IFB Industries Limited

Q4 Financial Report

Quarter ended 31st March, 2013

Total Income
₹219.7 crore (YoY growth of 3%)

EBDITA (From operation)
₹10 crore (YoY growth of 13%)

EBDITA Margin 4.6%

EPS (Annualised) ₹4

RONW (Annualised) 6.2%

ROCE (Annualised) 5.2%

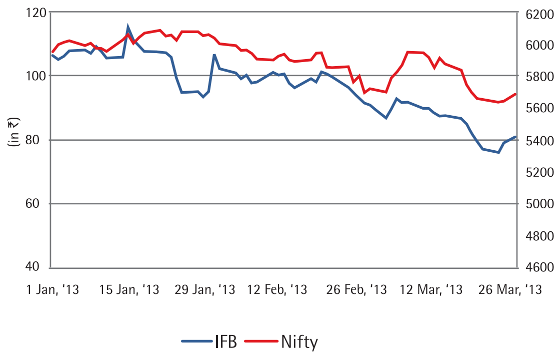
Market Capitalisation
₹327.2 crore (as on 31.03.13/NSE)

Cash & Equivalents (Net)
₹91.4 crore (as on 31.03.13)

EV ₹235.7 crore

EV/EBDITA 3.81

Market Capitalisation/Net Sales 0.36



IFB vs Nifty—price movement chart—4th quarter

IFB Industries Limited (IFB) operation consists of two divisions, fine blanking and appliances. The fine blanking division has two manufacturing facilities, one at Kolkata and another at Bangalore. The appliance division has its manufacturing facility at Goa and some of its products are imported from various countries around the globe.

FINANCIAL REVIEW

P&L

For the quarter ended March '13, IFB has reported net sales of ₹201.92 crore, a modest growth of 4%

over the corresponding quarter of last year. EBDITA margin during the quarter ended March '13 has moved up by 0.4% to ₹10 crore as compared to last quarter. PBT grew by 4% over the corresponding period of last year at ₹4.87 crore, despite depreciation increased by 27%. During the 4th quarter of last year, tax outgo was much lower owing to availment of tax benefits under R&D and as a result, there is a de-growth in PAT by 6% as compared to the corresponding period of last year.

For the year ended March '13, net sales have grown by 15% as compared to the comparative period last year. EBDITA margin has slightly improved at 6.7% against 6.5% of last year.

BS

IFB Industries has remained debt free on net basis as on 31.03.13. Both ROCE and RONW were decreased during 2012–13 as compared to 2011–12 owing to the non-deployment of the entire enhanced equity capital amount in productive assets.

Cash Flow

During the quarter ended March '13, IFB Industries has generated ₹8.95 crore from its operation while for the year ended March '13, it generated ₹32.59 crore. Net capital expenditure to the tune of ₹9.49 crore was incurred during the quarter ended March '13 and an amount of ₹50.51 crore was incurred during the 12 months ended March '13. An amount of ₹43.71 crore (net) was invested in mutual funds during the 12 months ended March '13. During the year ended March '13, there was a preferential allotment to the promoter group company that brought ₹42 crore into the Company.

Our focus will remain in further reduction in inventory and debtors. As a result, blockages in the working capital will further reduce and we will be able to maximise free cash flow.

Outlook

The year 2012–13 was marked by moderation in growth owing to the weakening economic fundamentals of the country, structural bottlenecks, slow policy movements, high interest rates and declining growth in exports. Subdued demand for both investment and consumption has led to the systematic decline in overall economic growth in 2012–13 to 5% as against 6.2% last year.

The growth projection for 2013–14 is 5.7% but the size of the Current Account Deficit (CAD) remained foremost on the worry list. CAD in the last quarter of 2012–13 has reached 6.7% of Gross Domestic Product and is at an unprecedentedly high level.

The automobile market has declined to its lowest level in 2012–13 during the last decade. Owing to higher vehicle costs, consistent fuel price increases in line with global price increases and high interest rates. Consumers have postponed their buying decision. We expect the interest rates and inflationary pressures to come down in 2013–14 and these will help grow the automobile market. The fine blanking division is going all out to increase its customer base in both the auto and non-auto segments.

The long-term growth story of the Indian automobile industry remained strong. As per SIAM, 2013-14 may experience moderate growth. All the major automobile companies are going ahead with their major capitalisation plans. At present, IFB is not engaged with all the major automobile players. It is trying to increase its customer base and therein lies its opportunity.

The appliance industry in India is expected to grow moderately during 2013–14 but the growth in rural and semi-urban areas are expected to be significantly more compared with urban areas owing to higher disposable incomes and a general inclination for owning appliances. The power shortage in India is a major concern.

With the launch of air conditioners and refrigerators, we expect the appliance division will continue to grow at a faster rate as compared to the industry growth rate.

Appliances division

The appliances division sells a wide range of domestic and industrial appliances such as washing machines (domestic and industrial, including dry cleaning and other finishing equipment, like ironers), microwave ovens, dishwashers (industrial and domestic), clothes dryers, modular kitchens, kitchen appliances (hobs, chimneys and built in ovens) etc.

The manufacturing facility at Goa produces 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 as needed for the brand and Indian usage and operating conditions.

In the 4th quarter of the 2012–13, IFB commercially launched air conditioner with a soft launch of the refrigerator range too.

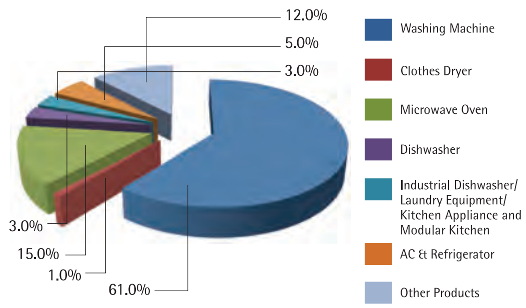
Notwithstanding the difficult economic environment, the appliances division has been able to grow its net sales by 6% over the comparative quarter of the last year. Yearly sales for 2012–13 were increased by 17% compared to 2011–12.

EBDITA margin during 2012–13 was 6.5% as compared to 5.9% during 2011–12.

Despite intense competition and difficult economic conditions, margins could be grown moderately. The expenses incurred towards new product launches such as air conditioners and refrigerators amounting nearly ₹2 crore have been absorbed during the 12 months ended March '13.

For the quarter ended March '13

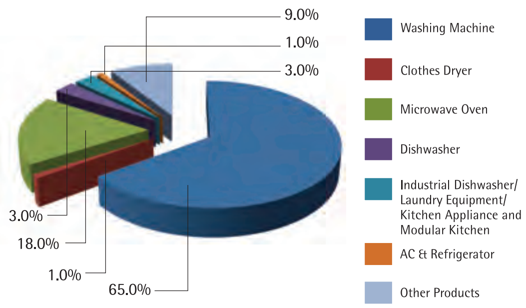
The appliances division has recorded revenues amounting ₹175 crore for the quarter ended March '13. Washing machines and microwaves continued to be the leading contributors to the sales and together they comprised approximately 76% of total sales.



Product-wise spread in appliances division

For YTD March '13

The revenue during the 12 months ended March '13 rose by 16% to ₹760 crore as compared to 2011–12.



Product-wise spread in appliances division

It may be mentioned that despite a challenging business environment, the appliances division was able to increase ROCE by 20% more in 2012–13 as compared to 2011–12.

Summarised financial performance of appliances division

(₹ in crore)

	Q4('12–'13)	Q4('11–'12)	FY('12–'13)	FY ('11–'12)
Revenue	174.6	165.1	760.0	656.3
EBIDTA	5.8	3.4	49.2	38.6
EBIT	2.8	0.6	37.8	28.5
Capital Employed	152.7	142.8	152.7	142.8
ROCE (%)—Annualised	7.2%	1.8%	24.8%	20.0%

Future outlook and strategy

The appliances division has been able to post a sales growth greater than the industry growth during 2012–13.

IFB Points, our exclusive franchise run retail stores, were started about 18 months ago and as of 31.03.13, we have about 200 IFB Points spread across the country. These cater to Tier 1, Tier 2 and Tier 3 cities. At present, they contribute about 9% of our current revenue. This is expected to increase going forward. Earlier, we were planning to increase the number of IFB Points to 400 by 31.03.13 but owing to the non-availability of quality spaces and other constraints, this was not possible. We are now planning to roll out 500 IFB Points by July '13. We firmly believe that with the penetration of information technology, increased media exposure and growing disposable income in semi-urban and rural markets, the demand for appliances will increase going forward and these IFB Points will cater to the needs of these consumers. Sales from IFB Points are more profitable as compared to those through the normal retail channels.

As on 31.03.13 we have a total of 401 service franchisees across India.

We started our own call centre (we call it service centre) at Goa in November '12. The new CRM is now operational in most areas and we are pushing for 100% coverage across all areas by the end of May '13.

In order to focus on exports, proper manning was done for the markets of China, Singapore, Nigeria, Ghana etc. Exports to Sri Lanka and Nepal are going well. We have appointed distributors in the Middle East, Nigeria and Myanmar. OEM exports to developed countries are taking time but all product related certifications for the environment, energy and wash quality as well as product safety related certifications are in place.

EBDITA margin expansion is our major concern. We have initiated model-mix improvements through focused market placement work, projects for raw material price reduction etc to increase the operating margins. For imports, we are switching to RMB payments and expect some savings going forward. We are also focusing on service revenues such as sales from additives, spares and accessories. Service incomes such as incomes from AMCs, extended warranties and service charges are being given greater focus through dedicated field teams and franchisees and we will see improvements in them in the new fiscal year.

Fine blanking division

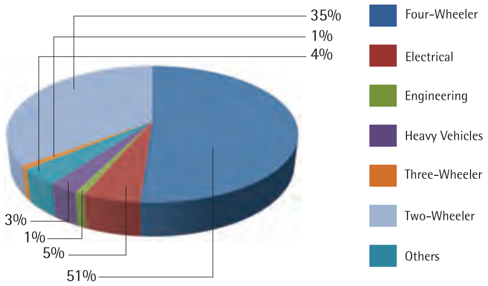
The fine blanking division mainly caters to the automobile sector and its growth is linked to the growth in the automobile industry.

The automobile industry, the major customer segment for our fine blanking division has not grown as expected at the beginning of the financial year. The automobile industry since April '12 has consistently cut down its growth projection for 2012–13. SIAM (Society of Indian Automobile Manufacturers) has projected a growth rate of 11–13% at the beginning of the year, reduced to 5–7% in September '12 and to 1% in December '12. During the period of January '13 to March '13, the automobile industry has further degrown and in March '13 the growth rate plummeted to a 26-year low. The slowing demand is owing to a subdued rise in consumers' disposable incomes (inflation adjusted) as well as higher vehicle and fuel prices. It is also a result of lower employment in the IT sector of new engineering graduates. This was a significant factor in earlier growth that is absent now. The higher interest rate regime during the period of April '12 to March '13 has also affected the automobile industry as vehicle sales are dependent on vehicle loans.

During the 4th quarter of 2012–13, the fine blanking division has recorded a revenue degrowth of 3%. This is in line with the automobile sector's degrowth. Although, for 2012–13 sales were increased by 7% as compared to 2011–12.

For quarter

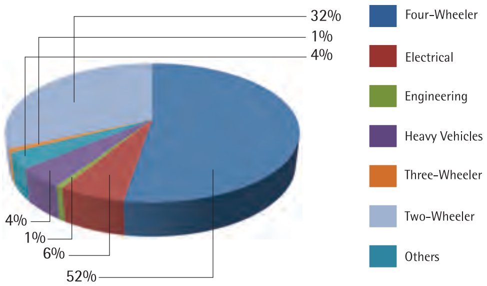
For the quarter ended March '13, the 4-wheeler segment contributed 51% of the revenue as compared to 55% during the corresponding period of last year. One of our key customers has witnessed significant fall in production and that has impacted sales in the 4-wheeler segment. Sales to the 2-wheeler segment were steady at 35%.



Customer segment breakdown

For YTD March '13

For the 12 months ended March '13, the customer-wise sales pattern remained almost the same as 2011-12.



Customer segment breakdown

Return on capital employed (ROCE) for both the quarter and 12 months ended March '13 was at a lower level as compared to the last year owing to the stabilisation of new machines and lower capacity utilisation.

There are tremendous competitive and pricing pressures from the customers and these had a severe impact on the EBDITA margin. As we are trying to increase the customer base, the entry price is also affecting the margins.

We have invested heavily in presses, modernisation of the tool room and expanding the secondary operation. These, we believe, will help us get new and value added orders from the customers. The investments are being made at the bottom of the economic cycle and the division will be benefited once the cycle turns up.

We are aggressively pursuing more orders from existing as well as new customers.

Summarised financial performance of the engineering division

(₹ in crore)

	Q4('12–'13)	Q4('11–'12)	FY('12–'13)	FY ('11–'12)
Revenue	40.8	43.0	156.0	146.6
EBIDTA	4.1	5.6	17.1	17.5
EBIT	2.4	4.7	11.5	14.0
Capital Employed	91.5	64.2	91.5	64.2
ROCE (%)—Annualised	10.3%	29.1%	12.6%	21.8%

Future outlook and strategy

We are taking several steps to improve the EBDITA margin and ROCE.

We are focusing on improving the product mix and reduction in the numbers of low contributory items. Reduction in discretionary expenditures continues. Going forward, we expect that the capacity utilisations of our presses will improve. This will have a positive impact on ROCE and expand the EBDITA margin.

INCOME STATEMENT

(₹in crore)

	Quarter 4		YTD	
	2012–13	2011–12	2012–13	2011–12
Gross Sales	254.32	246.83	1097.87	939.92
Less: Excise Duty	13.07	11.80	68.65	49.21
Less: Trade Scheme	39.33	41.18	165.83	139.15
Net Sales	201.92	193.85	863.39	751.56
Service Income	8.63	8.29	33.94	33.32
Other Income	9.16	10.73	30.27	29.52
Total Income	219.71	212.87	927.60	814.40
EBITDA (Before exceptional expenses)	10.03	8.85	61.93	52.65
EBITDA Margin	4.6%	4.2%	6.7%	6.5%
Depreciation	5.12	4.02	18.32	14.89
Interest	0.04	0.15	0.20	0.31
PBT (Before exceptional expenses)	4.87	4.68	43.41	37.45
Exceptional Expenses	-	-	-	1.50
PBT	4.87	4.68	43.41	35.95
PAT	4.08	4.32	31.45	30.54
PAT Margin	1.9%	2.0%	3.4%	3.8%
No of Shares (In crore)	4.05	3.55	4.05	3.55
Earnings Per Share (₹)	1.01	1.22	7.95	8.61

BALANCE SHEET

(₹ in crore)

	31st March, '13	31st March, '12
I EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	41.28	36.28
Reserves & Surplus	274.36	205.91
II NON CURRENT LIABILITIES		
Deferred Tax Liabilities (Net)	19.60	15.42
Other Long-term Liabilities	6.35	6.56
Long-term Provisions	27.29	28.23
III CURRENT LIABILITIES		
Short-term Provisions	9.85	-
Trade Payables	119.86	109.05
Other Current Liabilities	36.11	36.88
Short-term Provisions	3.64	2.79
Total	**538.34**	**441.12**
I FIXED ASSETS		
Non-current Assets		
Tangible Assets	177.95	147.77
Intangible Assets	8.81	8.33
Capital Work-in-progress	8.27	4.51
Long-term Loans and Advances	45.22	41.25
Other Non-current Assets	0.04	0.04
III CURRENT ASSETS		
Current Investments	56.77	9.97
Inventories	131.95	109.25
Trade Receivables	47.90	46.63
Cash and Bank Balances	44.62	53.80
Short-term Loans and Advances	16.10	19.28
Other Current Assets	0.71	0.29
Total	**538.34**	**441.12**

KEY RATIOS

	Quarter 4		YTD	(₹ in crore)
	31st March, '13	31st March, '12	31st March, '13	31st March '12
Earnings Per Share (In ₹)	1.01	1.22	7.95	8.61
Book Value Per Share (In ₹)	77.94	68.22	77.94	68.22
Current Ratio#	1.76	1.61	1.76	1.61
Quick Ratio#	0.98	0.87	0.98	0.87
EBDIT/Total Income (Before exceptional items)	4.6%	4.2%	6.7%	6.5%
Net Profit Margin as % of Total Income	1.9%	2.0%	3.4%	3.8%
Net Worth (₹ in crore)	315.64	242.19	315.64	242.19
RONW (%)—Annualised	6.2%	7.7%	13.8%	14.8%
ROCE (%)	5.2%	7.1%	10.0%	12.6%
No of Equity Shares (In crore)	4.05	3.55	4.05	3.55
Average Market Price as on Quarter/Year End	96.43	79.82	86.97	105.04
Market Capitalisation (₹ in crore)	327.24	281.69	327.24	281.69
Headcount (Numbers)	1382	1286	1382	1286
Total Income Per Employee (₹ in crore)	0.16	0.17	0.67	0.63
PBT Per Employee (₹ in crore)	0.00	0.00	0.03	0.03
Days Sundry Debtors Outstanding	17	17	15	17
Inventory Holding (Days sales)	47	40	44	42

Include investments and secured loans

CASH FLOW STATEMENT

	Quarter ended 31st March '13 (₹ in crore)	Quarter ended 31st March '12 (₹ in crore)	Year ended 31st March '13 (₹ in crore)	Year ended 31st March '12 (₹ in crore)
(A) CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit Before Tax	4.87	4.68	43.41	35.94
Adjustments for: Depreciation/Amortisation	5.12	4.01	18.32	14.88
(Gain)/Loss on Disposal of Fixed Assets	(0.59)	0.02	(0.60)	0.24
Write off of Fixed Assets	1.08	1.13	1.10	1.27
Write off of Debts/Advances	1.02	0.31	1.20	0.94
Provision for Doubtful Debts and Advances	-	0.14	0.23	0.17
Expenses on Employee Stock Purchase Scheme	-	-	-	0.36
Dividend from Mutual Funds	(1.27)	(0.43)	(2.60)	(2.01)
Net Gain on Sale of Mutual Funds	(0.28)	(0.28)	(1.27)	(0.99)
Provision for Diminution in Value of Mutual Funds	0.35	-	0.35	-
Write Back of Liabilities No Longer Required	(2.95)	(0.73)	(3.44)	(1.29)
Write Back of Provisions No Longer Required	(0.28)	(0.35)	(0.29)	(0.75)
Recovery of Advance Written off in Earlier Years	-	(1.74)	-	(1.74)
Unrealised Exchange Loss/(Gain)	(0.47)	0.11	(0.47)	0.11
Interest Income on Bank Deposits and Others	(1.10)	(1.57)	(1.10)	(1.57)
Financial Charges	0.04	0.15	0.20	0.32
Operating Profit Before Working Capital Changes	**5.54**	**5.45**	**55.04**	**45.88**
Movement in Working Capital	**4.09**	**16.13**	**(13.14)**	**5.23**
Cash Generated from Operations	**9.63**	**21.58**	**41.90**	**51.11**
Direct Taxes Paid	(0.68)	(0.38)	(9.31)	(7.59)
Net Cash from/(used in) Operating Activities	**8.95**	**21.20**	**32.59**	**43.52**
(B) CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets (Including Intangible Assets, CWIP and Capital Advances)	(10.74)	(31.30)	(51.78)	(58.81)
Proceeds from Disposal of Fixed Assets	1.25	(0.02)	1.27	0.04
Purchase of Current Investments	(32.15)	(53.00)	(147.93)	(53.00)
Interest Received	1.10	1.29	1.10	1.29
Proceeds from Sale/Maturity of Current Investment (Incl dividends)	40.07	71.76	104.22	92.24
Net Cash from/(used in) Investing Activities	**(0.47)**	**(11.27)**	**(93.12)**	**(18.24)**
(C) CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Issuance of Shares	-	-	42.00	0.09
Proceeds from Borrowings	3.00	-	9.97	-
Financial Charges	(0.04)	(0.15)	(0.20)	(0.32)
Net Cash from/(used in) Financing Activities	**2.96**	**(0.15)**	**51.77**	**(0.23)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**11.44**	**9.78**	**(8.76)**	**25.05**
CASH AND CASH EQUIVALENTS, BEGINNING	**31.06**	**41.48**	**51.26**	**26.21**
CASH AND CASH EQUIVALENTS, END	**42.50**	**51.26**	**42.50**	**51.26**

Thank You

Disclaimer

This presentation contains statements which reflect the management's current views and estimates and could be construed as forward-looking statements. The future involves certain risks and uncertainties that may cause the actual results to differ materially from the outlooks 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.

Note

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OVER **3 MILLION**
SATISFIED CUSTOMERS

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