



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

4th February, 2022

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

Dear Sir/Madam,

Sub: Quarterly update

Please find enclosed herewith Quarterly update - Q3 FY 2021-22.

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 – Q3FY22

4th Feb 2022



DFM: At a Glance



Large Market with Strong Growth	Leading Brand in Extruded Snacks	Best in Class Reach
 INR ~60 B ¹ ~25% CAGR	 #1 in Extruded Snacks ²	 #1 in Weighted Reach Pan India for Extruded Snacks ² 1.4M Retailers ²
Attractive RoCE	Negative Working Capital Cycle	Professional Management Team
 ~ 30% ³	 Negative ~25 Days ⁴	 20+ Avg. Years of Experience with Top Mgmt. Team

Note: 1) Extruded market estimate based on Nielsen Data (Pre covid) 2) Nielsen Data 3) RoCE is for FY21 and calculated as (Adjusted EBITDA - D&A) / Average Capital Employed; Capital Employed = Net fixed assets (Ex-RoU) + Inventory + Receivables – Trade Payables; RoU refers to Right of Use assets created as per Ind As 116 4) Median Net Working Capital Days



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



New Launches – Last 12 months



New Segment

Potato Chips : Launched in Uttar Pradesh, Haryana, and Uttarakhand



New Festive Pack



Festive Gift Packs :
Launched at price points of Rs. 65, 100, and 200

New Price Points

Rs. 10



Rs. 20



Rs. 25



Management Team



Lagan Shastri, Managing Director & CEO

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



Nikhil Mathur, CFO

- Ex-Sales Controller, Nokia; stints at Microsoft & Asian Paints
- 28 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
- 8 Years of experience across corp. strategy, sales and marketing
- MBA, IMT Ghaziabad



Sushil Garg, Head of Supply Chain

- Ex-Director of Manufacturing at GSK Consumer; spent 18 years at PepsiCo Foods
- 27 years of experience in Manufacturing & Supply Chain



Kajal Debnath, Chief Regulatory Officer

- Ex-Head of Regulatory Affairs at Mother Dairy
- 26 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)
- 30 years of experience in Snacks Food Industry
- Ph.D. (Food Tech), Post Doctorate from Purdue



Rajat Jain, Head of IT

- 16 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



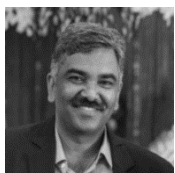
MS Venkatesh, Chief Human Resources Officer

- Ex-Director of HR at Coca Cola, India
- 29 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

Note: *Recently joined DFM Foods in December, 2021.



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



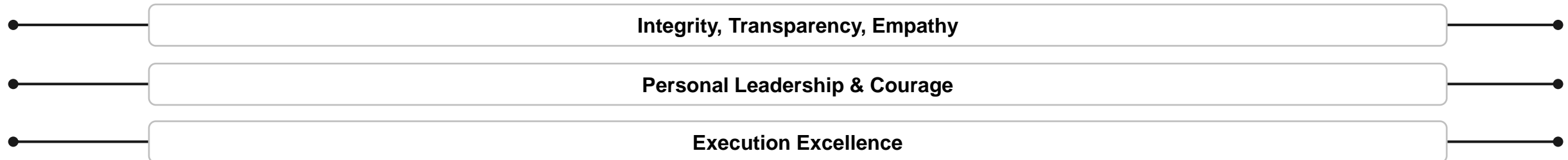
Lagan Shastri, Managing Director & CEO

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



Strategic Roadmap

Stakeholder Value Creation



Q3'22: Key Highlights

1

14.7% YoY revenue growth; 360 bps YoY share gain in the extruded category in our focus geographies

2

Material margin (excluding portfolio expansion) at 38.1%, despite sustained commodity inflation

3

Invested 10.9% of revenue in brand building, Go-to-Market initiatives, talent augmentation and technology; 5.1% in Q3 FY21

4

Weighted distribution across Curls, Fritts and Natkhat increased by 400-800 bps in core geography

Commentary for the quarter



DFM grew 14.7% YoY, while the savoury snacks market grew 10.6% over the same period. Over 360 bps of YoY share gain in extruded market of focus geographies supported by significant investments in brand building, Go-to-Market initiatives, talent augmentation and technology. Despite sustained commodity inflation, material margins (excluding portfolio expansion) maintained @ 38.1% in Q3FY22 compared to 38.8% in Q2FY22

- **Q3FY22:** Savoury snacks market grew by 10.6% YoY and extruded market grew by 3.3% YoY; Extruded market continues to be 14% lower than pre-COVID levels¹
- **Resilient team leads post COVID recovery:** Through sustained sales and marketing, revenue grew by 14.7% YoY and 5.4% QoQ
- **Continued share gain in extruded market:** Gained over 40 bps share QoQ in Q3FY22 in focus geographies; gained over 35 bps share QoQ pan India; YoY share gain over 190 bps pan India
- **Business remains structurally strong:** significant investments (10.2% of net sales) in marketing and go to market initiatives
- **Resilient product portfolio:** Investment in Fritts, Curls and Natkhat continue to drive share gain and growth
- **Brand building:** Continued investment in brand through increased advertising and visibility; spend of 7.4% of sales in Q3FY22 vs. 4.2% in Q3FY21
- **Go-to-Market:** Increased investment in go to market initiatives: 2.8% of net sales in Q3FY22 vs 1.0% in Q3FY21; Weighted distribution of Natkhat, Curls and Fritts increased between 400 and 800 bps YoY in our core geography
- **New segment entry:** Successfully launched Potato Chips in 3 states (UP, Uttarakhand and Haryana) in 3 flavors
- **Cost management:** Excluding portfolio expansion, material margin maintained @ 38.1% in Q3FY22, compared to 38.8% in Q2FY22, despite severe commodity inflation; margin stability through a company-wide cost management programme and better realisation
- **Technology:** 95% of sales team and 89% of Focus Town / Rural Distributors empowered through automation
- **Vaccination:** 99%+ of employees fully vaccinated; vaccination extended to other stakeholders



Q3'22: Financial Update – Quarterly P&L



Abridged Quarterly Financials

INR M	Dec-20	Dec-21	YoY Gr.	Sep-21
Net Sales	1,353.8	1,553.3	14.7%	1,471.2
Less: COGS	801.6	988.4	23.3%	922.0
Material Margin	552.2	564.9	2.3%	549.2
<i>% of Net Revenue</i>	<i>40.8%</i>	<i>36.4%</i>		<i>37.3%</i>
Less:				
Employee Cost	126.0	166.7	32.3%	141.9
Advertising and Marketing	56.4	115.4	104.8%	133.8
Investment in GTM Expansion	12.9	43.4	236.7%	35.8
Other Expenses	192.3	265.9	38.3%	238.3
Reported EBITDA	164.7	(26.5)	(116.1%)	(0.5)
<i>% of Net Revenue</i>	<i>12.2%</i>	<i>(1.7%)</i>		<i>0.0%</i>
Less:				
D&A	31.7	33.0	4.1%	38.2
Reported EBIT	133.0	(59.5)	(144.7%)	(38.7)
<i>% of Net Revenue</i>	<i>9.8%</i>	<i>(3.8%)</i>		<i>(2.6%)</i>
Less: Finance Cost	24.6	20.8	(15.4%)	20.2
Add: Other Income	19.4	13.5	(30.4%)	17.9
Reported PBT	127.8	(66.8)	(152.3%)	(41.0)
<i>% of Net Revenue</i>	<i>9.4%</i>	<i>(4.3%)</i>		<i>(2.8%)</i>
Less: Taxes	33.0	(16.1)		(9.7)
Reported PAT	94.8	(50.7)	(153.5%)	(31.3)
<i>% of Net Revenue</i>	<i>7.0%</i>	<i>(3.3%)</i>		<i>-2.1%</i>
Reported EBITDA	164.7	(26.5)	(116.1%)	(0.5)
Add:				
ESAR Expenses	(0.8)	18.3	(2,391.2%)	(2.6)
Adjusted EBITDA	163.9	(8.2)	(105.0%)	(3.1)
<i>% of Net Revenue</i>	<i>12.1%</i>	<i>(0.5%)</i>		<i>-0.2%</i>

Key Highlights

- With our sales and marketing efforts, Net Sales grew 14.7% YoY and 5.6% QoQ
- Unprecedented commodity inflation and investments in portfolio expansion impacted material margins but was mitigated by a company-wide cost management programme and higher price realisation
- Brand investments continued with Advertising and Marketing spends increasing to 7.4% of net sales in Q3FY22 vs. 4.2% in Q3FY21
- Investment in Go-to-Market expansion increased to 2.8% of net sales in Q3FY22 vs 1.0% in Q3FY21
- Other Expenses increased primarily due to investment in the cost management programme and higher freight
- Adjusted EBITDA declined largely due to increased investments in brand building and Go-to-Market expansion, technology and talent



Q3'22: Financial Update – YTD P&L



Abridged Quarterly Financials

INR M	YTD FY21	YTD FY22	YoY Gr.	FY21
Net Sales	3,915.8	4,129.0	5.4%	5,240.6
Less: COGS	2,337.9	2,596.0	11.0%	3,118.8
Material Margin	1,577.9	1,533.0	(2.8%)	2,121.8
<i>% of Net Revenue</i>	40.3%	37.1%		40.5%
Less:				
Employee Cost	405.8	442.8	9.1%	542.9
Advertising and Marketing	98.5	300.6	205.1%	192.7
Investment in GTM Expansion	33.6	105.1	212.8%	54.9
Other Expenses	548.5	699.4	27.5%	774.9
Reported EBITDA	491.5	(14.9)	(103.0%)	556.4
<i>% of Net Revenue</i>	12.6%	-0.4%		10.6%
Less:				
D&A	94.2	110.0	16.8%	131.8
Reported EBIT	397.3	(124.9)	(131.4%)	424.6
<i>% of Net Revenue</i>	10.1%	(3.0%)		8.1%
Less: Finance Cost	82.1	68.1	(17.1%)	108.0
Add: Other Income	56.9	63.0	10.7%	69.2
Reported PBT	372.1	(130.0)	(134.9%)	385.8
<i>% of Net Revenue</i>	9.5%	(3.1%)		7.4%
Less: Taxes	94.1	(30.7)		98.8
Reported PAT	278.0	(99.3)	(135.7%)	287.0
<i>% of Net Revenue</i>	7.1%	(2.4%)		5.5%
Reported EBITDA	491.5	(14.9)	(103.0%)	556.4
Add:				
ESAR Expenses	13.9	25.7	85.1%	27.0
One time expenses ^a	-	30.7		9.5
Adjusted EBITDA	505.4	41.5	-91.8%	592.9
<i>% of Net Revenue</i>	12.9%	1.0%		11.3%

Note: a) One-time expenses incurred in YTD FY22 for expenses related to 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); One-time expenses in FY21 for expenses towards land conversion.

Key Highlights

- Despite 2nd wave of Covid and ensuing lockdowns substantially impacting the category and the company, revenue grew 5.4% YoY
- Unprecedented commodity inflation and investments in portfolio expansion impacted material margins but was mitigated by a company-wide cost management programme and higher price realisation
- Brand investments continued with advertising spends increasing to 7.3% of net sales YTD FY22 vs. 2.5% YTD FY21
- Investment in Go-to-Market expansion increased to 2.5% of net sales in YTD FY22 vs 0.9% YTD FY21
- Other Expenses increased primarily due to investment in the cost management programme and higher freight as well as one-time expenses (CWIP write off and Covid related provisions)
- Adjusted EBITDA declined largely due to increased investments in brand building and Go-to-Market expansion, technology and talent



Q3'22: Financial Update – Balance Sheet



Balance Sheet

INR M	Dec-20	Sep-21	Dec-21
Bank balances and investments	1,089	1,018	1,072
Inventory	238	279	337
Receivables	-	18	25
Other current assets	66	143	126
Total Current Assets	1,393	1,458	1,559
Fixed Assets (incl CWIP)	1,804	1,883	1,912
RoU	471	447	433
Other assets	149	141	126
Total Assets	3,818	3,929	4,030
Payables	490	668	790
Other current liabilities	111	204	181
Other financial liabilities	149	177	161
Short Term Debt**	88	128	216
Current Liabilities	837	1,176	1,348
Long Term Debt	729	643	624
Lease Liabilities	282	234	229
Other Liabilities	77	54	56
Deferred Tax Liabilities	142	130	114
Non Current Liabilities	1,230	1,062	1,023
Equity	1,752	1,691	1,660
Total Equity + Liabilities	3,818	3,929	4,030
Net Debt	(273)	(247)	(232)

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 ** Short Term Debt includes current maturity of Long Term Borrowings (Current maturity of LT debt was INR 113.7 M in Dec-21, INR 86.9 M in Sep-21 and INR 78.2 M in Dec-20)



Q3'22: Financial Update – Cash Flow



Cash Flow

INR M	QUARTER		YTD	
	Dec-20	Dec-21	Dec-20	Dec-21
Reported EBITDA	165	(27)	492	(15)
Change in WC	(111)	79	(52)	226
Income tax paid	(30)	(1)	(88)	(3)
Capex	(61)	(45)	(71)	(226)
Interest paid	(16)	(18)	(58)	(48)
Interest received	15	7	28	27
Others	(56)	16	14	33
FCFF	(94)	11	264	(5)
Debt issued / (paid)	(7)	44	(99)	37
Dividend paid	(1)	(1)	(1)	(51)
Equity raised/option exercised	-	-	8	-
Net Cash generated	(102)	54	172	(19)
Opening Bank Balances and Investments	1,191	1,018	918	1,090
Closing Bank balances and Investments	1,089	1,072	1,089	1,072

Key Highlights

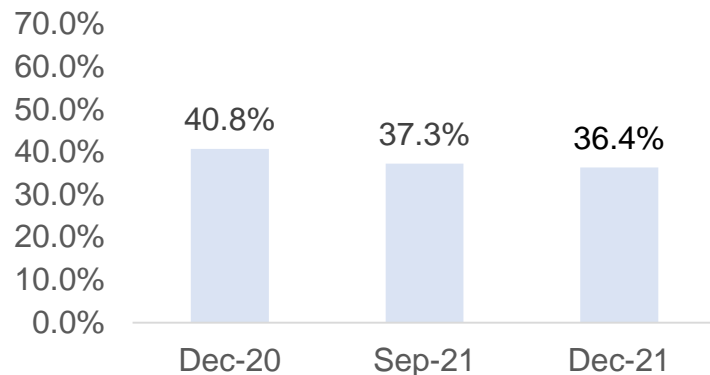
- Company's cash position continues to remain healthy
- Capex of INR 45M in Q3FY22 for investment in capacity addition and automation



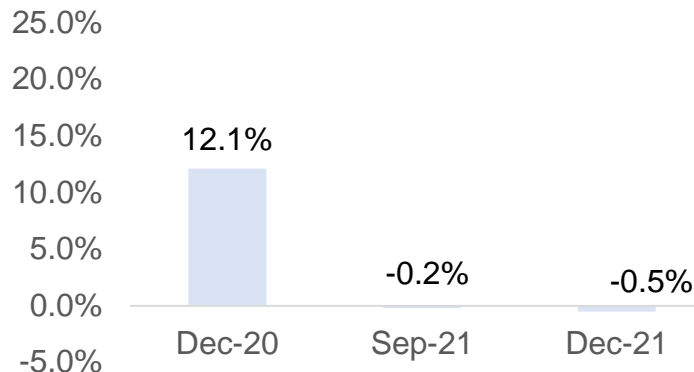
Q3'22: Financial Update – Key Ratios



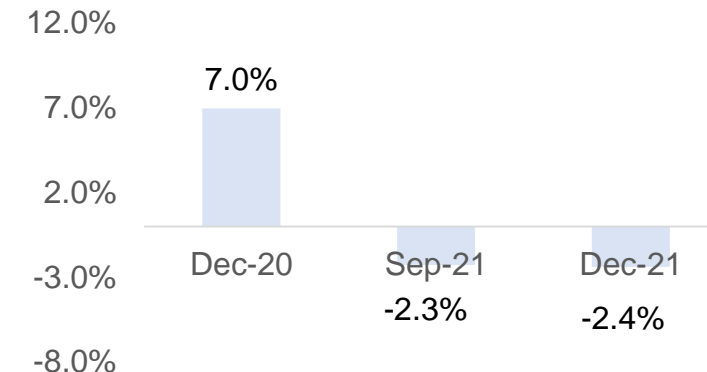
Material Margin¹



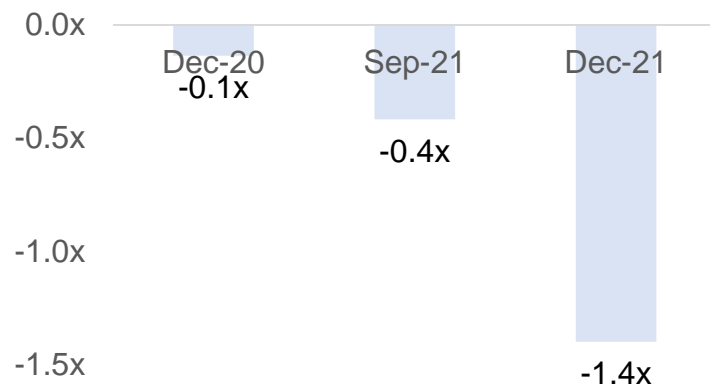
Adjusted EBITDA Margin²



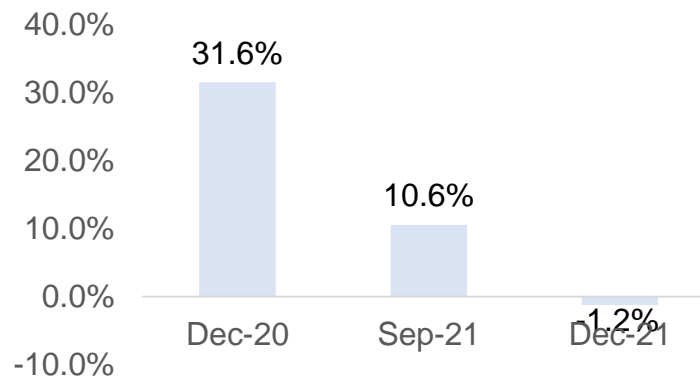
Adjusted PAT Margin³



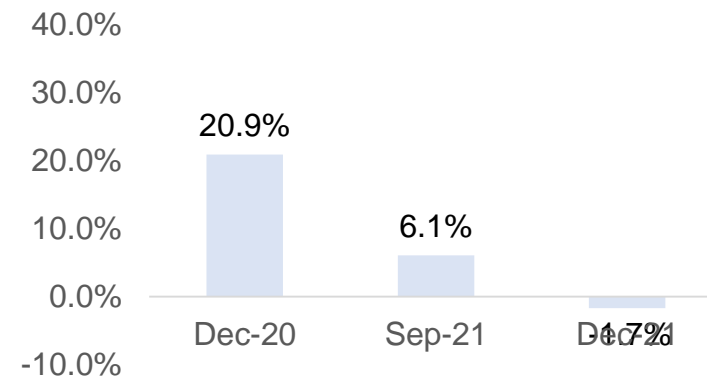
Net Debt / Adj. EBITDAx⁴



RoCE⁵



RoE⁶



Note: Net Debt/EBITDA, RoCE, and RoE are calculated based on LTM EBITDA, EBIT, and PAT 1) Material Margin is defined as (Net Revenue less COGS)/Net Revenue 2) Adjusted EBITDA is calculated by adding back ESAR & one time expenses to Reported EBITDA 3) Adjusted PAT is calculated by adjusting PBT for ESAR & one time expenses and applying the average tax rate (4) Net Debt/Adjusted EBITDA is calculated as Net Debt/LTM Adjusted EBITDA; Please refer to slide 11 for change in methodology of Net Debt calculation 5) RoCE is calculated on (LTM Adjusted EBITDA – LTM D&A) / Average Capital Employed; Capital Employed = Net fixed assets (Ex-RoU) + Inventory + Receivables – Trade payables; RoU refers to Right of Use assets created as per Ind As 116. 6) RoE is calculated as LTM Adjusted PAT /Average Shareholder's Equity



Thank you