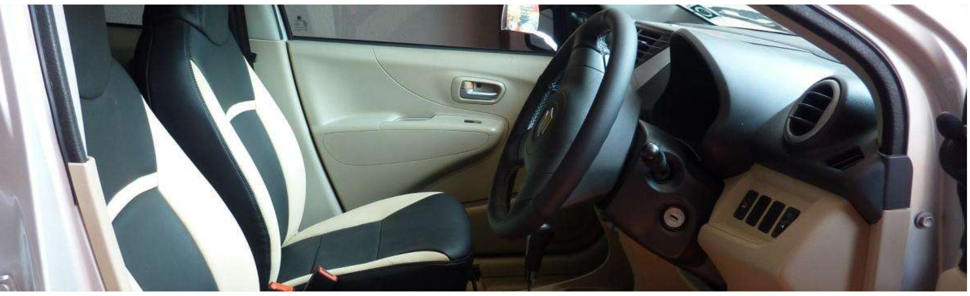
IFB Industries Limited

Q1

Financial Report

Quarter ended 30th June, 2013



Total Income
₹232.43 crore (YoY growth of 16%)

EBDITA (From operation)
₹8.22 crore

EBDITA Margin 3.5%

EPS (Annualised) ₹2.12

RONW (Annualised) 3.7%

ROCE (Annualised) 2.7%

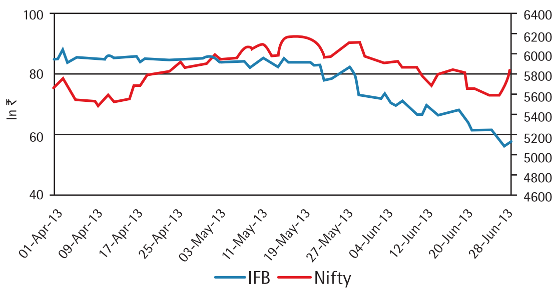
Market Capitalisation
₹234.90 crore (as on 30.06.13/NSE)

Cash & Equivalents (Net)
₹71.59 crore (as on 30.06.13)

EV ₹163.31 crore

EV/EBDITA 4.97

Market Capitalisation/Net Sales 0.25



IFB vs Nifty—Daily price movement chart

IFB Industries comprises 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 some of its products are imported from various countries around the globe.

FINANCIAL REVIEW

P&L

For the quarter ended June '13, IFB Industries has reported net sales of ₹217.31 crore, a decent growth of 17% over the corresponding quarter of last year. There is a sharp fall in EBDITA during the quarter ended June '13 as compared to the corresponding period of last year owing to the difficult operating environment and EBDITA in absolute term has fallen to ₹8.22 crore from ₹13.45 crore. Depreciation expenses have increased by 24% during June '13 quarter as compared to last year.

BS

IFB Industries has remained debt free on net basis as on 30th June, '13.

Cash Flow

During the quarter ended June '13, IFB Industries has generated ₹9.56 crore from its operation as compared to ₹4.63 crore during the corresponding period of last year. The reduction in net working capital has helped in increasing the cash generation from operation. An amount of ₹30.18 crore was incurred towards capital expenditure during the quarter ended June '13.

The focus will remain on further reduction in inventory and debtors so that free cash flow may be maximised.

Outlook

The first quarter of 2013–14 was marked with a sharp depreciation of the Indian rupee against all major currencies and this is the single most important factor in pulling down the performance in the first quarter.

The most worrying factor is that despite the steep depreciation of the Indian rupee, exports continued to fall. Export growth in May '13 was the lowest this year and this clearly indicates the worsening competitiveness of the Indian manufacturing industry.

The current account deficit continues to be a concern. The possibility of withdrawal of stimulus by USA and increase in yield of USA treasuries have resulted in withdrawal of investments from the emerging market and India has also been affected severely. In order to defend the Indian rupee, monetary policy is being tightened further, which will further choke growth.

The automobile market was at its lowest level during the first quarter of 2013–14 owing to higher vehicle costs, consistent fuel price increases in line with global price increases and high interest rates. Consumers have also postponed their buying decisions owing to inflationary pressures. Automobile companies are shutting down operation for a significant number of days owing to complete lack of demand.

The long term growth story of the Indian automobile industry remained strong. The good thing is that inventories are not piled up currently. A good monsoon can spur the rural demand and this may have a positive effect in the second quarter of the current financial year. Automobile companies are going for increasing localisation owing to the sharp fall of the Indian rupee, which will help the automobile component industry.

Despite the difficult economic situation, the appliances industry in India is expected to record moderate growth during 2013-14. The growth in rural and semi-urban areas is expected to be significantly more compared to that in urban areas owing to greater disposable income. Power shortages across India remained a major concern.

Recently launched air conditioners and refrigerators were received well in the market and we expect the Appliances division to continue to grow at a pace faster than 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 etc), microwave ovens, dishwashers (industrial and domestic), clothes dryers, modular kitchens, kitchen appliances (hobs, chimneys and built in ovens), refrigerators, air conditioners etc.

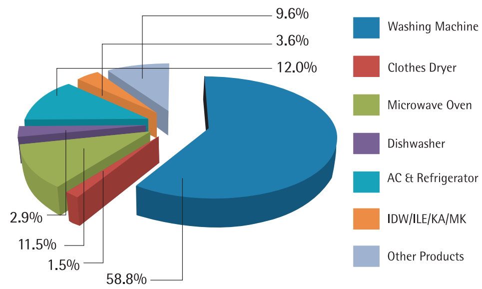
The manufacturing facility at Goa manufactures washing machines and clothes dryers while the rest of the products are imported from various quality suppliers across the globe in line with benchmarked specifications taking into account Indian conditions.

Notwithstanding the difficult economic environment, the Appliances division has been able to grow its net sales by 24% over the comparative quarter of the last year. This was driven by the introduction of air conditioners. IFB Industries continued to be the market leader in front loader washing machines. As a product category, they have achieved a growth of 8% compared to the same period of last year.

EBDITA margin during the first quarter of 2013–14 was 3.6% compared to 6.2% during the comparative period of last year. The EBDITA margin deteriorated owing to the steep depreciation of the Indian rupee against the major currencies. This has caused a high degree of inflationary pressure on the economy in general and specifically on the input costs across the industry.

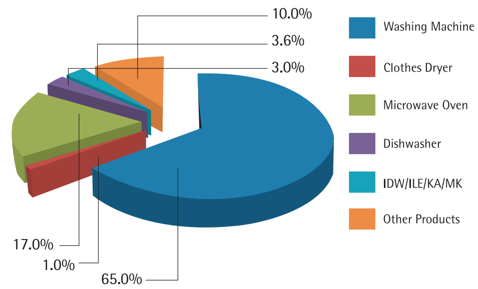
For the quarter ended June '13

The Appliances division has recorded net sales amounting ₹195.33 crore for the quarter ended June '13. Washing machines continued to be the leading contributor and comprised approximately 59% of total sales.



Product-wise spread in the Appliances division

The net sales during the 12 months ended March '13 was at ₹759.95 crore. Washing machines and microwave ovens together contributed 82% of total sales.



Product-wise spread in the Appliances division

Summarised financial performance of Appliances division

(₹ in crore)

	Q1('13–'14)	Q1('12–'13)	FY('12–'13)
Revenue	195.33	158.38	759.95
EBDITA	7.06	9.76	49.15
EBIT	4.14	7.08	37.83
Capital Employed	147.74	146.73	152.69
ROCE	11.2%	19.3%	24.8%

Future outlook and strategy

The Appliances division has been able to post sales growth more than the industry growth during the first quarter of 2013–14.

IFB Points, our exclusive franchise run retail stores, were started around 21 months ago. These IFB Points cater to tier 1, tier 2 and tier 3 cities. It is important to note that during the first quarter of the current year, approximately 14% of total sales came from these IFB Points. During 2012–13, these IFB Points contributed to 9% of total net sales. We are now planning to roll out a significant number of IFB Points in 2013–14 but the lack of availability of quality spaces is slowing the expansion. Sales from IFB Points are more profitable compared to those through the normal retail channels.

Sales from our website were also strong in the first quarter of this fiscal year, reporting a growth of 29% compared to last year. We are pushing the sales of Additives and Accessories and during June '13, they reported the highest ever sales. Going forward, we expect sales from this segment to grow further.

In order to push sales further, we have added 450 new dealers during the first quarter of 2013–14.

As on 30th June '13, we have a total of 431 service franchisees across India.

Our call centre at Goa has been fully operational since Nov '12. We also have 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.

Through our service network, we have been focusing on post sales contact—existing as well as dedicated business franchisees and mandatory calls for customer satisfaction.

Exports to Sri Lanka, Nepal and Dubai have done well and we have received orders from Myanmar and France. We are also expecting orders from Nigeria. OEM exports to developed countries are taking time but all product related certifications for the environment, energy, wash quality and also product safety related certifications are in place and it is expected that the first export shipment to France may take place in end Sept '13. The focused approaches of appointing distributors are yielding results.

EBDITA margin expansion is our major area of concern. The significant depreciation of the Indian rupee against our import related currencies has impacted the margins significantly. Price increases have been implemented w.e.f. 1st July, '13. Also, localisations of components are in full focus and we expect savings to accrue on account of these from the third quarter of this fiscal year.

Fine Blanking division

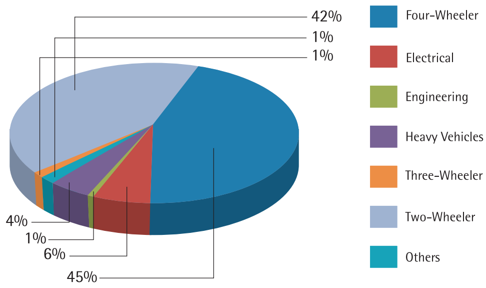
The Fine Blanking division mainly caters to the automobile sector and its growth is linked to the automobile industry.

During the quarter ended June '13, the automobile industry continued its decline and in June '13, a continuous decline for 8 consecutive months was reported. In June '13, sales fell by 5.10% compared to June '12 with the commercial vehicle segment reporting the steepest fall of 13.45%. For the quarter ended June '13, sales fell by 2.10% compared to the corresponding period of last year. India Ratings (A Fitch Group Company) has revised the outlook for the automobile industry to "stable to negative" from "stable". This is the first time in six years that the rating agency has revised its outlook for the sector. The decline has prompted the Society of Indian Automobile Manufacturers (SIAM) to seek a stimulus package for the sector. The slowing demand is owing to subdued rise in disposable income (inflation adjusted) in the hands of consumers, higher vehicle and fuel prices. The higher interest rate regime during the period of April '13–June '13 has also affected the automobile industry as vehicle sales are dependent on vehicle loans.

During the first quarter of 2013–14, the Fine Blanking division recorded a sales degrowth of 13%. The continuing slowdown in the automobile industry has taken its toll on the Fine Blanking division and severely impacted sales.

For the Quarter ended June '13

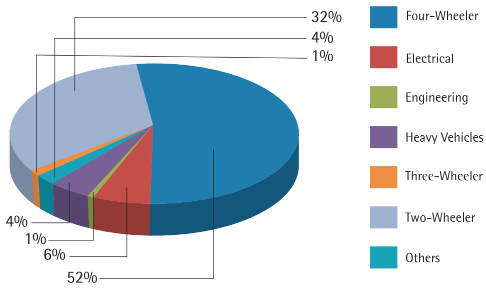
For the quarter ended June'13, 4 wheeler segments contributed 45% of the revenue compared to 52% during the previous financial year(2012–13). We were successful in increasing sales to the 2 wheeler segment compared to 2012–13.



Customer segment breakdown

For 2012-13

For 12 months ended March '13, sales were dominated by 4 wheelers and 2 wheelers.



Customer segment breakdown

The continuing high interest rates, high fuel prices and consumer inflation have prompted consumers to defer their purchase decisions. A sharp fall in profitability was mostly owing to the continuous and heavy drop in inwardation from some of our key customers. Tremendous competitive pressures from customers also added to margin reduction.

In order to increase sales and profitability, we are taking several steps and are hopeful of improvements in the second quarter.

Future outlook and strategy

We are taking several steps to improve the EBDITA margin and ROCE. We are aggressively pursuing more orders from our existing as well as new customers. We are focusing on improving the product mix and reducing the number of low contributory items. Reduction in discretionary expenditures continues. We expect that the sales volume will increase from the second quarter onwards and this will have a positive impact on the profitability and ROCE. We are also focusing on the non-auto segment in order to spread risks.

Summarised financial performance of the engineering division

(₹ in crore)

	Q1('13–'14)	Q1('12–'13)	FY('12–'13)
Revenue	35.35	40.74	155.96
EBDITA	2.76	5.66	17.18
EBIT	0.93	4.58	11.49
Capital Employed	93.44	73.30	91.54
ROCE (%)—Annualised	4.0%	25.0%	12.6%

INCOME STATEMENT

(₹ in crore)

	Quarter 1	
	2013–14	2012–13
Gross Sales	276.08	232.92
Less: Excise Duty	17.25	16.65
Less: Trade Scheme	41.52	30.47
Net Sales	217.31	185.80
Service Income	8.73	8.28
Other Income	6.39	6.49
Total Income	232.43	200.57
EBDITA (Before exceptional expenses)	8.22	13.45
EBDITA Margin	3.5%	6.7%
Depreciation	5.11	4.11
Interest	0.14	0.04
PBT (Before exceptional expenses)	2.97	9.30
PBT	2.97	9.30
PAT	2.13	6.30
PAT Margin	0.9%	3.1%
No of Shares (In crore)	4.05	4.05
Earnings Per Share (₹)	0.53	1.72

BALANCE SHEET

(₹ in crore)

	30th June, '13	30th June, '12
I EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	41.28	41.28
Reserves & Surplus	276.49	249.21
II NON CURRENT LIABILITIES		
Deferred Tax Liabilities (Net)	20.25	15.68
Other Long-term Liabilities	6.36	6.15
Long-term Provisions	29.53	30.58
III CURRENT LIABILITIES		
Short-term borrowings	45.30	-
Trade Payables	149.08	119.71
Short-term Provisions	3.78	2.59
Total	**613.27**	**501.82**
I ASSETS		
Non-current Assets–Fixed assets		
Tangible Assets	178.51	150.15
Intangible Assets	8.04	7.50
Capital Work-in-progress	21.82	10.13
Long-term Loans and Advances	61.39	36.48
Other Non-current Assets	0.02	1.55
II CURRENT ASSETS		
Current Investments	76.03	63.99
Inventories	153.15	116.37
Trade Receivables	55.22	54.40
Cash and Bank Balances	40.86	33.51
Short-term Loans and Advances	18.13	27.66
Other Current Assets	0.10	0.08
Total	**613.27**	**501.82**

KEY RATIOS

(₹ in crore)

	Quarter 1	
	30th June, '13	30th June, '12
Earnings Per Share (In ₹)	0.53	1.72
Book Value Per Share (In ₹)	78.46	71.73
Current Ratio#	1.44	1.86
Quick Ratio#	0.80	1.13
EBDIT/Total Income (Before exceptional items)	3.5%	6.7%
Net Profit Margin as % of Total Income	0.9%	6.7%
Net Worth (₹ in crore)	209.93	182.65
RONW (%)—Annualised	3.7%	12.8%
ROCE (%)	1.9%	7.4%
No of Equity Shares (In crore)	4.05	4.05
Average Market Price as on Quarter/Year End	77.86	69.38
Market Capitalisation (₹ in crore)	234.90	265.68
Headcount (Numbers)	1,411	1,497
Days Sundry Debtors Outstanding	18	21
Inventory Holding (Days sales)	51	46

Include investments and secured loans

CASH FLOW STATEMENT

	Quarter ended 30th June '13 (₹ in crore)	Quarter ended 30th June '12 (₹ in crore)
(A) CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit Before Tax	2.97	9.60
Adjustments for: Depreciation/Amortisation	5.11	4.11
Loss on Disposal of Fixed Assets	-	0.01
Write off of Debts/Advances	0.09	0.01
Dividend from Mutual Funds	(0.55)	(0.45)
Appreciation in Value of Investment	(0.25)	-
Write Back of Liabilities No Longer Required	(0.10)	(0.03)
Write Back of Provisions No Longer Required	(0.08)	(0.01)
Financial Charges	0.14	0.04
Operating Profit Before Working Capital Changes	**7.33**	**12.96**
Movement in Working Capital	**3.64**	**5.26**
Cash Generated from Operations	**10.97**	**7.70**
Direct Taxes Paid	(1.41)	(3.07)
Net Cash from (used in) Operating Activities	**9.56**	**4.63**
(B) CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase/Sale of Fixed Assets (Including Intangible Assets, CWIP)	(30.18)	(12.20)
Net Purchase/Sale of Current Investments	(18.47)	(53.57)
Net Cash from (used in) Investing Activities	**(48.65)**	**(65.77)**
(C) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Shares	-	42.00
Proceeds from Borrowings	35.46	-
Financial Charges	(0.14)	(0.04)
Net Cash from/(used in) Financing Activities	**35.32**	**41.96**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**(3.77)**	**(19.18)**
CASH AND CASH EQUIVALENTS, BEGINNING	**44.63**	**52.42**
CASH AND CASH EQUIVALENTS, END	**40.86**	**33.24**

Thank You

Disclaimer

This presentation contains statements that reflect the management's current views and estimates and may be construed as forward looking statements. 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.

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