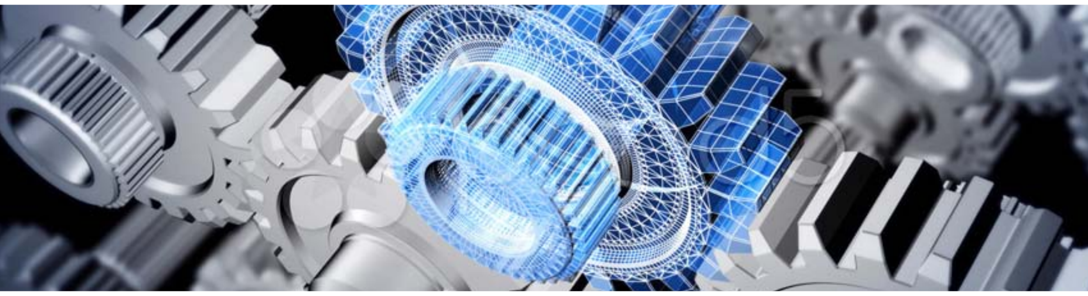
IFB Industries Limited

Q4

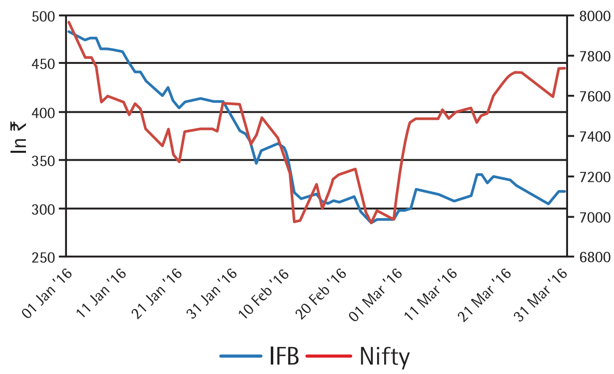
Financial Report

Period Ended 31st March, 2016



FINANCIAL HIGHLIGHTS

	FY ('15–'16)	Q4 ('15–'16)
Total Income	₹1,514.25 crore	₹375.58 crore
EBDITA	₹82.75 crore	₹16.09 crore
EBDITA Margin	5.5%	4.3%
EPS	₹7.74	₹1.24
RONW (Annualised)	11.3%	6.9%
ROCE (Annualised)	7.5%	4.8%
Market Capitalisation (As on 31.03.16/NSE)	₹1,287.50 crore	–
Cash & Equivalents (Net) (As on 31.03.16)	₹49.61 crore	–
Enterprise Value (EV) (As on 31.03.16)	₹1,238.89 crore	–
EV/EBDITA	14.97	–



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 March 2016, IFB Industries Limited has reported net sales of ₹350.45 crore, a growth of 13.2% over the corresponding quarter of last year. The EBDITA margin stood at 4.3% during the 4th Quarter of 2015–16.

Quarter

EBDITA for the 4th Quarter ended March 2016 was lower compared to the corresponding period ended March 2015, primarily due to—

- Higher material costs in this Quarter on account of the weakening of the Rupee. The impact of forex loss being ₹7.7 crore
- Impact of higher AS-15 Charge by ₹2.14 crore
- Impact of higher bonus provision ₹1.5 crore

Excluding the above impact, the EBDITA margin for the Quarter would have been 7.3% instead of 4.3%.

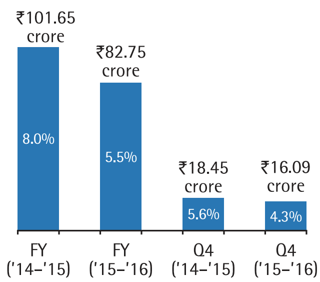
YTD

EBDITA for the year ended March 2016 was lower compared to the year ended March 2015, primarily due to—

- Higher material costs in this year on account of the weakening of the Rupee. The impact of forex loss being ₹19 crore
- Impact of higher AS-15 Charge by ₹2.97 crore
- Impact of higher bonus provision ₹7.54 crore

Excluding the above impact, the EBDITA Margin for the year would have been 7.4% instead of 5.5%

The trend in EBDITA is given below



Balance Sheet

Long-term borrowings include a term loan taken for purchase of capital assets for expansion of our Fine Blanking plant. Short term borrowing includes Capex Buyers Credit amounting to ₹9.27 crore and bill discounting amounting to ₹6.13 crore.

The Company continues to remain debt free (on a net basis, net of investments and bank balances) as of 31st March, 2016.

Cash Flow

Cash and cash equivalent has increased to ₹47.56 crore (31st March, 2016) from ₹40.63 crore (31st March, 2015). Capital outflow to the tune of ₹17.69 crore was incurred during the Quarter ended March 2016 and this is in line with the annual capital expenditure plan.

Outlook

During the Quarter the Indian rupee has depreciated with respect to last year's Quarter levels. This has had a negative impact on the material cost for the Quarter.
Our localisation plan on some of the high cost imports—which we had initiated in the 3rd Quarter of the fiscal year are now in an implementation stage. The localisation plan will drive margins and also de-risk the Company significantly from the forex exposure on some of the product categories.

Our Appliances Division has ended the Quarter on a stronger note in revenue terms 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 are beginning to have an impact. As we had briefed earlier, we believe that the new product introductions will further improve sales in the new fiscal year ahead. This will also deliver the targeted margins over the next two Quarters as the full productivity of the manning investments is realised from the 1st Quarter of this year.

The Fine Blanking Division increased its gross sales by 13.4% during the 4th Quarter of the current year as against the comparative period of the previous year.

The Appliances Division

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

The updates at the end of the 4th Quarter on the products, relative market position, 3rd Quarter actions being taken and our future plans are given in the subsequent pages.

Washing Category

• Front Loaders (Domestic Segment)

The new models are now fully commercialised and the revenue impact of these will be fully realised in the 1st Quarter of the new fiscal year. Our dominant market share continues and will be strengthened with these introductions. We now have a range of models with high end designs and user interfaces, including models driven by smart mobile based technologies and a range of new washing applications. The new introductions will achieve two aims. The high end models will drive volume and market share gains in the larger counters. Also, some of the new models are at introductory price points and will help increase market reach across the country. These gains will be visible in the new fiscal year as a result of actions taken in the 4th Quarter.

• Top Loaders (Domestic Segment)

The market pipelines continue to rapidly expand for this range of products. The product range has fully automatic top loaders in the 6.5 to 9.5 kg capacity segments, with high end 'Deep Clean' technology and unique wash features. The top loaders have created a niche position in the market with their aesthetics, features and wash performance. This category will be a key revenue growth and margin driver in the new fiscal year.

With the front loader and top loader volumes combined, the Company is now a significant player in the overall automatic washing machine segment. In the segments of top loaders that the Company is operating at present (6.5 kg and above), the market share gains within a year of market launch have been extremely significant and are now over 15% in the 6.5 kg and above segment—a significant gain from the low single digit share the Company had just a year ago!

• Clothes Dryers (Domestic Segment) and Dishwashers (Domestic Segment)

Both of these are niche product segments of the Company and we continue to have market shares of ~80% in clothes dryers and ~50% in domestic dishwashers. The new range of dishwasher models, with features based on the feedback we have received from the market for enhanced wash capabilities, is now fully available in the market.

• **Industrial Segment**

In Ware-washing and Laundry Equipment IFB has a unique range of glass washers, under counter dishwashers, hood type and rack conveyor type dishwashing equipment. In this segment, the Company has a pan-India presence in customer segments including defence cantonments, small pubs and bars, large institutions, hotels and restaurants, and ships. The Company continues to operate with a strong market share of ~37% in value terms in the industrial dishwashing segment. A complete new range has been fully commercialised in the 4th Quarter in this category with contemporary features based on customer feedback.

IFB also has a full range of industrial laundry equipment (up to capacities as high as ~160 kg) and a complete range of dryers, ironers, finishing equipment for clothing, including suits, special silk wear etc. The Company's installations in this industrial equipment segment now number nearly 6,000 and span 5-star hotels, educational institutions, hospitals and developing segments. In the high end laundry segment, IFB continues to be among the top 2 players by value share.

Kitchen Appliances

• **Microwave ovens**

IFB is the 3rd largest player with a market share of ~18% as of the 4th Quarter of fiscal year 2015–2016. A complete new pipeline of products has been introduced. These new microwaves feature a unique technology that enables oil free cooking. IFB registered strong and healthy growth in this category in the fiscal year. We expect to further strengthen the Company's market share in the new fiscal year. IFB continues to run the industry's largest microwave cooking program under the brand 'Spice Secrets' which teaches our customers how to optimise microwave oven usage post purchase. There are more than 700 classes across the country every month. With the new range, the Company has introduced new cooking programs to enable healthy cooking with inputs such as olive oil etc and the new range takes 'health' as a platform for driving customer connect.

• **Modular Kitchens**

The pilot store in Goa became fully operational in the 4th Quarter. Additional stores in Bangalore and Kolkata will be fully operational in the 1st Quarter of the new fiscal year. The design offerings for this category keep the modern Indian home in mind. This includes unique modular systems. The basic platform has a unique plywood material as an option, which is food grade, termite resistant and boiling water proof. With the complete design range, the Company now presents modular kitchens with appliances (stand alone and built-in) in line with global trends. The Company will expand the business fully in the new fiscal year, after stabilisation in the 3 initial markets selected.

• **Built-in-ovens, Chimneys and Hobs**

In the 4th Quarter, we have focused on increasing displays across all markets. There has been a special focus on local level promotions to drive traffic for these categories to the IFB Points. The IFB Point channel is a key driver for growth in this category and currently ~50% of sales of this set of products come from this exclusive store network.
The Company has ~5% market share as on date, which will expand in subsequent Quarters as market placements increase as planned.

Cooling Category

• **Air Conditioners**

A complete redesigned product range has been introduced for the season. The product and market refocus in this segment covers the following key summaries—

• As a product the performance has been of a high level and as we shared earlier the customers

are satisfied. The new product range has enhanced this experience as the product has been improved further in the key areas of energy efficiency and performance at high ambient temperatures etc. The IFB range is unique in terms of features like 52˚C compliant compressors across all models, green gas and copper piping—all designed for high end performance delivery levels.

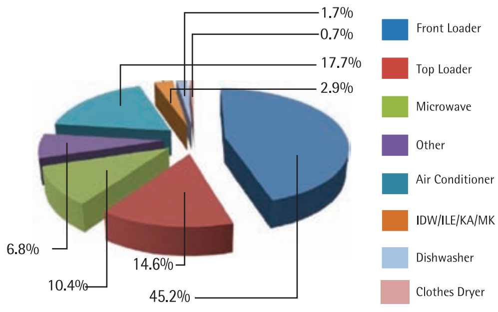
• The sales performance in the season has been as per the expected levels and this category will have a positive impact on the profitability in the new fiscal year as the channel and volume expansion continues.

During the 4th Quarter of fiscal year 2015–16, the Appliances Division posted a 13.5% increase in revenue as compared to the same period of the previous year. The ROCE for the 4th Quarter of the fiscal year 2015–16 stood at 2.6%. ROCE for the same period last year was at (–)12.1%.

For the Quarter ended March 2016

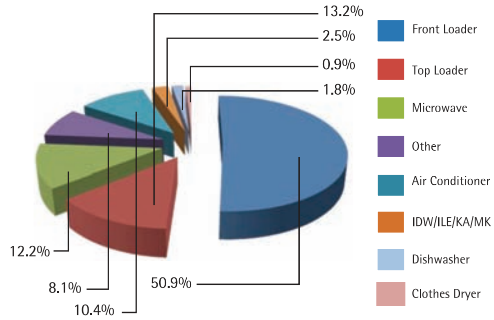
The Appliances Division reported net revenues of ₹297.65 crores for the Quarter ended March 2016. Washing machines contributed 59.8% of sales.

Product-wise spread in the Appliances Division



For the period ended March 2016

The Appliances Division reported net revenues of ₹1,225.49 crore for the year ended March 2016. Washing machines contributed 64.1% of sales.



Product-wise spread in the Appliances Division

Summarised Financial Performance of the Appliances Division

₹ in crore

	FY ('15–'16)	FY ('14–'15)	Q4 ('15–'16)	Q4 ('14–'15)
Revenue (Net Sales Including Service Income)	1,225.49	1020.75	297.65	262.22
EBDITA	57.41	75.95	8.29	12.00
EBDITA (%) on Revenue	4.7%	7.4%	2.8%	4.6%
EBIT	26.61	44.88	1.75	(6.4)
EBIT (%) on Revenue	2.2%	4.4%	0.6%	(2.4%)
Capital Employed	266.56	211.64	266.56	211.64
ROCE (Annualised)	10.0%	21.2%	2.6%	(12.1%)

The key points to be noted above, which have impacted results, are as follows—

a. Impact of forex levels for the quarter is ~₹7.7 crore (YTD negative impact of ~₹19 crore). The largest impact has been in imported products such as microwaves and air conditioners—where we have been unable to pass on increased costs to the market. We have taken corrections in the 4th Quarter in terms of pricing, increased focus on high end model mix and actions on material costs.

b. Provisions created for bonus and ex-gratia amounted to ~₹4.8 crore for the year.
In view of various high court judgements the provision relating to 2014–15 may require a reversal in the subsequent Quarters.

c. Investments made by the Company in areas of sales promotion—in terms of increased manning in areas of sales for the new product categories launched. As the volume growth comes from the new product categories, this manning will be fully productive in the new fiscal year.

As reported in previous investor communications, the Appliances Division operates through five key channel segments through which it reaches its customer base—

1. Multi–brand stores

a. These are the large format chain stores that operate on a pan-India basis

b. The regional/town level single stores, inclusive of regional and geography specific chain stores

The above channels contributed ~62% by volume of the IFB's sales in 4th Quarter.

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

These stores have the full display of the products that the Company offers and allow customers to see, touch and feel the full range. The IFB website is also an important online store serving the same purpose.

a. IFB Points contribute ~18% of sales by volume as of the 4th Quarter.

b. The IFB website and related e-Commerce sites contribute ~5% of sales by volume. Both generate a significant amount of visitors who also buy offline and in other stores later.

c. We are on track for a plan to reach a network of more than 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. As at 31st March, 2016 the Company had ~350 IFB Points across India, of which ~80 are CoCo stores. An additional ~40 stores are under construction as of March 2016.

3. CSD/Defence Canteens, Institutions etc

These customers buy directly from the Company—these also include the industrial products. These channels contribute ~3% 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 ACs.

4. The channel of dealers who are also service providers

This segment is specifically for AC sales.
This segment contributes ~3% of sales by volume as of the 4th Quarter and is a segment which will grow to drive expansion in the AC business.

5. The channel of distributors

This is driving the channel expansion that the Company is undertaking. It is at ~9% of sales as of the 4th Quarter and as IFB continues to expand its channel reach, this segment is growing. This channel is vital to the expansion of IFB's reach into small towns and up-country areas across India and we will continue to focus on increasing this segment.

One of the critical areas for the Division is its Service to customers and its outreach.

In the 4th Quarter, we have a total of ~740 service franchisees across India, with a plan to increase the number of franchisees to ~775 by the end of the 2nd Quarter, fiscal year 2016. Currently, we have 29 service training centres, which are fully equipped to train 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 significantly, both to the topline and bottom-line in the coming Quarters. The Company's 4 million plus customer base is being tapped to increase the sales of additives and accessories. The Company's own call centre (within the Company this is called a 'service centre') at Goa continues to be effective in issue resolution and customer feedback/cross sell initiatives—this has a total capacity of ~120 people (presently 90 seats are filled up).
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 focused data tracking.

In the Company's Customer Connect 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 4th Quarter, we have physically reached ~8,50,000 customer homes, through our program and the service calls.

Fine Blanking Division

The Fine Blanking Division mainly caters to the automobile sector, both the two-wheeler and four-wheeler segments. We are also focusing on increasing our business in non-auto sectors such as electrical, railways, cycle, defence etc.

The Fine Blanking Division including the After Market Division (AFM) has reported 11.6% revenue growth in the 4th Quarter of the current year as compared to the corresponding period of previous year. The EBDITA growth compared to the comparative period of the previous year is 3.4%.

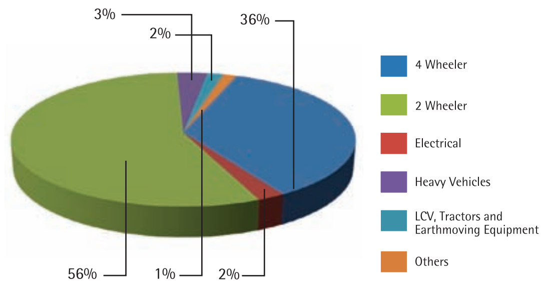
The turnover of AFM Division has improved significantly and is as given below—

₹ in crore

	FY ('15–'16)	FY ('14–'15)	Q4 ('15–'16)	Q4 ('14–'15)
Net Sales	23.96	12.69	6.25	3.99

The After Market Vertical achieved a turnover of ₹6.25 crore in the 4th Quarter. This is a growth of 56.6% from the corresponding quarter in the previous fiscal year. The AFM vertical is expected to improve the operating performance during 2016-17 as it expands further.

Segment-wise sales in the 4th Quarter ending March 2016



Summarised Financial Performance of the Fine Blanking Division

₹ in crore

	FY ('15–'16)	FY ('14–'15)	Q4 ('15–'16)	Q4 ('14–'15)
Revenue (Net Sales Including Service Income)	254.81	217.31	65.77	58.93
EBDITA	34.33	28.25	8.48	8.20
EBDITA (%) on Revenue	13.5%	13.0%	12.9%	13.9%
EBIT	20.64	19.63	4.81	5.04
EBIT (%) on Revenue	8.1%	9.0%	7.3%	8.6%
Capital Employed	139.60	123.69	139.60	123.69
ROCE (Annualised)	14.8%	15.9%	13.8%	16.3%

Future Outlook & Strategy

The Fine Blanking Division has built a healthy order book in the auto sector.

The 'Ultramiles' brand is expected to grow significantly pan-India.

INCOME STATEMENT

(₹ in crore)

	YTD		QTR	
	31st Mar, '16	31st Mar, '15	31st Mar, '16	31st Mar, '15
Gross Sales	1,915.83	1,548.46	471.12	402.76
Less: Excise Duty	132.19	88.82	30.87	24.39
Less: Trade Scheme	353.56	264.72	89.80	68.75
Net Sales	1,430.08	1,194.92	350.45	309.62
Service Income	50.22	43.13	12.97	11.53
Other Income	33.95	38.53	12.16	9.81
Total Income	1,514.25	1,276.58	375.58	330.96
EBITDA	82.75	101.65	16.09	18.45
EBITDA Margin	5.5%	8.0%	4.3%	5.6%
Depreciation	45.37	40.64	10.33	21.86
Interest	2.22	1.74	0.44	0.36
PBT	35.16	59.27	5.32	(3.77)
PAT	31.36	49.73	5.02	1.18
PAT Margin	2.1%	3.9%	1.3%	0.4%
No of Shares (In crore)	4.05	4.05	4.05	4.05
Earnings Per Share (In ₹) (Not annualised)	7.74	12.27	1.24	0.29

BALANCE SHEET

(₹ in crore)

	31st Mar, '16	31st Mar, '15
EQUITY AND LIABILITIES		
I SHAREHOLDERS' FUNDS		
Share Capital	41.28	41.28
Reserves & Surplus	377.05	345.69
II NON-CURRENT LIABILITIES		
Long-term Borrowings	1.00	-
Deferred Tax Liabilities (Net)	25.80	25.85
Other Long-term Liabilities	9.15	7.61
Long-term Provisions	29.25	27.17
III CURRENT LIABILITIES		
Short-term Borrowings	15.40	34.45
Trade Payables	226.63	226.67
Other Current Liabilities	59.93	56.76
Short-term Provisions	5.87	5.44
Total	**791.36**	**770.92**
ASSETS		
I NON-CURRENT ASSETS		
Fixed Assets		
—Tangible Assets	261.15	256.98
—Intangible Assets	12.75	16.01
—Capital Work-in-progress (Including intangible assets under development)	23.77	5.74
Long-term Loans and Advances	72.79	59.35
Other Non-current Assets	0.01	-
II CURRENT ASSETS		
Current Investments	16.85	51.65
Inventories	214.41	223.13
Trade Receivables	115.46	90.71
Cash and Bank Balances	48.16	44.50
Short-term Loans and Advances	25.20	22.61
Other Current Assets	0.81	0.24
Total	**791.36**	**770.92**

KEY RATIOS

	YTD		QTR	
	31st Mar, '16	31st Mar, '15	31st Mar, '16	31st Mar, '15
Earnings Per Share (In ₹) (Not annualised)	7.74	12.27	1.24	0.29
Book Value Per Share (In ₹)	103.29	95.55	103.29	95.55
Current Ratio#	1.41	1.43	1.41	1.43
Quick Ratio#	0.69	0.69	0.69	0.69
EBDITA/Total Income	5.5%	8.0%	4.3%	5.6%
Net Profit Margin as % of Total Income	2.1%	3.9%	1.3%	0.4%
Net Worth (₹ in crore)	310.49	279.13	310.49	279.13
RONW (%) (Annualised)	11.3%	21.2%	6.9%	(5.4%)
Return on Captital Employed (%) (Annualised)	7.5%	12.9%	4.8%	1.2%
No of Equity Shares (In crore)	4.05	4.05	4.05	4.05
Closing Market Price on Period End	317.90	585.90	317.90	585.90
Market Capitalisation (₹ in crore)	1,287.50	2,372.90	1,287.50	2,372.90
PE Ratio (Annualised)	41.07	47.75	64.09	505.09
Head Count (Numbers)	1,626	1,528	1,626	1,528
Total Income per Employee (₹ in lakh)	93.13	83.55	23.10	21.66
Fixed Asset Turnover Ratio	5.2	4.4	5.1	4.5
Days Sundry Debtors Outstanding	21	21	22	20
Inventory Holding (In days)	41	53	42	51

Includes Investments and Working Capital Secured Loans

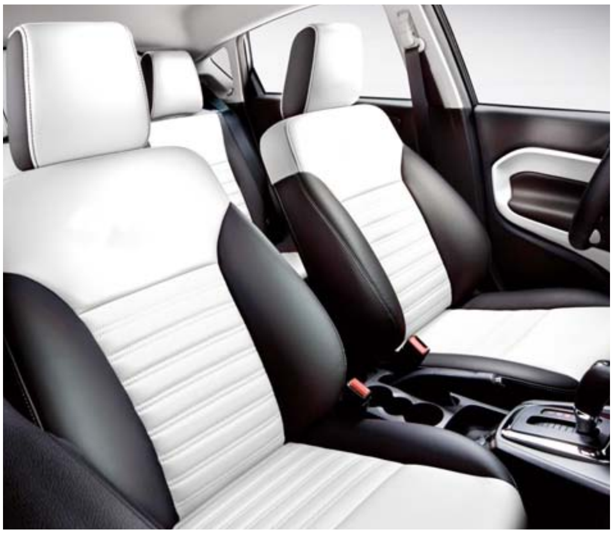
CASH FLOW STATEMENT

	YTD ('15–'16) ₹ in crore	YTD ('14–'15) ₹ in crore	Q4 ('15–'16) ₹ in crore	Q4 ('14–'15) ₹ in crore
(A) CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit/(Loss) Before Tax	35.16	59.27	5.32	(3.77)
Adjustments for: Depreciation/Amortisation	45.37	40.64	10.34	21.86
Gain on Disposal of Fixed Assets	(1.40)	(5.60)	(1.38)	-
Write off of Fixed Assets	0.27	0.26	0.21	0.21
Write off of Debts/Advances	0.24	0.40	0.12	0.29
Write off of Capital Advances	-	0.02	-	0.02
Provision for Doubtful Debts and Advances	0.04	0.24	(0.06)	0.14
Dividend from Current Investments	(0.41)	(0.34)	(0.12)	(0.04)
Net Gain on Sale of Current Investments	(5.56)	(3.53)	(3.43)	(1.58)
Write Back of Liabilities No Longer Required	(0.30)	(0.83)	(0.24)	(0.75)
Write Back of Provisions No Longer Required	(0.13)	(0.49)	(0.07)	(0.09)
Unrealised Exchange Gain	(0.27)	(0.33)	(0.27)	(0.33)
Interest Income on Bank Deposits and Others	(0.78)	(1.05)	(0.78)	(1.05)
Finance Costs	2.22	1.74	0.44	0.36
Operating Profit Before Working Capital Changes	**74.45**	**90.40**	**10.08**	**15.27**
Movement In Working Capital	(16.54)	6.61	15.98	14.53
Cash Generated From Operations	**57.91**	**97.01**	**26.06**	**29.80**
Direct Taxes Paid	(9.17)	(14.63)	(1.31)	(3.09)
Net Cash From Operating Activities	**48.74**	**82.38**	**24.75**	**26.71**
(B) CASH FLOWS FROM INVESTING ACTIVITIES				
Net Purchase of Fixed Assets (Including Intangible Assets, CWIP)	(65.84)	(81.54)	(17.69)	(31.67)
Net (Purchase)/Sale of Current Investments	40.77	(10.50)	40.23	26.85
Decrease in Other Bank Balances	3.27	0.44	3.27	0.44
Interest received	0.83	1.29	0.83	1.29
Net Cash From/(Used in) Investing Activities	**(20.97)**	**(90.31)**	**26.64**	**(3.09)**
(C) CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of Borrowings (Net)	(18.63)	(13.58)	(47.45)	(42.91)
Finance Costs	(2.21)	(1.75)	(0.43)	(0.37)
Net Cash Used in Financing Activities	**(20.84)**	**(15.33)**	**(47.88)**	**(43.28)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	6.93	(23.26)	3.51	(19.66)
CASH AND CASH EQUIVALENTS, BEGINNING	40.63	63.89	44.05	60.29
CASH AND CASH EQUIVALENTS, END	47.56	40.63	47.56	40.63

Thank You






Disclaimer

This presentation contains statements which reflect Management's current views and estimates and could be construed as forward looking in the 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.

Notes

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Microwave Oven | Built in Oven | Dishwasher | Cooker Hood I Built in Hob | Top Loader | Front Loader | 100% Clothes Dryer | Air Conditioner