

VADILAL INDUSTRIES

Q2 & H1FY16 Results Presentation



Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Vadilal Industries will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward looking statements to reflect subsequent events or circumstances.

Table of Contents



Q2 & H1 FY16 Financial Performance



Financial Performance Trends



Vadilal Industries Overview



Outlook



Q2 & H1 FY16 Performance



Chairman's Message



Commenting on Q2 & H1 FY16 performance, Mr. Rajesh Gandhi, Chairman and Managing Director, Vadilal Industries Limited (VIL) said:



“Vadilal Industries has demonstrated robust financial and operating performance in a subdued economic environment. We are witnessing healthy growth on the back of improved volumes and higher capacity utilization. Our investments in technology and market penetration as well as focus on individually packaged ice cream is creating more demand in existing markets in India.

We continue to launch innovative products to suit customers' evolving tastes. We are also focused on expanding our product distribution footprint nationwide and also in some key global geographies targeting the Indian diaspora. Our growth is based on higher utilization of committed capacities while cash flows from operations have been used to reduce debt on the balance sheet. We believe these initiatives will prove to be value accretive to all our stakeholders.”

Financials – Q2 & H1 FY16 Performance



Revenue

- Vadilal Industries Limited (VIL) delivered 13% y-o-y growth in Q2, driven by expanding volumes. The ice cream business grew 22% y-o-y during the quarter, aided by warmer than usual weather. Processed foods revenues declined following the discontinuation of VIL's mango pulp business, which comprised unbranded exports.

Ice Cream

Processed Foods

Financials – Q2 & H1 FY16 Performance



EBITDA



PAT



- In Q2, EBITDA margin expanded to 12.4% from 10.9%, underlying which was strong gross margins of 45.0% up from 41.6% on y-o-y basis.
- Gross margin expansion reflects benefit accruing from success in individually packaged ice creams and weak dairy commodity prices.
- The initiatives undertaken in the recent past are creating operating efficiencies, which may be expected to deliver financial upsides over the next few years.
- In H1, VIL has delivered revenue growth of 10.2% y-o-y, EBITDA margin expansion of 357 bps and 14.8% reduction in interest cost. Operating cash flows thus generated have been used to reduce Long Term debt by Rs. 20.83 crore.

Financials – Balance Sheet Performance

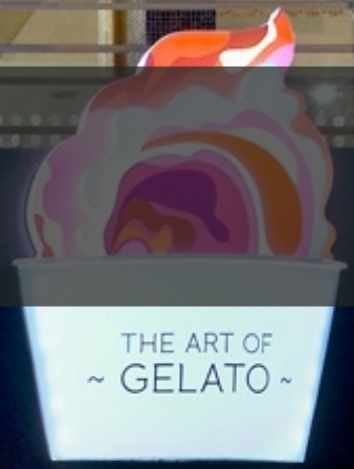


Particulars	As on 30-09-2015 (Unaudited)	As on 30-09-2014 (Unaudited)
EQUITY AND LIABILITIES		
SHAREHOLDERS' FUND:		
(a) Share Capital	7.2	7.2
(b) Reserves and Surplus	132.0	121.0
Sub-total - Shareholders fund	139.2	128.2
DEFERRED GOVERNMENT GRANT	0.2	0.2
NON-CURRENT LIABILITIES		
(a) Long-term borrowings	51.4	72.2
(b) Deferred tax liabilities (net)	17.1	15.0
(c) Long-term provisions	1.5	1.3
Sub-total – Non-current liabilities	70.0	88.5
CURRENT LIABILITIES		
(a) Short-term borrowings	41.6	49.3
(b) Trade Payables	37.7	30.4
(c) Others current liabilities	40.3	41.0
(d) Short-term Provisions	7.1	6.0
Sub-total – Current liabilities	126.7	126.8
TOTAL – EQUITY & LIABILITIES	336.1	343.7

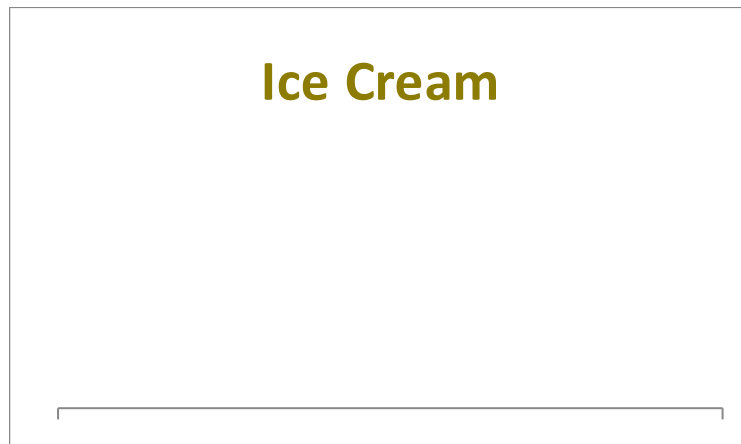
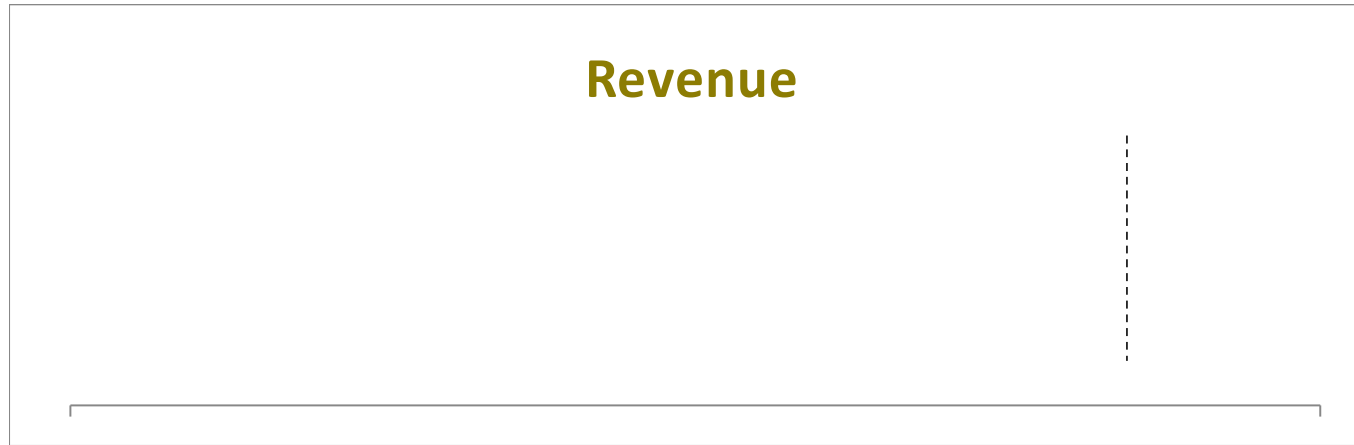
Particulars	As on 30-09-2015 (Unaudited)	As on 30-09-2014 (Unaudited)
ASSETS		
NON-CURRENT ASSETS:		
(a) Fixed Assets	221.7	228.3
(b) Non-current Investments	1.5	1.5
(c) Long-term loans and advances	12.9	14.3
(d) Other non-current assets	0.8	0.5
Sub-total – Non current Assets	236.8	244.6
CURRENT ASSETS:		
(a) Current Investments	7.0	0.01
(b) Inventories	60.9	65.6
(c) Trade receivable	15.8	18.3
(d) Cash and cash equivalents	6.7	4.9
(e) Short-term loans and advances	5.8	8.0
(f) Other current assets	3.1	2.3
Sub-total – Current Assets	99.3	99.1
TOTAL – ASSETS	336.1	343.7

Financials Performance Trends

melt *in*



Financials Performance Trends



· *Pro-forma financial numbers aggregating the performance of Vadilal Industries Limited (manufacturing company) and Vadilal Enterprises Limited (marketing and distribution company) that are slated to be merged*

Financials Performance Trends



EBITDA



PAT



Over the last three years, consumer behavior has remained largely subdued. In this period, VIL has delivered about 14% growth from its expanded manufacturing capacities.

The Company has also made substantial investments in adopting technology across various aspects of the business. This includes automating manufacturing processes, food safety standards and enhancing the supply chain.

Margins have remained subdued as a consequence. These investments are now expected to fructify into improving financial performance.

· *Pro-forma financial numbers aggregating the performance of Vadilal Industries Limited (manufacturing company) and Vadilal Enterprises Limited (marketing and distribution company) that are slated to be merged*

Financials Performance Trends - (Balance Sheet)



Networth

.....

Net Fixed Assets

.....

Non Current Liabilities

.....

Net Current Assets

.....

· *Pro-forma financial numbers aggregating the performance of Vadilal Industries Limited (manufacturing company) and Vadilal Enterprises Limited (marketing and distribution company) that are slated to be merged*

Vadilal Industries Overview





108-year old, established ice cream brand

- Currently managed by fourth generation promoter family
- Selected India's most trusted ice cream brand in 2013 and 2014 by the Brand Trust Report

Largest range of ice creams of any company in India

- Top 3 ice-cream brand in the country , 150+ flavors
- 300 SKU's of cones, candies, bars, ice lollies, cups, family packs, economy packs

Second largest ice cream manufacturer in India by volume

- Leadership in Gujarat, Rajasthan, UP, Uttarakhand, Haryana and Chandigarh

Strong distribution network in North, West and East India

- 16 states, 50 CNF's, over 800 distributors, 250 distribution vehicles, 55,000 retail outlets

Expanding global business presence

- Products reach 45 countries across four continents
- 80% contribution from exports in processed foods segment

Indian Ice Cream Market



Evolving perceptions

- Ice cream is transitioning from periphery to mainstream, from occasional indulgence to snacking option

Changing demand patterns

- Transition from seasonal to year-long consumption

Growing affordability

- Increased disposable incomes and discretionary spending driving secular demand growth

Premiumization trends

- Consumers receptive to spending on high quality products that meet their rising aspirations

Innovative product development

- Shift from limited portfolios of traditional products to innovative, global-standard offerings

Expanding customer choices

- Local brands competing with international players, leading to market expansion

Significant headroom for growth

- India's current annual per capita consumption of 400 ml vs 2.3 liters world average, Chinese consumption is 20X India's

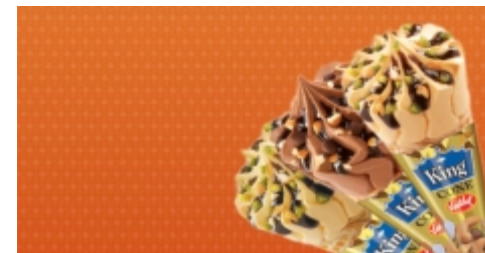
Nationwide retail expansion

- Rapid expansion of retail network leading to product availability and convenience

Vadilal: Growth Strategies



Ice Creams - Brands Portfolio



Processed Foods Business



- Global business selling to 45 countries in four continents
- Strong distribution to Indian diaspora, being further developed with new product launches
- Expanded export markets from 12 SKU's supplied to seven countries in 1991 to 100+ SKU's to 45 countries currently
- Expanded domestic market from 18 SKU's sold in Gujarat in 2000 to 75+ SKU's available in five Indian states currently
 - Vadilal Quick Treat brand has expanded presence to Maharashtra/Mumbai
- Aggressively expanding frozen food line, exited from low margin, mango pulp business



Processed Foods - Brands Portfolio



- Processed foods products are marketed under the brand name 'Quick Treat'
- Portfolio includes frozen vegetables, ready-to-eat/ready-to-serve frozen snacks, Indian breads and curries
- Positioned to assist Indian kitchens with traditional home cooking



Vegetables



Breads



Curries



Snacks

Production Facilities

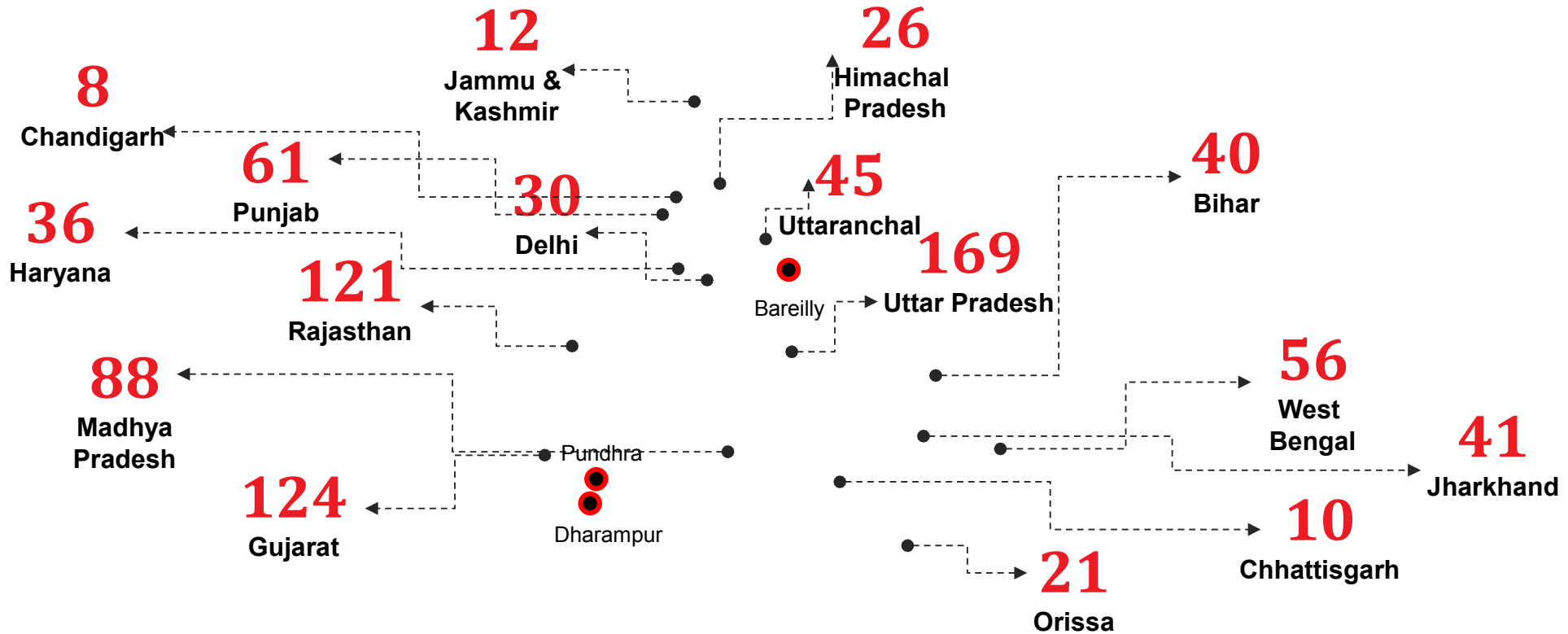


- Capacity expanded across production facilities over the last three years,
- Current production on automated processes “untouched by hand”, manual intervention only at packaging stage
- Discontinuing production of non-branded canned pulp products to focus on branded portfolio
- No further capital expenditure anticipated on capacity enhancement over the next three years



Facilities	Capacity	Production	Certification
Bareilly	175,000 liters per day	Ice cream	ISO-22000:2005
Dharampur	33,000 kgs per day	Processed foods	ISO-22000:2005 and BRC : Issue 6
Pundhra	175,000 liters per day	Ice cream	ISO-22000:2005 and BRC : Issue 6

Distribution Presence



Distribution network comprises of **55,000** retailers, over **800** distributors, **50** CNFs, **250** distribution vehicles and almost **300** SKUs.

Adopted the franchisee route to further increase market penetration and established **250 ice cream parlors** under 'HAPPINEZZ' brand name

Access to the **largest fleet** of refrigerated vehicles in India, backed by an expanding distribution network

Production Facilities

Awards and Accreditations



27 Awards Over 4 Consecutive Years At "The Great Indian Ice Cream Contest"



Ranked No. 18th In The Food Products Category By The Economic Times , 2013



Vadilal Industry Certification ISO 9001: 2000



Certified by (Bureau Veritas Certification International - Denmark) ISO 9001:2000 and HACCP supported Food Safety Management System (ISO 22000-2005) British Retailing Consortium (UK)

Vadilal Quick Treats Unit Is Certified With BRC, ISO 9001:2008, ISO 22000:2005



Voted As India's Most Trusted Brand In The Ice Cream Category By [Trust Research Advisory Board](#).

Outlook



Planned Initiatives



Corporate Transition

Discontinuation of non-branded/
bulk processed foods to aid debt
reduction

Planned merger of Vadilal Industries
(manufacturing entity) and Vadilal
Enterprises (distribution entity)

Expanding Presence

Production facility planned in Eastern
India – evaluating asset light model

Increasing penetration into 24 states
in India – moving from passive to
aggressive business strategy to
derive benefit from improving
consumer behavior

Product Strategies

Focus on higher value products and
margin expansion – targeting 5%
pricing improvement in the backdrop
of weak cost of inputs and
distribution

Sales & Marketing push –
accelerating new product
development and increasing spend
on promotional activities

Supply Chain Initiatives

Aggressive expansion of distribution
infrastructure/cold supply chain –
annual planned addition of 5,000+
deep freezers

Augmenting distribution
management system that will allow
micro-control over ROI from each
business area and point of sale unit

Rs. 175 crore has been invested over last three years to expand capacity and related infrastructure, currently planned initiatives will further leverage this investment

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Thank You