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11th June, 2021

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> Scrip Code: DFMFOODS
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Dear Sirs,

Sub: Quarterly update

Please find enclosed herewith Quarterly update-Q4 FY 2020-21.

Thanking you.

Yours faithfully,
For DFM Foods Limited

(R. S. Tomer)
Company Secretary



Encl: As above

DFM Foods

Quarterly Update – Q4FY21

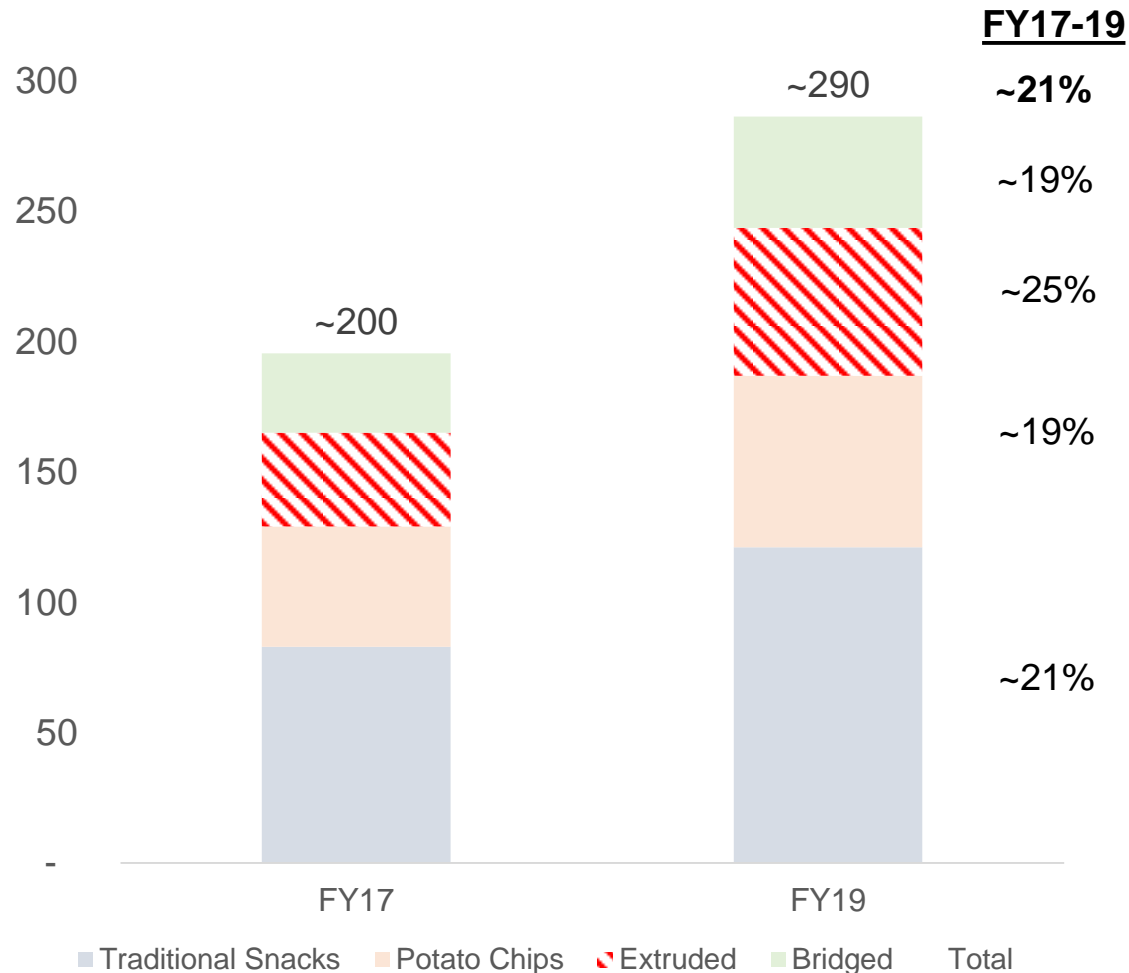
11th Jun 2021



Organized Salty Snacks Market



Organized Salty Snacks Market (INR B)









Key Highlights

- INR 290 B Industry that grew at 21% between March 2017 and March 2019
- Key growth drivers:
 - Shift from unorganized to organized
 - Increasing per capita consumption
 - Product innovation
 - Higher availability

Source: Industry Research; Category definition is based on Nielsen categories.

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 1.3M Retailers ²
Attractive RoCE	Negative Working Capital Cycle	Professional Management Team
 ~ 30% ³	 Negative 30 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 annualized on YTD basis 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 in Q4 FY 21



New Products

New variant in Q2FY21



Test marketed in Q3FY21



New Flavors



New Price Points



Management Team



Lagan Shastri, Managing Director & CEO

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



Davinder Dogra, CFO

- Ex- CFO (Retail Assets) at DLF
- 23 years of experience of in Finance & Accounts
- Past stints at PepsiCo, Pernod Ricard, and Airtel



Kunal Bhardwaj, Head of Sales

- Ex-VP Business Ninja Cart. Past stints at Britannia, Diageo, Marico
- 17 years of experience in FMCG Sales
- MBA, IIM Kozhikode



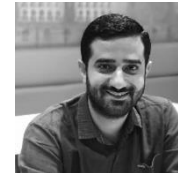
Sushil Garg, Head of Supply Chain

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



Rajat Nanda, Chief Marketing Officer

- Ex- Head of Marketing (Hair Care) at Dabur.
- 19 years of marketing experience in FMCG Industry
- Previous stints at Perfetti, United Breweries



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



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



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



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



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



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
- 15+ years of experience in Private Equity / Finance



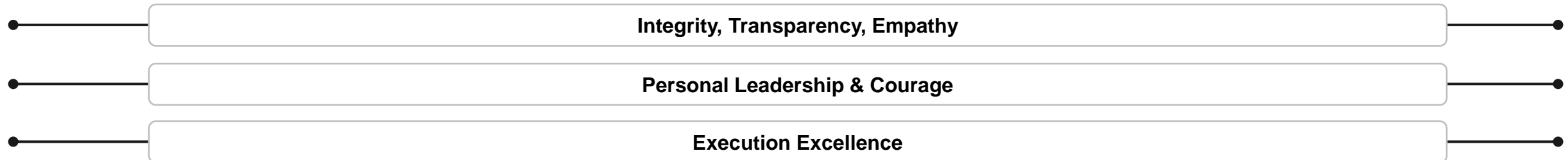
Lagan Shastri, Managing Director & CEO

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



Strategic Roadmap

Stakeholder Value Creation



Q4 FY'21: Key Highlights



Market Update:

- Q4 FY21: Salty snacks industry grew by ~2% YoY; extruded continued to decline by ~13% YoY
- FY21: Salty snacks industry declined by ~15% YoY; extruded market declined by ~23% YoY

Company Update

- **Continued share gain:** All India share gain in Q4 of ~200 bps YoY; higher gain in core geography
- **Resilient product portfolio:** Investment in Fritts, Curls & Natkhat paying off
- **New segment entry:** Entered Potato Chips with 3 flavours in Uttar Pradesh @ Rs 5 / Rs.10
- **Improved margins:** Material margins improved by ~30 bps QoQ despite commodity inflation
- **Brand building:** Advertising more than doubled in Q4 FY21 to 7.1% of sales vs. 3.1% in Q4 FY20
- **Go to market:** Initiated reach expansion drive in focus geographies; continue to expand in ecommerce and large stores
- **Technology:** Launched sales force automation tool in core geography
- **Credit rating:** Crisil credit rating upgraded in February 21 to A-/Stable from BBB+
- **Vaccination:** ~50% of employees vaccinated; vaccination extended to other stakeholders. Vaccination push to continue through additional vaccination drives; biggest challenge being vaccine hesitancy
- **Dividend:** Declared a dividend of Re 1 per share.



Q4'21: Financial Update – Quarterly P&L



Abridged Quarterly Financials

INR M	Mar-20	Mar-21	YoY Gr.	Dec-20
Net Sales	1,097.6	1,324.8	20.7%	1,353.8
Less: COGS	702.1	780.9	11.2%	801.6
Material Margin	395.5	543.9	37.5%	552.2
<i>% of Net Revenue</i>	<i>36.0%</i>	<i>41.1%</i>		<i>40.8%</i>
Less:				
Employee Cost	120.8	137.1	13.5%	126.0
Advertising	33.8	94.2	178.5%	56.4
Other Expenses	219.9	247.7	12.7%	205.2
Reported EBITDA	21.0	64.9	209.0%	164.7
<i>% of Net Revenue</i>	<i>1.9%</i>	<i>4.9%</i>		<i>12.2%</i>
Less:				
D&A	27.5	37.6	36.7%	31.7
Reported EBIT	(6.5)	27.3	NA	133.0
<i>% of Net Revenue</i>	<i>-0.6%</i>	<i>2.1%</i>		<i>9.8%</i>
Less: Finance Cost	25.1	25.9	3.2%	24.6
Add: Other Income	17.5	12.3	-29.7%	19.4
Reported PBT	(14.1)	13.7	NA	127.8
<i>% of Net Revenue</i>	<i>-1.3%</i>	<i>1.0%</i>		<i>9.4%</i>
Less: Taxes	(1.8)	4.7		33.0
Reported PAT	(12.3)	9.0	NA	94.8
<i>% of Net Revenue</i>	<i>-1.1%</i>	<i>0.7%</i>		<i>7.0%</i>
Reported EBITDA	21.0	64.9	209.0%	164.7
Add:				
ESAR Expenses	2.5	13.1	434.3%	(0.8)
Deal related one time expenses ^a	45.2	9.5	(79.0%)	-
COVID related one time expenses ^b	30.5	-	(100.0%)	-
Adjusted EBITDA	99.2	87.5	-11.7%	163.9
<i>% of Net Revenue</i>	<i>9.0%</i>	<i>6.6%</i>		<i>12.1%</i>

Key Highlights

- Revenue growth of ~20.7% YoY vs market decline of ~13% YoY
- Material margin expanded by 510 bps YoY and 30 bps QoQ despite high commodity inflation
- Advertising spend increased by 178.5% YoY to 7.1% of net sales vs. 3.1% of net sales in Q4 FY20
- EBITDA (adjusted for ESAR and deal related one time expenses) decline by 11.7% YoY due to higher advertising spend.

Note: a) Deal related one time expenses incurred in Q4FY20 for expenses towards transaction expenses, professional charges incurred for hiring new management team and land conversion and land conversion in Q4FY21. b) COVID-19 related claims.



Q4'21: Financial Update – Annual P&L



Abridged Annual Financials

INR M	FY20	FY21	YoY Gr.
Net Sales	5,079.4	5,240.6	3.2%
Less: COGS	3,053.3	3,118.8	2.1%
Material Margin	2,026.1	2,121.8	4.7%
<i>% of Net Revenue</i>	39.9%	40.5%	
Less:			
Employee Cost	549.2	542.9	(1.1%)
Advertising	148.4	192.7	29.8%
Other Expenses	911.5	829.8	(9.0%)
Reported EBITDA	417.0	556.4	33.4%
<i>% of Net Revenue</i>	8.2%	10.6%	
Less:			
D&A	113.5	131.8	16.1%
Reported EBIT	303.5	424.6	39.9%
<i>% of Net Revenue</i>	6.0%	8.1%	
Less: Finance Cost	99.2	108.0	8.9%
Add: Other Income	67.8	69.2	2.1%
Reported PBT	272.1	385.8	41.8%
<i>% of Net Revenue</i>	5.4%	7.4%	
Less: Taxes	27.9	98.8	
Reported PAT	244.2	287.0	17.5%
<i>% of Net Revenue</i>	4.8%	5.5%	
Reported EBITDA	417.0	556.4	33.4%
Add:			
ESAR Expenses	9.8	27.0	174.5%
Deal related one time expenses ^a	111.0	9.5	(91.4%)
COVID related one time expenses ^b	30.5	-	(100.0%)
Adjusted EBITDA	568.3	592.9	4.3%
<i>% of Net Revenue</i>	11.2%	11.3%	

Key Highlights

- Revenue growth of 3.2% YoY vs market decline of ~23% YoY
- 60 bps material margin expansion despite high commodity inflation
- Advertising spend increased by 29.8%
- Adjusted EBITDA grew by 4.3% YoY

Note: a) Deal related one time expenses incurred in FY20 for expenses towards settlement of retiring employees, transaction expenses, professional charges incurred for hiring new management team and land conversion and land conversion in FY21.
b) COVID-19 related claims.



Q4'21: Financial Update – Balance Sheet



Balance Sheet

INR M	Mar-20	Dec-20	Mar-21
Bank balances and investments	918	1,089	1,090
Inventory	240	238	265
Receivables	1	-	40
Other current assets	49	66	123
Total Current Assets	1,207	1,393	1,518
Fixed Assets (incl CWIP)	1,818	1,804	1,800
RoU	487	471	626
Other assets	160	149	99
Total Assets	3,672	3,818	4,043
Payables	548	490	556
Other current liabilities	105	111	116
Other financial liabilities	232	227	228
Short Term Debt	47	10	-
Current Liabilities	931	837	900
Long Term Debt	783	729	713
Lease Liabilities	278	282	447
Other Liabilities	76	77	58
Deferred Tax Liabilities	149	142	144
Non Current Liabilities	1,286	1,230	1,362
Equity	1,455	1,752	1,781
Total Equity + Liabilities	3,672	3,818	4,043
Net Debt	(88)	(351)	(377)

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



Q4'21: Financial Update – Cash Flow



Cash Flow

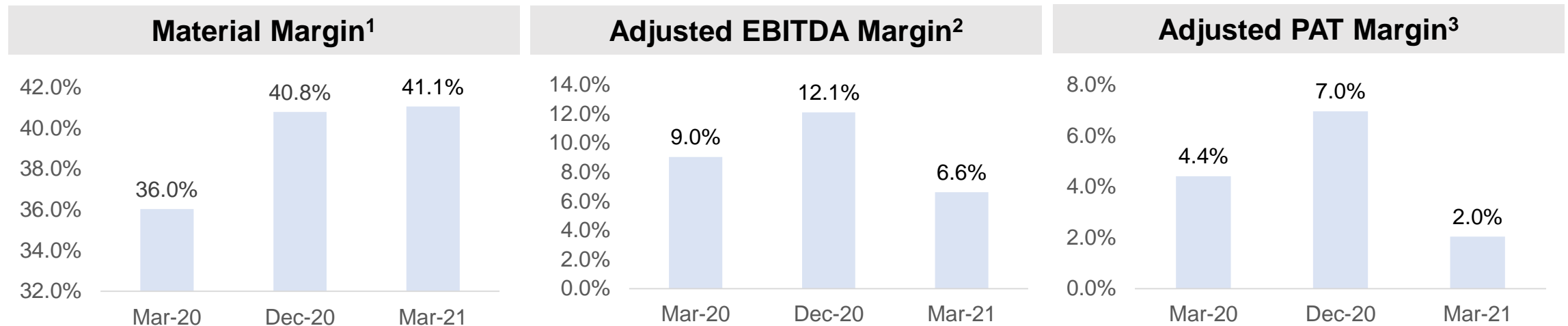
INR M	QUARTER		ANNUAL	
	Mar-20	Mar-21	Mar-20	Mar-21
Reported EBITDA	21	65	417	556
Change in WC	9	(55)	96	(107)
Income tax paid	(1)	(12)	(106)	(100)
Capex	(21)	(26)	(241)	(97)
Interest paid	(25)	(25)	(94)	(83)
Interest received	10	13	34	41
Others	1	63	(6)	76
FCFF	(6)	23	100	287
Debt issued / (paid)	(55)	(22)	(33)	(122)
Dividend paid (including DDT)	-	(0)	(75)	(1)
Equity raised/option exercised	5	0	5	8
Net Cash generated	(56)	1	(3)	173
Opening Bank Balances and Investments	974	1,089	921	918
Closing Bank balances and Investments	918	1,090	918	1,090

Key Highlights

- Company's cash position continues to remain healthy
- Debt repayment of ~120 M in FY 21
- Capex of ~100 M in FY 21 for investment in capacity addition and automation



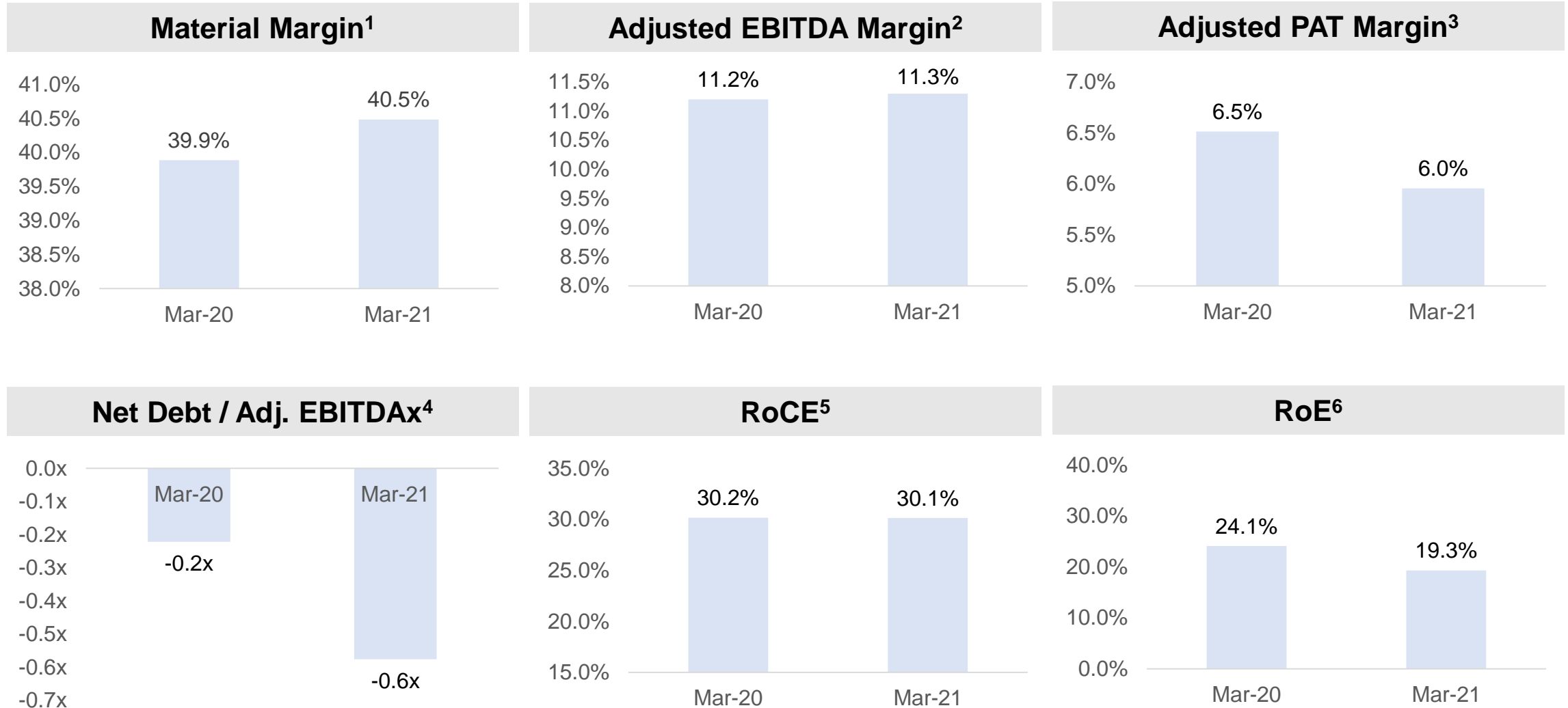
Q4'21: Financial Update – Key Ratios



Note: 1) Material Margin is defined as Net Revenue less COGS/ Net Revenue 2) Adjusted EBITDA is calculated by adding back ESAR & deal related expenses to Reported EBITDA 3) Adjusted PAT is calculated by adjusting PBT for ESAR & deal related expenses and applying the annual normal tax rate.



FY 21: Financial Update – Key Ratios



Note: 1) Material Margin is defined as Net Revenue less COGS/ Net Revenue 2) Adjusted EBITDA is calculated by adding back ESAR & deal related expenses to Reported EBITDA 3) Adjusted PAT is calculated by adjusting PBT for ESAR & deal related expenses and applying the normal tax rate 4) Net Debt/EBITDA is calculated on Adjusted EBITDA 5) RoCE is 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. 6) RoE is calculated as Adjusted PAT /Average Shareholder's Equity

