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29th July, 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> Symbol: DFMFOODS
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Dear Sir/Madam,

Sub: Quarterly update

Please find enclosed herewith Quarterly update-Q1 FY 2021-22.

Thanking you.

Yours faithfully,
For DFM Foods Limited

(R. S. Tomer)
Company Secretary



Encl: As above









DFM Foods

Quarterly Update – Q1FY22

29th Jul 2021

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 ~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 in Q4FY21



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



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)



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



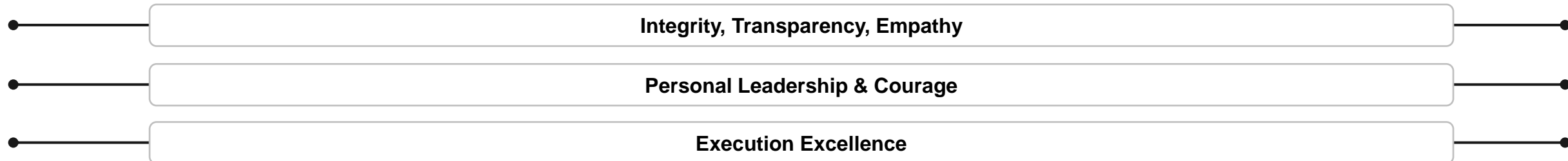
Lagan Shastri, Managing Director & CEO

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- 22 years of experience in FMCG Industry
- MBA, IIM Bangalore



Strategic Roadmap

Stakeholder Value Creation



Q1'22: Key Highlights

Market Update:

- **Q1FY22:** Salty snacks market declined by ~9% QoQ and extruded declined by ~13% QoQ

Company Update

- **Business remains structurally strong:** Incremental investments (6% of net sales) in advertising and Go To Market initiatives
- **COVID Impact:** Q1FY22 was impacted by the 2nd wave, resulting in lower revenue, closure of key markets, and affecting a large number of employees and channel partners
- **Continued share gain:** Gained ~85 bps share QoQ in Q1FY22; higher share gain in core geography
- **Resilient product portfolio:** Investment in Fritts, Curls & Natkhat continues to drive share gain
- **New segment entry:** Successfully launched Potato chips in UP in 3 flavours
- **Cost management:** Contained material margin at 37.9% through a company wide cost management programme and pricing improvement, despite intense commodity inflation
- **Brand building:** Continued investment in brand through increased advertising and visibility; spend of 4.7% of sales in Q1FY22 vs. 0.2% in Q1FY21
- **Go to market:** ~140bps QoQ improvement in weighted reach in core geography, driven by increased investment in go to market initiatives: ~2.3% of net sales in Q1FY22 vs 0.8% in Q1FY21
- **Technology:** Driving deeper adoption and stabilization of sales force automation in core geography; expanding automation to other geographies as well as to indirect distribution
- **Vaccination:** 91%+ of employees vaccinated; vaccination extended to other stakeholders

Q1'22: Financial Update – Quarterly P&L



Abridged Quarterly Financials

INR M	Jun-20	Jun-21	YoY Gr.	Mar-21
Net Sales	1,149.3	1,104.5	(3.9%)	1,324.8
Less: COGS	698.7	685.6	(1.9%)	780.9
Material Margin	450.6	418.9	(7.0%)	543.9
<i>% of Net Revenue</i>	39.2%	37.9%		41.1%
Less:				
Employee Cost	132.0	134.2	1.7%	137.1
Advertising	1.8	51.4	na	94.2
Investment in GTM Expansion	9.3	25.9	178.5%	21.3
Other Expenses	159.6	195.3	22.4%	226.4
Reported EBITDA	147.9	12.1	(91.8%)	64.9
<i>% of Net Revenue</i>	12.9%	1.1%		4.9%
Less:				
D&A	31.4	38.8	23.6%	37.6
Reported EBIT	116.5	(26.7)	(122.9%)	27.3
<i>% of Net Revenue</i>	10.1%	(2.4%)		2.1%
Less: Finance Cost	30.1	27.1	(10.0%)	25.9
Add: Other Income	19.3	31.6	63.7%	12.3
Reported PBT	105.7	(22.2)	(121.0%)	13.7
<i>% of Net Revenue</i>	9.2%	(2.0%)		1.0%
Less: Taxes	25.7	(4.9)		4.7
Reported PAT	80.0	(17.3)	(121.6%)	9.0
<i>% of Net Revenue</i>	7.0%	(1.6%)		0.7%
Reported EBITDA	147.9	12.1	(91.8%)	64.9
Add:				
ESAR Expenses	3.4	9.9	190.4%	13.1
One time expenses ^a	-	30.7		9.5
Adjusted EBITDA	151.3	52.7	(65.2%)	87.5
<i>% of Net Revenue</i>	13.2%	4.8%		6.6%

Key Highlights

- 2nd wave of COVID and ensuing lockdowns substantially impacted the category and the company in Q1FY22; resulting in revenue decline of ~4% YoY
- Despite intense commodity inflation, DFM Foods contained material margins at 37.9% through pricing improvement and a company wide cost management programme
- Advertising spend increased to 4.7% of sales in Q1FY22 vs. 0.2% of net sales in Q1FY21
- Investment in go to market expansion increased to ~2.3% of net sales in Q1FY22 vs 0.8% of net sales in Q1FY21
- Increase in Other Expenses primarily due to one-time expenses, such as CWIP write off and Covid related provisions
- EBITDA (adjusted for ESAR and one-time expenses) declined largely due to increased investments in brand building and go to market expansion

Note: a) One-time expenses incurred in Q1FY22 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 Q4FY21 for expenses towards land conversion.



Q1'22: Financial Update – Balance Sheet



Balance Sheet

INR M	Jun-20	Mar-21	Jun-21
Bank balances and investments	1,079	1,090	1,083
Inventory	259	265	308
Receivables	1	40	-
Other current assets	49	123	124
Total Current Assets	1,388	1,518	1,515
Fixed Assets (incl CWIP)	1,796	1,800	1,765
RoU	482	626	381
Other assets	142	99	113
Total Assets	3,808	4,043	3,773
Payables	679	556	615
Other current liabilities	104	116	87
Other financial liabilities	232	228	217
Short Term Debt	-	-	6
Current Liabilities	1,015	900	925
Long Term Debt	756	713	690
Lease Liabilities	280	447	185
Other Liabilities	74	58	54
Deferred Tax Liabilities	139	144	146
Non Current Liabilities	1,247	1,362	1,074
Equity	1,545	1,781	1,774
Total Equity + Liabilities	3,808	4,043	3,773
Net Debt	(324)	(377)	(388)

Key Highlights

- Negative working capital* continues
- Company's cash position continues to remain healthy
- The decrease in Right of Use (RoU) reflects termination of one of its unutilized leases

Source: Company Data

Note : * Net Working Capital excludes Bank Balances & Investments



Q1'22: Financial Update – Cash Flow



Cash Flow

INR M	QUARTER	
	Jun-20	Jun-21
Reported EBITDA	148	12
Change in WC	115	9
Income tax paid	(21)	(1)
Capex	(8)	(17)
Interest paid	(22)	(12)
Interest received	5	9
Others	11	17
FCFF	229	16
Debt issued / (paid)	(75)	(23)
Equity raised/option exercised	8	-
Net Cash generated	162	(7)
Opening Bank Balances and Investments	918	1,090
Closing Bank balances and Investments	1,079	1,083

Key Highlights

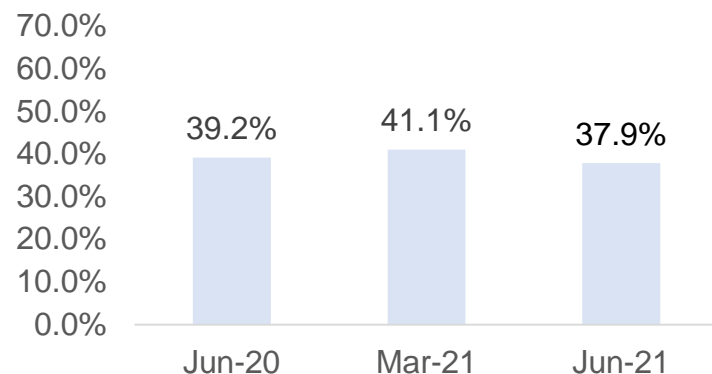
- Company's cash position continues to remain healthy
- Debt repayment of INR 23M in Q1FY22
- Capex of INR 17M in Q1FY22 for investment in capacity addition and automation



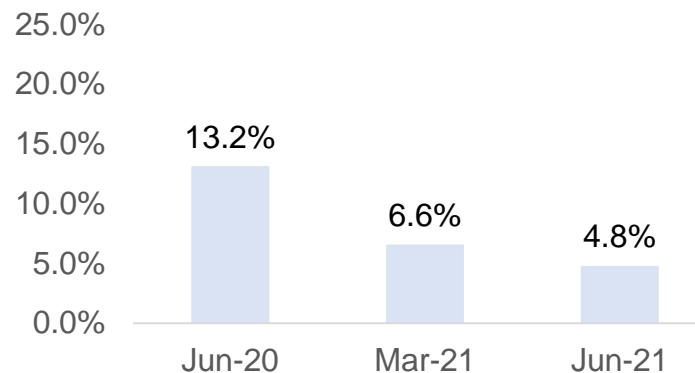
Q1'22: Financial Update – Key Ratios



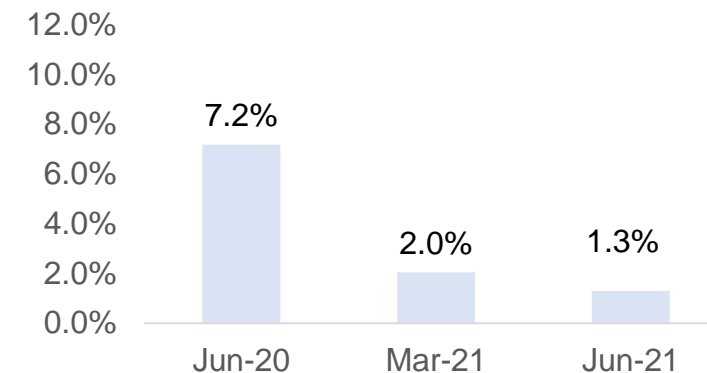
Material Margin¹



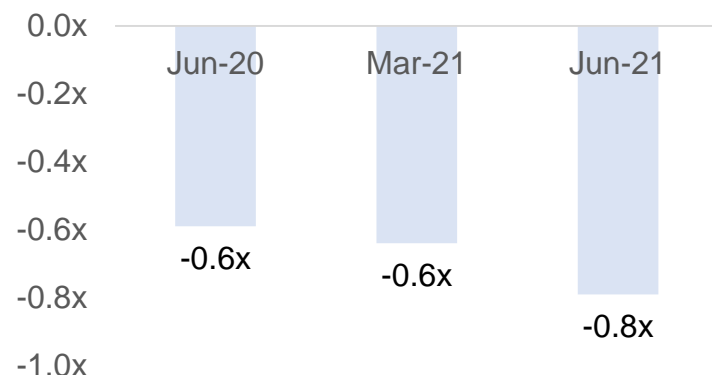
Adjusted EBITDA Margin²



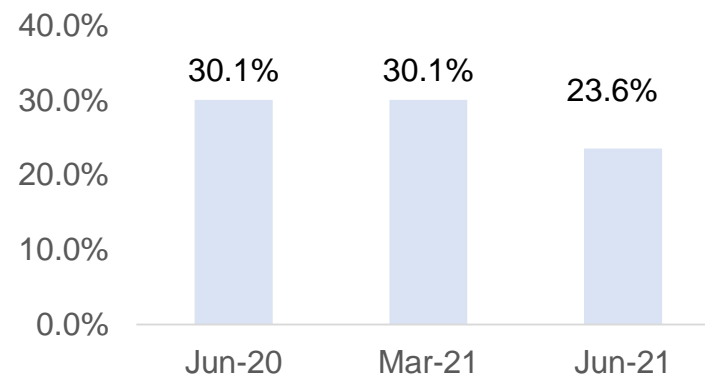
Adjusted PAT Margin³



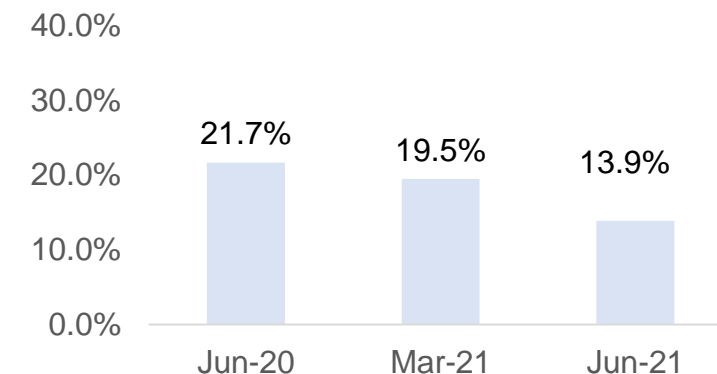
Net Debt / Adj. EBITDAx⁴



RoCE⁵



RoE⁶



Note: Methodology for calculating Net Debt/EBITDA, RoCE, RoE has been changed compared to last quarter. Earlier methodology was based on annualizing EBITDA, EBIT, and PAT for the current quarter, whereas, Current methodology is based on using 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; 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