

Q2

Financial Report

Quarter Ended 30th September, 2015



FINANCIAL HIGHLIGHTS Q2 (15–16)

Total Income
₹369.52 crore

EBDITA
₹23.23 crore

EBDITA Margin 6.3%

EPS (Annualised) ₹9.20

RONW (Annualised) 14.3%

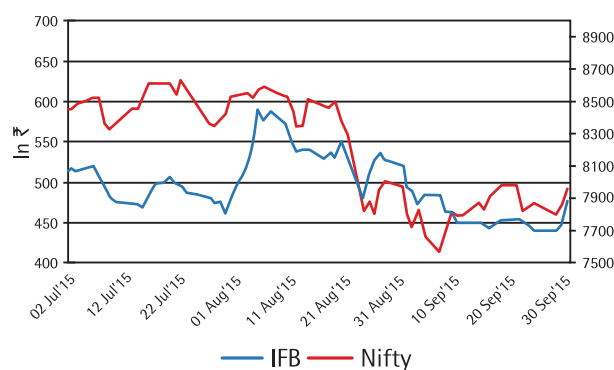
ROCE (Annualised) 9.2%

Market Capitalisation
₹1,934.69 crore (As on 30.09.15/NSE)

Cash & Equivalents
₹51.84 crore (As on 30.09.15)

Enterprise Value (EV) ₹1,926.67 crore (As on 30.09.15)

EV/EBDITA 20.73



IFB vs Nifty—Daily price movement chart

IFB Industries Limited's operations consist of two divisions, Fine Blanking and Appliances. The Fine Blanking division has two manufacturing facilities, one each at Kolkata and Bangalore. The Appliances division has its manufacturing facility at Goa and also imports and markets some of its products from countries around the globe.

Financial Review—

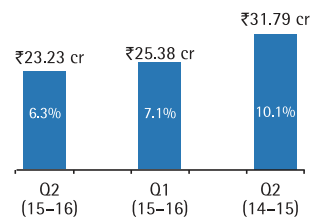
P&L

For the Quarter ended Sept '15, IFB Industries Limited has reported net sales of ₹350.38 crore, a growth of 18.5% over the corresponding

Quarter of last year. The EBDITA margin stood at 6.3% during the 2nd Quarter of 2015–16.

EBDITA for the 2nd Quarter ended Sept '15 was muted as compared to Sept '14, primarily due to higher material costs in this year on account of adverse exchange fluctuation and increased operating expenses, which are investments mainly in the areas of sales and promotion expenses in the 2nd Quarter ended Sept '15. Similarly PBT for the 2nd Quarter Sept '14 was higher compared to the 2nd Quarter Sept '15 due to increased depreciation related to the higher capex for the new projects.

The trend in EBDITA is shown below—
EBDITA (in crores) and EBDITA Margin (%)



BS

IFB Industries Limited continues to remain debt free (on a net basis) as of 30th Sept '15.

Cash Flow

Cash and cash equivalent has increased to ₹51.84 crore (30th Sept 15) from ₹44.50 crore (31st March 2015). Capital outflow to the tune of ₹13.63 crore was incurred during the Quarter ended Sept '15 and this is in line with the annual capital expenditure plan.

Outlook

During the 2nd Quarter, the Indian rupee has depreciated. This has had an impact on the material costs. In order to permanently derisk from the forex related issues, we are continuing our work on our localisation plan. As we have communicated earlier, we believe that the Indian rupee is still overvalued based on real effective exchange rates. Import substitution is a key risk mitigation area for us.

Our Appliances Division has ended the Quarter on a stronger note in revenue terms, as compared with the previous Quarter of the last fiscal year. The returns on the manning investments made

for high growth rates, especially from the new products and the actions on the EBDITA margins have been taken, as we had briefed earlier and we believe that the new product introductions will further improve sales. This will also deliver the targeted margins in the second half of this fiscal year.

The Fine Blanking Division increased its net sales by 22.9% during the 2nd Quarter of the current year as against the comparative period of the previous year.

Appliances Division

The Appliances Division offers a wide range of products to its customers, of both domestic and industrial applications. These are washing machines, including dry cleaning and other finishing equipment (such as ironers), microwave ovens, dishwashers, clothes dryers, modular kitchens, kitchen appliances (hobs, chimneys and built in ovens), refrigerators, air conditioners etc.

The updates at the end of the Quarter on the products, relative market positions, 2nd Quarter actions being taken and our future plans, are given in the subsequent pages.

Washing

- **Front Loaders (domestic segments)** In this category, we have a range of 5.5–8 kg capacities with a dominant market share. In the 3rd Quarter, we shall introduce a new range of high-end designs and user interfaces, with extremely feature rich models for customer to choose from. This will include models driven by smart,



mobile-based technologies and a range of new washing applications. These will continue to strengthen our market share as we expect these introductions to generate volume gains and also help expand the market reach in the 3rd and 4th Quarters of this fiscal year.

- **Top Loaders (domestic segments)** The market pipelines have significantly expanded for this range of products in the 2nd Quarter of this fiscal year. The product range, which is now delivered to the market, includes fully automatic top loaders in the 6.5–9.5 kg capacity segments, with high-end 'Deep Clean' technology and unique wash features. The revised target market share of our manufactured top loaders within the first two years of launch is now planned at ~15–20% based on our experience so far. We have already reached volumes of ~12K in September and expect this to rise to a level of ~15–16K per month in the 3rd Quarter period. This is also expected to rise going forward. The top loaders have been extremely well received in the market for their aesthetics, features and performance. This category will be a key revenue growth and margin driver in the 3rd and 4th Quarters. We are currently completing an evaluation of an exercise to increase, beyond earlier plans, our supply chain capacities and further accelerating the market penetration and volume growth plans.

- **Clothes Dryers (domestic segment) and Dishwashers (domestic segment)** Both of these are niche product segments of the Company, having market shares of ~80% in clothes dryers and ~50% in domestic dishwashers. We have, in the 2nd Quarter, introduced a new range of dishwasher models with features based on the feedback we have received from the market for enhanced wash capabilities. This new range, comprising four new models, will drive gains in market shares and also volumes. We are also increasing our marketing efforts on the ground to explain the features of these products to customers.

- **Ware washing and Laundry Equipment (Industrial)**—IFB has a full range of glass washers, under counter dishwashers, hood type and rack conveyor type dishwashing equipment. In this segment, the Company has pan-India presence in

customer segments covering defence cantonments, small pubs and bars, large institutions, hotels and restaurants, ships and many more. The Company continues to operate with a strong market share of ~35%, in value terms, in the industrial dishwashing segment. A complete new range has been launched in this category with features based on customer feedback on our existing customer base.

IFB also has a full range of industrial laundry equipment (going up to capacities as high as 160 kg) and a complete range of dryers, ironers and finishing equipment for clothing, including suits, special silk wear etc. Installations across the country include those in select 5-star hotels. In the high-end laundry segment, IFB is currently ranked in the first two places by value share.

The new models introduced in this segment to drive our penetration in the fast developing laundrette segment continue to be well received by the market and customers. The new offering is available in a 10.2 kg washer cum dryer format with a mechanical structure suited to operations in laundrettes. The Company has got an extremely strong pipeline of enquiries for the second half of the fiscal year for this new configuration. With its introduction, we are offering higher capacities in laundrette equipment as compared to our earlier product range. This will drive growth and also margins.

Kitchen Appliances

- **Microwave ovens**—IFB is the 3rd largest player with a market share of ~18% as of the 2nd Quarter of FY 15–16. A complete new pipeline of



products has been introduced, with the filling of the market pipelines done in select areas across the country in the 2nd Quarter. We expect this to further strengthen the Company's market share. IFB continues to run the industry's largest microwave cooking class program under the brand name 'Spice Secrets', which teaches customers to optimise microwave oven usage post purchase. With the new range, the Company has introduced new cooking programs in the microwaves, to enable cooking with healthy inputs such as olive oil. The new range will adopt 'health' as a platform for driving customer connect.

- **Modular Kitchen**—We are launching this product category in the 3rd Quarter. The supply chain and design offering for this category have been considered keeping a modern Indian home in mind. The unique modular systems will have the basic carcass in unique configurations with features such as plywood that is food grade, termite resistant and boiling water proof. This will be unique within the Indian market. The commercial launch of this will be in three markets—namely Goa, Bangalore and Kolkata. With this, we will now present to customers a range of modular kitchens, with appliances (stand alone and built-in) in line with global trends and at an extremely competitive price. The Company will expand the business fully in the next fiscal year, after the roll out and stabilisation in the selected three markets.

- **Built-in-ovens, Chimneys and Hobs**—The new product range is fully in place now as of the 2nd Quarter. In the 3rd and 4th Quarters, we will focus on increasing displays across all markets, with a special focus on promotions and sales from our IFB Point channel for these products. The IFB Point channel will be a driver for growth in this category and currently ~40% of sales of these categories is from this exclusive store network. The Company has ~5% market share as on date, which will expand in the 3rd and 4th Quarters as the market placements increase as planned.

Cooling category

- **Air Conditioners**—As we had briefed at the end of the 1st Quarter, we have completed the planning and detailing of a complete overhaul of the product line up in the 2nd Quarter.

The product and market refocus in this segment covers the following key summaries, based on the learning areas over the season in the 4th Quarter of the last fiscal year and the 1st quarter of this year.

- The performance has been of a high level and as we shared earlier the customer base is well satisfied with both the product and the service delivery. The new product range will enhance this experience as the product has been improved even more in key areas of energy efficiency and performance at high ambient temperatures etc.
- The channel penetrations are centred on high channel margin expectations, which seem to be a norm set by most players in this category. We are contrasting this with our experience of the top loader introduction, in which a differentiated product proposition has enabled an extremely quick market penetration—unhindered by issues around channel margins. The market planning is being detailed for completion by the end of the 3rd Quarter to ensure that a new improved product range is communicated and presented effectively to the market in the season ahead.
- The product aesthetics is being redone and the design exercise for this has been completed in the 2nd Quarter. The key aim is to clearly differentiate the product from the mass segments in line with the top loader introduction.

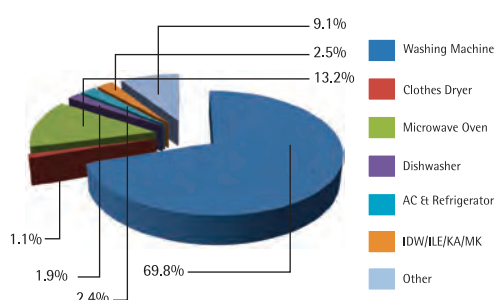
During the 2nd Quarter of the FY 2015–16, the Appliances Division posted a 17.4% increase in



revenue as compared to the same period of the previous year. The ROCE for the 2nd Quarter of the FY 2015-16 stood at 14.9%. ROCE for the FY 14-15 was at 21.2%.

For the Quarter Ended Sept' 2015

The Appliances Division reported net revenues of ₹296.44 crore for the Quarter ended Sept '15. Washing machines contributed 69.8% of sales.



QTR Product-wise spread in the Appliances Division

For the Period Ended Sept' 2015

Summarised Financial Performance of the Appliances Division

₹ in crore

	Q2 ('15-'16)	Q1 ('15-'16)	Q2 ('14-'15)
Revenue (Net Sales Incl Service Income)	296.44	288.57	252.50
EBDITA	17.20	20.02	26.52
EBDITA (%) on Net Sales	5.8%	6.9%	10.5%
EBIT	8.97	12.01	20.08
EBIT (%) on Net Sales	3.0%	4.2%	8.0%
Capital Employed	241.37	237.07	190.82
ROCE (Annualised)	14.9%	20.3%	42.1%

As reported in previous investor communications, the Appliances division operates through five key channel segments through which it reaches its customers base.

1. Multi-brand stores

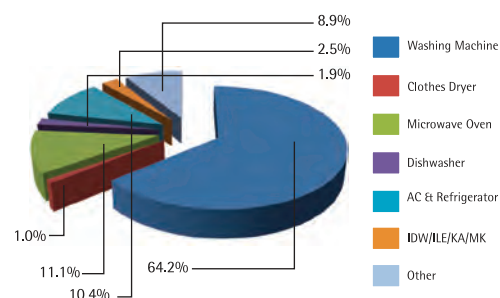
- These are the large format chain stores that operate on a pan-India basis
- The regional/town level single stores, inclusive of regional and geography specific chain stores

The above channels contributed ~65% by volume of IFB's sales in the 2nd Quarter.

2. The IFB exclusive stores (IFB Points and the IFB website)

These stores have the full range of products displayed that the Company offers and allow

The Appliances Division reported net revenues of ₹585.01 crore for the period ended Sept '15. Washing machines contributed 64.2% of sales.



YTD Product-wise spread in the Appliances Division

Product-wise spread in the Appliances Division

customers to see, touch and feel the full range. The IFB website is also an important online store serving the same purpose.

- The IFB Points contribute ~15% of sales by volume as of the 2nd Quarter
- The IFB website and related e-Commerce sites contribute ~6% of sales by volume. Both generate a significant amount of visitors, who also buy offline and in other stores later.

As shared earlier, we are on track for a plan to reach a target of 500+ exclusive stores of approximate size not exceeding ~500 sq ft. All of these are in good locations across India. This will also include Company Owned Company Operated (CoCo) stores. We are also continuing to build a dedicated direct retail team for this

vertical, with dedicated manning for selections and opening of stores so that our engagement with customers improves through this initiative.

3. CSD/defence canteens, institutions

etc—These customers buy directly from the Company, including industrial products. These channels contribute ~4–5% of the Company's sales by volume and are a significant channel for direct customer contact. The Company expects this contribution to remain stable in subsequent Quarters with the growth in the industrial category and also the institutional sales of products such as air conditioners.

4. Channel of Dealers who are also Service

Providers— This segment is specifically for air conditioner sales. It contributes ~1% of sales by volume as of the 2nd Quarter and is a segment that we need to grow to drive expansion in the air conditioner business. This will be a market focus in the 3rd and 4th Quarters for us.

5. The Channel of Distributors—This is a channel that is driving the channel expansion that the Company is undertaking. It is ~9% of sales as of the 2nd Quarter and as IFB continues to expand its channel reaches overall this segment is growing. This channel is the key to expanding IFB's reach into towns and up-country areas across India and we will continue to focus on increasing this segment.

One of the critical areas for the Appliances Division is the Service function and its reach to customers.

As of the 2nd Quarter, we have a total of ~700 service franchisees across India, with a plan to increase the number of franchisees to ~750 by the end of the 4th Quarter, 2016. Currently we have 28 service training centres, which are fully equipped to impart training on all aspects of assembly, dismantling, installation and troubleshooting of our products.

Sales of additives and accessories continue to be a key focus area and these are expected to continue to contribute well, both to the top line and bottom line in the coming Quarters. The Company's four million plus customer base is being tapped to increase the sales of additives and accessories. The new packaging, in line with

FMCG standards, has been well received at the customer end and we are actively planning to bundle appliances and the additives in the product introductions going forward.

The Company's own call centre (which is called a 'service centre') at Goa continues to be effective in issue resolution and customer feedback/cross sell initiatives. It has a total capacity of ~120 people. IFB also has outsourced call centres at Munnar and Hyderabad. The service centre at Goa focuses on outbound calls to track and improve customer satisfaction and also to reduce the number of pending customer issues through focussed data tracking.

As a customer contact program, we continue to contact customers directly and then visit them. This is increasing customer satisfaction and also enabling higher revenues from the customer visits. In the 2nd Quarter, we have physically reached ~2,00,000 customer homes, with a very high percentage of ~60% people actually also ending up buying some additives from our service channel. In the 2nd half of the FY 15–16, this is expected to be a significant margin driver for the Division as we have increased our resources in terms of manning and telecalling for this customer initiative in the 2nd Quarter of this fiscal year.

Fine Blanking Division

The Fine Blanking Division mainly caters to the Automobile sector in both 2-wheeler and 4-wheeler segments. We are also increasing our business in non auto sectors such as Electrical.

The Fine Blanking Division, including the after-market division (AFM) has reported 22.9% revenue growth in the 2nd Quarter of the current year as compared to the corresponding period of the previous year. The growth in EBDITA is at 41.4% as compared to the comparative period of the previous year.

The turnover of the AFM Division has improved significantly and is as given below—

₹ in crore

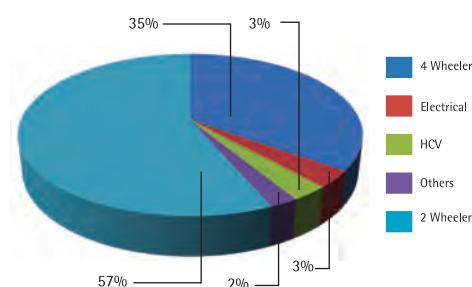
	Q2 (15–16)	Q1 (15–16)	Q2 (14–15)
Net Sales	5.97	4.91	2.50

The After Market Vertical achieved a turnover of ~₹600 lakh in the 2nd Quarter. This is a growth of ~138% over the corresponding Quarter of the previous fiscal year. The AFM vertical is expected to improve the operating performance during 2015–16 as it expands further.

For the Quarter ended Sept. 2015

For the Quarter ended Sept '15, the 2-wheeler demand has dropped by 0.5% compared to the

corresponding Quarter of last year. 4-wheeler demand increased by 8.9% in this Quarter compared to the corresponding Quarter of last year. The rural demand of 2-wheeler, in this Quarter also remained subdued.



Segment-wise sales—Q2 2015–2016

Summarised Financial Performance of Fine Blanking Division

₹ in crore

	Q2 ('15-'16)	Q1 ('15-'16)	Q1 ('14-'15)
Revenue (Net Sales Incl Service Income)	66.29	58.09	53.94
EBDITA	9.12	7.15	6.45
EBDITA (%) on Net Sales	13.8%	12.3%	12.0%
EBIT	5.78	4.00	4.06
EBIT (%) on Net Sales	8.7%	6.9%	7.5%
Capital Employed	123.59	122.59	110.63
ROCE (Annualised)	18.7%	13.1%	14.7%

Future Outlook & Strategy

The Fine Blanking Division is aggressively building a profitable order book and expanding capacities. The revival of the 4-wheeler segment augurs well for the Fine Blanking Division. It is also focussing on increasing the customer base, both in auto and non-auto segments, to take care of fluctuations.

The 'Ultramiles' brand will expand by going to all states this year and we expect it to grow significantly, making it profitable.

INCOME STATEMENT

	YTD		QTR	
	30th Sept, 15'	30th Sept, 14	30th Sept, 15	30th Sept, 14
Gross Sales	904.05	735.02	466.65	383.99
Less: Excise Duty	63.11	41.33	35.77	23.25
Less: Trade Scheme	155.98	122.44	80.52	65.05
Net Sales	684.96	571.25	350.38	295.69
Service Income	24.43	20.58	12.36	10.75
Other Income	15.54	16.38	6.79	9.99
Total Income	724.93	608.21	369.51	316.43
EBITDA	48.62	54.55	23.24	31.79
EBITDA Margin	6.7%	9.0%	6.3%	10.0%
Depreciation	23.30	9.61	11.87	9.13
Interest	1.08	0.96	0.67	0.46
PBT	24.24	43.98	10.70	22.20
PAT	19.86	32.76	9.32	15.41
PAT Margin	2.7%	5.4%	2.5%	4.9%
No of Shares (In crore)	4.05	4.05	4.05	4.05
Earnings Per Share (In ₹) (Not annualised)	4.90	8.08	2.30	3.80

BALANCE SHEET

(₹ in crore)

	30th Sept, '15	30th Sept, '14
EQUITY AND LIABILITIES		
I SHAREHOLDERS' FUNDS		
Share Capital	41.28	41.28
Reserves & Surplus	365.55	320.83
II NON CURRENT LIABILITIES		
Deferred Tax Liabilities (Net)	27.45	22.37
Other Long-term Liabilities	7.86	7.39
Long-term Provisions	25.65	24.46
III CURRENT LIABILITIES		
Short-term Borrowings	89.44	62.64
Trade Payables	226.73	166.27
Other Current Liabilities	63.14	54.95
Short-term Provisions	5.05	5.52
Total	852.15	705.71
ASSETS		
I NON-CURRENT ASSETS		
Fixed Assets		
—Tangible Assets	253.89	209.03
—Intangible Assets	14.32	4.59
—Capital Work-in-progress (Including intangible assets under development)	9.24	17.63
Long-term Loans and Advances	69.18	57.00
Other Non-current Assets	—	0.01
II CURRENT ASSETS		
Current Investments	45.62	59.01
Inventories	242.86	174.44
Trade Receivables	135.90	106.62
Cash and Bank Balances	51.84	49.38
Short-term Loans and Advances	28.64	26.57
Other Current Assets	0.66	1.43
Total	852.15	705.71

KEY RATIOS

	YTD		QTR	
	30th Sept, '15	30th Sept, '14	30th Sept, '15	30th Sept, '14
Earnings Per Share (In ₹) (Not annualised)	4.90	8.08	2.30	3.80
Book Value Per Share (In ₹)	100.45	89.41	100.45	89.41
Current Ratio#	1.42	1.46	1.42	1.46
Quick Ratio#	0.74	0.85	0.74	0.85
EBITDA/Total Income (Before exceptional items)	6.7%	9.0%	6.3%	10.0%
Net Profit Margin as % of Total Income	2.7%	5.4%	2.5%	4.9%
Net Worth (₹ in crore)	298.99	254.27	298.99	254.27
RONW (%) (Annualised)	16.2%	34.6%	14.3%	34.9%
Return on Capital Employed—Annualised (%)	9.8%	18.1%	9.2%	17.0%
No of Equity Shares (In crore)	4.05	4.05	4.05	4.05
Closing Market Price on Period End	477.70	330.40	477.70	330.40
Market Capitalisation (₹ in crore)	1,934.69	1,338.12	1,934.69	1,338.12
PE Ratio (Annualised)	48.74	20.45	51.92	21.74
Head Count (Numbers)	1,610	1,519	1,610	1,519
Total Income per Employee (₹ in lakh)	45.03	40.04	22.95	20.83
Fixed Asset Turnover Ratio	5.11	5.35	5.2	5.5
Days Sundry Debtors Outstanding	27	26	26	25
Inventory Holding (In days)	49	43	47	41
# Includes investments and working capital secure loans				

CASH FLOW STATEMENT

(₹ in crore)

	YTD 30th Sept, 15	YTD 30th Sept, 14	QTR 30th Sept, 15	QTR 30th Sept, 14
(A) CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit Before Tax	24.24	43.98	10.70	22.20
Adjustments for:				
Depreciation/Amortisation	23.30	9.61	11.87	9.13
(Gain) on Disposal of Fixed Assets	(0.01)	-	(0.01)	-
Write off of Debts/Advances	0.09	0.03	0.02	0.03
Provision for Doubtful Debts and Advances	0.10	0.13	0.10	0.13
Dividend from Mutual Funds	(0.19)	(0.20)	(0.10)	(0.10)
Net Gain on Sale of Mutual Funds	(2.06)	(1.83)	(0.14)	(1.62)
Write Back of Liabilities No Longer Required	(0.05)	(0.06)	(0.02)	(0.01)
Write Back of Provisions No Longer Required	(0.06)	(0.12)	(0.06)	(0.12)
Financial Charges	1.08	0.96	0.67	0.46
Operating Profit Before Working Capital Changes	46.44	52.50	23.03	30.10
Movement In Working Capital	(67.51)	(30.44)	(15.36)	(31.27)
Cash Generated From/(Used in) Operations	(21.07)	22.06	7.67	(1.17)
Direct Taxes Paid	(5.28)	(8.93)	(3.06)	(6.03)
Net Cash From/(Used in) Operating Activities	(26.35)	13.13	4.61	(7.20)
(B) CASH FLOWS FROM INVESTING ACTIVITIES				
Net Purchase of Fixed Assets (Including Intangible Assets, CWIP)	(28.51)	(26.14)	(13.63)	(9.94)
Net (Purchase)/Sale of Current Investments	8.29	(19.71)	(6.25)	11.29
Net Cash From/(Used in) Investing Activities	(20.22)	(45.85)	(19.88)	1.35
(C) CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Borrowings (Net)	54.99	14.86	14.23	2.88
Financial Charges	(1.08)	(0.96)	(0.67)	(0.46)
Net Cash from Financing Activities	53.91	13.90	13.56	2.42
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	7.34	(18.82)	(1.71)	(3.43)
CASH AND CASH EQUIVALENTS, BEGINNING	44.50	68.20	53.55	52.81
CASH AND CASH EQUIVALENTS, END	51.84	49.38	51.84	49.38

Thank You



Disclaimer

This presentation contains statements which reflect the Management's current views and estimates and may be construed as forward-looking in nature. The future involves certain risks and uncertainties that may cause actual results to differ materially from the current views being expressed. Partial risks and uncertainties include such factors as general economic conditions, commodity prices and currency fluctuations, competitive product and pricing pressures, industrial relations and regulatory developments.



Microwave Oven

Built in Oven

Dishwasher

Cooker Hood | Built in Hob

Refrigerator

Top Loader

Front Loader

100% Clothes Dryer

Air Conditioner

