IFB Industries Limited

# Q1

# Financial Report

Period Ended 30th June, 2014


**Total Income**
₹291.78 crore (YoY growth of 26%)

**EBDITA (From operation)**
₹22.76 crore

**EBDITA Margin** 7.8%

**EPS (Annualised)** ₹17.12

**RONW (Annualised)** 36.4%

**ROCE (Annualised)** 20%

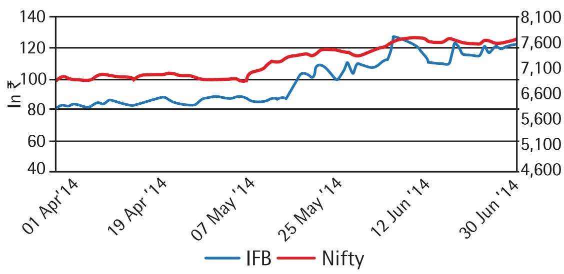
**Market Capitalisation**
₹497.34 crore (As on 30.06.14/NSE)

**Cash & Equivalents (Net)**
₹61.65 crore (As on 30.6.14)

**EV** ₹435.69 crore

**EV/EBDITA** 4.79

**Market Capitalisation/Net Sales** 0.45




IFB vs Nifty—Daily price movement chart

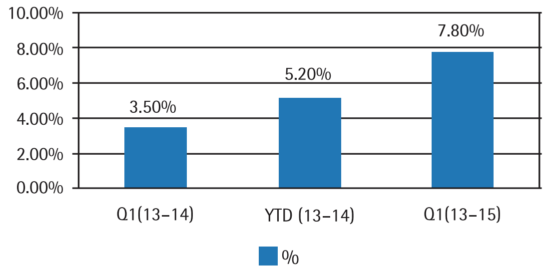
IFB Industries Limited's operations consist of two divisions, Fine Blanking and Appliances. The Fine Blanking division has two manufacturing facilities, one each at Kolkata and Bangalore. The Appliances division has its manufacturing facility at Goa and imports some of its products from various countries around the globe.

## FINANCIAL REVIEW

### P&L

For the Quarter ended June'14, IFB Industries Limited has reported net sales of ₹275.57 crore, a growth of 27% over the corresponding Quarter of last year. The EBDITA margin improved to 7.8%

during the 1st Quarter of 2014–15, as compared to 3.5%, during the same period of the previous year. During Apr–June'14, IFB Industries Limited has reported its highest ever Quarterly EBDITA margin in the last six Quarters. Depreciation charges in the P&L have reduced by 91% during the Quarter ended June'14, compared to the corresponding period of the previous year, owing to the changes in the depreciation policy as per the New Companies Act. The improvement in operating profit margin, coupled with stable interest and reduced depreciation charges have helped PBT grow by 633% in the 1st Quarter of 2014–15, as compared to the same Quarter of the previous year.




## BS

IFB Industries Limited continued to remain debt free (on a net basis) as on 30th June, 2014. The ROCE and RONW have improved significantly in the 1st Quarter of 2014–15 compared with the previous financial year.

## Cash flow

During the Quarter ended June'14, cash generated from operations increased by slightly more than double, compared with the same Quarter of the previous year, mainly due to the substantial improvement in the operating profit and lower blockage in working capital despite substantial increase in sales value. Capital expenditure to the tune of ₹16.2 crore was incurred during the Quarter ended June'14.

## Outlook

During the 1st Quarter of the current year, the Indian rupee was fairly steady due to the stable forex inflow from foreign institutional investors. The current account deficit touched an 11 month high in June'14, due to surging gold imports, owing to easing of restrictions. This remains a concern. India is experiencing a sub-normal monsoon this year and this may impact rural incomes, which may in turn impact 2-wheeler and appliance sales to some extent.

We will discuss in detail the operating performances of our two divisions later but it must be understood that our two divisions are completely different from each other with respect to capital requirements. We shall try to improve our capital allocation going forward, keeping in mind the capital requirement of each division.

Our Appliances division has performed well during the 1st Quarter of the current year. Net sales improved by 23%, compared to the corresponding period of the previous year. Operating margins have also improved. Lower excise duty has helped to increase the sales and we hope the lower duty continues beyond Dec'2014. Air conditioners have become a ₹50 crore brand during the 1st Quarter of the current year.

The Fine Blanking division increased its net sales by 50% during the 1st Quarter of the current year, as against the comparative period of the previous year. The Fine Blanking division's focus on the 2-wheeler segment and new customers has helped it to grow its revenue substantially in the 1st Quarter.

The Fine Blanking division, with its continued focus on the 2-wheeler segment, is expected to perform well going forward. The only concern

is the intensity of the monsoon during the current year. The Fine Blanking division's focus on the non-auto segment has helped it secure good orders from some of the major non-auto customers. The improvement in the 4-wheeler sales in the month of June'14 should augur well for the Fine Blanking division.

## Appliances division

The Appliances division presents a wide range of products to customers, in both domestic appliances and also 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, cooker hoods and built in ovens), refrigerators and air conditioners etc. There is also an extremely interesting range of wash care products such as whiteners, stain removers, descaling agents and liquid detergents and softeners for clothes that are carried to customers by the service teams.

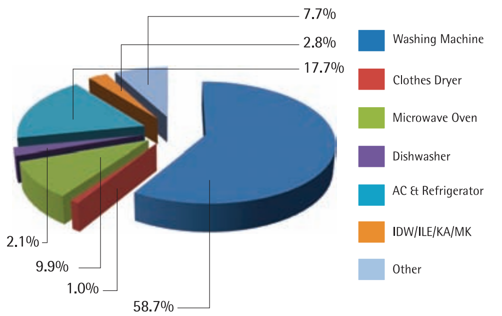
The manufacturing facility at Goa makes washing machines and clothes dryers, while the rest of the products are imported from various quality suppliers around the globe to specifications defined by IFB Industries Limited as needed for its brand, Indian usage and operating conditions in India post extremely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

The Appliances division continued its good showing from the 4th Quarter of the previous FY 2013–14. During the 1st Quarter of FY 2014–15, it posted a 23% increase in revenue compared with the same period of the previous year. The growth in EBDITA was an impressive 171%. This was possible due to continuous improvement in raw material consumption, reduction in operating expenditure and stable exchange rates. IFB Industries Limited continues to be the market leader in front loader washing machines.

The ROCE for the 1st Quarter of the FY 2014–15 stood at an impressive 45%.

## For the Quarter ended June'14

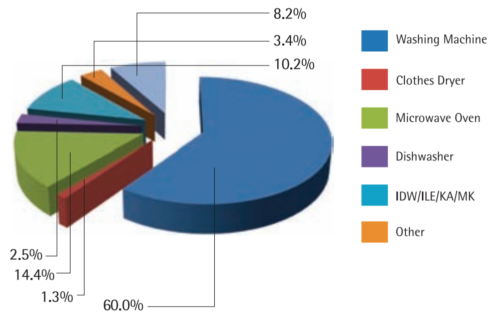
The Appliances division recorded net sales of ₹228.14 crore for the Quarter ended June'14. Washing machines continued to be the leading contributor to sales at approximately 58.7% of total sales. The newly launched air conditioner/refrigerator segment contributed 17.7% of net sales.




Product-wise spread in the Appliances division

## For YTD Mar'14

The net sales during the year ended Mar'14 were ₹844 crore. Washing machines and microwaves jointly contributed 74.4% of total sales.




Product-wise spread in the Appliances division

## Summarised financial performance of the Appliances division

₹ in crore

| | Q1 ('14–'15) | Q1 ('13–'14) | FY ('13–'14) |
|---|---|---|---|
| Net Sales | 228.14 | 185.67 | 803.89 |
| EBDITA | 19.11 | 7.06 | 43.09 |
| EBDITA (%) | 8.4% | 3.8% | 5.4% |
| EBIT | 18.95 | 4.14 | 29.52 |
| Capital Employed | 168.41 | 147.74 | 167.15 |
| ROCE (%) | 45% | 11.2% | 17.7% |

## Future outlook and strategy

IFB Points, our exclusive franchise run retail stores, started ramping up around two years ago. Additions to the IFB Points were not up to expectations, mainly due to non-availability of quality spaces and also our focus on ensuring that we invest resources into making existing IFB Points fully viable for franchisees, especially with the addition of high potential categories like air conditioners. At present, all the IFB Points are not profitable but there is a strong focus on making each of the IFB Points profitable. It may be mentioned that every month the number of profitable IFB Points is increasing. As on 30th June, 2014, 58 IFB Points were shut down (figure over the last two years), owing mainly to bad selection of locations and also profitability issues. These IFB Points cater to tier 1, tier 2 and tier 3 cities. It is important to note that during the 1st Quarter of the current year, approximately 17% of total sales came from these IFB Points and the sales from IFB Points are contributing more to total sales with each passing month. A large part of our country is underpenetrated and these IFB Points will help us address this issue. Small cities offer tremendous scope of growth and the number of IFB points will increase significantly in the next 3 Quarters It may be noted that IFB Points are run by franchisees and IFB Industries Limited reimburses part of the initial operating costs such as rental etc. We also invest heavily in the initial branding and promotion of the stores. The entire initial support costs of IFB Points are being charged to the P&L account. Our efforts in increasing the numbers of IFB Points on a sustained basis during 2013–14 were not effective and a concerted all-out effort will be undertaken during FY 2014–15.

Sales through our website were also strong during Apr'14–June'14 of this fiscal year and the number of visitors has significantly increased compared to last year. The number of visitors for the Quarter averaged 150–160,000 per month. The web sales touched a figure of ₹387 lakh in just the 1st Quarter of 2014–15, as against ₹890 lakh for the full year during the FY 2013–14.

Sales of additives and accessories have now become a focus area and these are expected to contribute well both to the top line and bottom line in the coming months.

In order to push sales further, 183 new dealers were added during the 1st Quarter of 2014–15, which has generated sales amounting ₹16.5 crore.

As on 30th June, 2014, we have a total of 550 service franchisees across India, with a plan to increase that number to over 575 by 30th Sep, 2014. Currently, we have 23 service training centres with a plan to add about 4 more during the FY 2014–15.

Our own Call Centre (we call it a Service 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 customer contact and mandatory calls for customer satisfaction.

All product-related environment, energy, wash quality and safety related certifications are in place with respect to exports. Export to the Middle East, France, SAARC nations and other countries is expected to result in good volume during the current year. As reported earlier, our discussion with a major appliances player with respect to export is still ongoing. We have also appointed dealers in Myanmar and Dubai.

The EBDITA margin expansion is our primary focus area for the FY 2014–15. The EBDITA margin has expanded for the last two Quarters consistently and we are hopeful that going forward there will be further expansion of the margin. A stable exchange rate regime will help us to ensure stable margins, something we expect going forward this year.

We are putting greater focus on service revenues and estimate that the contribution of service revenue to the total revenue will increase going forward.

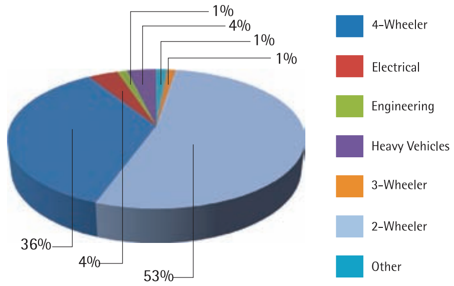
## Fine Blanking division

The Fine Blanking division mainly caters to the automobile sector, both 2-wheeler and 4-wheeler segments. The Engineering division has recorded an impressive revenue growth of 50% during the 1st Quarter of 2014–15, compared with the same period of the previous year. The growth is mainly due to the increase in business in the 2-wheeler segment.
The EBDITA margin in the 1st Quarter of the current year has improved substantially, compared with the corresponding period of the previous year and previous FY 2013–14.
The newly launched after-market business (in 2-wheeler motorcycle chain and sprocket kits) under the brand name Ultramiles, has started improving sales. It is still at a brand building stage and during the 1st Quarter of the current year, it has reported operating losses of ₹28 lakh. This is a consumer facing business and we expect it to do reasonably well in 2014–15.

It is worth mentioning that the Fine Blanking division has recorded its highest ever Quarterly sales during the Apr'14–June'14 Quarter and it is expected that sales will increase further during FY 2014–15 due to a reasonably strong order book.

## For the Quarter ended June'14

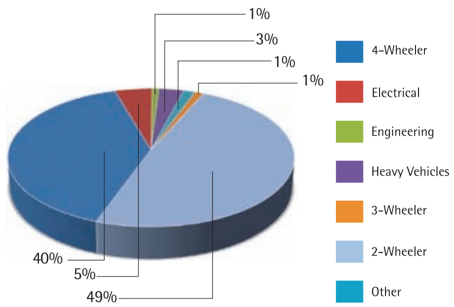
For the Quarter ended June'14, the 4-wheeler segment contributed 36% of revenue compared with 40% during the previous financial year (2013–14).
The contribution of the 2-wheeler segment has increased to 53% from 49% last year FY 2013–14.




Customer segment breakdown

## For YTD Mar'14

For the year ended Mar'14, sales to the 2–wheeler segment have overtaken sales to the 4-wheeler segment.




Customer segment breakdown

## Summarised financial performance of Fine Blanking division

₹ in crore

| | Q1 ('14–'15) | Q1 ('13–'14) | FY ('13–'14) |
|---|---|---|---|
| Net Sales | 47.43 | 31.64 | 161.26 |
| EBDITA | 5.91 | 2.76 | 17.53 |
| EBDITA (%) | 12.5% | 8.7% | 10.9% |
| EBIT | 5.65 | 0.93 | 9.72 |
| Capital Employed | 105.9 | 93.44 | 112.98 |
| ROCE (%) | 21.3% | 4% | 8.6% |

## Future outlook and strategy

The Fine Blanking division is aggressively building a profitable order book. The focus on 2-wheelers has paid off.

We are also investing in automation and focusing on improving the internal efficiency in order to increase profitability.


## INCOME STATEMENT

| | YTD 30th June '14 | (₹ in crore) 30th June '13 |
|---|---|---|
| Gross Sales | 351.03 | 276.08 |
| Less: Excise Duty | 18.08 | 17.25 |
| Less: Trade Scheme | 57.38 | 41.52 |
| Net Sales | 275.57 | 217.31 |
| Service Income | 9.83 | 8.73 |
| Other Income | 6.38 | 6.39 |
| Total Income | 291.78 | 232.43 |
| EBITDA (Before exceptional expense) | 22.76 | 8.22 |
| EBITDA Margin | 7.8% | 3.5% |
| Depreciation | 0.48 | 5.11 |
| Interest | 0.50 | 0.14 |
| PBT | 21.78 | 2.97 |
| PAT | 17.34 | 2.13 |
| PAT Margin | 5.9% | 0.9% |
| No of Shares (In crore) | 4.05 | 4.05 |
| Earnings Per Share (₹) | 4.28 | 0.53 |

# BALANCE SHEET

(₹ in crore)

| | 30th June, '14 | 30th June, '13 |
|---|---|---|
| **I EQUITY AND LIABILITIES** | | |
| Shareholders' Funds | | |
| Share Capital | 41.28 | 41.28 |
| Reserves & Surplus | 305.77 | 276.49 |
| **II NON CURRENT LIABILITIES** | | |
| Deferred Tax Liabilities (Net) | 22.02 | 20.25 |
| Other Long-term Liabilities | 7.10 | 6.36 |
| Long-term Provisions | 27.12 | 29.53 |
| **III CURRENT LIABILITIES** | | |
| Short-term Borrowings | 59.75 | 45.30 |
| Trade Payables | 157.96 | 149.08 |
| Other Current Liabilities | 52.19 | 41.20 |
| Short-term Provisions | 6.10 | 3.78 |
| **Total** | **679.29** | **613.27** |
| **I ASSETS** | | |
| Non-current Assets—Fixed Assets | | |
| Tangible Assets | 213.15 | 178.51 |
| Intangible Assets | 5.17 | 8.04 |
| Capital Work-in-progress | 15.81 | 21.82 |
| Long-term Loans and Advances | 54.31 | 61.39 |
| Other Non-current Assets | 0.21 | 0.02 |
| **II CURRENT ASSETS** | | |
| Current Investments | 68.59 | 76.03 |
| Inventories | 166.17 | 153.15 |
| Trade Receivables | 80.19 | 55.22 |
| Cash and Bank Balances | 52.81 | 40.86 |
| Short-term Loans and Advances | 22.87 | 18.13 |
| Other Current Assets | 0.01 | 0.10 |
| **Total** | **679.29** | **613.27** |

## KEY RATIOS

| | YTD | |
|---|---|---|
| | 30th June, '14 | 30th June, '13 |
| Earnings Per Share (In ₹) | 4.28 | 0.53 |
| Book Value Per Share (In ₹) | 85.69 | 78.46 |
| Current Ratio# | 1.42 | 1.44 |
| Quick Ratio# | 0.81 | 0.80 |
| EBDIT/Total Income (Before exceptional items) | 7.8% | 3.5% |
| Net Profit Margin as % of Total Income | 5.9% | 0.9% |
| Net Worth (₹ in crore) | 239.21 | 209.93 |
| RONW (%)—Annualised | 36.4% | 5.7% |
| ROCE on Gross Assets Deployed (%) | 12.8% | 1.9% |
| No of Equity Shares (In crore) | 4.05 | 4.05 |
| Average Market Price as on Quarter/Period End | 99.22 | 77.86 |
| Market Capitalisation (₹ in crore) | 497.34 | 234.90 |
| PE Ratio (Annualised) | 7.17 | 27.36 |
| Headcount (Numbers) | 1,459 | 1,411 |
| Total Income Per Employee (₹ in lakh) | 20.00 | 16.47 |
| PBT Per Employee (₹ in lakh) | 1.49 | 0.21 |
| Fixed Asset Turnover Ratio | 5.05 | 4.66 |
| Days Sundry Debtors Outstanding | 20 | 18 |
| Inventory Holding (Day sales) | 43 | 51 |

# Includes investments and secured loans

## CASH FLOW STATEMENT

| | Quarter ended 30th June, '14 (₹ in crore) | Quarter ended 30th June, '13 (₹ in crore) |
|---|---|---|
| (A) CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax | 21.78 | 2.97 |
| Adjustments for: | | |
| Depreciation/Amortisation | 0.48 | 5.11 |
| Write Off of Debts/Advances | - | 0.09 |
| Dividend from Mutual Funds | (0.10) | (0.55) |
| Net Gain on Sale of Mutual Funds | (0.21) | - |
| Appreciation in Value of Investment | - | (0.25) |
| Write Back of Liabilities No Longer Required | (0.05) | (0.10) |
| Write Back of Provisions No Longer Required | - | (0.08) |
| Financial Charges | 0.50 | 0.14 |
| **Operating Profit Before Working Capital Changes** | **22.40** | **7.33** |
| **Movement In Working Capital** | **0.83** | **3.64** |
| **Cash Generated from Operations** | **23.23** | **10.97** |
| Direct Taxes Paid | (2.90) | (1.41) |
| **Net Cash from (Used in) Operating Activities** | **20.33** | **9.56** |
| (B) CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net (Purchase)/Sale of Fixed Assets (Including intangible assets, CWIP) | (16.20) | (30.18) |
| Net (Purchase)/Sale of Current Investments | (31.00) | (18.47) |
| **Net Cash From/(Used in) Investing Activities** | **(47.20)** | **(48.65)** |
| (C) CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds From Borrowings | 11.98 | 35.46 |
| Financial Charges | (0.50) | (0.14) |
| **Net Cash From/(Used in) Financing Activities** | **11.48** | **35.32** |
| **Net change in Cash and Cash Equivalents (a+b+c)** | **(15.39)** | **(3.77)** |
| **Cash and Cash Equivalents, Beginning** | **68.20** | **44.63** |
| **Cash and Cash Equivalents, End** | **52.81** | **40.86** |

# Thank You

**Disclaimer**

This presentation contains statements that reflect the management's current views and estimates and could be construed as forward looking in nature. The future involves certain risks and uncertainties that can 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

**Contact**

Dipak Sen
Vice President—Corporate Affairs and Strategy

Phone +91 33 39849475/9524

Mobile +91 7439489707

Fax +91 33 39849676

Email dipak@ifbglobal.com

Microwave Oven | Built in Oven | Dishwasher | Cooker Hood I Built in Hob | Refrigerator | Top Loader | Front Loader | 100% Clothes Dryer | Air Conditioner

IFB

IFB Industries Limited

Plot No IND-5 Sector1 | East Kolkata Township | Kolkata 700107 | West Bengal | India