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8th February, 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-Q3 FY 2020-21.

Thanking you.

Yours faithfully,

For DFM Foods Limited

(R.S. Tomer)
Company Secretary



Encl: As above

DFM Foods

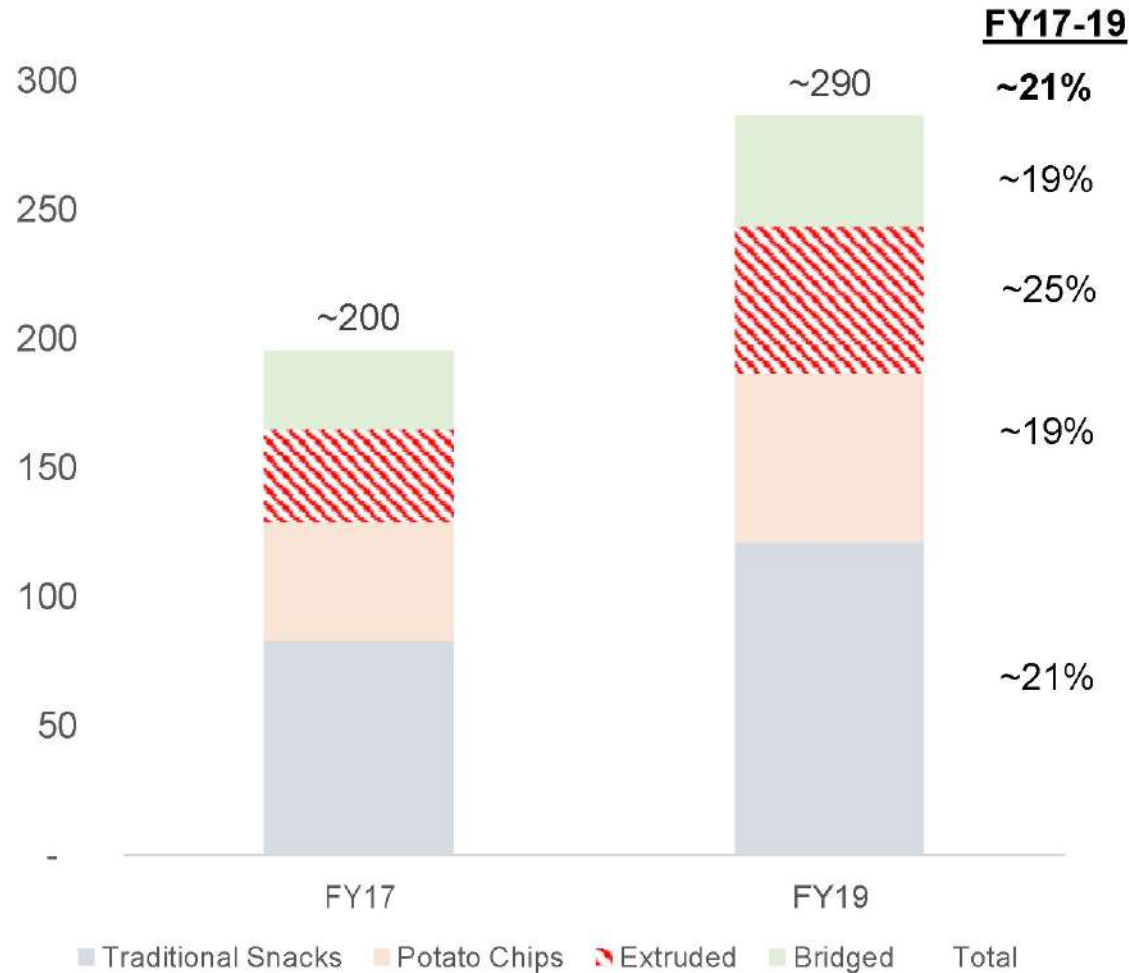
Quarterly Update – Q3FY21



Organized Salty Snacks Market



Organized Salty Snacks Market (INRB)









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

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 PanIndia for Extruded Snacks ² 1.3M Retailers ²
Attractive RoCE	Negative Working Capital Cycle	Professional Management Team
 ~ 36% ³	 Negative 30 Days ⁴	 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 in multiple 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
- Available in multiple 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
- Available in multiple flavors



Launched in 2019

Pasta Crunch

- Pellets
- Crunchy taste with a unique Chinese Tadka flavor



New Launches – Last 12 months



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 saltysnacks 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



FY'21: Key Highlights



Market Update:

- Q3 FY21: Salty snacks industry declined by ~1% YoY; extruded market declined by ~15% YoY
- YTD FY21: Salty snacks industry declined by ~18% YoY; extruded market declined by ~27% YoY

Company Update

- **Continued share gain:** Strong performance in Q3 with >200 bps YoY market share gain in the core geographies
- **Resilient product portfolio:** Non-Rings product portfolio grew faster than overall company
- **Brand building:** Resumed investments in brand building
- **Product innovation:** Multiple new variants launched and test marketed in FY21
- **Go to market:** Launched on e-commerce platforms and expanded presence in large format retail
- **Improved margin profile:** Material margins improved by 80 bps YoY despite commodity inflation

Q3'21: Financial Update – Quarterly P&L



Abridged Quarterly Financials

INR M	Dec-19	Dec-20	YoY Gr.	Sep-20
Net Sales	1,346.0	1,353.8	0.6%	1,412.7
Less: COGS	807.5	801.6	(0.7%)	837.6
Material Margin	538.5	552.2	2.5%	575.1
<i>% of Net Revenue</i>	40.0%	40.8%		40.7%
Less:				
Employee Cost	160.3	126.0	(21.4%)	147.8
Advertising	46.5	56.4	21.3%	40.4
Other Expenses	258.8	205.2	(20.7%)	208.1
Reported EBITDA	72.9	164.7	125.9%	178.9
<i>% of Net Revenue</i>	5.4%	12.2%		12.7%
Less:				
D&A	30.1	31.7	5.3%	31.1
Reported EBIT	42.8	133.0	210.7%	147.8
<i>% of Net Revenue</i>	3.2%	9.8%		10.5%
Less: Finance Cost	25.7	24.6	(4.3%)	27.4
Add: Other Income	24.3	19.4	-20.2%	18.2
Less: Taxes	8.9	33.0		35.4
Reported PAT	32.5	94.8	191.7%	103.2
<i>% of Net Revenue</i>	2.4%	7.0%		7.3%
Reported EBITDA	72.9	164.7	125.9%	178.9
Add:				
ESAR Expenses ^a	2.5	(0.8)	(132.5%)	11.3
Deal related expenses ^b	51.3	-	(100.0%)	-
Adjusted EBITDA	126.7	163.9	29.4%	190.2
<i>% of Net Revenue</i>	9.4%	12.1%		13.5%

Key Highlights

- Revenue growth of ~0.6% YoY vs market decline of ~15% YoY
- Material margin expanded by 80 bps YoY despite high commodity inflation
- Advertising spend increased by 21.3% YoY
- Driven by cost initiatives, EBITDA (adjusted for ESAR and deal related one time expenses) grew by 29.4% YoY

Note: a) ESAR Expenses are negative due to reversal of INR 13.9m in Q3FY21 b) Deal related one time expenses incurred in Q3FY20 for expenses towards settlement of retiring employees, transaction expenses and professional charges incurred for hiring new management team.

Q3'21: Financial Update – YTD P&L



Abridged YTD Financials (9 Months)

INR M	YTD FY20	YTD FY21	YoY Gr.	FY20
Net Sales	3,981.8	3,915.8	(1.7%)	5,079.4
Less: COGS	2,351.2	2,337.9	(0.6%)	3,053.3
Material Margin	1,630.6	1,577.9	(3.2%)	2,026.1
<i>% of Net Revenue</i>	<i>41.0%</i>	<i>40.3%</i>		<i>39.9%</i>
Less:				
Employee Cost	428.4	405.8	(5.3%)	549.2
Advertising	114.6	98.5	(14.0%)	148.4
Other Expenses	691.6	582.1	(15.8%)	911.5
Reported EBITDA	396.0	491.5	24.1%	417.0
<i>% of Net Revenue</i>	<i>9.9%</i>	<i>12.6%</i>		<i>8.2%</i>
Less:				
D&A	86.0	94.2	9.5%	113.5
Reported EBIT	310.0	397.3	28.2%	303.5
<i>% of Net Revenue</i>	<i>7.8%</i>	<i>10.1%</i>		<i>6.0%</i>
Less: Finance Cost	74.1	82.1	10.8%	99.2
Add: Other Income	50.3	56.9	13.1%	67.8
Reported PBT	286.2	372.1	30.0%	272.1
<i>% of Net Revenue</i>	<i>7.2%</i>	<i>9.5%</i>		<i>5.4%</i>
Less: Taxes	29.7	94.1		27.9
Reported PAT	256.5	278.0	8.4%	244.2
<i>% of Net Revenue</i>	<i>6.4%</i>	<i>7.1%</i>		<i>4.8%</i>
Reported EBITDA	396.0	491.5	24.1%	417.0
Add:				
ESAR Expenses ^a	7.4	13.9	87.9%	9.8
Deal related expenses ^b	65.8	-	(100.0%)	141.5 ^c
Adjusted EBITDA	469.2	505.4	7.7%	568.3
<i>% of Net Revenue</i>	<i>11.8%</i>	<i>12.9%</i>		<i>11.2%</i>

Key Highlights

- Revenue decline of 1.7% YoY vs market decline of ~27% YoY
- Adjusted EBITDA grew by 7.7% YoY

Note: a) ESAR Expenses of INR 3.4m in Q1FY21, 11.3m in Q2FY21, -0.8m in Q3FY21 (due to reversal) b) Deal related one time expenses incurred in YTD FY20 for expenses towards settlement of retiring employees, transaction expenses and professional charges incurred for hiring new management team. c) Deal related expenses in FY20 also includes COVID-19 related claims of INR 30 M

Q3'21: Financial Update – Balance Sheet



Balance Sheet

INR M	Dec-19	Sep-20	Dec-20
Bank balances and investments	974	1,191	1,089
Inventory	227	234	238
Receivables	-	-	-
Other current assets	56	54	66
Total Current Assets	1,257	1,479	1,393
Fixed Assets (incl CWIP)	1,830	1,776	1,804
RoU	445	477	471
Other assets	122	92	149
Total Assets	3,654	3,824	3,818
Payables	553	596	490
Other current liabilities	78	99	111
Other financial liabilities	199	229	227
Short Term Debt	99	0	10
Current Liabilities	928	925	837
Long Term Debt	798	746	729
Lease Liabilities	228	282	282
Other Liabilities	79	77	77
Deferred Tax Liabilities	158	137	142
Non Current Liabilities	1,263	1,241	1,230
Equity	1,463	1,659	1,752
Total Equity + Liabilities	3,654	3,824	3,818
Net Debt	(77)	(446)	(351)

Key Highlights

- Negative working capital* continues
- Company's cash position continues to remain healthy

Source: Company Data

Note : * NetWorking Capital excludes Bank Balances & Investments

Q3'21: Financial Update – Cash Flow



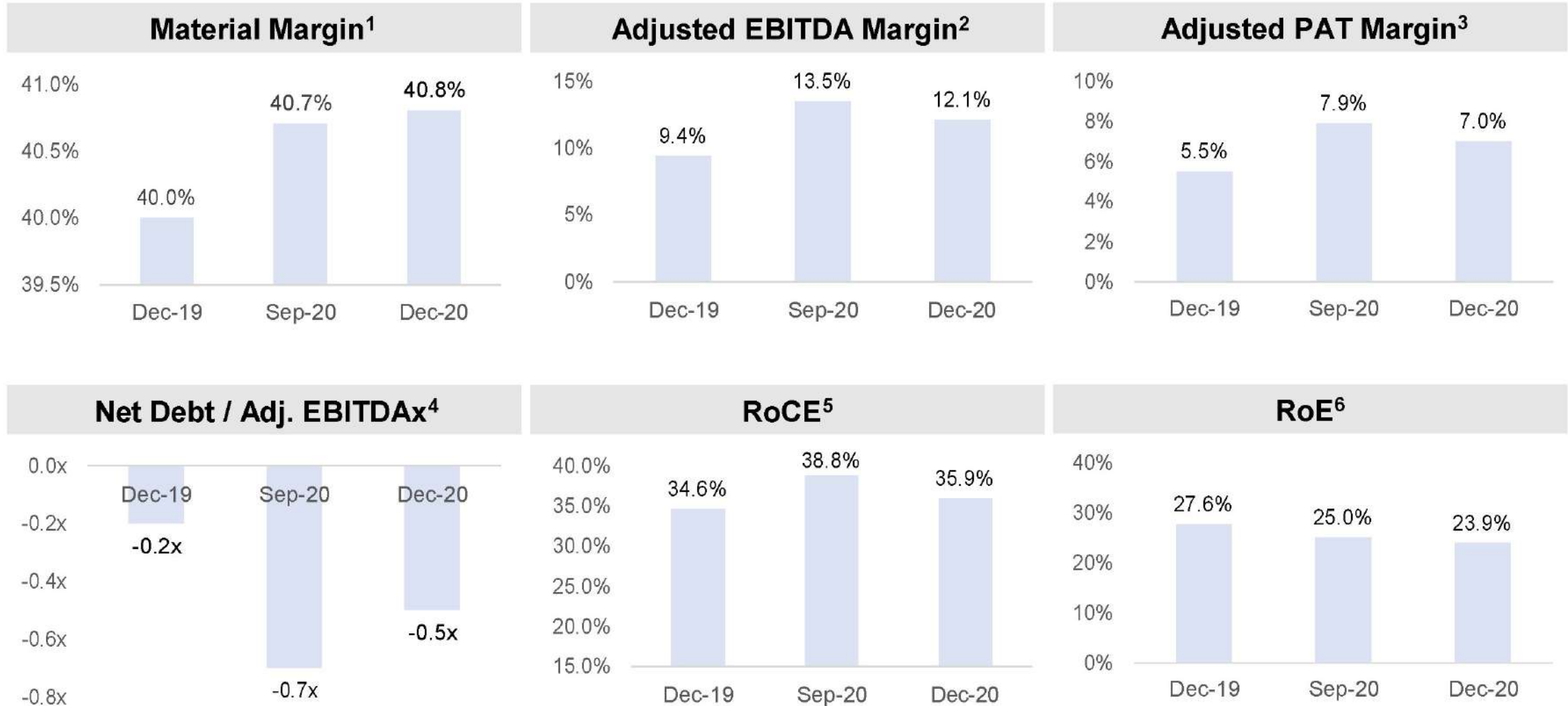
Cash Flow

INR M	QUARTER		YTD	
	Dec-19	Dec-20	Dec-19	Dec-20
Reported EBITDA	73	165	396	492
Change in WC	37	(111)	87	(52)
Income tax paid	(38)	(30)	(105)	(88)
Capex	(71)	(61)	(220)	(71)
Interest paid	(24)	(16)	(69)	(58)
Interest received	8	15	25	28
Others	24	(56)	(7)	14
FCFF	8	(94)	106	264
Debt issued / (paid)	2	(7)	22	(99)
Dividend paid (including DDT)	0	(1)	(75)	(1)
Equity raised/option exercised	-	-	-	8
Net Cash generated	10	(102)	53	172
Opening Bank Balances and Investments	964	1,191	921	918
Closing Bank balances and Investments	974	1,089	974	1,089

Key Highlights

- Company's cash position continues to remain healthy
- Debt repayment of ~100 M in YTD Dec-20
- Capex of ~70 M in YTD Dec-20 for investment in capacity addition and automation

Q3'21: 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 annualized Adjusted EBITDA 5) 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. 6) RoE is annualized on YTD basis and calculated as Adjusted PAT /Average Shareholder's Equity