



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

25th May, 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 - Q4 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 – Q4FY22

25th May 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



~ 37%

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



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. 25



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)



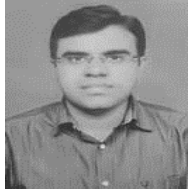
Vivek Prakash Gupta, Chief Sales Officer

- 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



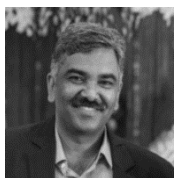
MS Venkatesh, Chief Human Resources Officer

- 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

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



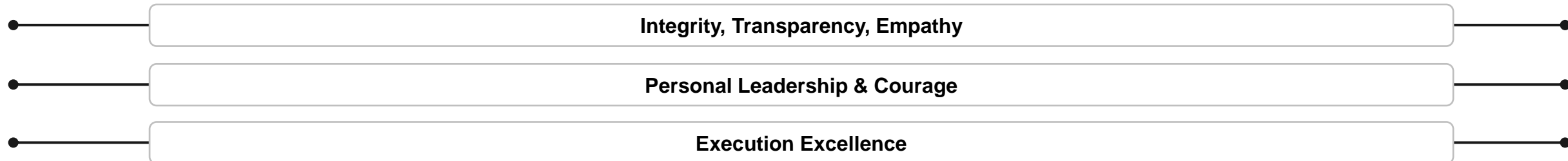
Lagan Shastri, Managing Director & CEO

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



Strategic Roadmap

Stakeholder Value Creation



Q4'22: Key Highlights

1

6.8% YoY revenue growth, while recovering from Covid wave 3; over 200 bps YoY share gain in the extruded category in our focus geographies

2

Material margin (excluding portfolio expansion) at 39.1%, up 100 bps sequentially, despite sustained commodity inflation

3

Invested 18.4% of revenue in brand building, Go-to-Market initiatives, talent augmentation and technology investments; vs. 8.7% in Q4 FY21

4

Weighted distribution of Fritts and Natkhat increased between 340 and 600 bps YoY in our core geography

Commentary for the quarter



DFM grew 6.8% YoY, while the extruded snacks market grew 3.0% over the same period. Over 200 bps of YoY extruded share gain 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) improved to 39.1% in Q4FY22 compared to 38.1% in Q3FY22

- **COVID Impact:** Q4FY22 was impacted by the 3rd wave, disrupting markets, affecting employees and channel partners, resulting in lower revenue
- **Resilient team:** Through sustained sales and marketing, revenue grew by 6.8% YoY
- **Continued share gain in extruded market:** YoY share gain over 140 bps pan India and 190 bps in core market
- **Resilient product portfolio:**
 - Made rapid progress in building Fritts, Curls and Natkhat to diversify and strengthen the core portfolio while driving share gain and growth
 - Increased salience of higher price points
- **Brand building:** Continued investment in brand building through increased advertising and visibility; spend of 14.1% of sales in Q4FY22 vs. 7.1% in Q4FY21
- **Go-to-Market:** Increased investment in go to market initiatives: 3.5% of net sales in Q4FY22 vs 1.6% in Q4FY21; Weighted distribution of Fritts and Natkhat increased between 340 and 600 bps YoY in our core geography
- **New segment success:** Successfully scaling up Potato Chips in 3 states (UP, Uttarakhand and Haryana)
- **Cost management:** Excluding portfolio expansion, material margin improved to 39.1% in Q4FY22, compared to 38.1% in Q3FY22, despite inflationary headwinds; achieved through a company-wide cost management programme
- **Technology:** 98% of sales team and 96% of Focus Town / Rural Distributors empowered through automation



Q4'22: Financial Update – Quarterly P&L



Abridged Quarterly Financials

INR M	Mar-21	Mar-22	YoY Gr.	Dec-21
Net Sales	1,324.8	1,415.5	6.8%	1,553.3
Less: COGS	780.9	893.0	14.4%	988.4
Material Margin	543.9	522.5	(3.9%)	564.9
<i>% of Net Revenue</i>	<i>41.1%</i>	<i>36.9%</i>		<i>36.4%</i>
Less:				
Employee Cost	137.1	159.2	16.1%	166.7
Advertising and Marketing	94.2	199.4	111.8%	115.4
Investment in GTM Expansion	21.3	48.9	129.5%	43.4
Other Expenses	226.4	271.0	19.7%	265.9
Reported EBITDA	64.9	(156.0)	(340.4%)	(26.5)
<i>% of Net Revenue</i>	<i>4.9%</i>	<i>(11.0%)</i>		<i>-1.7%</i>
Less:				
D&A	37.6	33.9	(9.8%)	33.0
Reported EBIT	27.3	(189.9)	(795.6%)	(59.5)
<i>% of Net Revenue</i>	<i>2.1%</i>	<i>(13.4%)</i>		<i>(3.8%)</i>
Less: Finance Cost	25.9	20.8	(19.7%)	20.8
Add: Other Income	12.3	13.6	10.6%	13.5
Reported PBT	13.7	(197.1)	(1,538.7%)	(66.8)
<i>% of Net Revenue</i>	<i>1.0%</i>	<i>(13.9%)</i>		<i>(4.3%)</i>
Less: Taxes	4.7	(48.8)		(16.1)
Reported PAT	9.0	(148.3)	(1,747.8%)	(50.7)
<i>% of Net Revenue</i>	<i>0.7%</i>	<i>(10.5%)</i>		<i>-3.3%</i>
Reported EBITDA	64.9	(156.0)	(340.4%)	(26.5)
Add:				
ESAR Expenses	13.1	16.1	22.2%	18.3
One time expenses ^a	9.5	20.5	115.8%	-
Adjusted EBITDA	87.5	(119.4)	(236.4%)	(8.2)
<i>% of Net Revenue</i>	<i>6.6%</i>	<i>(8.4%)</i>		<i>-0.5%</i>

Note: a) One-time expenses incurred in FY22 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); One-time expenses in FY21 for expenses towards land conversion,

Key Highlights

- With our sales and marketing efforts, Net Sales grew 6.8% YoY. Net sales impacted by 3rd wave of Covid
- Unprecedented commodity inflation and investments in portfolio expansion impacted material margins but was partially mitigated by a company-wide cost management programme and higher price realisation
- Brand investments continued with Advertising and Marketing spends increasing to 14.1% of net sales in Q4FY22 vs. 7.1% in Q4FY21
- Investment in Go-to-Market expansion increased to 3.5% of net sales in Q4FY22 vs 1.6% in Q4FY21
- Other Expenses increased primarily due to investment in the cost management programme, higher freight costs and one time expenses.
- Adjusted EBITDA declined largely due to increased investments in brand building and Go-to-Market expansion, technology and talent



Q4'22: Financial Update – Annual P&L



Abridged Quarterly Financials

INR M	FY21	FY22	YoY Gr.	FY21
Net Sales	5,240.6	5,544.5	5.8%	5,240.6
Less: COGS	3,118.8	3,489.0	11.9%	3,118.8
Material Margin	2,121.8	2,055.5	(3.1%)	2,121.8
<i>% of Net Revenue</i>	40.5%	37.1%		40.5%
Less:				
Employee Cost	542.9	602.0	10.9%	542.9
Advertising and Marketing	192.7	500.0	159.5%	192.7
Investment in GTM Expansion	54.9	154.0	180.5%	54.9
Other Expenses	774.9	970.4	25.2%	774.9
Reported EBITDA	556.4	(170.9)	(130.7%)	556.4
<i>% of Net Revenue</i>	10.6%	(3.1%)		10.6%
Less:				
D&A	131.8	143.9	9.2%	131.8
Reported EBIT	424.6	(314.8)	(174.1%)	424.6
<i>% of Net Revenue</i>	8.1%	(5.7%)		8.1%
Less: Finance Cost	108.0	88.9	(17.7%)	108.0
Add: Other Income	69.2	76.6	10.7%	69.2
Reported PBT	385.8	(327.1)	(184.8%)	385.8
<i>% of Net Revenue</i>	7.4%	(5.9%)		7.4%
Less: Taxes	98.8	(79.5)		98.8
Reported PAT	287.0	(247.6)	(186.3%)	287.0
<i>% of Net Revenue</i>	5.5%	(4.5%)		5.5%
Reported EBITDA	556.4	(170.9)	(130.7%)	556.4
Add:				
ESAR Expenses	27.0	41.7	54.5%	27.0
One time expenses ^a	9.5	51.2	438.9%	9.5
Adjusted EBITDA	592.9	(78.0)	(113.2%)	592.9
<i>% of Net Revenue</i>	11.3%	-1.4%		11.3%

Key Highlights

- Despite 2nd and 3rd wave of Covid and ensuing lockdowns substantially impacting the category and the company, revenue grew 5.8% YoY
- Unprecedented commodity inflation and investments in portfolio expansion impacted material margins but was partially mitigated by a company-wide cost management programme and higher price realisation
- Brand investments continued with advertising spends increasing to 9.0% of net sales FY22 vs. 3.7% FY21
- Investment in Go-to-Market expansion increased to 2.8% of net sales in FY22 vs 1.0% FY21
- Other Expenses increased primarily due to investment in the cost management programme and higher freight as well as one-time expenses
- Adjusted EBITDA declined largely due to increased investments in brand building and Go-to-Market expansion, technology and talent

Note: a) One-time expenses incurred in FY22 for expenses related to i) write off in Capital Work in Progress due to cancellation / discontinuation of an unused lease (INR 25.7m), ii) provision created for at risk inventory due to COVID (INR 14.8m), and iii) provision created against land re-registration charges of (INR 10.7m); One-time expenses in FY21 for expenses towards land conversion,



Q4'22: Financial Update – Balance Sheet



Balance Sheet

BS Summary			
INR M	Mar-21	Dec-21	Mar-22
Bank balances and investments	1,090	1,072	890
Inventory	265	337	325
Receivables	40	25	65
Other current assets	123	126	114
Total Current Assets	1,518	1,559	1,394
Fixed Assets (incl CWIP)	1,800	1,912	1,961
RoU	626	433	424
Other assets	99	126	129
Total Assets	4,043	4,030	3,907
Payables	556	790	784
Other current liabilities	116	181	163
Other financial liabilities	83	161	176
Short Term Debt	146	216	315
Current Liabilities	900	1,348	1,439
Long Term Debt	713	624	599
Lease Liabilities	447	229	220
Other Liabilities	58	56	57
Deferred Tax Liabilities	144	114	65
Non Current Liabilities	1,362	1,023	941
Equity	1,781	1,660	1,527
Total Equity + Liabilities	4,043	4,030	3,907
Net Debt	(232)	(232)	24

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 123.1 M in Mar-21, INR 113.7 M in Dec-21 and INR 82.8 M in Mar-20)



Q4'22: Financial Update – Cash Flow



Cash Flow

INR M	QUARTER		YTD	
	Mar-21	Mar-22	Mar-21	Mar-22
Reported EBITDA	65	(156)	556	(171)
Change in WC	(55)	(66)	(107)	160
Income tax paid	(12)	(3)	(100)	(6)
Capex	(26)	(35)	(97)	(261)
Interest paid	(25)	(17)	(83)	(65)
Interest received	13	16	41	44
Others	63	7	76	40
FCFF	23	(254)	287	(260)
Debt issued / (paid)	(22)	72	(122)	110
Dividend paid	(0)	-	(1)	(51)
Equity raised/option exercised	0	-	8	-
Net Cash generated	1	(182)	173	(201)
Opening Bank Balances and Investments	1,089	1,072	918	1,090
Closing Bank balances and Investments	1,090	890	1,090	890

Key Highlights

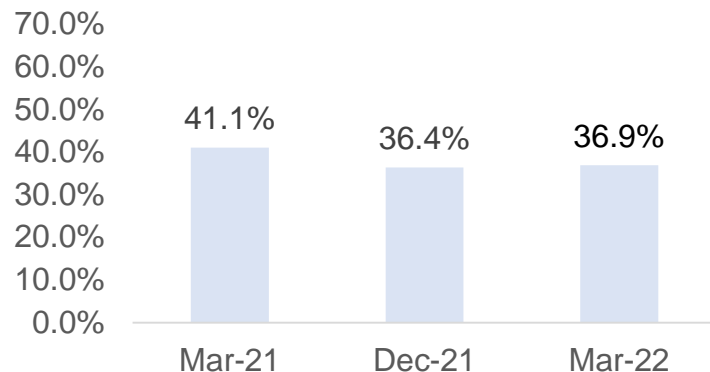
- Company's cash position continues to remain healthy
- Capex of INR 35M in Q4FY22 for investment in capacity addition and automation



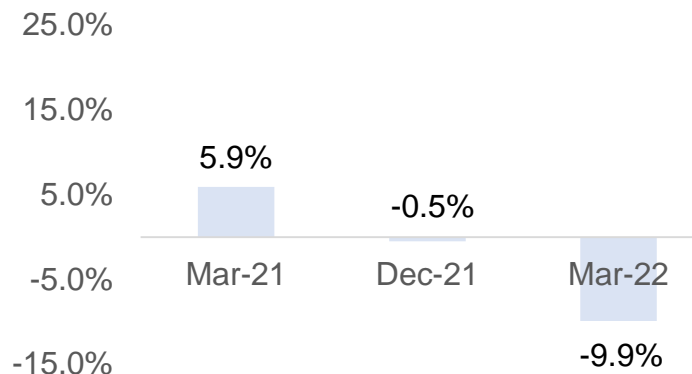
Q4'22: Financial Update – Key Ratios



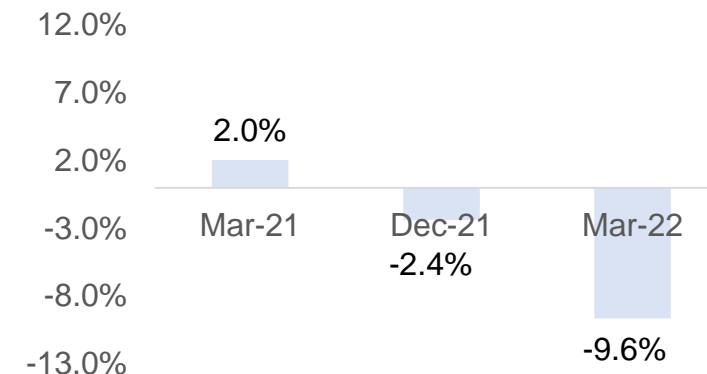
Material Margin¹



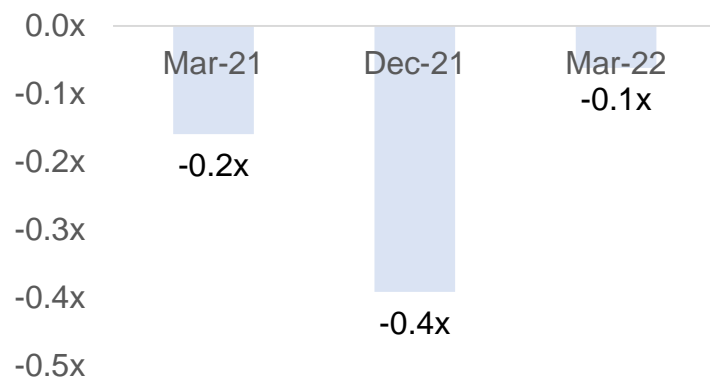
Adjusted EBITDA Margin²



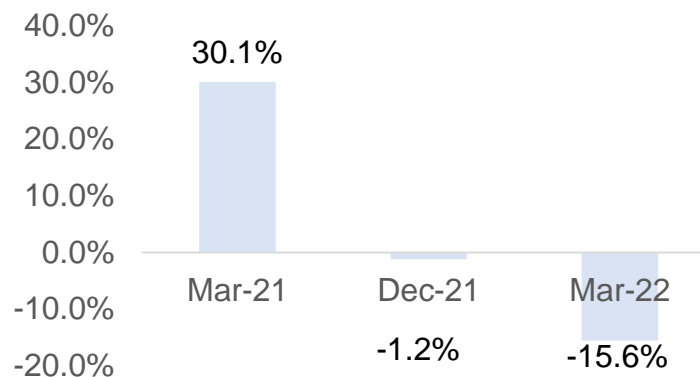
Adjusted PAT Margin³



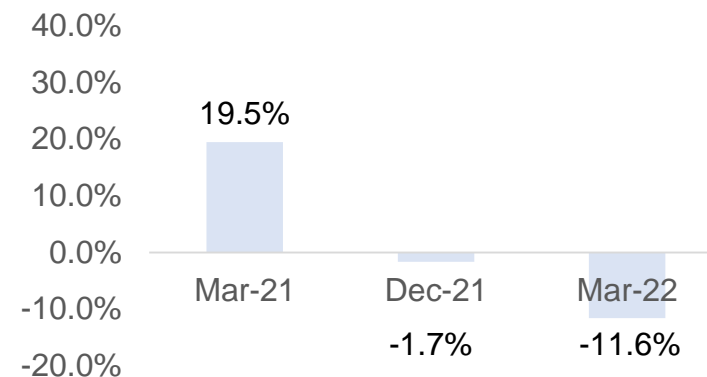
Net Debt / Adj. EBITDAx⁴



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