



Mrs. Bectors Food Specialities Limited
Q3 FY21 Earnings Conference Call

February 08, 2021



Management:

- Mr. Anoop Bector – Managing Director
- Mr. Ishaan Bector – Whole Time Director
- Mr. Parveen Goel – Whole Time Director and CFO
- Mr. Deepak Jain – Head Finance & Corporate Strategy
- Mr. Gurpreet Singh – Chief Marketing Officer
- Mr. Manoj Verma – National Sales Director



*Mrs. Bector's Food Specialities Limited
February 08,2021*

Moderator: Ladies and Gentlemen, Good day and welcome to Q3 FY21 Earnings Conference of Mrs. Bectors Food Specialities Limited hosted by Investec Capital Services. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harit Kapoor from Investec Capital Services. Thank you and over to you.

Harit Kapoor: Thanks, Rituja I would like to welcome all participants as well as the senior management of Mrs. Bectors Food for the third quarter FY21 Earnings Call. On behalf of Investec Capital Services, we would start the call now and hand over the call to Mr. Anoop Bector, Managing Director for the introduction of the management as well as his opening remarks. Over to you, Anoop Sir.

Anoop Bector: Thank you Harit. 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. Parveen Goel – Whole Time Director and CFO of the Company, Mr. Manoj Verma – National Sales Director, 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.

Since our Company has just been listed and we are doing the Earnings Call for the first time I would like to share the brief overview about our Company, our journey and growth strategies going forward. This would be followed by the operational and the financial performance for the quarter and the 9 months ended FY21 post that we will open the floor for Q&A.

We are one of the leading companies in the premium and the mid premium Biscuit segment and the premium bakery segments in North India. We manufacture and market a range of our biscuits such as cookies, creams, crackers, digestives, and glucose under our flagship brands Mrs. Bector's Cremica. We also manufacture and market bakery products in savory and sweet category which includes buns, bread, pizza base, cakes under our brand English Ovens.

We supply our products through retail consumers Pan India as well as to reputed institutional customers with Pan India presence and to 64 countries across 6 continents. Mrs. Bector's Cremica is one of the leading biscuit brands in the premium and the mid-premium segments in Punjab, Himachal Pradesh, Jammu and Kashmir and Ladakh and English Oven is one of the largest selling brand in the premium bakery segment in Delhi-NCR, Mumbai and Bengaluru. We are the largest suppliers of buns in India to reputed QSR chains. We supply to the leading



*Mrs. Bector's Food Specialities Limited
February 08,2021*

burger chains in North and East India, leading burger chain in South and West India, to a leading global burger company, to a leading theatre chain and to a leading online restaurant company.

All our products are manufactured inhouse at our 6 manufacturing facilities located in Phillaur and Rajpura in Punjab, Tahliwal in Himachal Pradesh, Greater Noida in Utter Pradesh, Khopoli in Maharashtra, and Bengaluru in Karnataka which enables us to have an effective control over the manufacturing process and to ensure consistent quality of our products. All our manufacturing facilities are strategically located in proximity to our target markets which minimizes freight and logistics related time and expenses.

On the quality front, we have received several quality certifications and accreditation including certification from the FSSC 22000, The US Food and Drug Administration, British Retail Consortium, and the Sedex Members Ethical Trade Audit.

We are expanding one biscuit line and one cookie line at Rajpura and one bakery line and a bread line at Greater Noida in Utter Pradesh towards our investments in this year. Our diversified product portfolio includes two main categories biscuits and bakery products.

Coming to the Biscuit segment:

We manufacture and sell biscuits primarily in the premium and the mid-premium segments including a wide variety of cookies, creams, crackers, digestives, and Marie.

In the recent past we have launched new products such as Truffles, Premium Sugar and Classic Crackles, Almond Cookies, Choco Chip cookie, Honey Oatmeal Cookies. Our product portfolio for our biscuit category consists of 384 SKUs. We also manufacture 'Oreo' biscuits and 'Chocobakes' cookies on contract basis for Mondelez India Foods Private Limited.

We have a strong distribution network in India and globally in the general trade and the modern trade segment. We distribute our biscuits across 23 states in India through our widespread network of 185 super stockists and 737 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 touchpoints have increased from 4,37,000 retail outlets to 5,57,000 retail outlets. We are also one of the largest suppliers of biscuits to the canteen stores departments for Government of India supplying to 33 locations across India and also, we are an approved and a listed supplier for Indian railways having strong presence across railway station canteens and the stores in North India.

On our sales front, we have created an augmented tool to track distribution channel on real time.

It enables the Company to track the real time coverage sales efficiencies and effectiveness and working discipline of our distribution network. It has helped to increase productivity of our sales team by providing access to critical information of sales and products and strategic information about sales strength on a real time basis.



*Mrs. Bector's Food Specialities Limited
February 08, 2021*

We are expanding distribution in modern trade and our presence in all national chains in North India. We are introducing larger and mid-sized packs of existing high-selling products based on buying patterns and regional preferences for sales through modern trade. The Company has also started selling the products through various e-commerce platforms in India.

We are one of the leading exporters of biscuits from India. We export biscuits under our brand as well as under third-party private label brands to reputed retail chains, distributors and buying houses.

In FY20 due to various reasons such as political unrest, worsening socioeconomic conditions and foreign currency shortages in certain countries, we had reduced exporting our products to some of these countries. This year we have shifted our focus to develop an emerging market such as Asia, Australasia, Europe, MENA regions and North America to cater to various retailers while introducing a wide range of premium products focusing on generating highest margins.

For the 9 months gone, our revenues for the domestic biscuits segment have grown by 27%. Our biscuits exports business has grown by 32%.

Coming to the industry growth, the Indian biscuit market is valued at Rs. 400 billion and expected to grow at a CAGR of 9% over the next five years. Demand for biscuits is increasing constantly because of the factors like changing consumer lifestyles, increased preference for branded biscuits, growth in organized retail and technological advancements.

Coming to the Bread and the Bakery segment:

We manufacture and sell various types of premium bakery products in savory and sweet categories. For our retail customers such as breads, buns, pizza bases and cakes under the English Oven brands which caters to the premium segment in Delhi NCR, Mumbai, and Bangalore. English Oven is one of the fastest growing large scale premium bakery brands in India. We also manufacture and sell a variety of bakery and frozen products such as buns, kulcha, pizza and cakes to our QSR customers with Pan India presence, cloud kitchens, multiplexes as well as certain hotels, restaurants, and cafe. We are a sole supplier of burger buns and Pan muffins to a leading burger chains in North and East India and have been associated since the year 1995 and we are also the preferred supplier of burger buns and Pan muffins to a leading burger chains in South and West India since 2007.

Recently we have introduced new products such as sub breads, pizzas, garlic breads, cheese garlic bun fills, and frozen cookies for our retail as well as institutional customers. Our diversified product portfolio for our bakery segments consists of 118 SKUs. We also have a strong distribution network for our bakery products sold under English Oven. Supply to our customers through 210 distributors and over 17,000 retail outlets situated in Delhi NCR, Mumbai, Pune, and Bangalore. On a daily basis we sell over 2,35,000 packs of breads daily. Our sales are through modern trade and general trade channels, direct sales to supermarkets,



department stores or indirect sales through our wholesale and distributors. 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.

For the 9 months gone by, our revenues from the branded breads and the bakery segment have grown by 46%. Due to restrictions because of COVID-19 we saw a degrowth in the institutional bakery segment. Institutional bakery sales have started picking up pace as restaurants have opened up after relaxations of COVID-19 restrictions. The institutional bakery sales have almost comeback to pre COVID levels.

Coming to our marketing strategy:

Our marketing plan comprises advertising in print media, digital, television, radio and outdoor promotional campaigns and sponsorships of prominent sporting and cultural events in India. We also enter into arrangements with our preferred retail outlets which helps us in enhancing our brands visibility.

We focus on expanding the sales of our biscuits by emphasizing on introducing and marketing our premium biscuits, increase our market share in our existing markets by increasing our brand awareness through digital channels and building up visibility in retail stores through in-store branding activities. We also participate in international trade sales that provides us an opportunity to display our wide range of product portfolio and enhance our brand strength.

For our bakery business we focus on leveraging opportunities in newly launched cities and expanding our product portfolio by introducing niche products to our retail customers such as sub breads, pizzas, garlic breads, cheese garlic buns and frozen cookies. We plan to focus more on digital marketing initiated such as social media integration, influencer marketing and content marketing. We have started our brand promotions in various ecommerce channels for our biscuits and bakery products and are listed in leading ecommerce platforms in India. We believe that the scale of a business provides us the ability to increasingly focus on branding and promotion to enhance our visibility, market share and growing needs and preferences of our customers through various channels.

Coming to growth strategies:

We are focusing on growth in premium biscuits and bakery segments to improve margins. We will continue to expand our product portfolio within the existing product segments, focused on increasing sales realization and volumes and strive to provide differentiated offerings to our customers. We seek to leverage our extensive experience to strength our industry positions by developing new products to capitalize on the emerging trends, to cater to the growing needs of a millennial customers we intend to expand our product offerings to include niche biscuits and bakery products such as more nutritive range of biscuits including digestive biscuits, honey oatmeal biscuits, premium rich cookies, premium flaky crackers, soda crackers which we believe



*Mrs. Bector's Food Specialities Limited
February 08, 2021*

will help us realize higher margins. We have also installed dedicated lines at our Rajpura facility in 2018 to cater to productions of high margin premium products.

Second strategy is to focus on product development. We believe that continuous product developments and expansion of a product portfolio are integral to the growth of our business. We have an experienced inhouse research and development teams that works on our new product development process through innovations, trials, regulatory approvals and driving market acceptance and cost alignment along with our marketing and supply chain management team. Our new product development process is reliant on feedback from our supply chain teams on emerging markets and ethnic base preferences.

Third strategy is to expand our product reach in India and globally. While historically we have had a strong presence in North India for our biscuits and bakery products, we intend to leverage our brands and expand our presence in the other regions of India.

We seek to expand our product reach geographically by leveraging our already established institutional customer relationships. While we have a strong distribution network in North India our focus is to establish a Pan India presence for both our biscuits and bakery segments by diversifying our distribution networks in other regions of India where we are also setting up adequate infrastructure for such expansions. We are focusing on expanding our distribution networks for increased penetration in metro and flooring into semi urban and rural markets.

Our fourth strategy is to focus on increasing our brand awareness. We believe that a strong and a recognizable brand is a 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 a key markets for our biscuits and bakery products with the focus on improving the quality standards.

We believe that our focus on quality our product range and effective pricing have enabled us to develop strong brand recognition and customer loyalty in our key domestic and export markets.

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. So, on the finance side our Company has reported a strong growth for the quarter and 9 months ended 31st December 2020.

Revenue for Quarter 3 FY21 stood at Rs. 226 crores versus Rs. 203 crore registering a growth of 11% on a year-on-year basis. Our revenue from the domestic Biscuit segment have grown by 17% to Rs. 88 crore compared to Rs. 75 crore in Q3 FY20. Our biscuit export business has grown by 21% to Rs. 54 crore as compared to Rs. 45 crore in Q3 FY20. Revenues from the branded bread and bakery segment have grown by 38% to Rs. 47 crore as compared to Rs 34 crore in Q3 FY20. Revenues from the institutional bakery segment are at Rs. 20 crore as compared to Rs. 37 crore in Q3 FY20. Institutional bakery sales also started picking up pace as



*Mrs. Bector's Food Specialities Limited
February 08, 2021*

restaurants have opened up after relaxation of COVID-19 restrictions. The institutional bakery sales have almost comeback to a pre COVID level.

On the margin front EBITDA has seen a strong growth of a 40% which stood at Rs. 40 crore as compared to Rs. 28 crore in Q3 FY20. We have seen an improvement of 360 basis points in our EBITDA margin due to change in our product mix, improved operating efficiencies and cost reduction activities. EBITDA margin for the quarter stood at 17.6% as compared to 14% in Q3 FY20. Going ahead we foresee increase in branding a 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 a 15% plus going ahead.

Profit after tax for the quarter stood at Rs. 21 crore versus Rs. 11 crore in Q3 FY20 a growth of 86%. PAT margin for the quarter stood at 9.2% showing an improvement of 370 basis point compared to 5.5% in Q3 FY20.

Now coming to our 9 months performance:

Revenue for 9-month FY21 stood at Rs. 657 crore versus Rs. 568 crore registering a growth of 16% on a year-on-year basis. Our revenue from the domestic Biscuit segment have grown by 27% to Rs. 276 crore as compared to Rs. 218 crore in 9-month FY20.

Our biscuit export business has grown by 32% to Rs. 160 crore as compared to Rs. 121 crore in 9 months FY20. Revenues from the branded breads and bakery segment have grown by 46% to a Rs. 135 crore as compared to Rs. 92 crore in 9 months FY20. Revenues from the institutional bakery segment are at Rs. 50 crore as compared to Rs. 102 crore in 9 months FY20. The degrowth is due to restriction on hotels and restaurants because of COVID-19.

EBITDA for 9 months FY21 stood at Rs. 112 crore as compared to Rs. 67 crore in 9 months FY20 registering a robust growth of 66% year-on-year. The EBITDA margin also seen a healthy improvement of 510 basis point which excluded 17% versus 11.9% in 9 months FY20.

Profit after tax for 9 months FY21 stood at Rs. 60 crore as compared to Rs. 21 crore in 9 months FY20 recording a growth of 180% year-on-year. The PAT margin stood at a 9.1% still a improvement of 540 bps as compared to 3.7% in 9 months FY20.

With this we will now open the floor for question and answer.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nilesh Jethani from Envision Capital. Please go ahead.

Nilesh Jethani:

Sir I wanted to understand the export opportunity for the Biscuit segment from India. What opportunity currently have, what potential it can be and what growth rates are we assuming or the industry has witnessed in the past?



Anoop Bector: India being an agrarian country we produce lot of wheat and sugar and also what was lacking in India was that the equipments which we were using were Indian earlier and we were able to export our biscuits to African countries or third world countries, but what Mrs. Bectors did was in 2018 it had established its Rajpura facility with an investment of over Rs. 100 crore where we had put up all European lines. So, we have today two European lines to make cookies and one European lines to make crackers and these are one of the best plants in the world with the certifications of US FDA and the BRC. Today we are able to export our biscuits to one of the best countries in the world. So, opportunities are great. We are looking at exports in a very big manner and we are hoping for a double-digit growth numbers for exports. There is a great potential forward.

Nilesh Jethani: In the bakery segment, we have expanded to Bangalore NCR and Mumbai regions, but biscuits I believe we are largely a north base Company, so what are our expansion plans into other parts of India? Also, the Biscuit segment, are we planning to setup more manufacturing facilities in other parts or it is more going to the facilities concentrated in North India and sales from those factories, what are our plans for the expansion into the India markets?

Anoop Bector: Firstly, we are a North Indian brand. Today we are covering 5,60,000 shops or 5,70,000 shops, which on 31st March 2020 we are at a 4,50,000. We have added more than 100,000 shops in the markets and in North India alone has over 20 lakh outlets. So definitely our focus is on expanding our presence in North India, growing benefitting and leveraging the cost which we are putting in the North India, but definitely going forward in the next two to three years we are planning to put up facility in Central India and that will be time when we shall be looking forward to covering Pan India operations. We shall be leveraging our relationships with modern trade to be present in West and South India very shortly.

Nilesh Jethani: In FY25, what revenues will come from North India, what we aspire to be whether it is 50-50 North and other parts or it is 40-60?

Anoop Bector: Our Mrs. Bectors is a premium player, so we are selling our biscuits in the premium and the mid premium segment. In the premium segment we are looking forward to giving the maximum range or SKUs to its customers and the possibility of success are immense because we have seen success in North India and we shall be looking forward to being a strong Pan India brand going forward not in the North India, but also in the other parts of the country.

Nilesh Jethani: Can you quantify for example a Rs. 100 sales come in FY25 so what number we aspire from ex North India market?

Anoop Bector: North India is only one-fourth of the market so you can understand that since in the balance 3/4th markets it will be a substantial share which we can get and also in the premium segment West and the South India are big time buyers of premium biscuits. So, we are expecting major volumes which can come in from these markets.



*Mrs. Bector's Food Specialities Limited
February 08,2021*

Nilesh Jethani: Second question would be on the bakery side. You said we are sole supplier to one of the QSR in the North and the East Indian and one of the supplier to the South and the West India based QSR player, so who would be our competitors in the buns category which we supply to QSR?

Anoop Bector: The leading QSR player in India today has two joint venture partners. One is for West and South India and the other one is for North and East India. So, we supply Pan India to the largest QSR Company making burger buns in India and we are the sole suppliers currently we do not have any competition over there.

Nilesh Jethani: In the South and West markets who would be the other players over there?

Anoop Bector: I mean we are the only one who are supplying to the large QSR chains. So, we currently as a manufacture of buns who has the capability to produce the right quality buns there are I think it is limited to us at the moment as of my information.

Nilesh Jethani: In the bakery category if we account for sales returns than what would be our gross margins?

Anoop Bector: So, our gross margins in the bakery businesses are very healthy. The reflection of the gross margins are given in the number so you have a look at the numbers they are available on our website.

Nilesh Jethani: I actually wanted to understand for example let us say a plus 45% or 50% gross margin business?

Anoop Bector: Currently if you look at, we are at a 49%.

Our gross margins are after returns. We are booking our returns with sales so it has already been booked in our gross margin for this 49% comes after the replacement of breads which has come in.

Moderator: Thank you. The next question is from the line of Keshav Lahoti from Angel Broking. Please go ahead.

Keshav Lahoti: Sir, just want to understand the way the margins have expanded in this year, so is it sustainable once the business is back to normal, or will the margin go down because last three years margins are not as what we have done in this year?

Anoop Bector: We are a young Company and with a great opportunity to offset cost. I just mentioned that in North India we are only covering 5,70,000 retail outlets, we are focusing on increasing our coverage. We are also working towards increasing our lines per call so that our sales throughput of each outlet should be better, and this has also visible in the Nielsen report that with the increase in our retail outlets we have also increased our sales in each outlets.

So. there are offset of cost which we have been working on and we have brought in cost efficiencies, operating efficiencies, sales efficiencies, we are focusing on premiumization, new



*Mrs. Bector's Food Specialities Limited
February 08, 2021*

SKUs are being launched, but also along with all the benefits which have come into the Company going forward we are in the process of launching few more new products which are very healthy on the gross margin side, very unique biscuits. We are working on premiumization of our range, but also along with the premiumization we believe to get back to normalcy meaning if you start branding towards building up better market share for the product and going forward for the next year onwards, we are looking at plus 15% as our EBITDA margins.

So, the benefits which we are seeing due to COVID which came in wherever advertisement had been lost, we did not do advertising, travelling expenses were minimal, but going forward from the next year onwards at least we as a Company are looking at a 15% plus EBITDA margin.

Keshav Lahoti:

Sir if I look at the numbers in the first half FY21 your top line growth was something like 18% for the first 6 months, but in this quarter the top line growth in only 13% roughly, so what is the reason for that. Why have the top line growth reduced in the third quarter compared to the first half?

Anoop Bector:

So, in the first two quarters we did have COVID tailwind which have come in and these things have normalized and 17% growth in the Q3 quarter is extremely very healthy when the market has actually grown at half the numbers. Also, on the export side our exports there were restrictions, but we grew by 20% in the export side and for the 9 months we grew by 32%, but there have been issues on account of containers movement and things like otherwise for the biscuit side our business has grown by 16% overall and till 9 months FY20 was 26%. The targets what we had taken for the year end, we are well above those targets and so we shall be meeting our business plan numbers what we had envisaged.

Moderator:

Thank you. The next question is from the line of Jaydeep Choraria from Ambit Securities. Please go ahead.

Jaydeep Choraria:

I congratulate your team for delivering a stellar set of numbers amid tepid sales environments. My question was more on the financials, so I just wanted to know what all subsidiaries and businesses get clubbed in the consolidated financial statements and what all are there in standalone financial statements?

Deepak Jain:

In our consolidated financials we have two subsidiaries Bakebest Foods and the English Oven. Our bakery plants which is located at Khopoli Maharashtra, this plant comes under the Bakebest so the entire sale around Rs. 50 crore in a year comes under consolidated financials.

Jaydeep Choraria:

Second question was on your gross margins so your gross margins some stellar numbers almost upwards of 49% the lead player in the industry has a gross margin of 42% odd, so I am just unable to understand whether this is on account of higher sale of exports in your business or is it because of lower trade loads, lower market returns for a better mix, just unable to understand how there can be a such a big diversion between the lead player and you or is it a play of the



institutional segments of your which could be a higher gross margin, if you could just throw some light on the bakery gross margins?

Anoop Bector:

In case if you look at the numbers this year in fact our institutional bakery business has taken a very big dip right and still, we were able to work on better margins than before. So even in the last year we had margins at a 47% we have grown our margins by 2%. The focus even during COVID times was on premiumization because our Company has worked on premiumization. So, although I mean in the biscuit side, we have 80% volumes sales coming from value cookies and 20% approximately coming from premiumization. Our target is to keep moving it forward, keep gaining the ground share of premium products, but if you go down to the bakery side our target is to keep improving our premium product range into the market.

We only do premium bakery and do not do mass market bread. We do not believe in numbers, but we believe in quality of the numbers. So, like in the bakery side we just launched our sub-breads. So sub-breads have got exponential business in the Delhi market and we started small, but then we grow it big. So, these markets I mean if you look at the margins are always healthier. Our product development team has a clear-cut mandate that we have to work on high margin products and give customer an experience. People have not been focusing on premiumization and the matter of fact only one the largest player does focus on premiumization other people are focusing on mass market. We do not want our Company to be in part of the mass range because for us competing in that range will not be truly beneficial to the Company going forward too. That is the reason why margins are better. We have done lot of cost efficiencies in the COVID times and we have been able to retain few of these cost efficiencies and that is why you see the Q3 our margins are actually getting a bit better than the 9-month numbers of FY21 also.

Jaydeep Choraria:

I understand that there has been improvement of 200 bps, but my question was on standalone even 47% for last year was much higher than the lead competition in the industry, so I just want to understand what is that efficiency that you guys have?

Deepak Jain:

The Rajpura facility which we had put up in 2018 at investment of more than 100 crore per rupee we installed only European lines. These European lines have helped us produce biscuits for both export markets and the domestic market which the Indian market has not experienced. The quality of the product, the efficiency, the cost of production everything benefitted to us because of the European technology. We are today exporting Danish cookies back to Europe and to America, Canada, South America which is more than Rs. 200 a kilo. This is something that I do not think any biscuit Company in India has done. We are supplying Danish Cookie tins, which people distribute in during Christmas time. Our Company is today evolved to make cookies and biscuits for Indian markets and international market. On the bakery side we had invested in 2017 and 2018 towards putting up the advanced technologically from Germany. Nobody has done these kind of investment in India and we invested 100 crores on the bakery side. Now those benefits are coming into the organization today. We are producing export products cheaper; we are able to serve them more expensive. This is only a reflection and we are strongly working on improving and by becoming a benchmark for the business in the Indian industry.



*Mrs. Bector's Food Specialities Limited
February 08,2021*

- Jaydeep Choraria:** Sir while you eluded to Rs. 200 per kg, in your presentation we had somewhere called out your export realization at Rs. 94 per kg only?
- Anoop Bector:** The averages come to that because everything does not sell at 200. So it is a only a small percentage which sells at 200, but this is increasing like last year we had one cookie line now we have added up one more cookie line. So we are going to be increasing because we are working towards becoming a supplier to large retailers worldwide. Today our Company is US FDA approved is BRC approved. We have all the certifications to supply to world retailers anywhere to the largest retailers.
- Jaydeep Choraria:** In the paucity of time just wanted to understand what is a trade load as a percentage of your turnover the lead competition give somewhere around 4% what is your numbers?
- Manoj Verma:** Our trade load is 5% to 5.5% that is what is the trade load we spent.
- Jaydeep Choraria:** And market return sir?
- Manoj Verma:** They are not return, they are only damages which add or constitute to about 0.4% and depending on territory to territory. Territories which again get compensated as Mr. Bector spoke earlier, that gets into net sales. Let us say any distributor has some damages so that becomes a part of trade load a component of 5.5% in itself.
- Jaydeep Choraria:** So basically, you are saying 5.5% is your trade load plus market return put together the total cost of the component?
- Manoj Verma:** Market return is very small, wand there is no separate line item, but yes if you want to add, it is 5.5% inclusive of damages or you call market returns.
- Moderator:** Thank you. The next question is from the line of Gaurav Agarwal from Bowhead Capital. Please go ahead.
- Gaurav Agarwal:** Sir you mentioned a lot of initiatives on various segments so what kind of growth for FY22 if you could give a guidance, what kind of growth do you see for your segments like domestic biscuits, export biscuits, bread and bakery and then institutional business?
- Anoop Bector:** So forward numbers are not there, but as a tentative we are looking at double digit growth numbers going forward.
- Gaurav Agarwal:** Sir the three segments like biscuits, domestic, exports and bread they will grow double digit and then institutional if it even comes back to pre COVID levels which was let us say 100 crore sales on a 9-month basis then also in FY22 the growth could be slightly in early 20s or it will be like in 19-20?
- Anoop Bector:** Yeah it will be we can expect good growth numbers going forward.



*Mrs. Bector's Food Specialities Limited
February 08, 2021*

- Gaurav Agarwal:** And sir you know in institutional currently you supply mainly the breads to restaurant chains, but is there an opportunity to supply sauces and various other products?
- Anoop Bector:** We do not do sauces right.
- Gaurav Agarwal:** I know you do not do sauces, but do you have plans to get into any other segment beyond biscuits and breads not today?
- Anoop Bector:** The Company has an immense opportunity to go into many allied products. We have got into long shelf-life cakes, we can go to rusk. For India we have to grow into the Pan India market South, West and East India. So as and when the opportunity comes in, we shall be growing in different products, but not in something which we do not understand.
- Gaurav Agarwal:** Any sir any broad revenue target you have may be for the next two years or PAT targets?
- Anoop Bector:** We are looking at healthy numbers coming in for growth next year. Probably it is not be right for me to share those numbers, but there will be healthy numbers going forward.
- Moderator:** Thank you. The next question is from the line of Rakesh Roy from Indsec Securities and Finance Limited. Please go ahead.
- Rakesh Roy:** Sir can you say which are the top five states in biscuits in North India for us?
- Anoop Bector:** So we are number two player in Punjab. I am going to be talking about non glucose segment because we do not operate in glucose segment. We have only 2% of our sales come from glucose. So as a top five states or for us would be Punjab where we are a number two player and Himachal where we are again a number two player, J&K we are number two player, Ladakh we are number two and we are getting into a strong position now in Haryana so these would be the top five states for us, and we are looking forward for working aggressively for Uttar Pradesh, Rajasthan, and Delhi markets.
- Rakesh Roy:** Can you highlight regarding your rural sale and urban sale during the quarter especially Tier-1 or Tier-2 to Tier-3 cities?
- Manoj Verma:** So, our mix between urban and rural at this point in time is about 50%, 50% which is what it is. However if we look at Quarter 1, Quarter 2 rural witness the higher growth.
- Rakesh Roy:** Sir any chance to improve your rural sale in near future or expand your markets in rural India?
- Manoj Verma:** Of course, yes. We are into expansion process and are doing a very deep penetration into rural markets. This will be ongoing exercise, so we definitely see our growth coming in as we expand our footprints.
- Rakesh Roy:** Sir can I take same number for retail outlet in 50-50 rural and urban area?



*Mrs. Bector's Food Specialities Limited
February 08,2021*

- Manoj Verma:** Closely yes.
- Rakesh Roy:** My next question is regarding margin front. This quarter we have strong EBITDA margin, can we take the same number or some improvement in near future or in FY22?
- Anoop Bector:** Like I earlier said you know going forward we are launching new products. We are also working extensively on cost efficiency, operational efficiencies, sales efficiency, but branding is going to be increased. Brand awareness is going to be increased and we are looking at 15% plus sort of number going forward next year onwards.
- Rakesh Roy:** Any new product launched in this financial year or next financial year?
- Anoop Bector:** We are looking at some launches which we are awaiting and in the next three months we have few products which are going to be launched.
- Rakesh Roy:** My last question regarding price hikes so any price hike you have taken or you will take in your future?
- Manoj Verma:** Price hike is a combination of the impact of any raw materials. So if there is a need, yes the Company will look forward for a price hike. This is a work in progress and keeps happening. So, cost cutting, price increase is done to improve your profitability.
- Moderator:** Thank you. The next question is from the line of Charmi Mehta from PL India. Please go ahead.
- Charmi Mehta:** I have a couple of questions I wanted to ask about biscuit category growth in 3Q I assume you said that the category grew half our sales growth in biscuit category?
- Anoop Bector:** That is what my estimated numbers were. I am not exactly sure how much the market grew. My sales team would surely be able to give the AC Nielsen numbers, but an average Indian market is tentatively growing at around 8% to 9% and we have grown by 17% in the Quarter 3. I have just done some estimation and come to that, that is how I worked out my numbers.
- Charmi Mehta:** And sir will our volumes growth be in line with our sales growth for biscuit category?
- Anoop Bector:** Our focus is on premiumization. Our growth comes more from premium products, like digestive biscuits, more from Bourbon, more from premium creams and the Company keeps on launching newer products with our premium products. I am sure the value growth would definitely be higher than the volume growth.
- Charmi Mehta:** Our institutional business it has degrown almost around a 51% in 9 months, so going forward how do we see it normalizing in how many quarters?



- Anoop Bector:** Our major QSR where we supply our buns, they are back to normalcy. I mean they are touching 95%, 96% of pre COVID levels. This has happened in the month of December, January. We expect a very robust growth numbers going forward from this segment too.
- Charmi Mehta:** Last question would be on our advertisement spent can you give out us a number or a percentage of sales as to what does that advertisement cost?
- Anoop Bector:** There have been a bit slag in the advertising because of our 6 months advertising was not there as distribution of newspaper had got restricted. We normally spend ATL 3%, and around 5% we spent on BTL. So, this way effectively we end up spending around 8% of our money in building brand and distribution increase.
- Moderator:** Thank you. The next question is from the line of Vinod Malviya from Union Mutual Fund. Please go ahead.
- Vinod Malviya:** First question was one of the previous participants also asked regarding the different entities which is part of your consolidated numbers, so one is basically an entity called Bake Best which you talked about has a revenue of 50 crore and a Company has a plant in Khopoli, so just wanted to know like why this entity has a separate plant and is not part of the standalone entity?
- Anoop Bector:** So this was formed in the year when the bread industry was in the small scale this was in the MSME segment. The Company, which was having biscuits, we could not look at putting up large investments so therefore a separate Company has been formed, but this is a 100% owned Company by Mrs. Bectors Food. The process is on where we would like to merge it back to the parent Company because now bread does not have any restrictions on being in the MSME category.
- Vinod Malviya:** There is another one entities can you provide some details about those entity?
- Anoop Bector:** There is no functioning in those entities. These companies they are formed that in case there is a need to get into a different field, it could be in those companies. Otherwise there is no business happening in those companies.
- Vinod Malviya:** And the second question was regarding your biscuit which you talked about so you said 80% of your revenue in the domestic business comes from value biscuit and 20% come from the premium biscuit and you said only 2% come from the glucose, so can you talk about what exactly is value biscuits and are many biscuits are included in this?
- Manoj Verma:** So definition of premium, mass, value it is purely Company-to-Company. How we look at it is that premium biscuits is where the MRP per kg is above Rs. 150. Anything below 150 we call it all value and glucose is hard coded glucose is 2%.
- Moderator:** Thank you. The next question is from the line of Gupta.



Gupta: If I look at our gross margin there has been an expansion of around 250 bps this quarter and around 150 bps for the 9 months. I understand that premium sales have improved and that was one of the drivers, but our QSR sales are down. So just trying to understand and plus there has been a very sharp inflation in palm oil, so how do you explain this gross margin expansion in all the context?

Anoop Bector: The Company has worked aggressively on cutting costs and operation which we had seen during COVID times. There was an extreme reduction in the cost too but going forward premiumization has helped the companies and so there is a palm oil price which has increase, but also, we have seen sugar as very stable, we have seen wheat prices deflate, but yes there is an impact the companies have. So, if you have higher gross margins you end up giving the bigger discounts trying to push sales, but if there is ever a pressure on the Company you have to pull back some expenses. Going forward we feel we shall be able to maintain margins of 48%. We were at a 47% for 9 months FY20, our gross margins have always been relatively higher than the industry and we shall be working towards retaining these margins and working towards it.

Gupta: So basically, you mentioned that 50% of the domestic biscuit sale are from the rural India and we understand that the unorganized or the smaller MSMEs they cater to a lot to these rural segment even in the premium end, so are we seeing a lot of disruption in the COVID era which is also helping us come up with such good numbers and also does that result in lower discounts or lower promotions helping sales?

Anoop Bector: We believe and we have always been at par or at very healthy numbers beyond the smaller MSME or the other regional players, so our products are more expensive than them, but there has been a reach. So our Company has really focused on IT after sales program which we have carried on. We have an app called **Peri** which works well today our 100% teams are working on Peri, which is giving us distribution reach benefits, which is giving us efficiency, which tells us real time information about the markets. So, we are also investing more behind distribution management system. So effectively our Company stands out to gain in distribution. We can see real time sales happening, real time coverage of outlets what our team is doing. All these benefits you know today, and this is always linked to SAP. So we get real time information. We can create our policies; we can create our plans and we can see what is happening. When we go into the market we go in a much stronger way.

Gupta: Last question if I may squeeze what is our direct reach numbers currently 31st December?

Manoj Verma: Our direct reach is 182,000 outlets as of December.

Gupta: And what was this in March FY20?

Manoj Verma: Around 1,35,000

Gupta: And is there a target for the end of year?



*Mrs. Bector's Food Specialities Limited
February 08,2021*

Manoj Verma: So we will end close to 195,000 outlets by March.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Ishaan Bector: Good evening everyone and I would like to thank you all for being part of our Quarter 3 Earnings call and update. We look forward to such interactions in the future. Once again, I would like to thank the entire investor community for the tremendous support shown during our IPO in December 2020. It was a proud moment for us all and we hope to live up to the expectations of the market in the future. Thanks, one and all. Good evening.

Moderator: Thank you. On behalf of Investec Capital Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.