



Tasty Bite Eatables Limited

Investor Call

6 February 2023

04:00 PM IST to 04:30 PM IST

CORPORATE PARTICIPANTS:

Mr. Ashok Vasudevan

Mr. Pradeep Poddar

Chairman

Mr. Rajendra Jhadav

Whole time director

Mr. Kavas Patel

Independent Director

Dr. Chengappa Ganapati

Independent Director

Ms. Rama

Independent Director

Mr. David Dusangh

Non-executive Director

Mr. Milin Bande

Chief Financial Officer

Ms. Minal Talwar

Company Secretary

Other key executives and senior management and Shareholders



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TRANSCRIPT OF THE INVESTOR CALL OF TASTY BITE EATABLES LIMITED HELD ON MONDAY, 06 FEBRUARY, 2023 AT 04:00 P.M. IST THROUGH VIDEO CONFERENCING

Ms. Minal Talwar: Good evening everyone. It's so good to see so many people joining in. We welcome you all to investor call of Tasty Bite Eatables Limited. We have a full board joining in for this investor call. We welcome you all. Over to Ashok and he would also like to introduce the board members to you all.

Mr. Ashok Vasudevan: Hi everybody. Pleasure to always talking to all of you. Even though most of you are given from our view, I'm hoping that you will get a chance to see some of us. I'm particularly pleased today because it is probably the first time that you're getting a chance to outside the AGM, view the entire board come in for this call and we are emerging right after a very energetic Board Meeting. First of all, let me first of all say that I'm particularly pleased in introducing to you, your new chairman Pradeep Poddar, who I will just talk for a minute. Pradeep, you can hear your voice on the camera. I can thank to you.

Mr. Pradeep Poddar: Hello! Good evening ladies and gentlemen. It's a pleasure speaking to you, I just took over as chairman of Tasty Bites from a very right and lovely leader in Ashok and it's a pleasure to be of this board. It's energy and positive energy and lovely performance over the last nine months have been so energetic that we feel we have conquered the moon. We have miles to go and that's what our looking forward into the future and your support will be needed to create this business in terms of a billion dollars over the next 10-15 years. Thank you so much for joining me on this call.

Mr. Ashok Vasudevan: Thanks Pradeep. So folks, let me quickly take you through the room and you all know Kavas sitting next to Pradeep and of course Minal, Rahul joins us from the finance team. Many of you haven't met Milin who is our company's CFO.

Ms. Minal Talwar: We request the shareholders to please be on mute and when we start the Q and A session then we may take up the questions one by one. Also the camera needs to be please put off.



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Mr. Ashok Vasudevan: Let me also introduce to you Rama Kannan who's on the board also present with us.

Ms. Rama Kannan: Hi everybody

Mr. Ashok Vasudevan: And we have David Dusangh who's coming from England, who's also with us physically here. And many of you of course know Raj Jadhav who's our Executive Director.

Mr. Rajendra Jadhav: Hello

Mr. Ashok Vasudevan: Let me get into this very quickly, I spent five minutes and give you a quick update of what Pradeep hinted to. So the big part of this is that we seem to be finally after all these several quarters, we are back on accumulative basis with a pre-covid. Which means actually for the quarter ended we've had growth for the whole period. We've had a growth of 43% for the nine month ended I'm sorry, for the quarter ended December and we have a 34% growth for the period from the beginning of the year to now. So both those numbers are very solid. The interesting part of that is that the EBITDA is actually stronger and if you take a look at it we've had a 7.8% growth in our profitability on a quarter to quarter basis. Relevant quarter or if you take it on a year on year basis again the EBITDA is also up.

Now, this is just the top line. Let me give you two other pieces. On both the businesses which is exports and domestic we have grown the business very solidly. Let me first address the piece on exports. The consumer business exports year on year for the quarter business is 76% up. So this is a tremendous growth but this is driven by two parts, one of which is just the sobering part. But if you remember last year when we spoke to you we came out of a very terrible post covid trauma actually with inventory and very poor ability to forecast. So we admittedly had a very low level to begin last year.

Therefore, part of the 70% may be more exuberant than reality. So that's the first. But having said that, there are two parts to the US story, a consumer story which is powerful and the first part of that is that our total penetration in the US continues to grow and currently is at an all-time high. So the US penetration in the grocery business for Tasty Bite at the all time high number one. Number two the market share both in the natural foods industry and in the grocery industry continue to be dominant.



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Let me give you a statistic that you heard me say many times in the AGM, all the brands or every one of the brands exported from India put together plus all the other Indian foods manufactured in the US. You combine the two take all their revenues, their revenues are less than Tasty Bite both in the grocery where the number is a little over 60 odd percent, 75% market share and 59% in the natural. So the growth that we are talking about in this quarter apart from the adjustments of the last year are real positive signs. So that's the consumer part, there is also within the consumer business we do have a private label piece which also continues to grow. As you know we have Smith & Jones and Spice Tailor which also continues to grow. So in general they are feeling good about our exports at this time. In the food service business while the year on year growth, quarterly growth is 8% and the nine month growth is back with the original pre corporate levels of 28%. Now, this is consistent with both the sources and the FFP but clearly in the food service we should be looking at a larger growth once the industry consolidates.

Now we are no longer only dependent on the QSRs as new them which is the McDonald's and the KFC Pizza Hut and Domino's. But it also plays an increasingly important role in terms of domestic food service. So that will continue to drive some part of the growth. Now all of these interestingly is on the top line, but in the bottom line, there are two parts. One is all you first know what's happened to the Rupee. So that has its own little positive and negative that we deal with it. So we started the year with a little over 72. We ended the year with a little over 83. That's a significant shift. We have been able to largely weather the storm. So if you take a look at it, if you take the forex piece, we have a very positive EBITDA growth. If you take it without, then our EBITDA is constant to last year's, last year's profitability. Over and above that, despite the inflation in raw material costs which you have all been experiencing as you go shopping every day. And that is no exception for Tasty Bite. I must call out Raj and the team at Tasty Bite because they've done a phenomenal job in improving both the processing capabilities within the business and the ease that we're able to get.

So, this goes to show that our buying has improved with a better quality of material, our processing has improved with a little bit more diligence. And despite the material cost inflation, we seem to have growth, which is a real growth of over 2% only related to productivity dates. On this broad note, let me just give you two other pieces which will give you a little bit of comfort. The first is obviously with Pradeep joining us. That's a major boost to the business because he's coming in with literally decades of experience in leading companies in the food industry. Therefore, he comes with a certain sense of optimism and energy. So that for me is a very, very big piece. I feel comfortable stepping off from this call as the last time that I would be addressing you.

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And so I feel good about that as to where the company is headed and whose hands we are in. The second is Mars itself and it's very energizing for me, inspiring for me to hear. There are two parts to it. The first is there is an increased commitment by Mars to India which obviously bodes well for us. And all of you have seen there has never been a greater year where more number of food products and skewers have been launched in the Indian market than ever before. With Mars's continued commitment to India and the explosive growth within the Indian market, we feel good about this. So that's number one. Number two, Mars itself is now looking at serious innovation in the food industry and obviously they will be looking at Tasty Bite, not only TBRC, the Tasty Bite Research Center, but also Tasty Bite to be a partner of choice as we say. Therefore all in on. I'm feeling good about the Mars internal business, the US grocery business, the food service business which is back at three corporate levels and having ourselves a new chairman. So with that I should just keep quiet and listen to some of your comments and questions if you have any. Thank you everybody.

Ms. Minal Talwar: We've received some questions.

Amit Jaiswani is asking we are doing a lot of capex based on contract manufacturing orders from Mars. When do we expect that to start and what revenues are we expecting from contract manufacturing?

Mr. Ashok Vasudevan: Hey Amit, thank you for asking that question. I asked you hoping that you would you remember 18 months ago we came back and we announced 150 crores of Capex which we had announced, of which I'm happy to say that we have ended it right now in the balance of only 72 million. Not even seven crores left. So we have spent the money that was supposed to be year marked. The money was spent on two fronts. It wasn't only about capacity, if you remember. It was also about improved safety, improve infrastructure. On the capacity front, we've added 26% since the last score. So we make a little over 50, just little under 55,000 tons. So that's a big jump in capacity and therefore we will expect that in 23 and 24 these capacities will be fully under production. The second part of this is the improved with Mars coming in, One of the good things that has happened is the higher standard of product safety and a higher control and focus on not only safety but also quality and also on infrastructure. So what we have built is a large amount of the capex has not only gone towards capacity building, but also towards infrastructure.

We have a better, significantly better ETP facility, significantly more enhanced logistics and supply chain handling, including warehousing. We have a new Tasy Bite Research Center that's coming up



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hopefully for all both well, in April May, we have inauguration no later than May and then we will have the new RTH line which will be fully operational by September, no later than end of September. So we should be in a good place in 23 and 24 to meet this capacity.

Ms. Minal Talwar: Now Amit is asking another question. In India business, what's our MOAT?

Mr. Ashok Vasudevan: Good question, Amit. You know the answer as well. Part of it, of course, is TBRC. I call it the jewel in a crown, everybody. But it is very hard to replicate what we can do. That's one part. The other is I always say this about strategy. It's not one thing, it's not one thing that sets us apart. It is everything. It is our people, it is our strategy, it is our ability for material, it is our scale, it is TBRC, it is our versatility technology. It's the ability for us to serve chill frozen shelf stables. So all of these individually, I won't call them a MOAT, but they strategically set us apart.

Ms. Minal Talwar: Okay. Any guidance for 24 revenues and margins?

Mr. Ashok Vasudevan: You know the answer to that. So, next question.

Ms. Minal Talwar: What are the KPIs for the new chairman?

Mr. Ashok Vasudevan: What are the KPIs for the new chairman? Having KPIs to ask the question, but Pradeep, I don't know if you want to take that at all.

Mr. Pradeep Poddar: No, I don't

Mr. Ashok Vasudevan: Good. All people do. Remember one thing that you heard me say this, and I won't say this again. The reason why you have invested in this company because of our vision and as we said we want to build a socially responsible company that provide consumer life. The story of growth you have been seeing now for many quarters exception, with a few exceptions due to covid. This is a company that has grown continuously for 25 years. I don't think we're about to stop right now. The very fact that we have somebody of relief state experience here maybe speak about the company's KPIs, it's not this. So I'll also pass on magnitude for you.



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Ms. Minal Talwar: It's been nearly now Nikhil Porwal is asking it's been nearly four years since the position by Mars and yet to see any synergy or benefit of joining the Mars family. Can we know what plans does Mars Group have for the company? Why is the consumer business struggling to flow? We should be increasing our points of distribution.

Mr. Ashok Vasudevan: Hey Nikhil, Nikhil some of these, have always shadow, the indicators that are lag indicators that are leading indicators. I can tell you, having Mars on our side is a significantly stronger position that we find ourselves in this. We could not have, for example, built the factory of the future had it not been for Mars today. We would not have had the capability to make our product safer than it is today. Would we have been luckier in Australia, in England, in Germany? Yes, we could have. But could we have bought it to the Walmart's of the World? Not easy. So it's a mixed bag if you only look at it as revenue in the short term. But like I mentioned, Mars is actually committed to growing in the food business tremendously. Think about it logically, and I'll give this to you. I'm not from Mars, but I can look at it from the outside and tell you right away three businesses in pet food. They're global leaders. It's difficult to have more market share in Confectionary they're global leaders. It's difficult to find market share. The food business, they're not global leaders. This is where the growth is going to come from.

The reason they bought Tasty Bite was because of our ability to make natural product great taste that are global irrelevance. Therefore, for a large company, we are talking I want to even discuss the 30-40 billion dollars worth of businesses. We're talking large companies and they will take time, but their impact will be felt for very long. And the nice thing is that you guys have one thing very few companies have, that is patience. You've been with this company from the time to the company was not even one crore with the stock price that four. So hang in there and watch the ride.

Ms. Minal Talwar: Next question is from Avinash, Avinash Vasrani. Would be helpful if you could comment on December quarter versus September quarter numbers please.

Mr. Ashok Vasudevan: From quarter on quarter. If you take a look at it, you will remember that the last quarter was the company's record quarter in its 35 year history. And you remember we had written about that as well and we ended the year with 140 crores. But again, if you remember what I said, much of that exuberance came because of the we were picking up from 2021. So therefore, let's not get overly exuberant. But having said that, two things to remember Avinash is in absolute numbers. You might actually see the growth between quarter three, quarter two and quarter three

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coming down from 140 crores to about 105 crores. But having said that, that's 105 compared to last. Last year is higher than every quarter and is back to the original levels which we used to have. So just think of it more as an adjustment from quarter exuberant quarter two to a very solid quarter three. So you will find stability in quarter three and quarter four while we were preparing for this growth. That's what you saw in quarter two. So don't use that as the one thing benchmark Avinash.

Ms. Minal Talwar: Next is from Harni Dedia. Our growth in three years has been close to nil. Given the quarterly lumpiness, it is evident that there is fundamental shift in the nature of ready to eat business. Is that the case? We can see this kind of lumpiness Q two and Q three numbers for example, look vastly different. If you can help us understand your sense of confidence that be able to drum up enough business to fill the new capacity we have built.

Mr. Ashok Vasudevan: So now let me start with the tail end of your question. I'm not concerned about the filling up of the capacities we have built currently because like I was mentioning to Amit, you're actually going to see that happening in 23 and by 24 we'll be done. So that doesn't concern me because like I mentioned earlier, we had moved our capacity from 43,000 to 54,000. So we've got a 26% increase in capacity. You can already see the growth is higher than 26%. So really that concern you should not have that's the first point. But let me talk about the dumpiness and the nice word that you use. We are talking about 300 crores, 2,600 crores, 2,600 crores, 3,600 crores. So you knew the difficulty we had in the eight quarters going in 22, 20, 21, 22, that's the 2,600. If you take quarter 1-2-3 of 20, quarter 1-2-3 of 21, quarter 1-2-3 of 22 look at the exact piece you're looking at 300 crores down to 260, stayed at 260, now you are back to 360, which means now you are truly on a cumulative basis cross what you're calling the lumpiness. And now we are higher than pre covid levels by 20% 3,091 to 3,600, there is 600 on 3,000. That's 20% higher than the pre-covid. That is part of the reason why I'm feeling that this is a good place to be. I'm not concerned about the RTE market in India but we don't participate in the RTE market in India at this point in time, so I won't go near it at this time.

Ms. Minal Talwar: Next question is from Mr. Sagar, how are the new geographies doing in terms of penetration and growth in the US?



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Mr. Ashok Vasudevan: I've addressed that at the US investee and that's not a new geography, but we have not yet gone into the new geographies of England, Germany, France, Russia, Australia they will be in the future because these are of strong Mars markets. Europe is very strong for Mars. Canada, by the way, I spent one minute on Canada and David is the overused once upon a day handled Canada before he came into handling Europe. Mars is so positively charged on Canada that we had a fledging operation that We were doing it independently from our North American peace but that's now come under Mars. So that's a very good story from my perspective. Just the fact that Mars has apnao Canada as part of their own. So watch out for that. US continues to be very strong in terms of our penetration and increasing points of distribution. No specific answers I'm going to get into as far as Europe is concerned. But the only thing I will say, is there are some very interesting and very innovative approaches that Mars is using in their food business and I believe some of the benefits of that will come into Tasty Bite. It will be our responsibility to be competitive and quality, to match them in quality. And I think we are there. I think we are one of the finest food plants that even Mars has. I think I'm feeling good about the potential of the innovation.

Ms. Minal Talwar: Next question is from Dixit Doshi.

Mr. Ashok Vasudevan: More questions.

Ms. Minal Talwar: Can you give us the breakup of revenue from for nine months FY 23 in terms of own brand food service and contract manufacturing and how do you expect it to be after 3 - 4 years?

Mr. Ashok Vasudevan: So the second part of the question, you know, of course I won't answer but we don't do contract manufacturing. We do have private label that this is not contract manufacturing. We design those products. The products that we have made in our private label are those that we are very proud of. Nobody else makes it like the way we do. But very quickly out of the total, if you take a given quarter, just take a random quarter, I would say that the RTH business will continue to be 70% of our total business and the private label part will be about 10% of that business. The rest of it will be four cents, give or take. And that would be the general trend wherever you go. Beyond that I won't be able to gradually test it, not really. But the business makes it something we look at very closely. It helps us margin our business well.



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Ms. Minal Talwar:

Next is from Rahul Paliwal, I assume did expect something on CEO front.

Mr. Ashok Vasudevan: Hey Rahul, how can you do it? Good to hear your question. Yes, we actually did have a discussion with the CEO front. As always, no guidance, but we are there. Stay close, stay tuned and hopefully this should happen. I know we've been as frustrated as you guys are. It's not easy to find talent in a buoyant economy. We are facing the brunt of that. But I can tell you the board, the Remuneration committee, Mars, HR, everybody is active. So they're almost there. But I won't say more. But Rahul, thank you for reminding me of this. It's on top of our minds.

Ms. Minal Talwar: He's asking me a question on why are the exports not picking up? Is yet to pick up. How are you seeing competition playing out,

Mr. Ashok Vasudevan: Rahul are you serious? I just told you 70%. What competition? We don't have any competition compared to what we do in the US. We got a 70% growth than taxes on fire. So it's difficult to expect that US markets can grow faster. No brand has wider distribution. I'll give you this number. Not a single consumer product, forget food, whether it is toothpaste or boot polish, short, whatever it's no consumer products has a higher point of distribution, higher thoughts, higher ACV than Tasty Bite, including the growth. So no, that won't go, exports is a big part of our business to continue to be.

Ms. Minal Talwar: He's also asking how you've seen competition playing out as Tata like giants also joining the space, Mars, very tightly on this set up. Even after 3 to 4 years.

Mr. Ashok Vasudevan: No, not at all. Not at all. You're watching Tata's coming with the new technology. You've seen the product yourself. Quite honestly, Tata's is interesting technology which is this Microwave retort. It's a piece that they hope will actually substitute for the retorting industry. Retort is an extremely competitive industry and probably Tasty Bite is a global leader in retorting and luckily the other leader happens to be a parent company, which is Mars. So we are not getting row of our leadership with Retort technology in guarantee that, none of these new emergent technology, whether it is retort or microwave retorts at the moment have any of the promise that I believe goes into a different business with cold chain. But I don't believe that there won't be any significant new ways to think about prepared foods. Retort will continue to rule the roofs and we will continue to lead Retort.

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Ms. Minal Talwar: Last one

Mr. Ashok Vasudevan: Last question.

Ms. Minal Talwar: Saurabh Ginodia. Tasty Bite has already started production for Mars as an outsourcing partner for Mars brand like Ben's Original and Seeds of Change. Now, you mentioned that Mars is looking for serious product innovations. Will Tasty Bite be manufacturing products for only existing portfolio of Mars? Or we will also look for new products manufactured for Mars?

Mr. Ashok Vasudevan: Good question Saurabh, This is the constant in my view. This is a very important piece for us. It's a big potential business. Number one, seeds of change Ben's original, it's natural that we should compete with other Mars factories globally. If we are good, the business is ours, no question. If we are not, we will lose the business. That's 1, second in the innovation. The truth is within the Mars food business I believe Tasty Bite has a pride of place in their own food innovation. Therefore we will not be just what do you call it? An outsourcing partner, but we will be a partner in process and product development. We will be an innovation partner. So the innovation that we will make will cement our relationship stronger. So I am confident about the possibilities on both fronts as manufacturer of Ben's Original and Seeds of Change, presumably even other brands and number two innovation. We will be a very close partner of choice to Mars innovation.

Ms. Minal Talwar: Just the last one is Asama just now, would be helpful to hear a few words on the vision that Mars has from the Mars representative attending the call, please.

Mr. Ashok Vasudevan: Mr. Dusangh, take it away.

Mr. David Dusangh: I won't go too far into this but building up a show of course sharing. Globally our vision is to build out a human food and nutrition business and today in history the Mars food business has largely been a rice business and what you will see over time we see tremendous opportunity in the meal space and this is where to show the innovation. The ability to innovate in meal solutions is a real good fit for what we're looking to do in the Mars business. I won't go into further detail but there is lots of innovation coming over the next 18 months that Tasty Bite be a big part of. We're looking forward to the success of that.



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Mr. Ashok Vasudevan: Thank you guys and I wish you all the luck you are proffered and continue to support Tasty Bite who have done for the last 25 years.

Ms. Minal Talwar: Thank you everyone.