

Vadilal

Date: 16th August, 2018

To,
The National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.

To
Department of Corporate Services,
Bombay Stock Exchange Limited,
1st Floor, Rotunda Building,
Dalal Street, Fort,
Mumbai - 400 001.

Scrip Code No. VADILALIND-EQ

Scrip Code : 519156

Dear Sir,

SUB: EARNING PRESENTATION OF THE COMPANY FOR THE FIRTST QUARTER OF THE YEAR 2018-19

With reference to the captioned subject, please find enclosed herewith Earning Presentation of the Company for the First Quarter of the year i.e. 01-04-2018 to 30-06-2018

Kindly take the same on your record.

Thanking you,

Yours faithfully,
For **VADILAL INDUSTRIES LIMITED**



Ruchita Gurjar
Company Secretary & Compliance Officer



Encl : As above

VADILAL INDUSTRIES LIMITED

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Ahmedabad-380015. Ph. No.: 079-30921200

Reg. Office : VadilalHouse, 53, Shrimali Society, Nr. Navrangpura Railway Crossing, Navrangpura, Ahmedabad-380009. Ph. No. : 079-26564019-24
Email id : info@vadilalgroup.com Website : vadilalicecreams.com / www.vadilalgroup.com CIN No. L91110GJ1982PLC005169



VADILAL INDUSTRIES

Q1 FY19
Results Presentation



Disclaimer

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.



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Q1 FY19 Financial Performance



Chairman's Message

Commenting on Q1 FY19 performance, Mr. Rajesh Gandhi, Chairman and Managing Director, Vadilal Industries Limited (VIL) said:



“We have started the year on a strong note, with 9% volume growth in India during the peak ice cream season this summer, and overall a healthy operating and financial performance during the quarter under review. VIL has been booking revenues on ex-factory basis, not bearing cost of transportation and storage till C&F locations, which are not factored in current revenues when compared to Q1FY18 reported numbers. In addition to the heartening performance from domestic business, we have returned strong growth in the international business, which expanded by 65%. International business now accounts for ~16% of our revenues compared to ~10% a year ago. Domestic business growth was driven by improved volumes as the trend of higher contribution from personalized packs was maintained. These packs now contribute about 74% of total sales.

During the quarter, we have continued to benefit from lower raw material prices, based on the pre-season buying during the season, and our cost control initiatives that have resulted in higher contribution margins. We are constantly focused on increasing process orientation within the business and the implementation of SAP in the distribution framework has been on track. In the international business, product realizations and margins are strong on the back of solid brand connect with the Indian diaspora and the premium products portfolio that we offer to those markets.

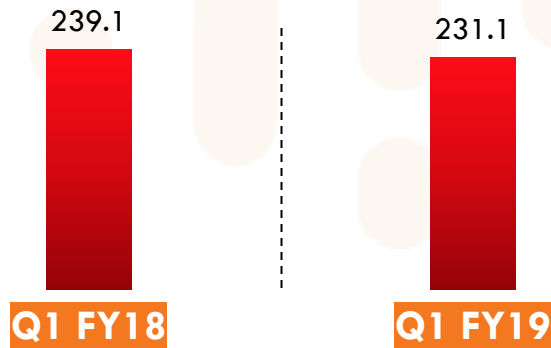
We will continue to expand our distribution network in both domestic and International business. We are also making investments in IT enhancement and balancing equipment at the factory to meet greater volumes. In India, we plan to install ~10,000 deep freezers in the current year. In the US, we expand our reach deeper through three strategically-located warehouses backed by people and transport infrastructure. These investments will deliver strong returns over time as the business continues to grow.

We further lowered outstanding debt which stood at Rs. 94.4 crore compared to Rs. 102.6 crore a year ago, leading to 14% reduction in interest payout. We plan investments of Rs. 35 crore in upgrading our manufacturing capabilities, additional balancing equipment and IT upgrades with focus on expansion, quality and efficiency parameters.

Going forward, we see domestic demand remaining positive as the consumption environment improves and organized players like us are expected to benefit. Overall, we see 8-10% growth in India and strong demand momentum in International business. It is our endeavor to bring the widest range of quality products to customers giving them deep value both in India and targeted overseas markets.

Financials – Q1 FY19 Performance

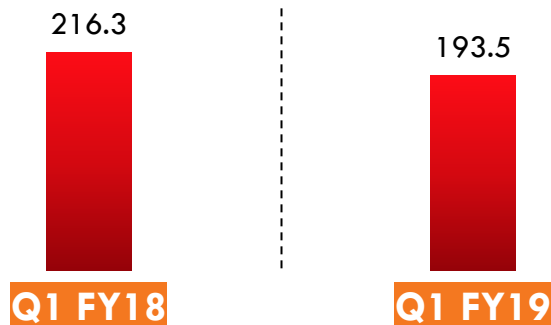
Revenue



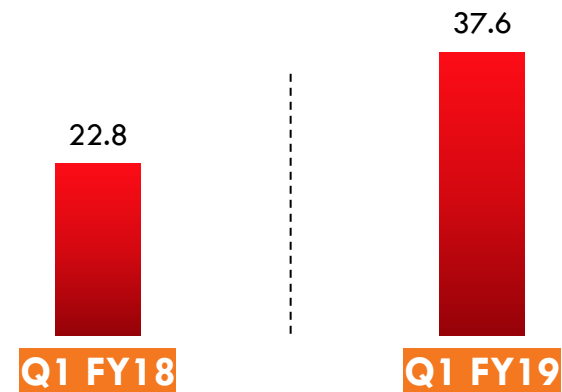
Note – Revenues considered, net of excise duties

- VIL now bills ex-factory, not bearing cost of transportation/storage till C&F locations thereby reducing reported Q1FY19 revenues
 - Comparable revenues grew by 9% yoy
 - International business revenues grew by 65% yoy
 - Enhanced performance from the Domestic business on account of higher volumes
- In the International Business, we continue to expand distribution and products focused on Indian diaspora in the US and other geographies

Domestic



International



International segment includes Vadilal Industries (USA) Inc.

Financials – Q1FY19 Performance

		Rs. Crore
1	VIL's reported Domestic revenues (net of excise duty) for Q1FY18	216
2	Less: Revenue impact from changes in billing methodology	22 ^A
3	Less: One-time additional revenues	17 ^B
4	VIL's Domestic revenues for Q1FY18 – comparable with current reporting	177
5	VIL's Domestic revenues for Q1FY19	193
	YoY Growth	9%

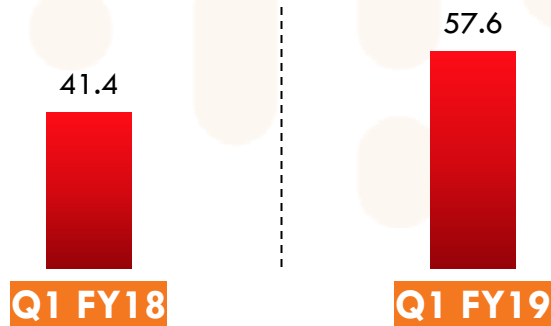
volume growth
on a like-to-like
comparison
basis

NOTES -

- A. Till Q1FY18, reported sales value was inflated as billing was done till C&F locations and included cost of transportation/storage. Starting Q2FY18, domestic revenues are billed ex-factory. Also, till Q1FY19 billing included applicable VAT which is now deflated by about 4% in the GST regime, based on the current tax rates. Total impact of these shifts is Rs. 22 crore.
- B. Prior to the shift to GST-compliant billing on 1st July 2017, VIL shifted inventory to VEL locations resulting in one-time additional sale of Rs. 17 crore that was recorded in Q1FY18 revenues.

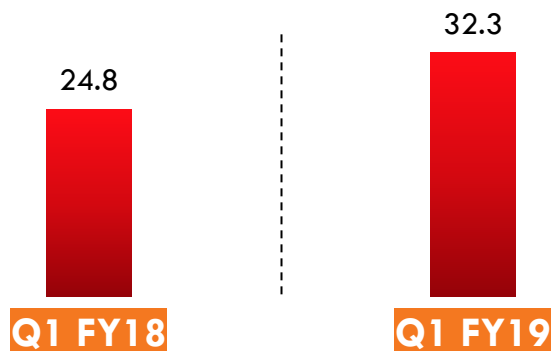
Financials – Q1 FY19 Performance

EBITDA



Note – Revenues considered, net of excise duties

PAT



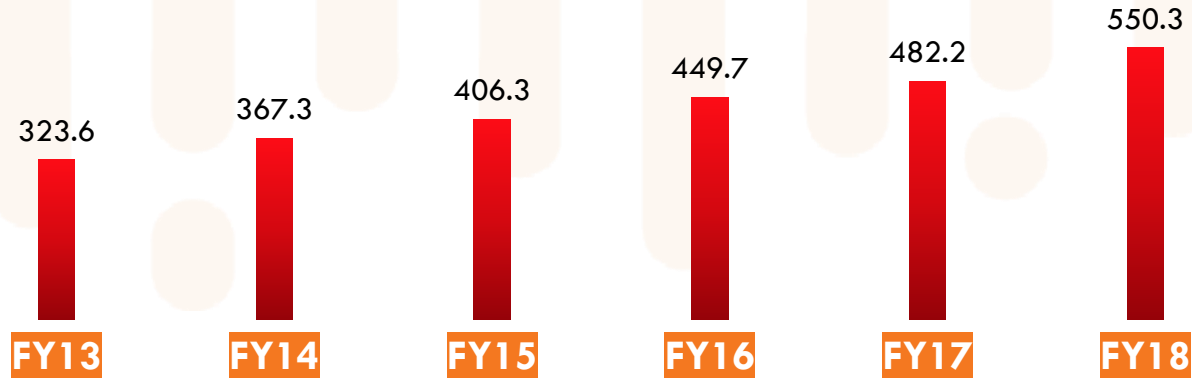
- EBITDA margin for the quarter were higher by ~760 bps on account of higher volumes, lower input costs and focus on efficiencies
- Continue to focus on rationalization of debt:
 - Reconstituted outstanding debt to increase long tenure loans and reduced cost of debt
 - Overall debt as on June 30th 2018 was lower at Rs. 94.4 crore as against Rs. 102.6 crore on June 30th 2017
 - Finance costs in FY18 lower by 14% y-o-y at Rs. 3.5 crore versus Rs. 4.0 crore in Q1FY18
- PAT for the quarter improved by 31% to Rs. 32.3 crore from Rs. 24.8 crore in Q1FY18

Financials Performance Trends

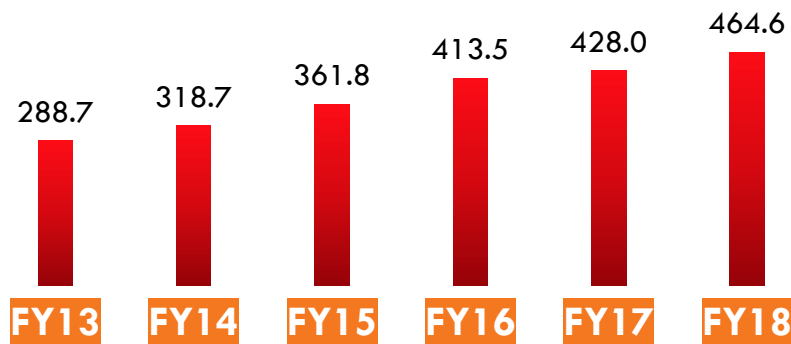


Financials Performance Trends

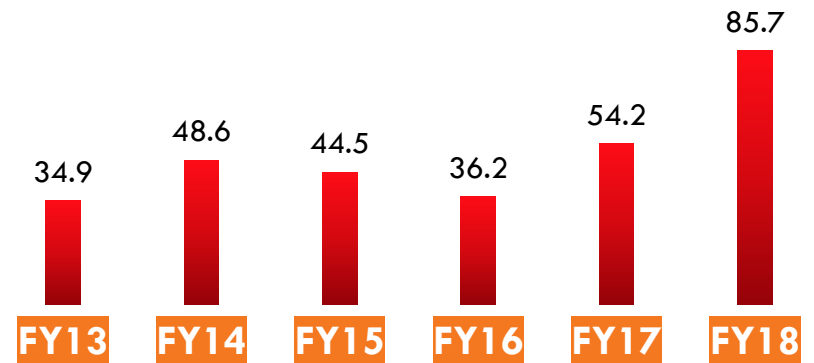
Revenue (Rs. cr)



Domestic

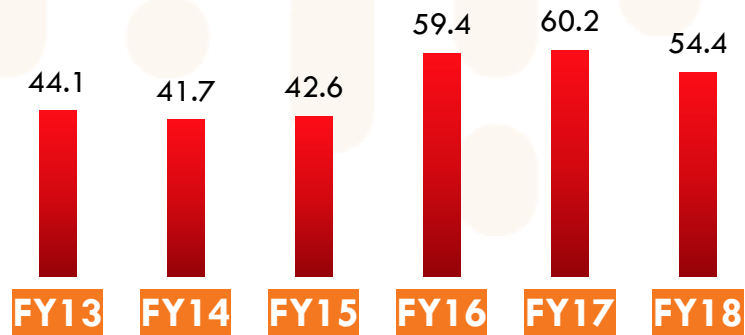


International

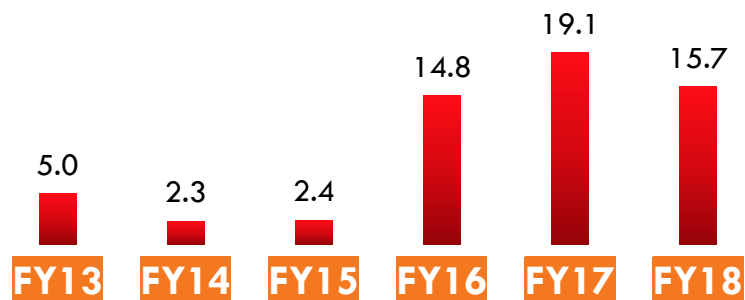


Financials Performance Trends

EBITDA



PAT

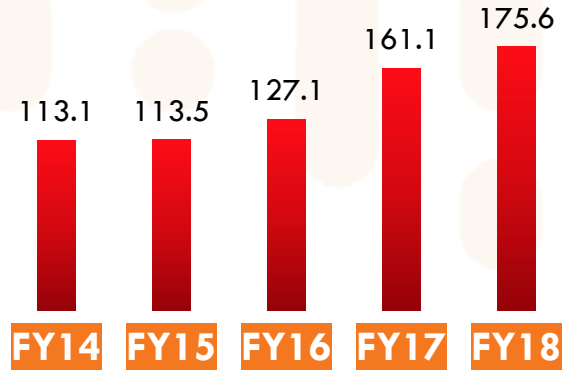


- Longer term, consumer behavior is transitioning with increasing acceptance for western desserts.
 - Domestic business growth, temporarily impacted by recent changes in operating environment and consumption spending, is now reverting to historical trends
 - Continued focus on developing domestic business and lower input costs expected to drive growth
- Will continue to invest in production capacity, technology, brand and distribution
- As volumes enhance, existing capacity gets utilized more efficiently and margins, which were depressed in the past, are improving

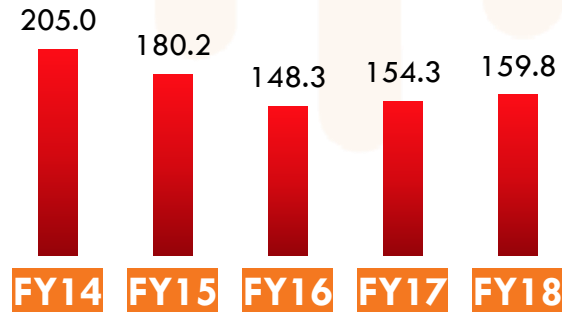
Financials Performance Trends – Balance Sheet

Liabilities

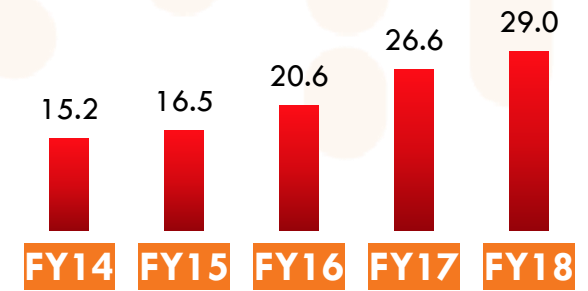
Networth



Debt

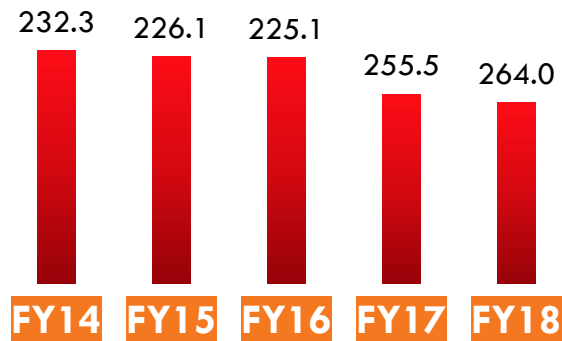


Other Non-Current Liabilities

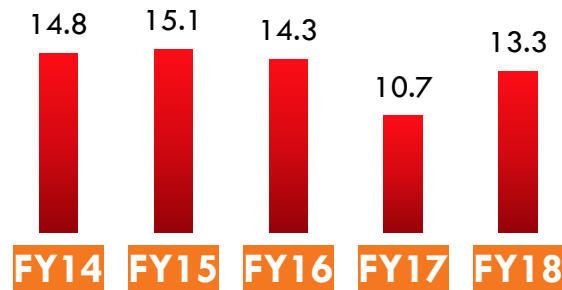


Assets

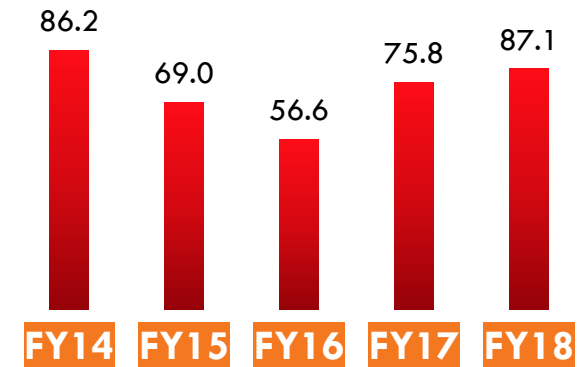
Net Fixed Assets



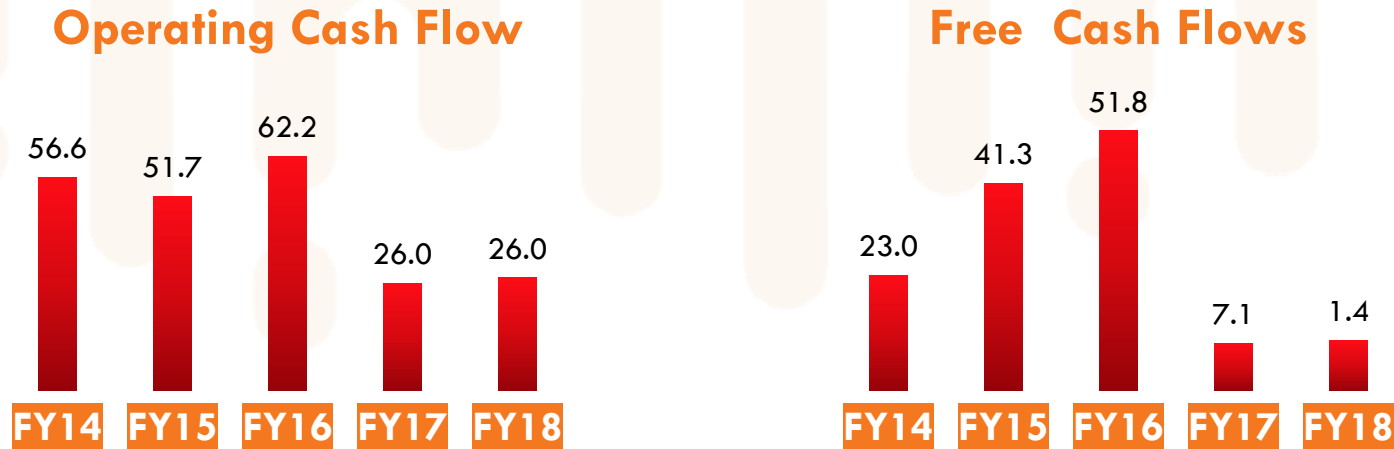
Other Non-Current Assets



Net Current Assets



Financials Performance Trends – Cash Flows



- Estimated capex for FY 19 at ~ Rs. 35 crore
- Finance costs in FY18 lower by 4% y-o-y at Rs. 15.3 crore versus Rs. 16.0 crore in FY17

Vadilal Industries Overview



Overview

**111-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 key markets – Gujarat, Rajasthan, UP, Uttarakhand, Haryana and Chandigarh

**Strong
distribution
network in
North, West
and East India**

16 states, 61 CNF's, over 1200 distributors, 290 distribution vehicles, 45,000 + retail outlets

**Expanding
global
business
presence**

Products reach 45 countries across four continents – key markets include US, Canada, UK, Middle East, Australia and New Zealand

Exporting processed food products, ice-creams and frozen desserts

Vadilal: Growth Strategies



Geographical Expansion

- Expanding footprint in North and East regions of India
- New production facility expected in East India
- Expanding distribution footprint in tier 3/4 cities and rural markets



Retail Investments

- 10,000 new sales outlets planned in FY19
- 100 more distributors expected to be added in FY19
- Investments in new technologies



New Product Development

- Constantly innovating to roll out new products in domestic and global markets
- Targeting expansion of market share in premium/super-premium segment



Brand Building Initiatives

- Seen as one of the most trusted ice cream and leading processed foods brand in India
- Undertaken campaigns to strengthen social media presence
- Rural marketing initiatives



Global Expansion

- Leveraging frozen foods channels to expand ice cream exports globally
- Strong distribution to Indian diaspora who have displayed affinity for the brand and differentiated products offerings

Ice Creams - Brands Portfolio



- Largest range of ice creams of any company in India
- 300 SKU's of cones, candies, bars, ice lollies, cups, family packs, economy packs
- Constantly innovating to roll out new products in ice cream 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 and improved availability of power leading further expanding demand

Marketing initiatives – Thrust towards Premiumization



- Parineeti Chopra associated as ambassador for Vadilal brand till 2018 season.
- Unveiled new products endorsed by the brand ambassador, with the expanded range being evaluated on an ongoing basis.

Growing International Presence



- Exporting ice-creams, frozen desserts and processed food products
- Key markets – US, Canada, UK, Kuwait, Qatar, Bahrain, UAE, Singapore, Australia, New Zealand
- Focused on Indian diaspora globally and adhering to international food standards
- Two decades of experience selling frozen foods globally being leveraged to expand ice cream exports



Robust Expansion in U.S. market



- Latent demand for quality Indian products driving strong volume growth in US ice cream sales
- 35-member team reaching 40 plus US states and ~70% of local Indian diaspora
- Deriving significant benefit from the existing processed foods distribution network in the US
- Expanding product base within existing categories, launching new categories such as Indian Mithai and Paneer



International Product Portfolio



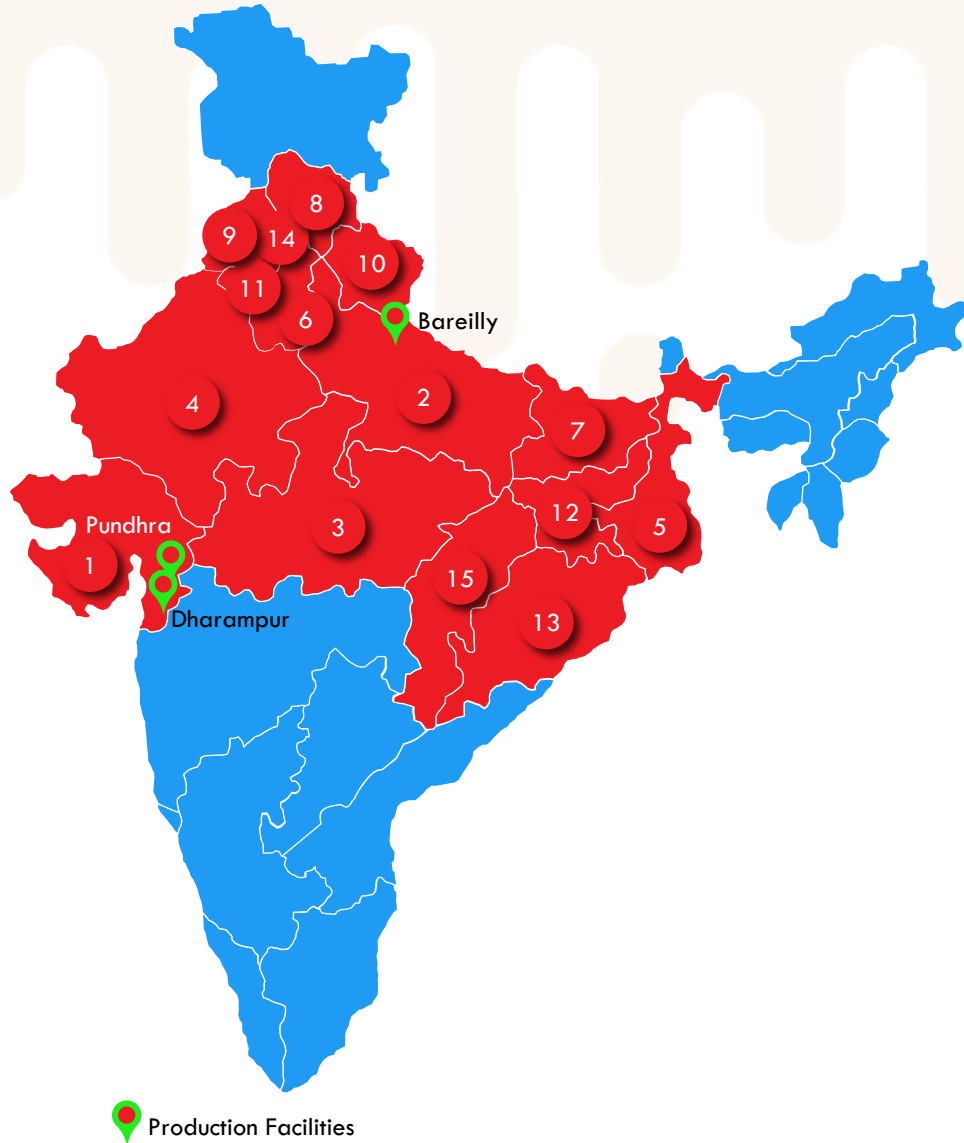
Production Facilities



- Capacity expanded from 270,000 liters per day to 380,000 liters per day over the past few years
- Current production on automated processes “untouched by hand”, manual intervention only at packaging stage
- Focused production lines for international standard manufacturing for exports
- No major capital expenditure anticipated on capacity enhancement

Facilities	Capacity	Production	Certification
Bareilly	150,000 liters per day	Ice cream	ISO-22000:2005
Dharampur	33,000 kgs per day	Processed foods	ISO-22000:2005 and BRC : Issue 6
Pundhra	230,000 liters per day	Ice cream	ISO-22000:2005 and BRC : Issue 6

Deep Domestic Distribution Presence



	States	Distributor
1	Gujarat	200
2	Uttar Pradesh	185
3	Madhya Pradesh	150
4	Rajasthan	138
5	West Bengal	89
6	Delhi	63
7	Bihar	58
8	Himachal Pradesh	58
9	Punjab	51
10	Uttarakhand	48
11	Haryana	44
12	Jharkhand	41
13	Orissa	37
14	Chandigarh	36
15	Chhattisgarh	18

Distribution network comprises of over **45,000** retailers, over **1,200** large distributors, **61** CNFs, **290** distribution vehicles and almost **300** SKUs.

Adopted franchisee route to further increase market penetration and established **85 ice cream parlors** under 'HAPPINEZZ' brand name

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

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



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

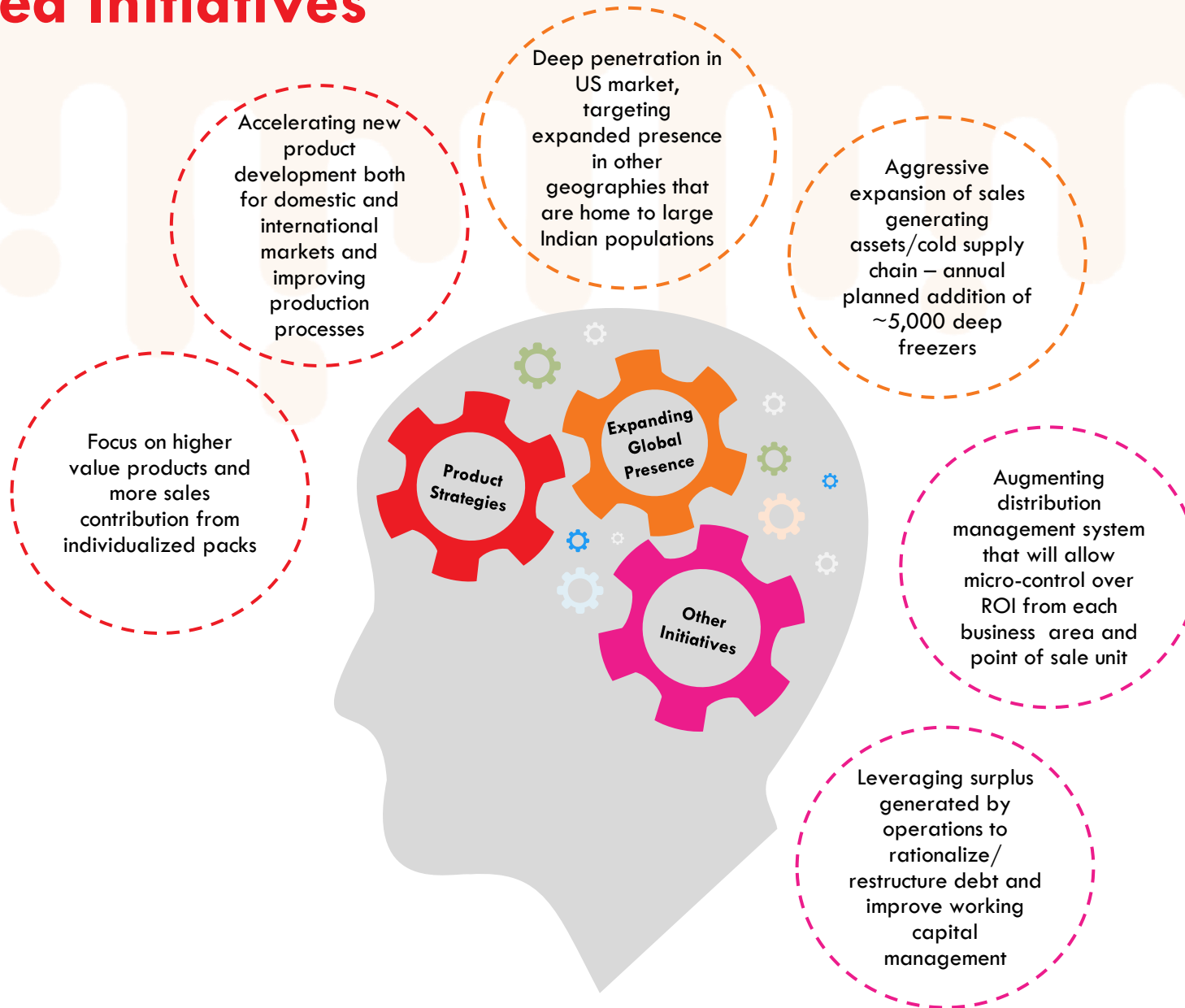


Voted As India's Most Trusted Brand In The Ice Cream Category By [Trust Research Advisory Board](#).

Outlook



Planned Initiatives



Contact Us

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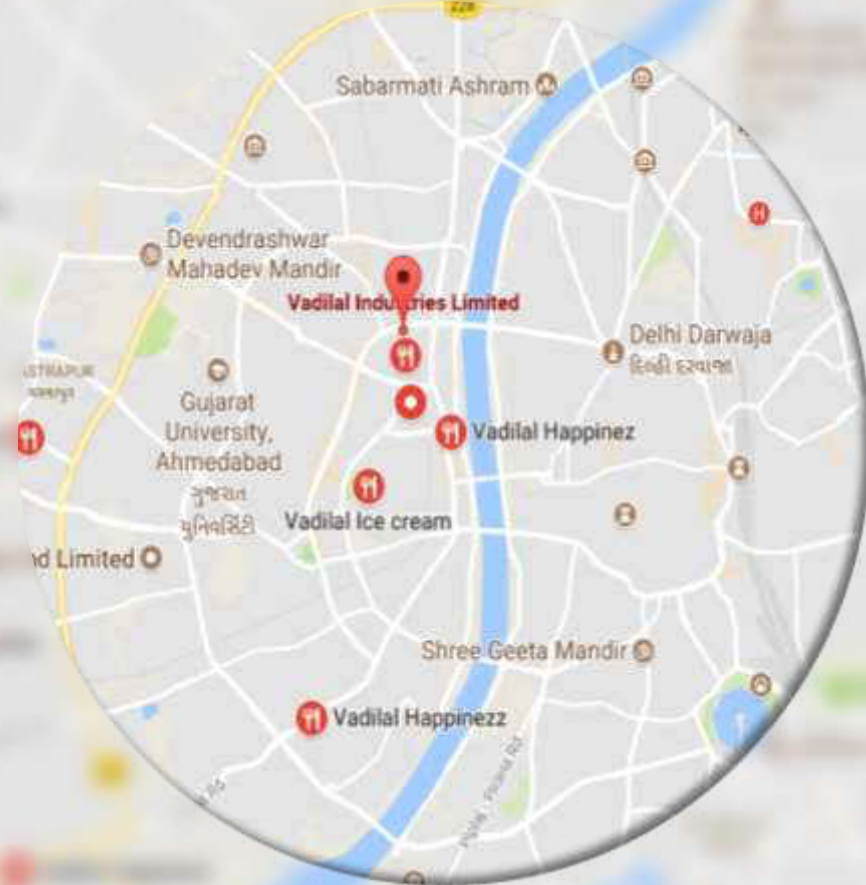
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Thank You

