IFB Industries Limited

Q4

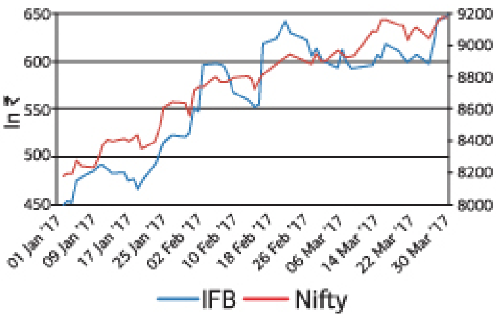
Financial Report

Period Ended 31st March, 2017

FINANCIAL HIGHLIGHTS (Standalone)

	FY ('16–'17)	FY ('15–'16)
Total Income	₹1,751.87 crore	₹1,514.25 crore
EBDITA	₹1,08.61 crore	₹82.75 crore
EBDITA Margin	6.2%	5.5%
EPS	₹12.58	₹7.74
RONW	17.1%	11.3%
ROCE	10.9%	7.5%
Market Capitalisation	₹2,620.76 crore	₹1,287.50 crore
Cash & Bank Balances	₹46.38 crore	₹48.16 crore
Enterprise Value (EV)	₹2,547.52 crore	₹1,238.89 crore
EV/EBDITA	23.46	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. It also imports and markets some of its products from countries around the globe.

Financial Review

Profit and Loss

Quarter ended Mar '17

For the Quarter ended Mar '17, IFB Industries Limited has reported total income of ₹432.55 crore, a growth of 15.2% over the corresponding Quarter of last year.

The EBDITA margin stood at 3.1% during the 4th Quarter of 2016–17.

EBDITA for the 4th Quarter ended Mar '17 is lower as compared to the corresponding period ended Mar '16 due to:

- Lower volume growth in the Fine Blanking Division on account of:
  – Demonetisation
  – Bharat Stage IV (BS IV) implementation by the Ministry of Environment, which resulted in lower manufacturing in the two-wheeler industry.

- Increase in employee benefit expenses (AS-15) on account of a decrease in discounting rate.

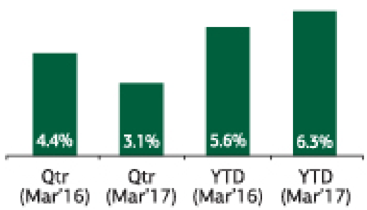
YTD Ended March '17

For the year ended Mar '17, IFB Industries Limited has reported total income of ₹1,751.87 crore, a growth of 15.7% over the corresponding Quarter of last year.
The EBDITA margin stood at 6.2% during the year 2016–17.

Growth in EBDITA, PBT and PAT is as given below:

		FY ('16–'17)	FY('15–'16)	YOY (%)
EBDITA	₹ in crore	108.61	82.75	31.3
PBT	₹ in crore	61.81	35.16	75.8
PAT	₹ in crore	50.97	31.36	62.5

Trend in Operating Margin



Balance Sheet

During the year, the Company repaid 100% of its obligation towards buyers' credit. The Company has, however, taken a term loan of ₹25 crore for purchase of capital assets for expansion of its Fine Blanking Plant, of which ₹6.25 is repayable within 2017–18.

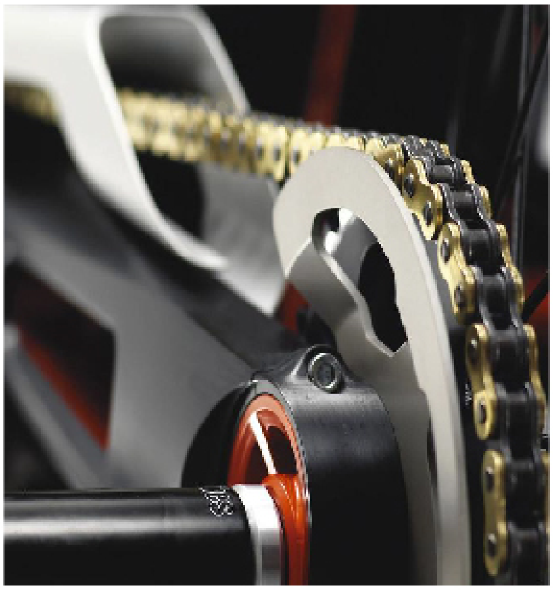
IFB Industries Limited continues to remain debt free (on a net basis, net of current investments and bank balances) as of 31st Mar '17.

Cash Flow

The cash generated from operations has increased by ₹43.88 crore but the cash and cash equivalent has decreased to ₹45.66 crore (31st Mar '17) from ₹47.56 crore (31st Mar '16). This is mainly on account of the investment of ₹12 crore in Trishan Metals Private Limited. Capital outflow to the tune of ₹62.58 crore was incurred during the year ended Mar '17, which is in line with the annual capital expenditure plan.

Outlook

During the Quarter, the Indian rupee strengthened. However, as an overall risk mitigation strategy, as well as to focus upon localising manufacturing in India as intensively as possible, we are continuing to work on the localisation plan regarding some of our high cost imports. This work is at a roll-out stage now and will impact a significant portion of electronic controller imports substituted



by localised production by the 2nd/3rd Quarter of this fiscal year. The localisation plan will drive margin improvements and also de-risk the Company significantly from any associated forex exposure.

Our Appliances Division has ended the year on a stronger note in revenue terms, as compared with the previous fiscal year. As we had briefed earlier, we believe that the new product introductions, scheduled from July '17 onwards, will further improve sales in the Quarters ahead.

The Fine Blanking Division increased its revenue by 6.4% during the 4th Quarter of the current year as against the comparative period of the previous year.

Investment in Trishan Metals Private Limited

The Company made a strategic investment of ₹12 crore in Trishan Metals Private Limited by acquiring 51.12% of its shareholding in July '16. Trishan Metals Private Limited is a narrow width cold rolling mill in Dankuni, West Bengal. This investment will secure the Company's raw material supplies for its Fine Blanking Division and is expected to bear fruit for shareholders from the current year onwards. This investment was a forced decision to regularise short supply from existing suppliers.

The Appliances Division

The Appliances Division continues to deliver a well-positioned and differentiated range of products in both domestic appliances and industrial application categories. These are washing machines, special commercial laundry related dry cleaning and other finishing equipment (ironers etc), microwave ovens, dishwashers, clothes dryers, modular kitchens, kitchen appliances (hobs, chimneys and built-in ovens) and air conditioners.

The updates at the end of the 4th Quarter on the products and the relative market position of our future plans are as given.

Washing Category

- **Front Loaders (Domestic Segment)**

We are currently working on a new range to be introduced in the 2nd Quarter. Our dominant market share continues and our range of models covers the full spectrum of user interfaces, smart mobile-based technologies etc. Within the Company, ongoing product developments, from a customer point of view, continue to be focused on energy efficiency, user convenience and design interface impact.

- **Top Loaders (Domestic Segment)**

The market share for the Company continues to expand in this category. The product range has fully automatic top loaders in the 6.5 kg to 9.5 kg capacity segments, with high-end 'Deep Clean' technology and unique wash features. The top loaders continue to enjoy a niche position in the market with their aesthetics, features and wash performance. The category will remain a revenue growth and margin driver for the Company, along with the front loader category, for the foreseeable future.

In the top loaders segments that the Company is operating in at present (ie 6.5 kg and above), the market share gains have been significant and are now ~18–19%+.

- **Clothes Dryers and Dishwashers (Domestic Segment)**

We continue to enjoy market shares of ~80% in clothes dryers and ~50% in domestic dishwashers. Development work in these categories is focused on the introduction of better aesthetics and stronger product platforms with features that will improve user interfaces. The new models will be introduced by the 4th Quarter of the fiscal year for both these categories after the field trials etc are completed.

- **Industrial Segment–Dishwashing and Laundry Equipment**

The IFB range covers the categories of glass washers, under counter dishwashers as well as hood type and rack conveyor type dishwashing equipment. The Company has significant presence in varied customer segments, including defence establishments, pubs and bars, large institutions, hotels, restaurants, ships etc. The Company operates in this segment with a leading market share of ~40%, in value terms, in the industrial dishwashing segment.

IFB's range of industrial laundry equipment (rising to higher level capacities of ~160 kg etc) is also well established. This includes a complete range of dryers, ironers, finishing equipment for clothing, including suits and special silk wear.

In the high-end laundry segment, IFB continues to be among the top two players by value share.

Kitchen Appliances

- **Microwave Ovens**

IFB continues to be the third largest player with a market share of ~19% as of the 4th Quarter. The new models, with the unique 'Oil Free Cooking' technology, which were introduced, have been well received. IFB registered healthy growth in this category, in a market which has de-grown. We expect to further strengthen the Company's market share as we progress. IFB's microwave cooking class programme under the brand name 'Spice Secrets', which teaches our customers how to optimise microwave oven usage post purchase, remains a focus area for the Company and we are now at a level of ~800 classes across the country, meeting ~18,000 customers every month. With the new range, the Company has introduced new cooking programmes in the microwave ovens to enable healthy cooking with ingredients like olive oil and the new range is driving 'health' as a platform for customer connect.

- **Modular Kitchens**

Pilot stores in Goa, Bangalore and Kolkata are now operational. The design offerings for this category have kept the modern Indian home in mind. The modular systems use features such as food grade, termite-resistant and boiling water proof plywood. This is unique across the Indian market.

We are strengthening the organisational structure for this category in areas such as product and retail design to expand this business going forward. Our intention is to present customers with modular kitchens, with appliances (stand alone and built-in) in line with global trends. The Company is targeting ~20 operational stores by the

year end with the complete range of modular kitchens displayed. These will be opened in the key large markets/high potential markets across India. In addition, the existing and future network of IFB Points will also promote the modular kitchen range to customers.

- **Built-in Ovens, Chimneys and Hobs**

We have increased our presence in all markets with our products displayed in ~250 stores across the country and a special focus on promotions and sales from our IFB Point channel. The channel continues to be a key driver for growth in this category and currently ~45% of sales of this set of products is from this exclusive store network. The Company has ~8% market share as of date, which will continue to expand in subsequent Quarters as market placements increase as planned.

Cooling Category

- **Air Conditioners**

The product and market focus in this segment covers the following key summaries.

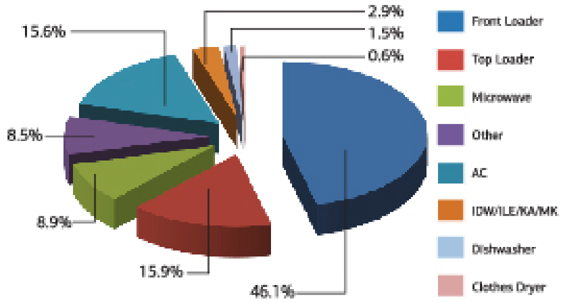
As shared in previous updates, the performance of our products has been of a high quality. Their key features such as energy efficiency and performance at high ambient temperatures have been well received by customers. The IFB range is uniquely placed in the market, with features such as titanium gold coating on the condensers, 52˚C compliant compressors across all models, green gas and copper piping, all features designed for high-end performance. IFB is also unique in terms of a complete green range, at par with the best standard in the market.

The sales performance for the year is as per expected levels and this category will have a positive impact on revenue and profitability growth in the new fiscal year.

For the Quarter ended 31st Mar '17

The Appliances Division reported net revenues of ₹353.18 crore for the Quarter ended Mar '17, a growth of 18.7% as compared to the same period of the previous year. Washing machines contributed 61.9% of sales.

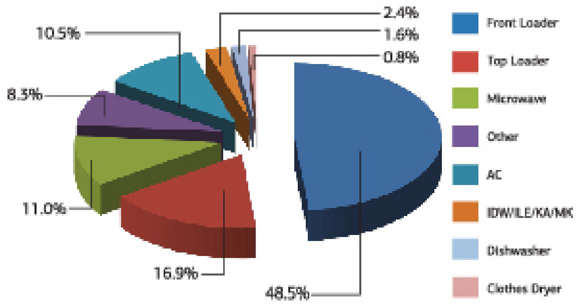
QTR Product-wise Spread in Home Appliances Division



For the Year ended 31st Mar '17

The Appliances Division reported net revenues of ₹1,442.05 crore for the year ended Mar '17. Washing machines contributed 65.4% of sales.

YTD Product-wise Spread in Home Appliances Division

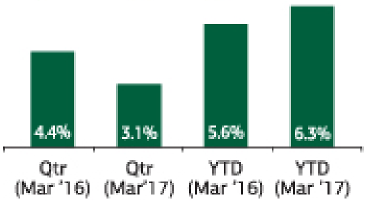


Summarised Financial Performance of the Appliances Division

(₹ in crore)

	FY ('16–'17)	FY ('15–'16)	Q4 ('16–'17)	Q4 ('15–'16)
Revenue (Net Sales Including Service Income)	1,442.05	1,225.49	353.18	297.65
EBDITA	87.29	57.41	8.77	8.29
EBDITA % on Revenue	6.1	4.7	2.5	2.8
EBIT	60.52	26.61	1.87	1.75
EBIT % on Revenue	4.2	2.2	0.5	0.6
Capital Employed	271.22	266.56	271.22	266.56
ROCE (Annualised) %	22.3	10.0	2.8	2.6

Trend in Operating Margin



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

1. Multi–brand Stores

a. These include large format (modern retail) 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 ~61% by volume of IFB's sales YTD this year.

2. The IFB Exclusive Stores (IFB Points and the IFB Website)

These stores have the full display of the products that the Company offers and allows 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 ~15% of sales by volume as of YTD this year.

b. The IFB website and related eCommerce sites contribute ~9% of sales by volume. Both generate a significant amount of visitors who also buy offline and in other stores later.

c. The target remains to reach a network of ~500+ exclusive stores of approximate size not exceeding ~500 sq ft in the first phase. This will also include Company Owned Company Operated (CoCo) stores. As on date, the Company has ~400 IFB Points across India, out of which ~95 are CoCo stores.

3. The CSD/Defence Canteens, Institutions etc

These customers buy directly from the Company, including industrial products. These channels contribute ~2% 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 growth in the industrial category and also institutional sales of products like air conditioners.

4. The Channel of Dealers who are also Service Providers

This segment, largely catering to customers who buy air conditioners, contributes ~1% of sales by volume as of YTD this year. It will grow to drive expansion in the air conditioner business.

5. The Channel of Distributors

This is a channel on which significant work has happened in the last two Quarters, which will drive volume gains going forward. The channel accounts for ~12% of sales as of the 4th Quarter and as IFB continues to expand its channel reach, this segment is growing. It is key to the expansion of IFB's reach into small towns and up-country areas across India.

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

As of the 4th Quarter, we have a total of ~775 service franchisees across India, with a plan to increase the number of franchisees to ~850+ by the end of the new fiscal year. Currently, we have 29 service training centres, which are fully equipped for training in all aspects of assembly, dismantling, installation and troubleshooting of our products.

Sales of additives and accessories, as reported earlier, are a key focus area. The Company's four million plus customer base has a high potential to generate revenues through the sales of additives and accessories. The Company's own call centre (which is called a 'Service Centre') at Goa continues to be effective in issue resolution and customer feedback/cross sell initiatives with a total capacity of ~90 people. IFB also has outsourced contact 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 Programme, we continue to contact customers directly and then visit them. This is increasing customer satisfaction and also enabling higher revenues from the customer visits.

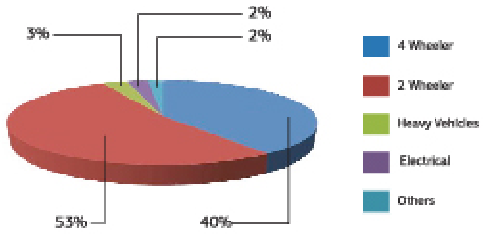
Fine Blanking Division

The Fine Blanking Division mainly caters to the two-wheeler and four-wheeler segments of the automobile sector. We are also focusing on increasing our business in non-auto sector such as Electrical, Railways, Cycle Industry, Defence etc.

The Fine Blanking Division, including the after-market division (AFM), have reported 6.4% revenue growth in the 4th Quarter of the current year as compared to the corresponding period of previous year. Due to demonetisation, sales in both the two-wheeler segment and after-market division were severely impacted in this Quarter. On account of lower sales growth, EBDITA for the Quarter is at ₹8.79 crore, with a marginal growth over the same period last year.

The AFM vertical achieved a turnover of ₹6.92 crore in the 4th Quarter. This is a growth of 18.9% from the corresponding Quarter in the previous fiscal year. The AFM vertical is expected to improve its operating performance during 2017–18 as it expands further.

Segment-wise Sales % FY 2016–17



Future Outlook & Strategy

The Fine Blanking Division is expecting an increase in automotive demand in FY 2017–18. We are also working on increasing our customer base and product range and are strengthening the supply chain to meet the increased market demand.

The 'Ultramiles' brand is extending its reach by going to all states this year and we expect it to grow significantly in the months to come.

The revenue of the Fine Blanking Division is as given below

(₹ in crore)

	FY ('16–'17)	FY ('15–'16)	Q4 ('16–'17)	Q4 ('15–'16)
Revenue (Net Sales Including Service Income)	250.25	232.49	63.08	59.95

The revenue of the AFM Division has improved and is as given below

(₹ in crore)

	FY ('16–'17)	FY ('15–'16)	Q4 ('16–'17)	Q4 ('15–'16)
Revenue (Net Sales Including Service Income)	27.45	22.32	6.92	5.82

Summarised Financial Performance of Fine Blanking Division (Including AFM)

(₹ in crore)

	FY('16–'17)	FY ('15–'16)	Q4 ('16–'17)	Q4 ('15–'16)
Revenue (Net Sales Including Service Income)	277.70	254.81	70.00	65.77
EBDITA	36.37	34.33	8.79	8.48
EBDITA (%) on Revenue	13.1	13.5	12.6	12.9
EBIT	19.99	20.65	4.45	4.81
EBIT (%) on Revenue	7.2	8.1	6.4	7.3
Capital Employed	141.17	139.60	141.17	139.60
ROCE (Annualised) %	14.2	14.8	12.6	13.8

INCOME STATEMENT

(₹ in crore)

	YTD		QTR	
	31st Mar, '17	31st Mar, '16	31st Mar, '17	31st Mar '16
Gross Sales	2,251.49	1,915.83	552.41	471.12
Less: Excise Duty	156.03	132.19	36.01	30.87
Less: Trade Scheme	432.18	353.56	107.95	89.80
Net Sales	1,663.28	1,430.08	408.45	350.45
Service Income	56.49	50.22	14.73	12.97
Other Income	32.10	33.95	9.37	12.14
Total Income	1,751.87	1,514.25	432.55	375.58
EBDITA	108.61	82.75	13.25	16.09
EBDITA Margin	6.2%	5.5%	3.1%	4.3%
Depreciation	43.63	45.37	11.38	10.33
Interest	3.17	2.22	0.81	0.44
PBT	61.81	35.16	1.06	5.32
PAT	50.97	31.36	2.68	5.02
PAT Margin	2.9%	2.1%	0.6%	1.3%
No of Shares (In crore)	4.05	4.05	4.05	4.05
Earnings Per Share (In ₹) (Not annualised)	12.58	7.74	0.66	1.24

BALANCE SHEET

(₹ in crore)

	31st Mar, '17	31st Mar, '16
EQUITY AND LIABILITIES		
I SHAREHOLDERS' FUNDS		
Share Capital	41.28	41.28
Reserves and Surplus	426.29	377.05
II NON-CURRENT LIABILITIES		
Long-term Borrowings	18.75	1.00
Deferred Tax Liabilities (Net)	28.84	25.80
Other Long-term Liabilities	8.86	7.23
Long-term Provisions	30.00	29.25
III CURRENT LIABILITIES		
Short-term Borrowings	3.48	15.40
Trade Payables	263.13	226.70
Other Current Liabilities	83.66	61.85
Short-term Provisions	5.97	5.87
Total	**910.26**	**791.43**
ASSETS		
I NON-CURRENT ASSETS		
Property, Plant and Equipment		
— Tangible Assets	286.16	261.15
— Intangible Assets	18.85	12.75
— Capital Work-in-progress (Including intangible assets under development)	13.89	23.77
Long-term Loans and Advances	77.98	72.79
Other Non-current Assets	0.01	0.01
Non-current Investments	12.00	—
II CURRENT ASSETS		
Current Investments	49.09	16.85
Inventories	234.88	214.41
Trade Receivables	138.24	115.46
Cash and Bank Balances	46.38	48.16
Short-term Loans and Advances	32.24	25.27
Other Current Assets	0.54	0.81
Total	**910.26**	**791.43**

KEY RATIOS

	YTD		QTR	
	31st Mar, '17	31st Mar, '16	31st Mar, '17	31st Mar, '16
Earnings Per Share (In ₹) (Not annualised)	12.58	7.74	0.66	1.24
Book Value Per Share (In ₹)	115.45	103.29	115.45	103.29
Current Ratio#	1.41	1.40	1.41	1.40
Quick Ratio#	0.75	0.69	0.75	0.69
EBDITA/Total Income	6.2%	5.5%	3.1%	4.3%
Net Profit Margin as % of Total Income	2.9%	2.1%	0.6%	1.3%
Net Worth (₹ in crore)	361.46	310.49	361.46	310.49
RONW (%)—Annualised (On PBT)	17.1%	11.3%	1.2%	6.9%
Return on Capital Employed—Annualised (%)	10.9%	7.5%	2.3%	4.8%
No of Equity Shares (In crore)	4.05	4.05	4.05	4.05
Closing Market Price on Period End	647.10	317.90	647.10	317.90
Market Capitalisation (₹ in crore)	2,620.76	1,287.50	2,620.76	1,287.50
PE Ratio (Annualised)	51.44	41.07	245.11	64.09
Head Count (Numbers)	1,646	1,626	1,646	1,626
Total Income per Employee (₹ in lakh)	106.43	93.13	26.28	23.10
PBT Per Employee (₹ in lakh)	3.76	2.16	0.06	0.33
Fixed Asset Turnover Ratio	5.45	5.22	5.36	5.12
Days Sundry Debtors Outstanding	22	21	22	22
Inventory Holding (In days)	38	41	39	42

Includes Current Investments and Short-term Working Capital Loans

CASH FLOW STATEMENT

(₹ in crore)

	FY ('16-17)	FY ('15-16)	Q4 ('16-17)	Q4 ('15-16)
(A) CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit Before Tax	61.81	35.16	1.06	5.32
Adjustments for: Depreciation/Amortisation	43.63	45.37	11.38	10.33
Gain on Disposal of Fixed Assets	(0.01)	(1.40)	—	(1.38)
Write Off of Fixed Assets	0.32	0.27	0.30	0.21
Write Off of Debts/Advances	0.45	0.24	0.33	0.12
Allowance for Doubtful Debts and Advances	0.23	0.04	0.18	(0.06)
Dividend from Current Investments	(0.68)	(0.41)	(0.16)	(0.12)
Net Gain on Sale of Current Investments	(1.64)	(5.56)	(0.11)	(3.43)
Write Back of Liabilities No Longer Required	(1.79)	(0.30)	(0.81)	(0.24)
Write Back of Provisions No Longer Required	(0.07)	(0.13)	(0.05)	(0.07)
Unrealised Exchange Gain	(0.43)	(0.27)	(0.43)	(0.27)
Interest Income on Bank Deposits and Other	(1.07)	(0.78)	(1.07)	(0.78)
Financial Costs	3.17	2.22	0.81	0.44
Operating Profit Before Working Capital Changes	**103.92**	**74.45**	**11.43**	**10.07**
Movement In Working Capital	2.91	(16.54)	19.40	19.86
Cash Generated From Operations	**106.83**	**57.91**	**30.83**	**29.93**
Direct Taxes Paid	(14.21)	(9.17)	(2.68)	(1.31)
Net Cash From Operating Activities	**92.62**	**48.74**	**28.15**	**28.62**
(B) CASH FLOWS FROM INVESTING ACTIVITIES				
Net Purchase of Fixed Assets (Including Intangible Assets, CWIP)	(62.58)	(65.84)	(14.82)	(17.69)
Purchase of Non-current Investments	(12.00)	—	—	—
Net (Purchase)/Sale of Current Investments	(29.92)	40.77	9.30	40.23
Decrease/(Increase) in Other Bank Balances	(0.12)	3.27	0.89	5.33
Interest Received	1.07	0.83	1.07	0.83
Net Cash From/(Used in) Investing Activities	**(103.55)**	**(20.97)**	**(3.56)**	**28.70**
(C) CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds/(Repayment) from/of Borrowings (Net)	12.08	(18.63)	(29.04)	(47.45)
Financial Charges	(3.05)	(2.21)	(0.69)	(0.43)
Net Cash From/(Used In) Financing Activities	**9.03**	**(20.84)**	**(29.73)**	**(47.88)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	(1.97)	6.93	(5.21)	9.44
CASH AND CASH EQUIVALENTS, BEGINNING	47.56	40.63	50.80	38.12
CASH AND CASH EQUIVALENTS, END	45.66	47.56	45.66	47.56

Financial Report—Period Ended 31st March, 2017 Q4

Disclaimer

This presentation contains statements which reflect the Management's current views and estimates and are forward-looking in 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