

Q2

Financial Report

Period Ended 30th September, 2014



Total Income

₹316.43 crore (YoY growth of 33%)

EBITDA (From operation)

₹31.79 crore

EBITDA Margin 10%

EPS (Annualised) ₹15.20

RONW (Annualised) 34.9%

ROCE (Annualised) 25%

Market Capitalisation

₹1338.12 crore (As on 30.09.14/NSE)

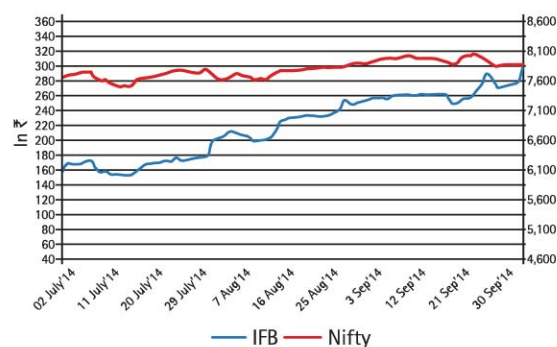
Cash & Equivalents (Net)

₹45.75 crore (As on 30.09.14)

EV ₹1292.37 crore

EV/EBITDA 10.16

Market Capitalisation/Net Sales 1.13



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 imports some of its products from various countries around the globe.

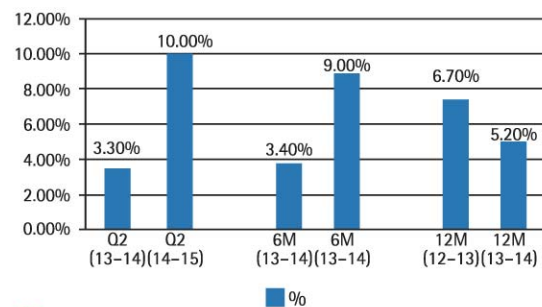
During the 2nd quarter of 2014–15, IFB has achieved:

- Highest ever quarterly revenue
- Highest ever EBITDA

Financial review—

P&L

For the quarter ended Sep'14, IFB Industries Limited has reported net sales of ₹295.7 crore, a growth of 33% over the corresponding quarter of last year. EBITDA margin improved to 10% during the 2nd quarter of 2014–15 as compared to 3.3% during the same period of the previous year and 7.8% in the 1st quarter of the current year. During July-Sep'14, IFB Industries Limited has reported its highest ever quarterly EBITDA margin in the last 7 quarters. Change in depreciation policy has impacted the depreciation in the 2nd quarter of 2014–15 and the same has increased by 70% to ₹9.13 crore as compared to same period of the previous year. Despite the higher depreciation charge during the 2nd quarter, PBT has improved sharply by almost 11 times to ₹22.20 crore. An EBITDA trend is given below.

**BS**

IFB Industries Limited continued to remain debt free (on a net basis) as on 30th Sep'14. The ROCE and RONW have improved significantly in the 2nd quarter of 2014–15 as compared to the previous financial year.

Cash flow

During the quarter ended Sep'14, although the cash generated from operations improved significantly as compared to the same period of the previous year, but it was negative due to blockage in working capital. Inventory increased as on 30th Sep'14 in line with our plan of catering to the demand for the festive season in the 3rd quarter. It is expected that working capital will improve at the end of 3rd quarter. Capital expenditure to the tune of ₹9.94 crore was incurred during the quarter ended Sep'14 and the same is in line with our annual capital expenditure plan.

Outlook

During the 1st quarter of the current year, the Indian rupee was steady due to the stable inflow of forex from foreign institutional investors. The outlook for the Indian rupee is not so stable now. It is overvalued based on real effective exchange rates. The Japanese yen's recent drop to a 6-year low against the dollar may put further pressure on the Indian rupee. China, heading for its worst year of economic growth since 1990, may be forced to weaken the yuan to keep its exports competitive. Recent drop in crude oil prices augur well for the Indian economy but the Indian rupee may have to weaken in order to make its exports competitive. The rupee's movement will weigh upon our Appliance Division as it imports a significant amount.

We will discuss in detail the operating performances of our two divisions later but it must be understood that they are completely different from each other with respect to capital requirement. We will ensure that our capital allocation results in increased return on capital at disposal.

Our Appliances Division continued its good performance in the 2nd quarter of the current financial year. The improvement is visible in terms of increase in sales and most importantly in EBITDA margin. It was mentioned in earlier investor communication that margin improvement in the Appliances Division is the key focus area and it is expected that margin improvement will continue in the coming quarters.

The Fine Blanking Division increased its net sales by 40% during the 2nd quarter of the current year against the comparative period of the



previous year. Its focus on the 2-wheeler segment and new customers has helped it to grow its revenue substantially in the 2nd quarter.

With its continued focus on the 2-wheeler segment, the Fine Blanking Division is expected to perform well going forward. The only concern is the intensity of the monsoon in the current year. The Fine Blanking Division's focus on the non-auto segment has helped it get good orders from some of the major non-auto customers. The improvement in 4-wheeler sales during the 2nd quarter of 2014–15 should augur well for the Fine Blanking Division.

Appliances Division

The Appliances Division presents a wide range of products to customers, in both domestic appliances and industrial applications. These include 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), refrigerators and air conditioners etc. There is also an extremely interesting range of washcare products such as whiteners, stain removers, descaling agents and liquid detergents and softeners that are carried to customers by the service teams.

The products, relative to market positions and our future plans are given as below.

Washing category:

- **Front loaders (domestic segment)**—A range of 5.5–8 kg capacities with a dominant market share of close to 50%. Product development pipelines in this category include a range of new smart technology models and washing applications that will be released into the market in the 3rd quarter and that will further strengthen market shares, especially in the mid and high-end segments.
- **Top loaders (domestic segments)**—A category in which IFB's own manufactured range will start commercial production early in the 4th quarter of this financial year. The target market share of our manufactured top loaders within the first 2 years of launch is ~10%.

- **Clothes dryers (domestic segment) and dishwashers (domestic segment)**—Both these are niche segments with the Company having market shares of ~80% in clothes dryers and ~50% in domestic dishwashers. These categories have the potential to be revenue drivers in the future as these segments develop in line with global trends.

- **Dishwashing equipment (industrial segment)**—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 penetration into customer segments covering defence cantonments, small pubs and bars, large institutions, hotels and restaurants, ships and many more. The Company currently has ~35% market share by value terms.

- **Industrial laundry (industrial segment)**—IFB has a full range of industrial laundry equipment (up to very high capacities like ~160 kg etc) as well as the full range of dryers, ironers and finishing equipment for clothing, including suits, special silk wear etc. Installations across the country include installations in high-end hotels. In the high-end laundry segment, IFB is currently ranked within the first 2. New models are also being planned in this category to drive the penetration in the fast developing laundrette segment.

Cooking category

- **Microwave ovens**—IFB is the 3rd largest player with a market share of ~16%. A



complete new pipeline of products is planned for introduction from the 4th quarter onwards to further strengthen the Company's market share. IFB also runs the industry's largest microwave cooking class programme under the brand 'Spice Secrets' which teaches its customers how to optimise microwave oven usage post purchase. The Company organises ~700 cooking classes every month across India and a minimum of 3,000 customers attend these classes every month.

- **Kitchen appliances such as built-in-ovens, chimneys and hobs**—IFB is seeding these products and building up the channel. The range of products in these categories is mid to high end. The Company is currently operating in the markets of Goa, Tamil Nadu, Karnataka, Rajasthan and Delhi and plans to expand to other markets by the end of this fiscal year. Current market share is around 4% but this will expand once we go pan-India.

Cooling category

- **Air Conditioners**—IFB is a year old in the market in this category and products were well received by customers. The product range offers some unique features like a Titanium Gold coating on the condensers and best in class air filtration. IFB is one of the few companies to have a standard free installation service in line with the philosophy on its other products. A complete new line-up is planned for this category from the 4th quarter as this will be a major revenue and profit driver for the Company in the quarters ahead.

- **Refrigerators**—The Company is currently seeding products in this segment and working on some selected high-end models. The product has been well received and was in fact voted as amongst the highest in customer satisfaction in an all-India survey by India Today. The product range will be expanded to some mid-end models by the 1st quarter of the next fiscal year.

Systems category

- **Modular kitchens**—This is a direct retail footprint business that is currently being developed at 3 centres across India—Goa, Bengaluru and Kolkata.

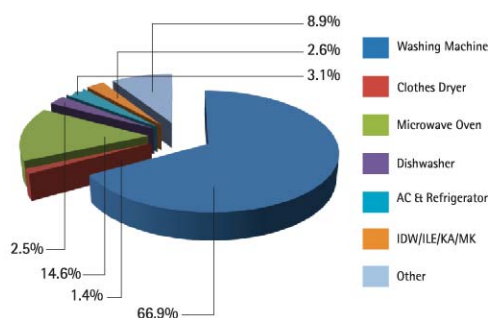
The manufacturing facility at Goa makes washing machines and clothes dryers while the rest of the products are imported from various quality suppliers around the globe to specifications defined by IFB Industries Limited as needed for its brand, Indian usage and operating conditions in India post extremely rigorous testing and validation cycles. During the 2nd quarter of FY 2014–15, the Appliances Division posted a 31% increase in revenue compared to the same period of the previous year. The growth in PBDIT was 382%. It may be noted that during the 2nd quarter of 2014–15, the Appliances Division posted a double digit EBITDA margin that reached 11% against 3% in the comparative period of the previous year. This was possible due to continuous improvement in value addition, profitable product mix, reduction in operating expenditures and stable exchange rates. IFB Industries Limited continues to be the market leader in front loader washing machines despite stiff competitive pressures.

The ROCE for the 2nd quarter of the FY 2014–15 stood at 42.1%. Increase in capital employed during the 2nd quarter is mainly due to the ongoing capital expenditures with respect to top loader washing machines. It is expected that the ROCE will improve in the 4th quarter when the top loader washing machines commence commercial retail. The Appliances Division is coming to the end of its current capital expenditure plan.



For the quarter ended Sep'14

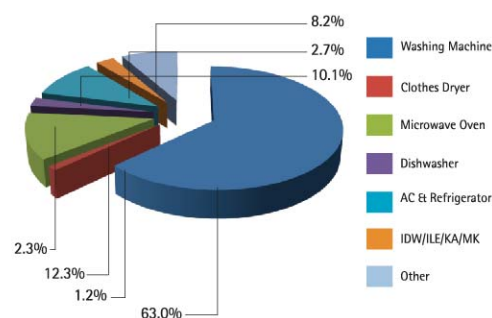
The Appliances Division reported net revenues of ₹242 crore for the quarter ended Sep'14. Washing machines contributed significantly higher at 67% of sales compared to 59% in the 1st quarter.



Product-wise spread in the Appliances Division

For YTD Sep'14

The net sales during the year ended Sep'14 were ₹470 crore. Washing machines and microwaves jointly contributed 75.3% of total sales.



Product-wise spread in the Appliances Division

Summarised financial performance of the Appliances Division

(₹ in crore)

	Q2('14-'15)	Q2('13-'14)	H1('14-'15)	H1('13-'14)	FY('13-'14)
Revenue (Net sales)	241.81	184.21	469.95	369.88	803.89
EBITDA	26.52	5.50	45.63	12.56	43.09
EBITDA (%)	11.0%	3.0%	9.7%	3.4%	5.4%
EBIT	20.08	2.27	39.03	6.41	29.52
Capital Employed	190.82	177.88	190.82	177.88	167.15
ROCE	42.1%	5.1%	40.9%	7.2%	17.7%

IFB operates through five key channel segments through which it reaches its customers

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 contribute ~67% by volume of IFB's sales as on date.

2. The IFB exclusive stores (IFB Points)

These stores have the full range of products the Company offers and allow customers to see, touch and feel the full range.

- The IFB Points now contribute ~17% of sales by volume.
- The IFB website and related e-commerce sites contribute ~2% of sales by volume—

however, both generate a significant amount of visitors who also buy offline later.

3. The CSD/defence canteens, institutions etc

– The customers buy directly from the Company
– These also include industrial products

- These channels contribute ~6% of the Company's sales by volume and is a significant channel for direct customer contact.

This share will grow further in subsequent quarters with the growth in the industrial category and also the institutional sales of products such as air conditioners.

4. The 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 now and will expand with the expansion of the air conditioner sales in the 4th quarter.

5. The channel of distributors—This is a channel that is driving the channel expansion that the Company is undertaking. It is currently at ~7% of sales and as IFB expands its channel overall this segment will grow. This channel is the key to expanding IFB's reach into towns and up-country areas across India.

IFB opened a total of 49 new stores in the first six months of this fiscal year and closed 35 earlier opened stores. The key focus in these 6 months has been on their profitability. The stores that have closed down were the stores in which the selection of location and associated rental values were not viable.

Specific stores that need help on improving viability have been supported and the percentage of stores that have sustainable profit increased at the end of the 2nd quarter to ~75% (up from a value of ~60% at the end of the 1st quarter). With the focus on ground level activities, this percentage is targeted at over 90% by the 4th quarter.

As of now, there is a pipeline of ~125 stores that are identified by location for which finalisation and civil work is undertaken—these stores will become functional over the next 2 quarters.

Sales through our website were also strong during July'14-Sep'14 of this fiscal year and the number of visitors has significantly increased compared to last year. The web sales touched a figure of ₹565 lakh during the 2nd quarter of 2014–15 as against ₹387 lakh during the 1st quarter of the current year. During the half year ended Sep'14, sales from the website have increased by 60% over the corresponding period of the previous year.

Digital presence is going up in the sense that our Facebook page now has a 19,000 fan base, which has been achieved in just 2 months from its launch. We now have 26 videos on Youtube with a total of over 80,000 views. The online social media outreach by the Company will drive customer connect and also allow for issue resolution and also ideation by customers. Many customers actually write in with interesting

cooking recipes that they have come up with on the IFB microwaves—this drives further innovation in product design and applications.

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

As on 30th Sep'14, we have a total of 571 service franchisees across India, with a plan to increase that number to ~590 by 31st Dec'14. Currently, we have 25 service training centres with a plan to add ~4 more during the 3rd quarter of 2014–15.

Sales of additives and accessories are now a key focus area and these are expected to contribute well both to the top-line and bottom-line in the coming quarters. The Company's 3 million plus customer base is being tapped to increase the sales of additives and accessories.

The Company's own call centre (which is called a 'Service Centre') at Goa has been fully operational since Nov'12. IFB also has outsourced call centres at Munnar and Hyderabad. The Service Centre at Goa focuses on outbound calls to gauge customer satisfaction and also reduce pending customer issues through focused data analytics.

All product-related certifications for the environment, energy; wash quality and product safety related certifications are in place with respect to the export requirements. Exports did not fare well, compared to the plan, during the 2nd quarter of the current year but the Company is hopeful that they will improve during the 2nd half of the current year. This is based on the work done in the quarter on the marketing activities in places such as the Middle East, Africa etc.

Fine Blanking Division

The Fine Blanking Division mainly caters to the automobile sector, in both 2-wheeler and 4-wheeler segments.

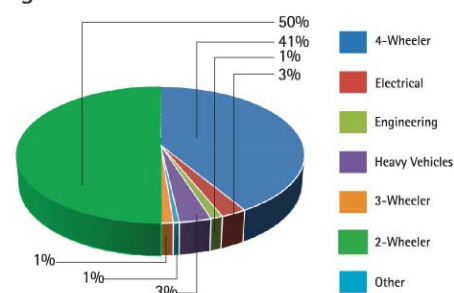
The Fine Blanking Division and After-market Division (AFM) have reported a 40% sales growth in the 2nd quarter of the current year compared to the corresponding period of the previous year. The growth in EBITDA is more commendable at 50% as compared to the comparative period of previous year.

Considering the fact that the AFM vertical has posted a ₹58 lakh operating loss, performance of the Fine Blanking Division is commendable. The After-market Division continues to have expenses towards brand building with forays into new geographies. The AFM Division is expected to improve its performance during the coming quarters.

In order to sustain the growth in the Fine Blanking Division, regular capital expenditures are required but those are weighing on the ROCE. It should be noted that the Fine Blanking Division has shown significant improvement in the last few quarters in terms with respect to 'Return on Incremental Capital Employed'.

For the quarter ended Sep'14

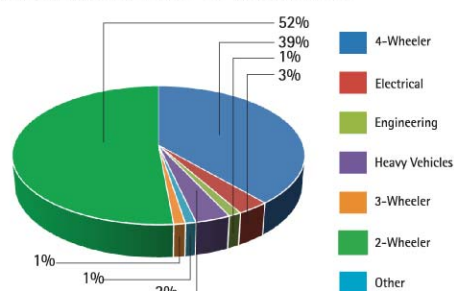
For the quarter ended Sep'14, the proportion of 4-wheeler segment has increased as compared to the last few quarters. This is as a result of the revival of the 4-wheeler segment in the last six months.



Customer segment breakdown

For YTD Sep'14

For the half-year ended Sep'14, sales to the 2-wheeler segment continued to be dominant at 52% of total sales.



Customer segment breakdown

Summarised financial performance of the Appliances Division

(₹ in crore)

	Q1('14-'15)	Q2('13-'14)	6M('14-'15)	6M('13-'14)	FY('13-'14)
Revenue (Net sales)	53.88	38.37	101.31	70.01	161.26
EBITDA	6.45	4.30	12.36	7.06	17.53
EBITDA (%)	12.0%	11.2%	12.2%	10.1%	10.9%
EBIT	4.06	2.45	9.71	3.38	9.72
Capital Employed	110.63	99.83	110.63	99.83	112.98
ROCE	14.7%	9.8%	17.6%	6.8%	8.6%

Future outlook and strategy

The Fine Blanking Division is aggressively building a profitable order book. The revival of 4-wheeler segment augurs well for the Fine Blanking Division. It is also focusing on increasing its customer base, both in the auto and non-auto segments.

INCOME STATEMENT

	Quarter 2		YTD	
	2014-15	2013-14	30 Sep 2014	30 Sep 2013
Gross Sales	383.99	285.60	735.02	561.68
Less: Excise Duty	23.25	19.35	41.33	36.61
Less: Trade Scheme	65.05	43.66	122.44	85.19
Net Sales	295.69	222.59	571.25	439.88
Service Income	10.75	8.97	20.58	17.70
Other Income	9.99	6.80	16.38	13.21
Total Income	316.43	238.36	608.21	470.79
EBITDA	31.79	7.83	54.55	16.05
EBITDA Margin	10.0%	3.3%	9.0%	3.4%
Depreciation	9.13	5.38	9.61	10.49
Interest	0.46	0.38	0.96	0.52
PBT	22.20	2.07	5.04	22.16
PAT	15.41	1.53	43.98	5.04
PAT Margin	4.9%	0.6%	5.4%	0.8%
No of Shares (in crore)	4.05	4.05	4.05	4.05
Earnings Per Share (₹)	3.80	0.38	8.08	0.90

BALANCE SHEET

(₹ in crore)

	30th Sep, '14	30th Sep, '13
I EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	41.28	41.28
Reserves & Surplus	320.83	278.02
II NON CURRENT LIABILITIES		
Deferred Tax Liabilities (Net)	22.37	20.20
Other Long-term Liabilities	7.39	5.75
Long-term Provisions	24.46	29.53
III CURRENT LIABILITIES		
Short-term Borrowings	62.64	53.96
Trade Payables	166.27	141.79
Other Current Liabilities	54.95	52.95
Short-term Provisions	5.52	3.97
Total	705.71	627.45
I ASSETS		
Non-current Assets—Fixed Assets		
Tangible Assets	209.03	206.99
Intangible Assets	4.59	7.16
Capital Work-in-progress	17.63	22.79
Long-term Loans and Advances	57.00	48.29
Other Non-current Assets	0.01	0.02
II CURRENT ASSETS		
Current Investments	59.01	36.95
Inventories	174.44	170.69
Trade Receivables	106.62	69.03
Cash and Bank Balances	49.38	37.65
Short-term Loans and Advances	26.57	27.72
Other Current Assets	1.43	0.16
Total	705.71	627.45

KEY RATIOS

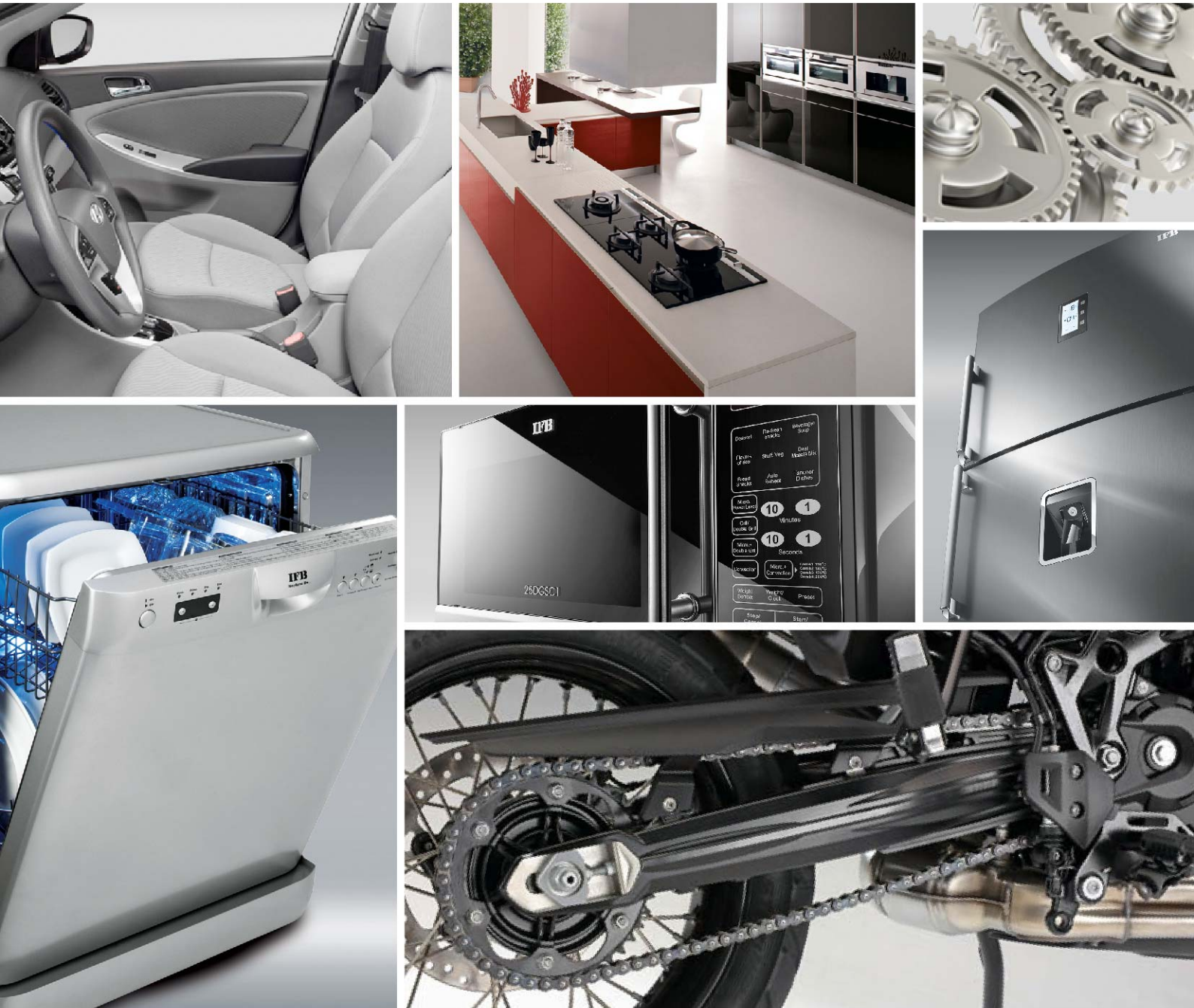
	Quarter 2		YTD	
	30th Sep 2014	30th Sep 2013	30th Sep 2014	30th Sep 2013
Earnings Per Share (In ₹)	3.80	0.38	8.08	0.90
Book Value Per Share (In ₹)	89.41	78.84	89.41	78.84
Current Ratio#	1.44	1.35	1.44	1.35
Quick Ratio#	0.84	0.68	0.84	0.68
EBDIT/Total Income	10.0%	3.3%	9.0%	3.4%
Net Profit Margin as % of Total Income	4.9%	0.6%	5.4%	0.8%
Net Worth (₹ in crore)	254.27	211.46	254.27	211.46
RONW (%)—Annualised	34.9%	3.9%	34.6%	4.8%
Return on gross assets deployed (%)	12.6%	1.3%	12.5%	1.6%
No of Equity Shares (In crore)	4.05	4.05	4.05	4.05
Average Market Price as on Quarter/Year End	220.81	51.35	161.66	64.84
Market Capitalisation (₹ in crore)	1,338.12	196.83	1,338.12	196.83
Headcount (Numbers)	1,519	1,455	1,519	1,455
Total Income per Employee (₹ in lakh)	20.83	16.38	40.04	32.36
PBT per Employee (₹ in lakh)	1.46	0.14	2.90	0.35
Fixed asset turnover ratio	5.54	4.16	5.35	4.11
Days Sundry Debtors Outstanding	25	21	26	22
Inventory Holding (Day's sales)	41	55	43	55

Include investments and secured loans

CASH FLOW STATEMENT

	YTD 30th Sep '14 (₹ in crore)	YTD 30th Sep '13 (₹ in crore)	3M 30th Sep '14 (₹ in crore)	3M 30th Sep '13 (₹ in crore)
(A) CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit Before Tax	43.98	5.03	22.20	2.06
Adjustments for:				
Depreciation/Amortisation	9.61	10.49	9.13	5.38
Loss on Disposal of Fixed Assets	-	(0.07)	-	(0.07)
Write off of Fixed Assets	-	0.02	-	0.02
Write off of Debts/Advances	0.03	0.12	0.03	0.03
Provision for Doubtful Debts and Advances	0.13	0.02	0.13	0.02
Dividend from Mutual Funds	(0.20)	(0.96)	(0.10)	(0.41)
Net Gain on Sale of Mutual Funds	(1.83)	(0.44)	(1.62)	(0.44)
Appreciation in Value of Investment	-	(0.07)	-	0.18
Write Back of Liabilities No Longer Required	(0.06)	(0.23)	(0.01)	(0.41)
Write Back of Provisions No Longer Required Recovery of Advance Written off in Earlier Years	(0.12)	(0.08)	(0.12)	-
Financial Charges	0.96	0.52	0.46	0.38
Operating Profit Before Working Capital Changes	52.50	14.35	30.10	7.02
Movement In Working Capital	(30.44)	(41.07)	(31.27)	(44.71)
Cash Generated From Operations	22.06	(26.72)	(1.17)	(37.69)
Direct Taxes Paid	(8.93)	(3.45)	(6.03)	(2.04)
Net Cash from (Used in) Operating Activities	13.13	(30.17)	(7.20)	(39.73)
(B) CASH FLOWS FROM INVESTING ACTIVITIES				
Net Purchase/Sale of Fixed Assets (Including Intangible Assets, Cwip)	(26.14)	(41.69)	(9.94)	(11.51)
Net Purchase/Sale of Current Investments	(19.71)	21.29	11.29	39.76
Net Cash from/(Used in) Investing Activities	(45.85)	(20.40)	1.35	28.25
(C) CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds From Borrowings	14.86	44.11	2.88	8.65
Financial Charges	(0.96)	(0.52)	(0.46)	(0.38)
Net Cash From/(Used In) Financing Activities	13.90	43.59	2.42	8.27
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	(18.82)	(6.98)	(3.43)	(3.21)
CASH AND CASH EQUIVALENTS, BEGINNING	68.20	44.63	52.81	40.86
CASH AND CASH EQUIVALENTS, END	49.38	37.65	49.38	37.65

Thank You



Disclaimer

This presentation contains statements which reflect the Management's current views and estimates and could be construed as forward-looking in nature. The future involves certain risks and uncertainties that could 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 | Built in Hob

Refrigerator

Top Loader

Front Loader

100% Clothes Dryer

Air Conditioner



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