

Q1

Financial Report

Period Ended 30th June, 2015



FINANCIAL HIGHLIGHTS Q1 (15–16)

Total Income

₹355.42 crore

EBDITA (From operation)

₹25.38 crore

EBDITA Margin 7.1%

EPS (Annualised) ₹10.41

RONW (Annualised) 18.7%

ROCE (Annualised) 10.6%

Market Capitalisation

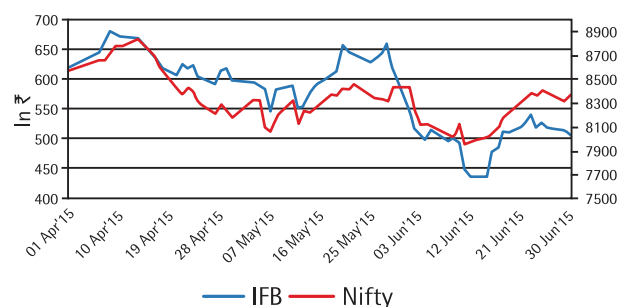
₹2060.03 crore (As on 30.06.15/NSE)

Cash & Equivalents (Net)

₹17.46 crore (As on 30.06.15)

Enterprise Value (EV) ₹2042.57 crore (As on 30.06.15)

EV/EBDITA 20.12



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.

Financial Review—

P&L

For the Quarter ended June '15, IFB Industries Limited has reported net sales of ₹334.59 crore, a growth of 21.4% over the corresponding

Quarter of last year. EBDITA margin stood at 7.1% during the 1st Quarter of 2015–16.

Depreciation—Q1 June '15 vs Q1 June '14

Depreciation is higher by ₹10.95 crore as compared to the same period of the previous year. This is on account of a gain of ₹8.44 crore recognised last year on account of change in the method of depreciation from WDV to SLM on buildings.

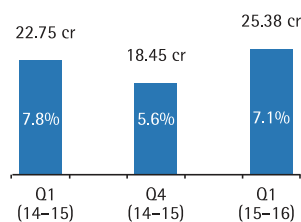
Depreciation—Q1 June '15 vs Q4 March '15

Depreciation is lower by ₹10.43 crore as compared to the Quarter ended March '15. During the Quarter ended March '15, the Company had charged ₹11.96 crore as depreciation with respect to assets, the remaining useful life of which were determined to be Nil, as on 1 April, 2014.

The investments related to new product introduction and manning investments for volume increases, which were made in the 4th Quarter have begun to show impacts in this Quarter. This is also explained in subsequent pages.

The trend in EBDITA is shown below:

EBDITA (in crores) and EBDITA Margin (%)



BS

IFB Industries Limited continues to remain debt free (on a net basis) as on 30 June, 2015.

Cash Flow

Cash and cash equivalent has increased to ₹53.55 crore (30 June, 2015) from ₹44.50 crore (31 March, 2015). Capital outflow to the tune of ₹14.88 crore was incurred during the Quarter ended June '15 and this is in line with the annual capital expenditure plan.

Outlook

During the Quarter, the Indian Rupee was range bound, with a bias upwards of the level of ~₹64/ USD. Since April '15, the INR has

depreciated against the USD. In order to de-risk from the forex related issues, we are continuing our work on our localisation plan as planned. We continue to believe that the Indian Rupee is overvalued based on real effective exchange rates. This is a key risk mitigation area for us.

Our Appliances Division has ended the Quarter on a stronger note as compared with the previous Quarter of the last fiscal year. The returns on the manning investments made for high growth rates, especially from the new products and the actions on the EBDITA margins, are taking effect and we believe that the new product introductions will further improve sales and margins in the next few Quarters.

The Fine Blanking Division increased its net sales by 22% during the 1st Quarter of the current year as against the comparative period of the previous year.

Appliances Division

The Appliances Division presents a wide range of products to its customers for both domestic appliances and industrial applications. These include 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 and air conditioners etc.

The updates at the end of the Quarter on the products, relative market positions, 2nd Quarter actions being taken and our future plans are given below:



Washing Category:

• **Front Loaders (domestic segments)** In this category, we have a range of 5.5–8 kg capacities with a dominant market share. Product development pipelines include a range of new models driven by smart mobile based technologies and new washing applications that are now ready for release into the market. The range of new models, which started being introduced from the 4th Quarter, will be further strengthened in the 2nd Quarter. This will continue to strengthen our market shares, especially in the mid and high end segments. The development of new models in the value segments (price points of ~20–25K) is complete and the new models will begin to be introduced from the end of the 2nd Quarter as planned earlier. We expect these introductions to generate volume gains and also help expand the market reach in the Quarters ahead.

• **Top Loaders (domestic segments)** In this category, IFB began commercial production of its own manufactured range in the 4th Quarter of the last financial year. The market pipelines began to be filled for sales of these products from the 1st Quarter of this fiscal year. The product range includes fully automatic top loaders in the 6.5–9.5 kg capacity segments, with high end “Deep Clean” technology and unique wash features. The target market share for the top loaders we manufacture was initially planned at ~10% within the first 2 years of launch but they will exceed that target based on the performance so far. The top loaders have been extremely well received in the market for their aesthetics, features and performance. This category will be a key revenue growth driver in the months ahead. As of date, demand is far in excess of earlier forecasts and the volume will significantly exceed what we had estimated. We are currently undertaking an exercise to increase, beyond earlier plans, our supply chain capacities as well as accelerate market penetration and volume growth plans.

• **Clothes Dryers (domestic segment) and Dishwashers (domestic segment)** Both of these are niche product segments of the Company having market shares of ~80% (clothes dryers) and ~50% (domestic dishwashers). In the

1st Quarter, we began to introduce a new range of dishwasher models with features based on the feedback we have received from the market for enhanced wash capabilities. This new range, comprising 4 new models, will be fully introduced by the early 2nd Quarter and will drive gains in market shares and also volumes.

• **Industrial Segment– Ware Washing and Laundry Equipment**—IFB has a full range of glass washers, under-the-counter dishwashers as well as hood type and rack conveyor type dishwashing equipment. In this segment, the Company has pan-India presence in customer segments such as defence cantonments, small pubs and bars, large institutions, hotels and restaurants, ships and many more. The Company continues to operate with a ~35% market share, in value terms, in the industrial dishwashing segment. A complete new range has been launched in this category with features based on customer feedback on our existing customer base.

IFB also has a full range of industrial laundry equipment (going up to high capacities like ~160 kg etc) and a complete range of dryers, ironers, finishing equipment for clothing, including suits, special silk wear etc. Installations across the country include installations in select 5 star hotels. In the high-end laundry segment, IFB is currently ranked within the first 2 companies by value share.

The new models introduced in this segment to drive our penetration in the fast developing laundrette segment have been extremely well received by the market and customers. A new offering is available in a 10.2 kg washer cum



dryer format with a mechanical structure suited to operations in laundrettes. The Company expects high sales of this new configuration as with its introduction we are offering higher capacities in laundrette equipment compared to our earlier product range, accompanied by a reduction in the overall price points. This will drive growth and also margins. The bookings on this product are high and within the first 2 months of launch, the sales have exceeded estimates we had made for this category.

Kitchen Appliances

- **Modular Kitchen**—This is a direct retail footprint business. We have completed the supply chain and design offering for this category, along with unique modular systems that have USPs like boiling water-proof carcasses. The commercial launch of this will be in 3 markets—Goa, Bangalore and Kolkata, from the 2nd Quarter onwards. With this, we will present to customers a range of modular kitchens, with appliances (stand alone and built-in) in line with global trends and at pricing which will be extremely competitive to the local carpenter/fabrication based kitchen industry. The Company plans to expand the business through a mix of Company owned stores and also use spaces available in the existing IFB Points across the country in a hub and spoke model.

- **Microwave ovens**—IFB is the 3rd largest player with a market share of ~18% as of 1st Quarter FY 15–16. A complete new pipeline of products has started getting introduced and the new range introduction will be fully completed by the 2nd Quarter, with the filling of the market pipelines. We expect this to further strengthen the Company's market share. IFB continues to run the industry's largest microwave cooking class programme under the brand "Spice Secrets", which teaches our customers how to optimise microwave oven usage post purchase. With the new range, the Company will also introduce new cooking programmes, to enable cooking with healthy inputs like olive oil etc—and the new range will use "health" as a platform for creating a customer connect.

- **Built-in-ovens, Chimneys and Hobs**—As shared in earlier investor notes, a complete overhaul has

been done of the product range and supplier base for these products and we continue to increase displays in our IFB Point channel for the sale of these products. The range of products in these categories is mid to high end.

The Company has expanded product displays and its presence to all major cities and towns in the 1st Quarter. The IFB Point channel will be a driver for growth in this category and currently ~45% of sales in these categories is through this exclusive store network. The Company has ~5% market share as of date, which will expand in the Quarters ahead as the market placements increase as planned.

Cooling category

- **Air Conditioners**—The sales grew by 32% in the Quarter. The products have been well received by customers and the field performance has received positive reviews across India. The offered product range has been positioned as a "Fast Cool" range and this is driven by some unique features like a Titanium Gold coating on the condenser and best-in-class 6 stage air filtration system.

IFB continues to be one of the few companies to have a standard free installation service all round the year. This is in line with the philosophy on its other products. As shared earlier, this has helped the Company capture customer details for ~80% of total sales, which is an industry best standard.

In terms of volumes, the sales of this category have been lower than internal estimates and we have decided to revisit our product proposition in this category post the season. This is led by our experience on the top loader introduction, in which we have been able to successfully



differentiate and also generate significantly high demand very quickly—we have taken learning from this for implementation in our AC value proposition for the future.

The experience on the AC segment has had the 3 following key summaries, based on the learning areas over the season this year.

- As a product—the performance has been of a high level and as we shared earlier—the customer base is well satisfied with both the product and the service delivery. We intend to focus development on enhancing this experience in future developments.
- The channel penetrations are centred on high channel margin expectations—which seem to be a norm set by most players in this category. We are contrasting this with our experience of the top loader introduction in which a differentiated product proposition has enabled an extremely quick market penetration—unhindered by issues relating to channel margins.
- Based on the above, we will redo the product aesthetic and value proposition as the feedback is that the customers want more premium end positioning from us. We will redraw the product proposition in line with this for the next season. The key driver here is our aim to differentiate the product from the mass segments completely, in line with the top loader introduction.
- **Refrigerators**—As shared earlier, the Company is currently reworking its products in this segment. This category will be a key investment segment for the Company for the future and the planning for this is being done internally. This will be concluded and put into implementation by the 3rd or 4th Quarter of this year.

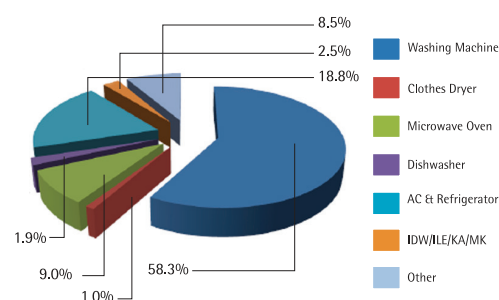
The manufacturing facility at Goa makes washing machines and clothes dryers while the rest of the products are imported from various quality suppliers around the globe to specifications defined by IFB Industries Limited as needed for its brand, Indian usage and operating conditions in India. This is done post extremely rigorous testing and validation cycles.

During the 1st Quarter of FY 2015–16, the Appliances Division posted a 21.3% increase in revenue as compared to the same period of the previous year.

The ROCE for the first Quarter of the FY 2015–16 stood at 20.3%. ROCE for the FY 14–15 was at 21.2%.

For the Quarter Ended June 2015

The Appliances Division reported net revenues of ₹288.57 crore for the Quarter ended June '15. Washing machines contributed 58.3% of sales. This is the result of higher sales in all categories, including the AC and top loader sales that are ramping up.



QTR Product-wise spread in the Appliances Division

Summarised Financial Performance of the Appliances Division

₹ in crore

	Q1 ('15-'16)	Q4 ('14-'15)	Q1 ('14-'15)
Revenue (Net Sales Incl Service Income)	288.57	262.22	237.97
EBDITA	20.02	12.00	19.11
EBDITA (%) on Net Sales	6.9%	4.6%	8.0%
EBIT	12.01	(6.4)	18.95
EBIT (%) on Net Sales	4.2%	(2.4%)	8.0%
Capital Employed	237.07	211.64	168.41
ROCE (Annualised)	20.3%	(12.1%)	45.0%

As reported in previous investor communications, the Appliances Division operates through 5 key channel segments, through which it reaches its customer base.

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 contributed ~66% by volume of IFB's sales in the 1st Quarter.

2. The IFB exclusive stores (IFB Points and the IFB website)

These stores have the full range of products that the Company offers on display and allow customers to see, touch and feel them. The IFB website is also an important online store serving the same purpose.

- The IFB Points contribute ~17% of sales by volume as of the 1st Quarter
- The IFB website and related e-commerce sites contribute ~3% of sales by volume. Both generate a significant amount of visitors who also buy offline and in other stores later.

As shared in the previous Quarter, we are working on a plan to add an additional ~300 stores over and above our existing total of ~300 stores as of date) of size not exceeding ~500 sq ft. All of these are in good locations in Tier II and Tier III cities. This will also include Company Owned Company Operated (CoCo) stores. We have also started building up a retail team, with dedicated manning for selection and opening of stores so that performance improves through this initiative.

Specific stores that need help on improving viability continue to be supported and ~85% stores have sustainable profits.

Sales through our website were also strong during the Quarter and the numbers of visitors continue to increase. The web sales touched a figure of ~₹17 crore for the 1st Quarter, which is an increase of ~50% over the last year.

The Company's digital presence continues to increase and our Facebook page now has a ~97,000 fan base. We have ~30 videos on YouTube with a total of ~575,000 views of our products and their features. The online social media outreach by the Company is driving customer connect and also allows for quick issue resolution. Many customers write in with interesting recipes they have come up with while using their IFB microwave ovens—this drives further innovation in product design and applications.

3. CSD/defence canteens, institutions etc

—These customers buy directly from the Company, including industrial products. These channels contribute ~5% of the Company's sales by volume and are a significant channel for direct customer contact. The Company expects this share to remain stable in subsequent Quarters with the growth in the industrial category and also the institutional sales of products like ACs.

4. Dealers who are also service providers—

This segment is specifically for AC sales and contributes ~1% of sales by volume as of the 1st Quarter and will grow with the expansion of AC sales in the period ahead.

5. Distributors—This is a channel that is driving the channel expansion that the Company is undertaking. It is at ~8% of sales as of the 1st Quarter and as IFB continues to expand its channel reach overall, this segment will grow. It is the key to expanding IFB's reach in towns and up-country areas across India and will be a major area of focus in the new fiscal year.

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

As of the 1st Quarter, we have a total of ~685 service franchisees across India, with a plan to increase that number to ~700 by the end of the 2nd Quarter of 2016. Currently, we have 28 Service Training Centres, with a plan to add more as our business expands.

Sales of additives and accessories continue to be a key focus area and these are expected to continue to contribute well, both to the top-line and bottom-line in the coming Quarters. The Company's 4 million plus customer base is being tapped to increase the sales of additives and accessories. The new packaging, in line with FMCG standards, has been well received at the customer end and we are actively planning to bundle appliances and the additives in the product introductions going forward.

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—this has a total capacity of ~120 people. IFB also has outsourced Call 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.

As a customer contact programme, we continue to contact customers directly and then visit them. This is increasing customer satisfaction and also enabling higher revenues. In the 1st Quarter we have reached ~500,000 customer homes, with a very high percentage of ~50% people ending up buying some additives from our service channel. In the fiscal

year 2015–16, this is expected to be a significant margin driver for the Division.

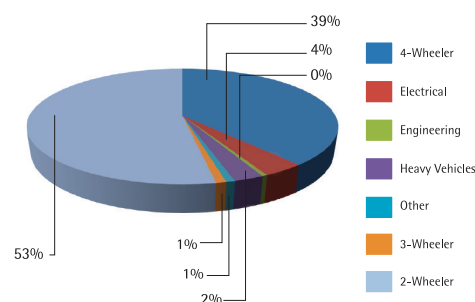
Fine Blanking Division

The Fine Blanking Division mainly caters to the automobile sector, both 2-wheeler and 4-wheeler segment. We are also increasing our business in the non-auto sectors like electrical etc.

The Fine Blanking Division, including the After-market Division (AFM) has reported a 22.5% revenue growth in the 1st Quarter of the current year as compared to the corresponding period of the previous year. The growth in EBDITA is 21% compared to the comparative period of the previous year. The AFM vertical is expected to improve the operating performance during 2015–16.

For the Quarter ended June 2015

For the Quarter ended June '15, the proportion of the 2-wheeler segment compared to 4-wheelers, has increased as compared to the last few Quarters. The 2-wheeler demand increased by 8% and the 4-wheeler demand increased by 5% in 2014–15. The rural demand for 2-wheelers in the 4th Quarter tapered down due to unseasonal rainfall.



Segment wise sales—Q1 2015–2016

Summarised Financial Performance of Fine Blanking Division

₹ in crore

	Q1 ('15-'16)	Q4 ('14-'15)	Q1 ('14-'15)
Revenue (Net Sales Incl Service Income)	58.09	58.93	47.43
EBDITA	7.15	8.20	5.91
EBDITA (%) on Net Sales	12.3%	13.9%	12.5%
EBIT	4.00	5.04	5.65
EBIT (%) on Net Sales	6.9%	8.6%	11.9%
Capital Employed	122.59	123.69	105.9
ROCE (Annualised)	13.1%	16.3%	21.3%

Future outlook & strategy

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

The "ULTRAMILES" brand will expand by going to all states this year and we expect it to grow significantly and make this profitable.

INCOME STATEMENT

	YTD (₹ in crore)	
	30th June '15	30th June '14
Gross Sales	437.40	351.03
Less: Excise Duty	27.35	18.08
Less: Trade Scheme	75.46	57.38
Net Sales	334.59	275.57
Service Income	12.07	9.83
Other Income	8.76	6.38
Total Income	355.42	291.78
EBITDA (Before exceptional expense)	25.38	22.76
EBITDA Margin	7.1%	7.8%
Depreciation	11.43	0.48
Interest	0.41	0.50
PBT	13.54	21.78
PAT	10.54	17.35
PAT Margin	3.0%	5.9%
No of Shares (In crore)	4.05	4.05
Earnings Per Share (₹) [Not annualised]	2.60	4.28

BALANCE SHEET

(₹ in crore)

	30th June, '15	30th June, '14
EQUITY AND LIABILITIES		
I SHAREHOLDERS' FUNDS		
Share Capital	41.28	41.28
Reserves & Surplus	356.23	305.77
II NON CURRENT LIABILITIES		
Deferred Tax Liabilities (Net)	26.55	22.02
Other Long-term Liabilities	7.53	7.10
Long-term Provisions	25.66	27.12
III CURRENT LIABILITIES		
Short-term Borrowings	75.21	59.75
Trade Payables	177.05	157.96
Other Current Liabilities	58.66	52.19
Short-term Provisions	5.22	6.10
Total	773.39	679.29
ASSETS		
I NON-CURRENT ASSETS		
Fixed Assets		
—Tangible Assets	250.25	213.15
—Intangible Assets	15.51	5.17
—Capital Work-in-progress (Including intangible assets under development)	15.04	15.81
Long-term Loans and Advances	59.23	54.31
Other Non-current Assets	—	0.21
II CURRENT ASSETS		
Current Investments	39.12	68.59
Inventories	213.29	166.17
Trade Receivables	102.66	80.19
Cash and Bank Balances	53.55	52.81
Short-term Loans and Advances	24.11	22.87
Other Current Assets	0.63	0.01
Total	773.39	679.29

KEY RATIOS

	YTD	
	30th June, '15	30th June, '14
Earnings Per Share (In ₹) [Not annualised]	2.60	4.28
Book Value Per Share (In ₹)	98.15	85.69
Current Ratio#	1.48	1.44
Quick Ratio#	0.75	0.83
EBDITA/Total Income (Before exceptional items)	7.1%	7.8%
Net Profit Margin as % of Total Income	3.0%	5.9%
Net Worth (₹ in crore)	289.67	239.21
RONW (%)—Annualised	18.7%	36.4%
Return on Gross Assets Deployed (%)	7.0%	12.8%
No of Equity Shares (In crore)	4.05	4.05
Closing Market Price on Period End	508.65	122.80
Market Capitalisation (₹ in crore)	2060.03	497.34
PE Ratio (Annualised)	48.86	7.17
Headcount (Numbers)	1,557	1,459
Total Income Per Employee (₹ in lakh)	22.83	20.00
Fixed Asset Turnover Ratio	5.04	5.05
Days Sundry Debtors Outstanding	21	20
Inventory Holding (In Days)	44	43

#Includes investments and working capital secured loans

CASH FLOW STATEMENT

	Quarter ended 30th June, '15 (₹ in crore)	Quarter ended 30th June, '14 (₹ in crore)
(A) CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit Before Tax	13.54	21.78
Adjustments for:		
Depreciation/Amortisation	11.43	0.48
Write Off of Debts/Advances	0.07	—
Dividend from Mutual Funds	(0.09)	(0.10)
Net Gain on Sale of Mutual Funds	(1.92)	(0.21)
Write Back of Liabilities No Longer Required	(0.03)	(0.05)
Financial Charges	0.41	0.50
Operating Profit Before Working Capital Changes	23.41	22.40
Movement In Working Capital	(52.15)	0.83
Cash Generated from/(Used in) Operations	(28.74)	23.23
Direct Taxes Paid	(2.22)	(2.90)
Net Cash from/(Used in) Operating Activities	(30.96)	20.33
(B) CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Fixed Assets (Including intangible assets, CWIP)	(14.88)	(16.20)
Net (Purchase)/Sale of Current Investments	14.54	(31.00)
Net Cash Used in Investing Activities	(0.34)	(47.20)
(C) CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds From Borrowings (Net)	40.76	11.98
Financial Charges	(0.41)	(0.50)
Net Cash From Financing Activities	40.35	11.48
Net Change in Cash and Cash Equivalents (A+B+C)	9.05	(15.39)
Cash and Cash Equivalents, Beginning	44.50	68.20
Cash and Cash Equivalents, End	53.55	52.81

Thank You



Disclaimer

This presentation contains statements which reflect the Management's current views and estimates and may be construed as 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 | Built in Hob

Refrigerator

Top Loader

Front Loader

100% Clothes Dryer

Air Conditioner



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