IFB Industries Limited

Q3

Financial Report

Quarter and period ended 31st December 2011

Gross Sales ₹278.75 crores - 13.1% growth

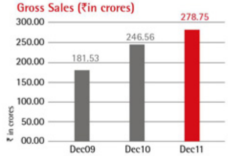
Net Sales/Income from Operations
₹230.10 crores - 10.6% growth

Total Revenue (net of excise and trade scheme)
₹237.39 crores - 10.1% growth

EBDIT Margin
(before exceptional expense) 6.3%

EPS ₹3.04

For the third quarter ended 31st December 2011, IFB Industries Limited (IFBIL) achieved 13.1% growth in gross sales over last year. The gross sales in Q-3 of current fiscal and comparative position with respect to Q-3 of last two fiscal are shown under:



Total Revenue grown by 10.1% to ₹237.39 crores. Appliance Division grown by 9.7% and Engineering Division grown by 8.9%. Growth of revenue in Engineering Division got affected due to slowdown in four wheeler segment, deferment of new launches by customers 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 lower than expected revenue coupled with increase in raw material cost .

EBDIT Margin was 6.3% and net margin (PAT) for the quarter was 4.5%. Operational Cash flow for the quarter was ₹11.10 crores.

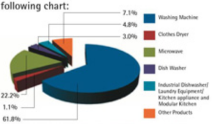
Market Overview - Quarter 3

The third quarter ended 31st December 2011 witnessed pressure on margin due to three major factors.

- Weakening of rupee by 17 to 18 %.
- Increase in interest rate by RBI and slowdown of economy.
- Increase in input cost .

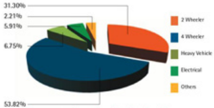
Sales by Division and Product

Gross sales of Home Appliance division rose by 13.8% over Q-3 in last year to ₹242.84 crores. Washing Machine Sales rose by 11.1% to ₹150.09 crores, Microwave oven sales grown by 12.1% to ₹53.93 crores, Domestic Dish Washer sales de-grown by 1.2% to ₹7.30 crores, Cloth Dryer sales de-grown by 27.4% to ₹2.67 crores, Industrial Dishwasher/Washer/Modular Kitchen/Kitchen Appliances grown by 119.3% to ₹11.71 crores and other products together grown to ₹17.14 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 8.5% over last year to ₹35.90 crores. The sector wise sales for the quarter are shown in following chart:



Segment wise sales distribution in Engineering Division

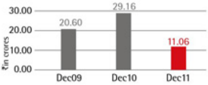
Earnings 3rd Quarter For the third quarter of 2011-12, margin of the company was under pressure resulting in lower profit. Both Home Appliance and Engineering Division suffered on account of higher input cost, increase in operating & administrative expenses and adverse sales mix (in case of appliance division). Engineering Division also lost volume due to reasons mentioned earlier.

PBDIT (before exceptional items) for the quarter was ₹15.06 crores against last year figure of ₹31.90 crores. Despite 10.1% growth in Top line, the PBDIT for the quarter has degrown by 52.8% over last year. During the quarter, your company had to take hit on account of foreign exchange loss of ₹5.05 crores which was mainly for restatement on 31st December 2011. This loss was due to sudden depreciation of Indian rupee within short span in December 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 ₹3.91 crores against ₹2.71 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 ₹11.06 crores against ₹29.16 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-3 for three years is shown in graphical form.

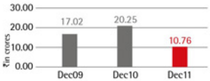
PBT before exceptional (₹in crores)



Tax expenses for the quarter were ₹0.30 crores against ₹8.91 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 and lower margin due to earlier mentioned reasons.

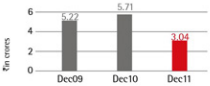
The Profit after tax was ₹10.76 crores against ₹ 20.25 crores in Q-3 of previous year. PAT compared to last year has been lower due to lower PBT. The year wise PAT for last two years have been compared with current fiscal in chart shown below

PAT (₹in crores)



Earnings per share for the quarter were ₹3.04 against ₹5.71 in previous year Q-3. EPS for the current quarter is down due to lower PAT. EPS trend in Q-3 for three years are as under:

EPS after Exceptional (₹)



Cash Flow and Balance Sheet

Operations before working capital change generated ₹13.25 crores cash, working capital change consumed ₹1.34 crores. Company paid net direct tax amounting to ₹0.81 crores thus generated aggregate cash of ₹11.10 crores.

The Company had cash inflow of ₹6.59 crores on account of investing activities which comprised ₹12.48 crores from sale of mutual funds, ₹0.43 from dividend income and ₹0.03 crores from disposal of fixed assets reduced by ₹6.35 crores for capital expenditure. The capital expenditure was towards R&D project at Goa Verna Plant.

There was an inflow of ₹0.09 crores from issue of equity shares to the employees under ESPS (Employee Stock Purchase Scheme)

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 ₹0.09 crores paid towards buyers credit.

Net change in cash & cash equivalent for the quarter was positive at ₹2.90 crores.

Market overview nine month 2011-12

Third QTR. of the Year 2011-12 witnessed pressure on margin due to three major factors.

1. Weakening of rupee by 17 to 18 %.

2. Increase in interest rate by RBI.

3. Increase in input cost.

Total Sales

For the year's first nine months, consolidated gross sales of the Company closed at ₹693.09 crores against ₹584.48 crores in last year, a growth of 18.6% over last year. Home Appliance Division achieved gross sales of ₹587.67 crores against ₹486.15 crores in previous year, clocking a growth of 20.9%. Washing machine sales rose by 17.66% to ₹373.96 crores, Microwave oven sales rose by 25.67% to ₹111.42 crores, Dishwasher rose by 15.09% to ₹20.29 crores, Cloth dryer rose by 1.57% to ₹10.38 crores, Industrial Dishwasher/Washer/Modular Kitchen/Kitchen Appliances grown by 96.87% to ₹25.75 crores and other product categories together contributed ₹45.87 crores sales.

Engineering Division achieved gross sales of ₹105.42 crores against ₹98.33 crores clocking 7.2% growth over previous year.

Net sales (net of excise & trade scheme) of the Company for the year was 557.71 crores against ₹479.21 crores in previous year posting annual growth of 16.4%.

Earnings

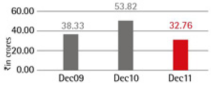
EBDIT before exceptional expense decreased by 28.3% over previous year from ₹61.11 crores to ₹43.80 crores. Last year EBDIT was after consideration of ESPS cost (Employees Stock Purchase Scheme) amounting to ₹6.07 crores (current year ₹0.36 crores). During current fiscal in first nine month period, we 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 for negative forex impact of ₹7.06 crores mainly due to restatement of liability in foreign currency as on 31st December 2011.

Depreciation charge for the period was higher at ₹10.87 crores against ₹7.05 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 nine month has de-grown by 39.1% over last year due to reasons mentioned above. The comparative position of PBT for three years is shown in graphical form.

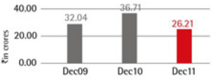
PBT before exceptional (₹in crores)



Tax expense for nine month ended 31st December, 2011 was ₹5.05 crores against ₹17.11 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.

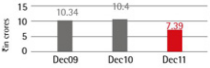
Irrespective of lower tax expense , PAT for the nine month ended 31st December 2011 was lower than last year due to lower profitability in view of reasons explained in earlier paragraphs. The year wise comparative PAT position of last three years is depicted as under. Net profit margin on total income was 4.4% in 2011-12 against 7.1% in previous year.

PAT (₹in crores)



Earnings per share for the nine month ended was ₹7.39 against ₹10.40 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 ₹40.44 crores cash, working capital change consumed cash of ₹10.91 crores. Company paid direct tax amounting to ₹7.21 crores which includes self assessment tax for 2010-11, thus generated aggregate cash from operations of ₹22.32 crores.

The Company had cash out go of ₹6.97 crores on account of investing activities which comprised of ₹27.45 crores for capital expenditure net of disposal reduced by net proceeds from sale of investment in mutual fund ₹18.9 crores which are basically in liquid fund and dividends income of ₹1.58 crores from investments in mutual funds. The capital expenditure was towards modernization and expansion project at Goa Verna plant and procurement of fine blanking press and other equipment at engineering division.

The Company had allotted shares to employees amounting to ₹0.09 crores.

There was out go on account of interest amounting to ₹0.17 crores paid towards buyers credit obtained for import of traded goods.

Net change in Cash & Cash equivalent for nine months was ₹15.27 crores

Other Key performance indicators

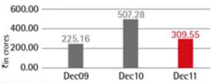
- Net worth of the Company has further improved from last year. Closing net worth (based on total reserves) as on 31.12.2011 was ₹237.88 crores against ₹197.60 crores on 31.12.2010. Return on Net worth (RONW %-annualized) was 18.6% against 59.0% in quarter-3 of last year. The decline is due to higher net worth with relatively lower PAT. The ROCE for the quarter was also lower at 9.1% against 28.7% in corresponding quarter of last year. Gross Capital employed was increased in

Q-3 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 ₹66.97 per share as on 31st December 2011 from ₹55.73 on 31st December 2010.

The market capitalisation of the Company as on 31st December 2011 declined to ₹309.55 crores from ₹507.28 crores in Q-3 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 1192 Nos as on 31st December 2011 from 1170 Nos as on 31st December 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 6.9 percent in the current fiscal. Inflation has begun to recede due to falling food and commodity prices. The decline in inflation has allowed the focus of monetary policy to shift gradually towards support for re-starting growth related fiscal policies. The budget in March is also expected to give a strong boost towards this area.

Also better than expected industrial output in November & December indicated signs of improvement in the economy.

The un-precedented weakening of the rupee during the quarter affected the economy adversely.

However, since January, the rupee has started becoming stronger. However, a medium or long term prediction of the currency trend would still be very difficult to make in the present circumstances.

As concerns related to inflation have eased, along with the slowdown in the industry, the RBI increased the liquidity in the system by cutting CRR rates.

Inspite of these economic challenges, we expect appliance sales to grow @ 20% plus pa. Your company is taking key initiatives in terms of improving product pricing, mix and also we are taking concrete steps to improve margin to 14% EBIDTA level.

The roll out of the new range of Front Loaders, post the modernization of the plant is presently fully underway. The first feedback of customers and channel partners to the new range is very encouraging. We have also completed the work on our new R & D centre and the equipment installed is now of global standard. The total installed capacity will now be used for catering to OEM markets in Europe, Africa, and Asian Countries etc and actions have been initiated on the same.

Your Company anticipates growth in its Fine Blanking operations of Engineering Division due to receipt of new orders and expected return of normalcy in the economy .Investment of ₹70 crore to be made in a span of two years from now. We have also started to de-risk by marketing fine blanked products to other industries (apart from Auto Industries) .

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 materialize 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-3		YTD	
	2011-12	2010-11	2011-12	2010-11
Gross Sales	278.75	246.56	693.09	584.48
Less: Excise Duty	14.12	11.75	37.41	30.36
Less: Trade Scheme	42.89	35.21	97.97	74.91
Net Sales	221.74	199.60	557.71	479.21
Service Income	8.36	8.41	25.03	23.56
Other Income	7.29	7.68	18.79	15.48
Total Income	237.39	215.69	601.53	518.25
EBITDA	15.06	31.90	43.80	61.11
EBITDA Margin	6.3%	14.8%	7.3%	11.8%
Depreciation	3.91	2.71	10.87	7.05
Interest	0.09	0.03	0.17	0.24
PBT (before exceptional expenses)	11.06	29.16	31.26	53.82
Exceptional Expenses	-	-	(1.50)	-
PBT	11.06	29.16	32.76	53.82
PAT	10.76	20.25	26.21	36.71
PAT Margin	4.5%	9.4%	4.4%	7.1%
No of Shares (in crores)	3.55	3.55	3.55	3.55
Earnings per share (₹)	3.04	5.71	7.39	10.40

BALANCE SHEET

(₹in crores)

	31st December 2011	31st December 2010
I SOURCES OF FUNDS		
1 Shareholders' Funds		
Equity Share Capital	36.28	36.22
Reserves & Surplus	245.17	244.78
Subtotal	281.45	281.00
2 Secured Loan	-	6.36
3 Deferred Tax Liability	14.30	7.65
Total	**295.75**	**295.01**
II APPLICATION OF FUNDS		
1 Fixed Assets		
a Gross Block	467.02	441.21
b Less: Depreciation	314.59	321.14
c Net Block	152.43	120.07
d Capital work in progress	2.00	14.92
Net Fixed Assets	154.53	134.99
2 Investments	27.98	44.05
3 Current Assets, Loans & Advances		
A Current Assets		
a Inventories	146.18	97.57
b Sundry Debtors	47.74	39.63
c Cash and Bank Balances	43.27	41.30
B Loans & Advances	65.81	48.20
Subtotal	303.00	226.70
Less: Current Liabilities and Provisions	233.23	194.14
Net Current Assets	69.77	32.56
4 Profit & Loss Account	43.57	83.41
Total	**295.75**	**295.01**

KEY RATIOS

	Quarter-3 31st Dec 2011	Quarter-3 31st Dec 2010	YTD 31st Dec 2011	YTD 31st Dec 2010
Earnings Per Share (₹)	3.04	5.71	7.39	10.40
Book Value per Share (₹)	66.97	55.73	66.97	55.73
Current Ratio#	1.63	1.51	1.63	1.51
Quick Ratio#	0.91	0.97	0.91	0.97
EBDIT/Total Income (before exceptional items)	6.3%	14.8%	7.3%	11.8%
Net profit margin as % of total income	4.5%	9.4%	4.4%	7.1%
Net Worth (₹in lakhs)	23788.20	19759.82	23788.20	19759.82
RONW (%)	18.6%	59.0%	17.5%	36.3%
ROCE on gross assets deployed (%)	9.1%	28.7%	8.6%	17.7%
No of Equity Shares (in crores)	3.55	3.55	3.55	3.55
Average Market price as on Quarter/period end (₹)	87.15	143.07	87.15	143.07
Market Capitalisation (₹in crores)	309.55	507.28	309.55	507.28
Head Counts (numbers)	1192	1170	1192	1170
Total Income per employee (₹in crores)	0.20	0.18	0.50	0.44
PBT per employee (₹in crores)	0.01	0.02	0.03	0.05
Days Sundry Debtors outstanding	15	14	18	18
Inventory Holding (Days Sales)	48	36	58	48
Advance from customers (₹in crores)	27.95	24.06	27.95	24.06

#include investments and secured loans

CASH FLOW STATEMENT

	Quarter ended 31 December, 2011 ₹in crores	Quarter ended 31 December, 2010 ₹in crores	9 month ended 31 December 2011 ₹in crores	9 month ended 31 December 2010 ₹in crores
(A) CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax	**9.79**	**29.15**	**31.27**	**53.81**
Adjustments for				
Depreciation/Amortisation	3.91	2.71	10.87	7.05
Write off of debts/advances	0.27	0.22	0.63	0.22
Provision for doubtful debts and advances	(0.01)	0.40	0.03	0.40
Write back of liabilities/provision no longer required	(0.27)	(2.00)	(0.96)	(2.03)
Write off of Fixed assets	0.01	0.04	0.14	0.04
Loss on disposal of fixed assets	0.22	-	0.22	0.02
Financial charges	0.09	0.03	0.17	0.24
Employee stock purchase scheme expenses	0.36	0.19	0.36	6.07
Dividend income	(0.44)	(0.28)	(1.58)	(0.63)
Profit on sale of mutual funds (net)	(0.68)	-	(0.71)	-
Operating profit before working capital changes	**13.25**	**30.46**	40.44	65.19
Movement in working capital	(1.34)	14.98	(10.91)	28.35
Cash generated from operations	**11.91**	**45.44**	**29.53**	**93.54**
Direct taxes paid	(0.81)	(4.39)	(7.21)	(11.04)
Net cash from operating activities	**11.10**	**41.05**	**22.32**	**82.50**
(B) CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of fixed asset	(6.35)	(4.25)	(27.51)	(52.18)
Proceeds from disposal of fixed assets	0.03	-	0.06	0.04
Purchase of investment in mutual funds	-	(28.84)	-	(33.41)
Proceeds from sale of investment in mutual funds	12.48	-	18.90	-
Dividends received	0.43	0.27	1.58	0.63
Net cash used in investing activities	**6.59**	**(32.82)**	**(6.97)**	**(84.92)**
(C) CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of shares	0.09	-	0.09	1.05
Proceeds from borrowings	(14.79)	-	-	6.36
Financial charges	(0.09)	(0.03)	(0.17)	(0.24)
Net cash from financing activities	**(14.79)**	**(0.03)**	**(0.08)**	**7.17**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**2.90**	**8.20**	**15.27**	**4.75**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**40.37**	**33.09**	**28.00**	**36.54**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**43.27**	**41.29**	**43.27**	**41.29**

OVER
3 MILLION SATISFIED CUSTOMERS

IFB
IFB Industries Limited
Plot No IND-5 Sector I East Kolkata Township Kolkata 700107