the margins that we have seen in Q1, they are on the lower side and going forward the gross margin will be higher than what we have seen in the quarter which just went by?



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- Anoop Bector:** Yes, it will start recovering. The impact is majorly on the biscuit side. So, since we have got 400 SKUs, it took us time to get the price rise to work on the cost efficiency programs. And also for the products we are exporting, price increases from the customers took us time. But in the first and second quarter we shall recover fully.
- Percy Panthaki:** And my last question is, in the retail bakery segment this quarter we have done a sales growth of 27%, and in fact for the full year we have done 41%. So, just wanted to understand how much of this increase is coming from sort of the relatively new geographies versus how much is coming from the NCR region?
- Ishaan Bector:** So, for us, our newer geographies are relatively smaller, but we only look at new geographies as Mumbai market and Bangalore market. For us, both these markets have grown very aggressively. In fact, Bangalore has grown by more than 50% for us and the Bombay numbers are also around 35%. So, there is a large increase in both the markets where we have seen our brand getting rapidly accepted and the distribution is sort of coming in, but, yes, the Delhi NCR market is still about 85% of our sales.
- Percy Panthaki:** So, Ishaan, if the total segment sales growth is 41% and Bombay 35%, Bangalore is 50%, then Delhi also would be growing very close to that 40% mark?
- Ishaan Bector:** Yes, we are increasing our share in the existing market as well, and a lot of support is coming in from newer geographies also. We are now starting to open up newer geographies around Delhi NCR, smaller cities within the 250 kilometer radius. So, there is also, a substantial growth that we are seeing from our existing distributors, where we are capturing market share.
- Percy Panthaki:** And this high growth in Delhi market, you are confident it can continue for the next few years also?
- Ishaan Bector:** See, as the base gets higher, we are not taking 40% growth in our business plans. But we are looking at growing above the market share and our target is to grow at about at or above 20% in the medium term.
- Moderator:** Thank you. The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.
- Manoj Menon:** A couple of questions from my side. One, could you comment about your experience of new markets. The reason I am saying is because last year was really not a great time to do newer things, at least that's the sense what we get. So, just trying to understand, is there a bigger ramp up in terms of people, activities, etc., in FY 2022 or you are largely done? And what's been the competitive reaction, which are the products?



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So, just trying to understand, if I take a three-year block from today, which is fiscal 2022, 2023, 2024, your successes in Mumbai and Bangalore could have a material tailwind. So, just trying to get that.

Ishaan Bector:

Okay. See, we are focusing on the core principle, which is distribution, and that is our only focus. Definitely during this pandemic, especially in the second wave, the dynamics were sort of different, but we are constantly tracking our teams, we have given them very aggressive targets on how many retail outlets we need to open. Like I said, in newer geographies we are very present.

We are focusing on building better teams, we are focusing on building better distribution. And I think what sort of product portfolio we have established, it is a very competitive one, and is well accepted in the market. If it wouldn't have been, we would have not got success in these new geographies. So, I think for us it's just going to be continuing to improve our product quality, continue to give new products to the consumer to get them excited, but most importantly, to continue to add outlets. I think that is what is going to continue to give us some growth.

Manoj Menon:

Okay. Secondly, if my understanding is right, there was a new capacity, there is a new line which was supposed to come up in Noida somewhere at the end of Q4. I don't know whether I really missed that comment earlier, but any update on that? The reason I am asking, because I do recall that there was a newer technology which could have been potentially a company advantage sort of purposes.

Ishaan Bector:

Unfortunately, due to the second wave of the pandemic we are still under installation, because we need foreign engineers to come into the country and install the line. Already the plant is installed in our premises, however due to the bad timing of the lockdowns again, we are waiting for India to sort of reopen its borders to foreign countries, and we just need to do the commissioning of the line which is an exercise of 10 days.

We are being conservative and we are hoping that as soon as possible, this line will be commissioned, which will give us another additional 80,000 pieces of bread capacity. And like you said, it will also give us better hygiene, it will give us better efficiencies, and hopefully drive stronger competitive edge. So, we are just waiting for the engineers to come in, and things to calm down a little bit in the country.

Anoop Bector:

I would just like to extend on that Manoj. In fact, there is a bread line and there is a bun line, which is 22,000 buns per hour and approximate sales at 100% capacity from these two lines is around Rs. 150 crores. So, in fact, the engineers are already working, they had to rush back because their countries called them back because of the COVID situation. Otherwise, this line should have been up and about. In fact, in the IPO we have mentioned we will start this line in the Q1, but now we have to wait when the engineers come in 10 days' time, 15 days' time, this line can start.



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Manoj Menon: Got it. Good luck. Experts have seen a good recovery, this year of course there is a lower base But just again trying to understand from you, what should be the medium term thought process on exports revenue?

Anoop Bector: So, exports for us is going to be very, very strong and it continues to be strong even now. Even after the low base, even at today's 2021 base we are still growing very well. And our product acceptability is great and we are further strengthening it by building a very, very strong team for the export segment. We are also looking at opening up our offices in Dubai and having a sales team stationed especially for MENA region and African market in Middle East. Today, our price realizations have further improved, I think it's above Rs. 100 now. So, we are doing well in the export side and we would continue to work very aggressively for our brand and with the large stores.

Manoj Menon: Understood. And lastly, based on the current PLI scheme what is announced, any comments from your side on any potential opportunity for you based on what we know currently?

Anoop Bector: Yes, so it is still very initial. We have to put in our application which we are doing, and we are looking at benefiting from the PLI scheme. So, in case the PLI scheme is approved for us, yes, there would be some investments coming with additional plans.

Manoj Menon: And sir, one request from my side. I am probably representing in a bunch of investors as well who are there on the call listening to this, at least for the next couple of years we would strongly request you to continue the current disclosure, until there is a track record, there is a history in the listed space. Because given the divergent nature of the revenue lines of your business, which in fact it is good, but it is fairly divergent. So, looking at just one geographic number it is difficult to analyze.

Anoop Bector: So definitely, we are very transparent, we would like our information to flow to our shareholders, our investors. But we have also seen that certain information which are affecting the competitiveness for us, people are looking at those opportunities. So, only at those points these information would be compiled together, and otherwise there is no issue. So, our company is fully transparent, it is only on places where we feel the competitiveness for the company is going to get affected, it is at that point of time where we want a leverage.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: I just wanted to understand, if you can tell us what is the volume growth what you have got in Q4, particularly for biscuits?



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- Anoop Bector:** We actually do not really look at volume growth, because it is more about value, because value drives profitability, value drives top-line. So, we are not into glucose biscuits where volume growth can come in, we look at quality growth.
- Shirish Pardeshi:** Okay. My next question is, in the marketing slide I saw that you have added 5,000 plus preferred outlets. So, what exactly we are trying to do here? Is that the exclusive outlets or owned outlets...
- Anoop Bector:** No, there are 5000+ outlets . where our teams are going regularly into shop they connect to the shop directly, we are able to place what we want to place in that shop. So, that actually helps us, so that's what we are talking about.
- Gurpreet Singh:** In CPO outlets where we have a preferred relationship with the retailer, we compensate them for giving us higher share of shelf and visibility to our brands. They also stock more majority or all of our premium products and give us a good visibility compared to the rest of the brand. So, this really gives us premiumness, it also gives us higher market share, and builds business exclusivity with those outlets. That gives a better relationship with the retailer as well.
- Shirish Pardeshi:** Okay. My last question is on the margin front, though Mr. Anoop has guided us that we will be able to maintain, and you have taken some price increases and efficiencies measures. Just wanted to understand, at this point of time what is the weighted inflation we have seen in Q4 and what is the weighted price increase we have taken to mitigate it?
- Anoop Bector:** We have already worked on cost efficiencies, because whenever there is a price rise we put more pressure on our companies to cut cost, to bring in efficiencies, because these are going to be long-term benefits. And then there are short-term benefits, because we brought in the trade schemes back, price increases have been done into the market by way of MRP increases or by way of reduction of where there is a Rs. 5, Rs. 10 segment so there have been a reduction in the waste which have happened. So, these have already happened now, majority of the work has already happened.
- And when we are talking about the export front, it's more about price increases. However, we are going to be adjusting our price increase. So, like I said, this has mostly been taken care of, and we have also seeing that from Q1 FY22 we will see a reduction in palm oil prices In fact, the EBITDA margins like what Deepak mentioned, about 14% to 15% which we are targeting, and we should be able to achieve that.
- Moderator:** Thank you. The next question is from the line of Nilesh Jethani from Envision Capital. Please go ahead.
- Nilesh Jethani:** Hi Sir, Thanks for the opportunity. The first question was on the biscuit segment. So, now we have already reached retail outlets of around 5.5 lakh outlets. So, one question, what are the plans going ahead here in the next two to three years? What is the retail outlet reach we are



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targeting? And besides this, of course, the industry is expected to grow at 9%. So, what is our aspiration to grow in the segment?

Anoop Bector: We have taken our growth plans at around 14% to 15% on the biscuit side, and on the top-line. So, we will be continuing to open up aggressively on the direct reach outlets, and we are strengthening our teams accordingly in each and every area. Our focus is very clear that we have to be increasing our outlets and we are bringing in the required senior resources into the company who are going to see that the deliverance happens. But what we are mentioning in our plans, we are looking at a 14% to 15% growth on the biscuit side domestic side, all those sort of growth numbers to come in. So, effectively in this year we have seen in the first two months there was a challenge because supply chains could not be established and things like that. So, there would be a small impact coming in on the side. But our effort would continuously work towards maintaining these numbers, and we will be working on it.

Nilesh Jethani: Understood. Sir, second question would be on the QSR side. So, of course April and May have seen a sharp lockdowns across state, and this has impacted the footfalls also. So, what is our spends in the first two months, how has the sale shaping up in the institutional bakery segment?

Anoop Bector: It is better than the last lockdown, this was well managed, the home service continued, but still the impact is quite large. We are seeing ~50% impact coming in from our supply chain side. So, effectively we look forward that this year we have seen openings happening but still some days are curfew. So, we need to wait and watch to understand how these markets are going to be working. But definitely it is better than the last lockdown what happened, but still there are going to be challenges, let me correct myself on growth number, that the first two months we could not be completing our supply chain because the retailers are only open till 10 o'clock, 11 o'clock, each state has its own rules. People were scared and we were very conscious on the safety of our people, which was paramount to us. In fact, the total growth of 14% to 15% is going to be the company number. But for the domestic biscuit side, we are looking at probably a 6% to 8% growth. On the export side it is a 14% to 15% growth and on the bakery side there is going to be approximately a 20% growth. But overall, the company growth is going to be a 14% to 15% growth.

Nilesh Jethani: My question was, on the institutional bakery side, whatever there has been a hike in the raw material prices, were we able to fully pass on the same to the institutional bakery side?

Anoop Bector: See, on the bakery side there is no price rise. The impact has come for the biscuit side, the palm oil prices impacted biscuits business not the bakery, because the consumption of vegetable oil is very limited in bakery. In fact, wheat is in a deflationary condition and prices of wheat have actually gone down. So, effectively, we do not see any price rises happening for the QSR because for majority of the raw materials there is no price rise, in fact there is a reduction. So, this year I don't think so there will be any need for a price rise for the institution on the bakery side.



Nilesh Jethani: Understood. And sir, one last question, we are targeting around 20% odd growth in the retail bakery segment. So, considering the high base of last year, how confident are we to have that kind of growth in FY 2022?

Ishaan Bector: So, I mean, when we are looking at our current numbers in the new financial year we are meeting our targets and we are quite hopeful that things will get better, markets will open which will further help us to increase our pace of increasing infrastructure. So, these targets have been taken quite thoughtfully. And I think 20% is a reasonable expectation.

Nilesh Jethani: The background behind asking this question was, last year when the lockdown was announced, typically hygiene was the most favored item and breads and stuff like that got a sharp jump. In fact, the leaders in the segment also reported strong volume growth. But this time around also in the month of April and May are we seeing the similar trends to have that 20% kind of a growth?

Ishaan Bector: You know, for us, actually last quarter volumes had sort of dipped because, last quarter as in during the first lockdown Q1 of last year because supply chain disruptions were rampant. So, we had in fact cut back on certain SKUs which we refused to give to the market. While that helped us increase the realizations, volumes actually went down.

This time around there are no supply chain disruptions, the disruption has largely been at the market end where shops have not been open for the right amount of time. But despite these, we have reintroduced those SKUs back into the market and our volume is looking strong. And like I said, as things open up, our distribution numbers will continue to increase so we are confident that we will be able to achieve our growth. And I would say that, in our case, during the last year the growth was not because of increased consumption, it was because of increased distribution. Because we had actually cut down on volume.

Nilesh Jethani: And what are we today in terms of distribution reach in the retail bakery segment vis-à-vis last year?

Ishaan Bector: So, we are constantly looking at adding outlets, we are currently at 18,000-plus outlets and we are strongly looking at growing our outlet base at least 15% to 20% at the minimum, to support our numbers.

Nilesh Jethani: So, 18,000, so last year what was the number?

Ishaan Bector: See, the visibility on distribution on the bakery side becomes a little difficult because there is no organized data as our products go to dealers, sub dealers and then into the outlets. What we are doing now is, we are trying to automate our distributors, and try to get as much as information on the number of retail outlets, because it's very important. If we are going to track the number of retail outlet openings, we should be having it on our system. So, bread unfortunately, does



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not work on a very organized platform, and there is no data to support the same. We are building this data so that we are able to track at least 15 to 20% growth in outlets.

Moderator: Thank you. The next question is from the line of Pathanjali S from Mirabilis Investment Trust. Please go ahead.

Pathanjali S: I believe your exports have grown at 34%, so I am trying to understand whether this is more due to the fact that the consumption is higher in that particular region, or have we got any new deals with any of the bigger institutions that we were previously supplying to?

Anoop Bector: It is not like that, in fact, America till the last quarter was under lockdown, so it is only about increasing our distribution, working towards the MENA region, like even during the IPO we had said, we have got focused on countries. So, in the MENA region we worked very aggressively. In MENA region alone we took 136% growth, so that were the sort of numbers. North America there was a 60% growth. We have been working on markets which are going to be giving us better realization. We would continue to work towards getting such a bigger growth number. And also working with large retail stores and for our brand and for their brands. But focus is on the MENA side, because MENA region, Africa, America, we are continuously getting a growth. And like I mentioned, we are looking at opening up our office in Dubai, which will really help us getting a stronger penetration in this market, which really gives a better value to the product.

Pathanjali S: Okay. And sir, just one question on the margins. The guidance we had given was around 15% in our previous call, but for the current quarter it's 13%, which can be justified with the increase in the RM cost. But going forward, will it be at 15% that's what we have given the guidance?

Anoop Bector: So, the year end we would be giving you 14% to 15%, that's what our target is. But in the biscuit side, to take a price rise takes time, it cannot happen very fast, because we have a large number of SKUs, planning on each SKUs seeing what the competition is doing, and working on a plan which has to be robust and solid, so that it does not rebound. So, it took us time. There would be some pressure in Q1, but most probably like I mentioned, from Q2 we will be able to recover and we are becoming better. And by the year end, we will be at a 14% to 15% for sure. That's what we target.

Moderator: Thank you. The next question is from the line of Vinod Malviya from Union Mutual Fund. Please go ahead.

Vinod Malviya: I had a couple of questions. The first question is on your export incentive. Can you help me with the numbers for FY 2021 and Q4 FY 2021, what was the export incentive number?

Deepak Jain: The export incentive for the last year was around Rs. 14.7 crores. In this year the amount is also similar, around Rs. 15.3 crores. So, there is not much change in the export incentive.



Vinod Malviya: Okay. And the second question which I had was on your other cost during the quarter. If I look at your other cost during the quarter, it has increased by 23% on a Y-o-Y basis compared to last year. So, is it fair to assume that most of the cost cutting which has happened during the pandemic has gone back to the pre-COVID level and we should not see such kind of a spike in your overall other cost?

Deepak Jain: Yes. There are some expenses which came in Q4, like the CSR expenses, and few other expenses which was cut down during the pandemic, which has come back in this quarter. So, there is no such abnormal expenses which has come in this quarter, but largely whatever we have cut down in this pandemic time, which has come back in this quarter and the second is the CSR expenses.

Vinod Malviya: Yes. Sir, my next question is, if I heard you right, you said you are looking at 6% to 7% growth in the domestic biscuit business and around 13% to 14% kind of growth in the export business and around 20% plus growth in the bread and bakery segment.

Anoop Bector: Yes, overall, the company's looking at a 14% growth numbers.

Vinod Malviya: I was just slightly curious, if the industry is expected to grow at around 8% to 9% in the domestic biscuit business, you are projecting even lower growth rate

Anoop Bector: Actually, what has happened is, in case you see the last year, due to the pandemic there have been robust growth in the first quarter, which has come in which was as high as 27%, 30%. Now, this year, with the COVID coming in the second time, there is no market demand per se, in fact, the shops are shut down, in fact from now first week onwards, we are seeing partial opening out where markets are opening out. And so, things are coming back to normal, but the first few months' loss, we have to see that how that impact is going to be coming out. We are sure that we will be working on better numbers, we are aggressive on our distribution. In fact, we are more aggressive than last year, but for the first two months aggression does not work when it comes to humanity. Because when people say that somebody from a family has passed away, we have to be with them.

We are seeing things getting better. People have started coming out. Working from home was not working because the shops were shut, people said we don't have a customer, what are you going to be sending your biscuits for. So, things have become better now, we have already had our first week's review for the month of June, things are coming back to normalcy. We are seeing growth numbers; we will be having a better and clearer picture by the next quarter numbers when we are presenting the first quarter numbers. I think on the biscuit side we will be able to give you a much clearer picture on what the growth is going to be at that time. It is going to be better than what I have said. But yes, we will have to wait and watch how COVID has been impacted.

So, there's a lot of things coming from the backend, how things have performed till now and how we are going to be taking them ahead. So, that is what we have considered. But in case we



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say, are we getting behind from our distribution growth, it is not. We are strengthening our distribution growth, we are aggressively going to be getting into newer cities, newer towns, towns which we were not doing well, we are going to be aggressively getting onto that. Due to COVID we are restricted to give how our thought would be working, because the last two months it was quite pressed.

Vinod Malviya: I got your point. So, you are talking more from a near-term FY 2022 growth rate, it could be at around 6% - 7% because of higher base in FY 2021. But over a longer period, let's say three to four years, one should fairly assume a higher growth?

Anoop Bector: We have targeted a 14% and we will continue to be back on 14% on the domestic biscuit side.

Moderator: Thank you. The next question is from the line of Sonal Minhaj from Precious Capital. Please go ahead.

Sonal Minhaj: I have two questions. One is, just wanted to understand the realization of your biscuit business in the domestic market vis-à-vis the exports. I think you shared the number for the realization for exports, but just wanted to know, is the domestic realization higher and by what rough amount? And just wanted to get an understanding on your marketing spend, last financial year, this financial year and going further. Because you have talked about distribution, but how is marketing actually also following the trend, just wanted to understand that.

Gurpreet Singh: So, our marketing spends are essentially focused on regional marketing. So, majority of our business is concentrated in north, so we use regional newspapers, we use point of sale material, we use outdoor media, we use a lot of digital marketing, we use social media, etc., those spends have gone up versus last year. But there was definitely a bit of disruption due to pandemic because people's normal media habits were disrupted, people were not reading newspapers, etc., new content was not being consumed, people were confined. So, we concentrated extensively on digital marketing.

Gurpreet Singh: On the realization front, If we take the AC Nielsen realization, this should be at around Rs. 115. And that's because that's based out of the MRP of the product. And that's what normally companies talk about when they talk about their market realization.

Sonal Minhaj: Comparing these two businesses, working capital wise your export business is lighter on the balance sheet, because it's a little lower on realization with the examples which you have shared. So, is it better off in terms of working capital or working capital is pretty much the same between the two businesses?

Gurpreet Singh: No, domestic biscuits definitely is better. And on the export side, the payments are actually there, it's around another 15 days or 20 days additional. Parven ji, can you give this answer please?



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Parveen Goel: Sir, in the course of export realizations, there is approximately 30 to 35 days. But in domestic market, the payment in 15 to 20 days. So, the working capital usage is more in export business.

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

Anoop Bector: I thank everyone for joining us for the presentation. And I hope we have been able to take all your queries. In case there are any further details, please contact us or Mr. Deven Dhruva from Orient Capital, our investor relationship partners. Thank you for joining in. Thank you.

Moderator: Thank you. On behalf of Mrs. Bector's Food Specialities Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.