



Corporate Office: 1401-1411, 14th Floor, Logix City Center,
Sector-32, Noida-201301 (U.P.)
Tel.: 0120-6013232

29th July, 2022

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, <u>Mumbai – 400 001</u> Scrip Code: 519588	National Stock Exchange of India Ltd. (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (E), <u>Mumbai – 400 051</u> Symbol: DFMFOODS
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Dear Sir/Madam,

Sub: Quarterly update

Please find enclosed herewith Quarterly update – Q1 FY 2022-23.

Thanking you.

Yours faithfully,
For DFM Foods Limited

(R. S. Tomer)
Company Secretary



Encl: As above

Regd. Office: 149, 1st Floor, Kilokari, Ring Road, Ashram, New Delhi-110014
Tel.: 7290935048, E-mail: dfm@dfmfoods.com
CIN: L15311DL1993PLC052624

DFM Foods

Quarterly Update – Q1FY23

29th July 2022



DFM: At a Glance



Large Market with Strong Growth



INR ~60 B¹
~25% CAGR

Leading Brand in Extruded Snacks



#1
in Extruded Snacks²

Best in Class Reach



#1 in Weighted Reach Pan India
for Extruded Snacks²
1.4M Retailers²

Attractive Material Margin



~ 34%

Negative Working Capital Cycle



Negative ~25 Days

Professional Management Team



20+
Avg. Years of Experience
with Top Mgmt. Team



Product Portfolio Evolution

Launched in 1984

Rings

- Extruded
- Corn-based rings; loop them around your fingers
- Kids focused; comes with a fun toy in 7 flavors



Natkhat

- Extruded
- Crunchy wheat puff



Namkeen

- Range of traditional namkeens



Launched in 2017

Curls

- Extruded
- Corn-based soft textured snack; melts in the mouth
- Comes in may flavors



Cheese Balls

- Extruded
- Light and crispy balls with a rich taste of cheese



Launched in 2018

Fritts

- Extruded
- Light and crispy sticks made of corn and potatoes
- 5 flavors



Launched in 2019

Pasta Crunch

- Pellets
- Crunchy taste with a unique Chinese Tadka flavor
- 2 flavors

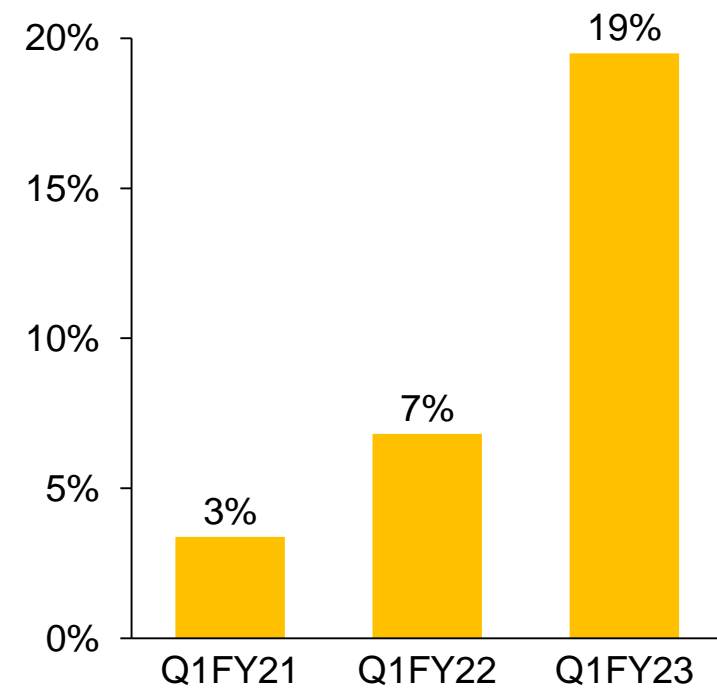


Strong Performance of Latest Product Launches



Higher Price Points*			New Festive Pack*	
Rs. 10	Rs. 20	Rs. 25		
 	 	 	 Festive Gift Packs : Launched at price points of Rs. 65, 100, and 200	
Potato Chips : Launched in Uttar Pradesh, Haryana, and Uttarakhand			Bowls and Noodles	

Portfolio Mix of Latest launch vs Others



*Pictures are not exhaustive Noodles

Note: Latest launch refers to Potato Chips, Higher price points packs of INR 10 and above, New Festive Pack, Bowls and



Management Team



Lagan Shastri, Managing Director & CEO

- Ex-ED Operations, Hindustan Coca Cola Beverages
- 24 years of experience in FMCG Industry
- MBA, IIM Bangalore



Nikhil Mathur, CFO

- Ex-Sales Controller, Nokia; stints at Microsoft & Asian Paints
- 29 years of experience in Finance, Strategy and Sales
- Chartered Accountant, MBA (XLRI, Jamshedpur)



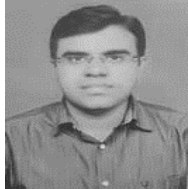
Vivek Prakash Gupta, Chief Sales Officer

- Business Head, Varun Beverages; stints at Emami, Hindustan Coca Cola Beverages, Cadbury, Pepsico
- 21 years of experience in FMCG Sales
- MBA, IMT Ghaziabad



Karan Gadhoke, Chief Transformation Officer

- Ex-Deputy GM, Group Strategy Office, Mahindra Group
- 10 Years of experience across corp. strategy, sales and marketing
- MBA, IMT Ghaziabad



Sanmukha Rao Guniti, Head of Supply Chain

- Ex-Supply Chain Lead, Hindustan Uniliver;
- 18 years of experience in Manufacturing & Supply Chain
- PGDIE, NITIE



Kajal Debnath, Chief Regulatory Officer

- Ex-Head of Regulatory Affairs at Mother Dairy
- 28 years of experience in snacks
- Previous stints at Cargill, and CII



Nepal Singh, Head of New Product Development

- Ex-VP, R&D at Haldiram
- Past Stints at Perfetti, FPDRL (Athens, GA)
- 32 years of experience in Snacks Food Industry
- Ph.D. (Food Tech), Post Doctorate from Purdue



Rajat Jain, Head of IT

- 18 years of experience in IT
- Ex-GM of IT at Emami Agrotech
- Previous stints at Valvoline, PwC, and Capgemini
- MBA, IIM Indore; B. Tech: IIT Roorkee



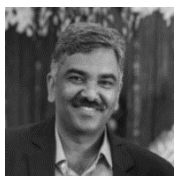
MS Venkatesh, Chief Human Resources Officer

- Ex-Director of HR at Coca Cola, India
- 30 years of experience in Human Resources
- Previous stints at Edu comp, Max NY Life, PD Hinduja Hospital



Paritosh Gupta, Marketing

- Associate Dir. Marketing at Perfetti Van Melle India
- 17 years of marketing experience in FMCG Industry
- Previous stints at ITC, TATA Strategic Mgmt. Group, Accenture strategy, Nestle India



Satyajit Talluri, Procurement

- Ex-Head Procurement & Foods Packaging, Pepsico ; Stints at Mattel Toys & ITC Agrotech
- 32 years of experience across procurement, operations & productivity
- PGBM, XLRI Jamshedpur, MSc.(organic Chemistry), Meerut University



Board of Directors



Hemant Nerurkar, Independent Non-Executive Director, Chairman of the Board

- Ex-MD, Tata Steel India
- 35+ years of experience in Steel Industry



Anil Chanana, Independent Non-Executive Director Chairman of the Audit Committee

- Ex-CFO, HCL Technologies
- 30+ years of experience in Finance



Manu Anand, Non-Executive Director

- Ex-President, Mondelez, AMEA; Ex-Chairman & CEO, PepsiCo India
- 35+ years of experience in FMCG Industry
- Credited with building the food business at PepsiCo. virtually from scratch; Built PepsiCo into India's #1 snacks brand ("Lays", "Uncle Chipps", "Kurkure")



VL Rajesh, Non-Executive Director

- Ex-CEO, ITC Foods
- 30+ years of experience in FMCG Industry
- Part of founding team which identified and set up the ITC foods business and scaled it into India's #3 player; built multiple brands e.g. "Ashirvaad", "Sunfeast", "Yippee"; created "Bingo" into India's #2 snacks brand with a pan-India presence across multiple salty snacks categories



Dipali Sheth, Independent Non-Executive Director

- Ex-Country Head of Human Resources at Royal Bank of Scotland, India
- 23+ years of experience in Human Resources



Sahil Dalal, Non-Executive Director

- Managing Director, Advent India
- 17+ years of experience in Private Equity / Finance



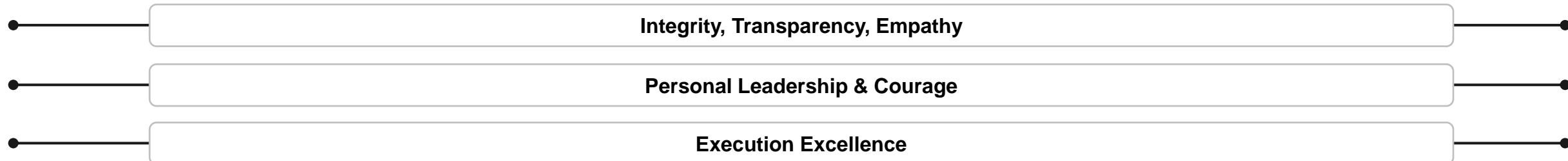
Lagan Shastri, Managing Director & CEO

- Ex-ED Operations, Hindustan Coca Cola Beverages
- 24 years of experience in FMCG Industry
- MBA, IIM Bangalore



Strategic Roadmap

Stakeholder Value Creation



Q1'23: Key Highlights

1

32.1% YoY revenue growth; 90 bps YoY share gain in the extruded category in focus geographies

2

Material margin (excluding portfolio expansion) at 36.1% despite sustained commodity inflation

3

Invested 12.8% of revenue in brand building, Go-to-Market initiatives, talent augmentation and technology investments; vs. 7.0% in Q1 FY22

4

Weighted distribution of Rings, Natkhat and Fritts increased between 200 and 600 bps YoY in our core geography

Commentary for the quarter



DFM net sales grew 32.1% YoY, while the extruded snacks market grew 20.0% over the same period. Gained 90 bps of share in focus geographies, supported by significant investments in brand building, Go-to-Market initiatives, talent augmentation and technology investments. Despite sustained commodity inflation, material margins (excluding portfolio expansion) contained at 36.1% in Q1FY23 compared to 38.8% in Q1FY22.

- **Resilient team:** Through sustained sales and marketing execution, revenue grew by 32.1% YoY
- **Continued share gain in extruded market:** YoY share gain 70 bps pan India
- **Resilient product portfolio:**
 - Growing Fritts, Curls and Natkhat to diversify and strengthen the core portfolio by driving reach expansion and share gain
 - Continued increase in salience of products with price points of INR 10 and above
- **New segment performance:** Scaling up Potato Chips in 3 states (UP, Uttarakhand and Haryana)
- **Brand building and Go-to-Market:** Continues to be an area of focus - spend in first 6 months of Calendar 2022 (Jan-June '22) at >80% of spend in Calendar 2021
 - Brand building: Increased advertising and visibility
 - Go-to-Market: Weighted distribution of Rings, Natkhat and Fritts increased between 200 and 600 bps YoY in our core geography
- **Cost management:** Excluding portfolio expansion, material margin contained at 36.1% in Q1FY23 compared to 38.8% in Q1FY22, despite substantial inflationary headwinds; achieved through a company-wide cost management programme and higher price realization
- **Technology:** As of July 29, completed an integrated ERP implementation that covers the business end to end, including procurement, production, quality and sales



Q1'23: Financial Update – Quarterly P&L



Abridged Quarterly Financials

INR M	Jun-21	Jun-22	YoY Gr.	Mar-22
Net Sales	1,104.5	1,459.0	32.1%	1,415.5
Less: COGS	685.6	959.0	39.9%	893.0
Material Margin	418.9	500.0	19.4%	522.5
<i>% of Net Revenue</i>	37.9%	34.3%		36.9%
Less:				
Employee Cost	134.2	184.0	37.1%	159.2
Advertising and Marketing	51.4	133.5	159.8%	199.4
Investment in GTM Expansion	25.9	49.5	91.1%	48.9
Other Expenses	195.3	276.7	41.7%	271.0
Reported EBITDA	12.1	(143.7)	(1,287.6%)	(156.0)
<i>% of Net Revenue</i>	1.1%	(9.8%)		-11.0%
Less:				
D&A	38.8	35.3	(9.0%)	33.9
Reported EBIT	(26.7)	(179.0)	NA	(189.9)
<i>% of Net Revenue</i>	-2.4%	(12.3%)		(13.4%)
Less: Finance Cost	27.1	23.0	(15.1%)	20.8
Add: Other Income	31.6	9.9	(68.7%)	13.6
Reported PBT	(22.2)	(192.1)	NA	(197.1)
<i>% of Net Revenue</i>	-2.0%	(13.2%)		(13.9%)
Less: Taxes	(4.9)	(48.0)		(48.8)
Reported PAT	(17.3)	(144.1)	NA	(148.3)
<i>% of Net Revenue</i>	-1.6%	(9.9%)		-10.5%
Reported EBITDA	12.1	(143.7)	(1,287.6%)	(156.0)
Add:				
ESAR Expenses	9.9	18.7	88.9%	16.1
One time expenses ^a	30.7	-	(100.0%)	20.5
Adjusted EBITDA	52.7	(125.0)	(337.2%)	(119.4)
<i>% of Net Revenue</i>	4.8%	(8.6%)		-8.4%

Key Highlights

- Net Sales grew 32.1% YoY on the back of post Covid recovery, aided by our sales & marketing investments.
- The scenario of unprecedented commodity inflation was aggravated in Q1FY23 by the Ukraine war. But the impact on material margins was partially mitigated by the ongoing company-wide cost management programme and by higher price realisation.
- Brand investments continued with Advertising and Marketing spends increasing to 9.1% of net sales in Q1FY23 vs. 4.7% in Q1FY22.
- We continued our investment in Go-to-Market expansion at the same levels as Q4FY22 at ~3.4% of net sales.
- Other Expenses increased YoY primarily due to higher manufacturing and freight costs due to higher net sales and fuel cost inflation.
- Adjusted EBITDA declined largely due to inflation, sustained investments in brand building and Go-to-Market expansion and talent investments, partly mitigated by cost initiatives and pricing.

Note: a) One-time expenses incurred in Q4FY22 for expenses related to i) write off in Capital Work in Progress due to discontinuation of an unused lease (INR 9.8m), and ii) provision created against land re-registration charges (INR 10.7m) and One-time expenses in Q1FY22 are towards i) write off in Capital Work in Progress due to cancellation of an unused lease (INR 15.9m), and ii) provision created for at risk inventory due to COVID (INR 14.8m);



Q1'23: Financial Update – Balance Sheet



Balance Sheet

INR M	Jun-21	Mar-22	Jun-22
Bank balances and investments	1,083	890	752
Inventory	308	325	332
Receivables	-	65	61
Other current assets	124	114	155
Total Current Assets	1,515	1,394	1,300
Fixed Assets (incl CWIP)	1,765	1,961	1,943
RoU	381	424	416
Other assets	113	129	141
Total Assets	3,773	3,907	3,799
Payables	615	784	759
Other current liabilities	87	163	227
Other financial liabilities	137	176	154
Short Term Debt	85	315	422
Current Liabilities	925	1,439	1,562
Long Term Debt	690	599	534
Lease Liabilities	185	220	229
Other Liabilities	54	57	54
Deferred Tax Liabilities	146	65	17
Non Current Liabilities	1,074	941	834
Equity	1,774	1,527	1,403
Total Equity + Liabilities	3,773	3,907	3,799
Net Debt	(309)	24	204

Key Highlights

- Negative working capital* continues
- Company's cash position continues to remain healthy

Source: Company Data

Note : * Net Working Capital excludes Bank Balances & Investments



Q1'23: Financial Update – Cash Flow



Cash Flow

INR M	QUARTER	
	Jun-21	Jun-22
Reported EBITDA	12	(144)
Change in WC	9	(2)
Income tax paid	(1)	(0)
Capex	(17)	(32)
Interest paid	(12)	(16)
Interest received	9	5
Others	17	11
FCFF	16	(178)
Debt issued / (paid)	(23)	40
Dividend paid	-	-
Equity raised/option exercised	-	-
Net Cash generated	(7)	(138)
Opening Bank Balances and Investments	1,090	890
Closing Bank balances and Investments	1,083	752

Key Highlights

- Company's cash position continues to remain healthy



Thank you