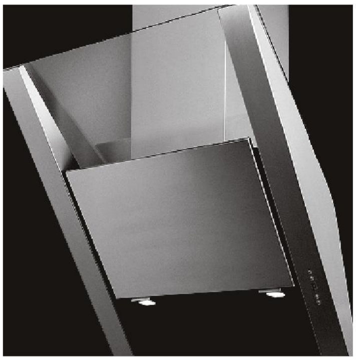
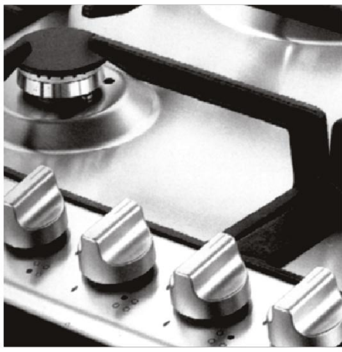
IFB Industries Limited

Q2 Financial Report

Quarter and period ended 30th September 2011





Gross Sales ₹236.66 crores - 25.5% growth

Net Sales/Income from Operations
₹198.40 crores - 19.6% growth

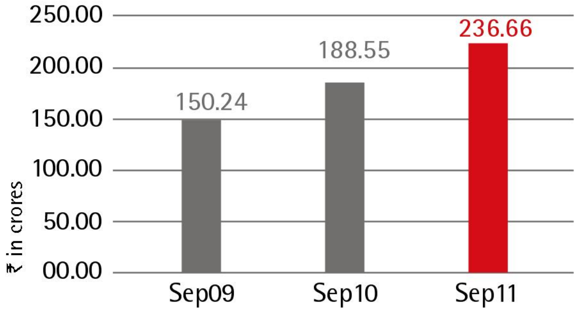
Total Revenue (net of excise and trade scheme)
₹204.71 crores - 20.6% growth

EBDIT Margin
(before exceptional expense) 6.9%

EPS ₹1.78

For the second quarter ended 30th September 2011, IFB Industries Limited (IFBIL) achieved 25.5% growth in gross sales over last year. The gross sales in Q-2 of current fiscal and comparative position with respect to Q-2 of last two fiscal are shown under:

Gross Sales (₹in crores)



Total Revenue grown by 20.60% to ₹204.71 crores. Appliance Division grown by 23.1% and Engineering Division grown by 7.9%. Growth of revenue in Engineering Division affected due to slowdown in auto sector and shutdown due to labour unrest in one of the major customer. Operating EBDIT before exceptional expense for the quarter was lower than corresponding quarter of the last fiscal year due to increase in input cost, salaries and other operating expenses without corresponding increase in selling price and provision for foreign exchange loss mainly for restatement of liability as on 30th September, 2011.

EBDIT Margin was 6.9% and net margin (PAT) for the quarter was 3.1%. Operational Cash flow for the quarter was ₹0.84 crores.

Market Overview - Quarter 2

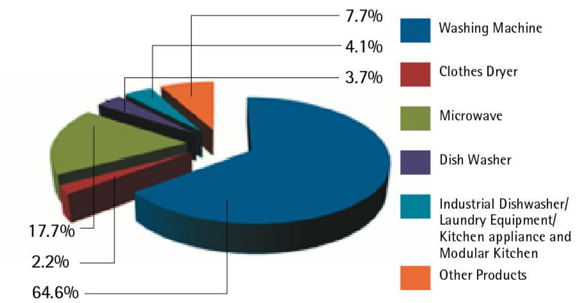
The second quarter ended on 30th September 2011, was affected due to the following factors which were experienced in Quarter-1.

• Commodity inflation continued which dampened profit margin.

• RBI continued to raise repo rates as anti-inflationary measures which lead to hike in finance cost for housing and auto sector leading to adverse effect on appliance and auto component business. Actions initiated by your company to protect margin by reduction of material cost through negotiation/VAVE did not fructify in Quarter-2 due to continuous adverse movement of commodity prices. However your company is committed to control discretionary expenditure, achieve better sales mix and focus on market expansion.

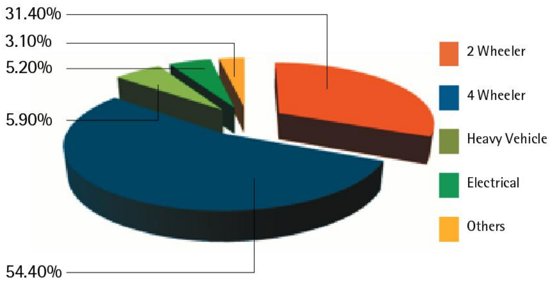
Sales by Division and Product

Gross sales of Home Appliance division rose by 29.9% over Q-2 in last year to ₹202.34 crores. Washing Machine Sales rose by 25.0% to ₹130.78 crores, Microwave Oven sales grown by 52.1% to ₹35.89 crores, Domestic Dish Washer sales grown by 31.0% to ₹7.43 crores, Cloth Dryer sales grown by 11.1% to ₹4.52 crores, Industrial Dishwasher/ Washer grown by 103.7% to ₹8.21 crores and other products together grown to ₹15.51 crores. Product wise share of HAD sales are shown in following chart:



Product wise spread in Home Appliance Division

Gross Sales of Engineering Division grown by 4.7% over last year to ₹34.32 crores. The sector wise sales for the quarter are shown in following chart:



Segment wise sales distribution in Engineering Division

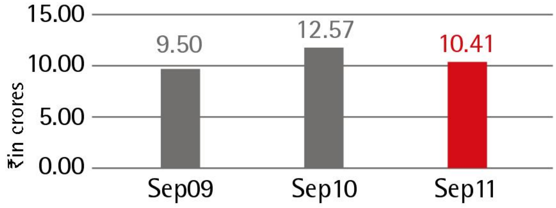
Earnings 2nd Quarter For the second quarter 2011-12, margin of the company was under pressure resulting in lower profit. Both Home Appliance and Engineering Division suffered on account of higher input cost, increase in operating & administrative expenses and adverse sales mix (in case of appliance division). Engineering Division also lost volume due to stoppage of work in one of its customers and some customers delaying product launch.

PBDIT (before exceptional items) for the quarter was ₹14.05 crores against last year figure of ₹14.92 crores. Despite 20.6% growth in Top line, the PBDIT for the quarter has degrown by 5.8% over last year. During the quarter, your company had to take hit on account of foreign exchange loss of ₹2.01 crores which was mainly for restatement on 30th September 2011. This loss was due to sudden depreciation of Indian rupees within short span in September 2011. The PBDIT for the quarter was also affected due to higher material cost, increase in employee and other operating and administrative expenses.

Depreciation charge for the quarter was higher at ₹3.59 crores against ₹2.23 crores in previous year. The increase is on account of capex of Appliance plant at Goa and in Engineering Division.

The profit before tax for the quarter was ₹8.91 crores against ₹12.57 crores in previous year. The PBT for the quarter is low compared to last year due to lower PBDIT for reasons already explained, higher depreciation due to capex made in Appliance and Engineering Division and exceptional expense of ₹1.50 crores on account of compromise settlement in respect of past claim against your company. The comparative position in Q-2 for three years is shown in graphical form.

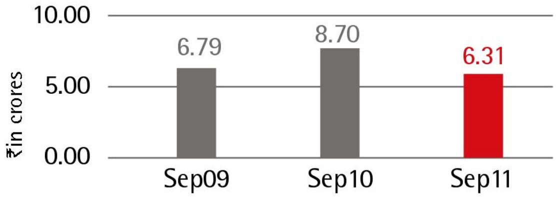
PBT before exceptional (₹in crores)



Tax expenses for the quarter were ₹2.60 crores against ₹3.87 crores in last year. Tax liability in current fiscal has been lower due to impact of higher depreciation, deductions for capital expenditures and reduction of surcharge.

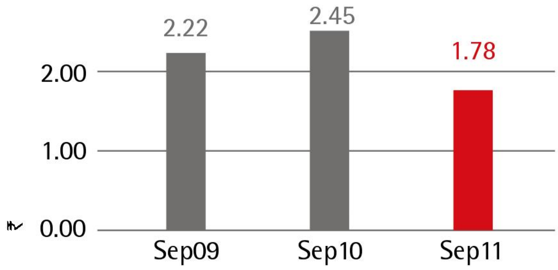
The Profit after tax was ₹6.31 crores against ₹8.70 crores in Q-2 of previous year. PAT compared to last year has been lower due to lower PBT. The year wise PAT for last two years have been compared with current fiscal in chart shown below:

PAT (₹in crores)



Earnings per share for the quarter were ₹1.78 against ₹2.45 in previous year Q-2. EPS for the current quarter is down due to lower PAT. EPS trend in Q-2 for three years are as under:

EPS after Exceptional (₹)



Cash Flow and Balance Sheet

Operations before working capital change generated ₹13.13 crores cash, working capital change consumed ₹7.58 crores. Company paid net direct tax amounting to ₹4.71 crores thus generated aggregate cash of ₹ 0.84 crores.

The Company had cash out go of ₹10.99 crores on account of investing activities which comprised of ₹8.98 crores for capital expenditure, investments in mutual fund of ₹2.57 crores and reduced by dividend income of ₹0.56 crores. The capital expenditure was towards R&D project at Goa Verna Plant.

Secured Loan represents buyer's credit taken from Standard Chartered Bank for a period of 90 days for import of traded goods. There was out go on account of interest amounting to ₹0.05 crores paid towards buyers credit.

Net change in cash & cash equivalent for the quarter was negative at ₹1.13 crores.

Market overview half year 2011-12

First half of the Year 2011-12 witnessed moderation in growth and pressure on margin due to three major factors.

1. Unabated commodity inflation resulted rise in input cost which dampened profit growth during both Quarter -1 and Quarter-2.

2. Anti-inflationary measures taken by RBI by hiking repo rates have made housing and auto loan costlier which affected adversely both housing and auto sector. Effect on these sectors had adverse impact on company's engineering and appliance business. Your Company has initiated number of actions to protect margin by controlling discretionary expenditure, improvement of product mix and focusing on market penetration and result is expected from quarter-3.

Total Sales

For the year's first six months, consolidated gross sales of the Company closed at ₹414.34 crores against ₹337.92 crores in last year, a growth of 22.6% over last year. Home Appliance Division achieved gross sales of ₹344.83 crores against ₹272.67 crores in previous year, clocking a growth of 26.5%. Washing Machine sales rose by 22.5% to ₹223.87 crores, Microwave Oven sales rose by 41.7% to ₹57.49 crores, Dishwasher rose by 26.9% to ₹12.99 crores, Cloth Dryer rose by 17.9% to ₹7.71 crores, Industrial Dishwasher/Washer grown by 81.4% to ₹14.04 crores and other product categories together contributed ₹28.73 crores sales.

Engineering Division achieved gross sales of ₹69.51 crores against ₹65.24 crores clocking 6.5% growth over previous year.

Net sales (net of excise & trade scheme) of the Company for the year was 335.97 crores against ₹279.61 crores in previous year posting annual growth of 20.2%.

Earnings

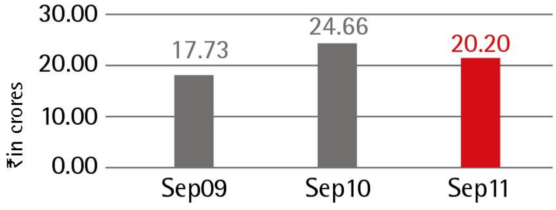
EBDIT before exceptional expense decreased by 1.6% over previous year from ₹29.21 crores to ₹28.74 crores. Last year EBDIT was after consideration of ESPS cost (Employees Stock Purchase Scheme) amounting to ₹5.88 crores (current year nil). On a like to like basis, there has been degrowth of PBDIT by 18.1%. During current fiscal till this first half, we have experienced slow down in Auto sector, higher input cost both in quarter-1 and Quarter -2 due to inflationary effect, increase in operating and administrative cost and provision for foreign exchange loss amounting to ₹2.01 crores mainly due to restatement of liability in foreign currency as on 30th September 2011.

Depreciation charge for the period was higher at ₹6.96 crores against ₹4.34 crores in previous year. The increase is on account of capex at Goa Verna plant and in Engineering Division.

Your company has entered into a compromise settlement with a bank in respect of past disputed liability at an agreed amount of ₹1.50 crores and corresponding charge has been taken in accounts as exceptional expense.

The profit before tax for six months has degrown by 18.10% over last year due to reasons mentioned above. The comparative position of PBT for three years is shown in graphical form.

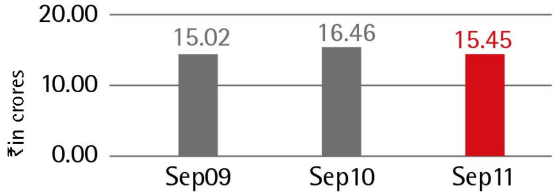
PBT (₹in crores)



Tax expense for half year ended 30th September, 2011 was ₹4.75 crores against ₹8.20 crores in last year. The tax liability was lower in view of deductions available for capital expenditure in R&D centre and other capital expenditures in Appliance and Engineering Divisions.

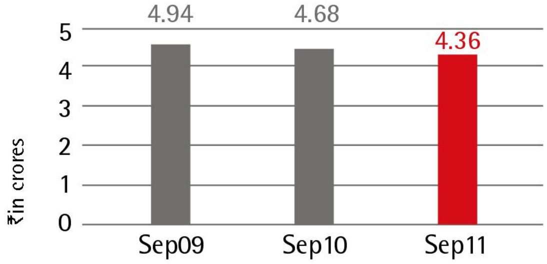
Irrespective of lower tax expense, PAT for the half year ended on 30th September 2011 was lower than last year due to lower profitability in view of reasons explained in earlier paragraphs. The year wise comparative PAT position of the last three years is depicted as under. Net profit margin on total income was 4.2% in 2011-12 against 5.4% in previous year.

PAT (₹in crores)



Earnings per share for the half year was ₹4.36 against ₹4.68 in previous year. Decline is due to lower PAT. EPS trend for three years are as under:

EPS after Exceptional (₹)



Cash Flow and Balance Sheet

Operations before working capital change generated ₹27.19 crores cash, working capital change consumed cash of ₹9.57 crores. Company paid direct tax amounting to ₹6.40 crores which includes self assessment tax for 2010-11, thus generated aggregate cash from operations of ₹11.22 crores.

The Company had cash out go of ₹13.56 crores on account of investing activities which comprised ₹21.13 crores for capital expenditure net of disposal reduced by net proceeds from sale of investment in mutual fund ₹6.42 crores which are basically in liquid fund and dividends income of ₹1.15 crores from investments in mutual funds. The capital expenditure was towards modernisation and expansion project at Goa Verna plant and procurement of fine blanking press and other equipment at engineering division.

There was out go on account of interest amounting to ₹0.08 crores paid towards buyers credit obtained for import of traded goods.

Net change in Cash & Cash equivalent for six months was ₹12.37 crores

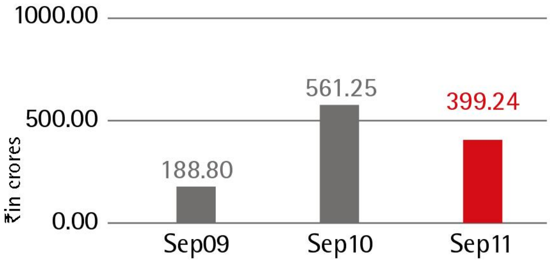
Other Key performance indicators

Net worth of the Company has further improved from last year. Closing net worth (based on total reserves) as on 30.9.2011 was ₹226.65 crores against ₹177.17 crores on 30.9.2010. Return on Net worth (RONW %-annualised) was 15.7% against 28.4% in quarter-2 of last year. The decline is due to higher net worth with relatively lower PAT. The ROCE for the quarter was also lower at 7.2% against 13.2% in corresponding quarter of last year. Gross Capital employed was increased in Q-2 of current fiscal due to capex at Goa/ Engineering, deployment of funds with mutual fund, increased current assets whereas PAT growth was not commensurate with capital employed.

Book value per share increased to ₹63.92 per share as on 30th September 2011 from ₹49.99 on 30th September 2010.

The market capitalisation of the Company as on 30th September 2011 declined to ₹399.24 crores from ₹561.25 crores in Q-2 of previous year. Market cap of the Company has dipped due to general market sentiments precipitated by anti-inflationary measures taken by RBI and drop in profitability. Comparative market cap of current fiscal and previous two years are as under:

Market Capitalisation (₹in crores)



Headcount

Total headcounts increased to 1233 numbers as on 30th September 2011 from 1102 numbers as on 30th September 2010. Chartered accountants, MBA, graduate engineers etc were taken to meet growing requirement of business.

Outlook

The overall economic environment in India is still positive with recent figures released by Government of India. GDP growth is expected to be around 7.6 percent in the current fiscal. One of the biggest reasons why economy has not grown as expected is inflation which is hovering around double digit mark and does not look like coming down soon. Food inflation has touched 12.21% and fuel inflation has also touched 14.5% in view of continuous rise in crude price. The European financial crisis has also dampened the mood of the market. The World Bank said in its report, titled 'India's Economics update' that inflation is expected to decelerate from Q-3 of 2011-12 and would allow RBI to lower policy rates eventually. With expected improvement on the inflation front, the situation on margin is also likely to show a favourable sign for the Company.

In spite of these economic challenges, we expect appliance sales to grow @ 20% +. Our focus as mentioned earlier would continue to improve our service quality as well as margins. We have implemented SAP and this will help in managing working capital well. We are also embarking on replacing existing CRM by latest version which will help us to improve customer connect.

We have already completed our expansion cum modernisation of Washing Machine Plant at Goa. This modernised facility will ensure production of state-of-the-art new generation washing machines.

New models have started moving into the market and feedback is quite encouraging. The excess capacity will be used for catering to OEM markets in Europe, Africa, and Asian Countries etc and actions have been initiated.

Your Company has built new R&D lab at Goa- the same is of international standard and this facility will help in building capability to bring in new models of benchmarked quality at regular intervals.

Your Company has invested in its Fine Blanking operations of Engineering Division in last fiscal and further investment of ₹70 crore will be made in order to meet the growing demand of the market in spite of recent slowdown. We have also started to de-risk by marketing fine blanked products to other industries having high growth. We have invested in modernising our Tool room to international standards and will add new fine blanking presses as well as modernise old ones. In Appliance business, special focus is given on market expansion by promoting our products in semi urban, B & C class towns.

Disclaimer

This report contains statements that are not historical facts but rather forward looking. All such statements are based on our current expectations and assumptions which are valid as on date of this report. However there can be no assurance that forward looking statements will materialise as these assumptions are subject to risks and uncertainties such as general industry and market/economic conditions of the country, successful execution of cost reduction initiatives, and increased competition.

INCOME STATEMENT

₹in crores

	Quarter-2 2011-12	Quarter-2 2010-11	YTD 2011-12	YTD 2010-11
Gross Sales	236.66	188.55	414.34	337.92
Less: Excise Duty	13.10	7.76	23.30	18.60
Less: Trade Scheme	33.64	22.72	55.07	39.70
Net Sales	189.92	158.07	335.97	279.62
Service Income	8.48	7.93	16.67	15.15
Net sales/Income from Operations	198.40	166.00	352.64	294.77
Other Income	6.31	3.73	11.50	7.80
Total Income	204.71	169.73	364.14	302.57
EBITDA	14.05	14.92	28.74	29.21
EBITDA Margin	6.86%	8.79%	7.89%	9.65%
Depreciation	3.59	2.23	6.96	4.34
Interest	0.05	0.12	0.08	0.21
PBT (before exceptional expenses)	10.41	12.57	21.70	24.66
Exceptional Expenses	1.50	-	1.50	-
PBT	8.91	12.57	20.20	24.66
PAT	6.31	8.70	15.45	16.46
PAT Margin	3.08%	5.13%	4.24%	5.44%
No of Shares (in crores)	3.55	3.54	3.55	3.54
Earnings per share (₹)	1.78	2.45	1.78	2.45

KEY RATIOS

	Quarter-2 30th Sep 2011	Quarter-2 30th Sep 2010	YTD 30th Sep 2011	YTD 30th Sep 2010
Earnings Per Share (₹)	1.78	2.45	4.36	4.68
Book Value per Share (₹)	63.92	49.99	63.92	49.99
Current Ratio#	1.52	1.42	1.52	1.42
Quick Ratio#	0.97	0.82	0.97	0.82
EBDIT/Total Income (before exceptional items)	6.9%	8.8%	7.9%	9.7%
Net profit margin as % of total income	3.1%	5.1%	4.2%	5.4%
Net Worth (₹in lakhs)	22665.44	17717.37	22665.44	17717.37
RONW (%)	15.7%	28.4%	17.8%	27.8%
ROCE on gross assets deployed (%)	7.2%	13.2%	8.2%	12.9%
No of Equity Shares (in crores)	3.55	3.54	3.55	3.54
Average Market price as on Quarter/period end (₹)	112.60	158.35	112.60	158.35
Market Capitalisation (₹in crores)	399.24	561.25	399.24	561.25
Head Counts (numbers)	1233	1102	1233	1102
Total Income per employee (₹in crores)	0.17	0.15	0.30	0.27
PBT per employee (₹in crores)	0.01	0.01	0.02	0.02
Days Sundry Debtors outstanding	23	19	26	21
Inventory Holding (Days Sales)	48	51	55	57
Advance from customers (₹in crores)	31.97	23.75	31.97	23.75

#include investments and secured loans

BALANCE SHEET

(₹in crores)

	30th September 2011	30th September 2010
I SOURCES OF FUNDS		
1 Shareholders' Funds		
Equity Share Capital	36.22	36.21
Share application money pending allotment		0.02
Reserves & Surplus	244.79	244.59
Subtotal	281.01	280.82
2 Secured Loan	14.79	6.36
3 Deferred Tax Liability	11.70	5.76
Total	**307.50**	**292.94**
II APPLICATION OF FUNDS		
1 Fixed Assets		
a Gross Block	456.63	393.67
b Less: Depreciation	311.51	319.59
c Net Block	145.12	74.08
d Capital work in progress	4.16	42.93
Net Fixed Assets	149.28	117.01
2 Investments	39.78	15.22
3 Current Assets, Loans & Advances		
A Current Assets		
a Inventories	124.79	105.40
b Sundry Debtors	62.14	40.17
c Cash and Bank Balances	40.36	33.09
B Loans & Advances	77.81	70.54
Subtotal	305.10	249.20
Less: Current Liabilities and Provisions	241.01	192.13
Net Current Assets	64.09	57.07
4 Profit & Loss Account	54.35	103.64
Total	**307.50**	**292.94**

CASH FLOW STATEMENT

	Quarter ended 30 September, 2011 ₹in crores	Quarter ended 30 September, 2010 ₹in crores	Year ended 30 September 2011 ₹in crores	Year ended 30 September 2010 ₹in crores
(A) CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax	**10.19**	**12.57**	**21.48**	**24.66**
Adjustments for				
Depreciation/Amortisation	3.59	2.23	6.96	4.34
Write off of debts/advances	0.36	-	0.36	-
Provision for doubtful debts and advances	0.02	-	0.04	-
Write back of liabilities/provision no longer required	(0.65)	(0.03)	(0.69)	(0.03)
Write off of Fixed assets	0.13	-	0.13	-
Loss on disposal of fixed assets	-	0.02	-	0.02
Financial charges	0.05	0.11	0.08	0.21
Employee stock purchase scheme expenses	-	-	-	5.88
Dividend income	(0.56)	(0.20)	(1.14)	(0.35)
Profit on sale of mutual funds (net)	-	-	0.03	-
Operating profit before working capital changes	**13.13**	**14.70**	27.19	34.73
Movement in working capital	(7.58)	28.60	(9.57)	13.37
Cash generated from operations	**5.55**	**43.30**	**17.62**	**48.10**
Direct taxes paid	(4.71)	(4.81)	(6.40)	(6.65)
Net cash from operating activities	**0.84**	**38.49**	**11.22**	**41.45**
(B) CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed asset	(9.01)	(34.58)	(21.16)	(47.93)
Proceeds from disposal of fixed assets	0.03	0.04	0.03	0.04
Purchase of investment in mutual funds	-	0.57	-	(4.57)
Proceeds from sale of investment in mutual funds	(2.57)	-	6.42	-
Dividends received	0.56	0.20	1.15	0.36
Net cash used in investing activities	**(10.99)**	**(33.77)**	**(13.56)**	**(52.10)**
(C) CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	-	0.02	-	1.05
Proceeds from borrowings	9.07	1.36	14.79	6.36
Financial charges	(0.05)	(0.12)	(0.08)	(0.21)
Net cash from financing activities	**9.02**	**1.26**	**14.71**	**7.20**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**(1.13)**	**5.98**	**12.37**	**(3.45)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**41.50**	**27.11**	**28.00**	**36.54**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**40.37**	**33.09**	**40.37**	**33.09**

OVER

3 MILLION SATISFIED CUSTOMERS

IFB Industries Limited

Plot No IND-5 Sector I East Kolkata Township Kolkata 700107