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11th November, 2021

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 - Q2 FY 2021-22.

Thanking you.

Yours faithfully,
For DFM Foods Limited


(R. S. Tomer)
Company Secretary



Encl: As above



DFM Foods







Quarterly Update – Q2FY22

11th Nov 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	New Products	New Festive Pack
<p>Potato Chips : Launched in Uttar Pradesh, Haryana, and Uttarakhand</p> 	<p>Test marketed in Q3FY21</p> 	<p>Festive Gift Packs : Launched at price points of Rs. 65, 100, and 200</p> 

New Price Points

Rs. 10	Rs. 20	Rs. 25	Rs. 75



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)



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
- 8 Years of experience across corp. strategy, sales and marketing
- MBA, IMT Ghaziabad



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



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



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



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



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

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



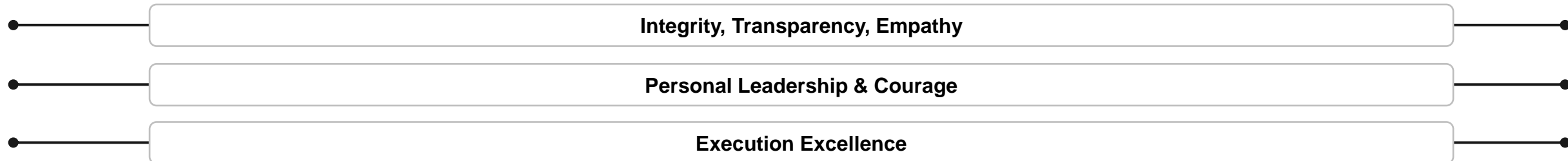
Lagan Shastri, Managing Director & CEO

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



Strategic Roadmap

Stakeholder Value Creation



Q2'22: Key Highlights



DFM grew 33% QoQ while the extruded market declined by 1% over the same period. Over 130 bps of QoQ share gain in focus geographies supported by significant investments in brand building and go to market initiatives. Despite high sustained commodity inflation, material margins (excluding new categories) stable QoQ @ 39%

- **Q2FY22:** Salty snacks market grew by 6% QoQ and extruded declined by 1% QoQ; Extruded market continues to be 24% lower than pre-COVID levels¹
- **Resilient team leads post COVID recovery:** Through sustained sales and marketing, revenue grew by 33% QoQ and 4% YoY
- **Continued share gain:** Gained 130 bps share QoQ in Q2FY22 in focus geographies; gained 50 bps share QoQ pan India; YoY share gain @ 125 bps pan India
- **Business remains structurally strong:** significant investments (11.5% of net sales) in marketing and go to market initiatives
- **Resilient product portfolio:** Investment in Fritts, Curls & Natkhat continue to drive share gain and growth
- **Brand building:** Continued investment in brand through increased advertising and visibility; spend of 9.1% of sales in Q2FY22 vs. 2.9% in Q2FY21
- **Go to market:** Increased investment in go to market initiatives: 2.4% of net sales in Q2FY22 vs 0.8% in Q2FY21; Weighted distribution of Fritts, Curls and Natkhat have increased between 250 and 500 bps YoY in our core geography
- **New segment entry:** Successfully launched Potato chips across 3 states (UP, Uttarakhand and Haryana) in 3 flavors
- **Cost management:** Excluding new categories, material margin maintained flat @ 39% in Q2FY22 as compared to Q1FY22, despite severe commodity inflation; margin stability through a company wide cost management programme and better price realisation
- **Technology:** Continued rollout of technology in the form of sales force automation across channels and geographies
- **Vaccination:** 99%+ of employees vaccinated with 1st dose and 75% fully vaccinated; vaccination extended to other stakeholders



Q2'22: Financial Update – Quarterly P&L



Abridged Quarterly Financials

INR M	Sep-20	Sep-21	YoY Gr.	Jun-21
Net Sales	1,412.7	1,471.2	4.1%	1,104.5
Less: COGS	837.6	922.0	10.1%	685.6
Material Margin	575.1	549.2	(4.5%)	418.9
<i>% of Net Revenue</i>	<i>40.7%</i>	<i>37.3%</i>		<i>37.9%</i>
Less:				
Employee Cost	147.8	141.9	(4.0%)	134.2
Advertising and Marketing	40.4	133.8	231.5%	51.4
Investment in GTM Expansion	11.4	35.8	213.7%	25.9
Other Expenses	196.7	238.3	21.2%	195.3
Reported EBITDA	178.9	(0.5)	(100.3%)	12.1
<i>% of Net Revenue</i>	<i>12.7%</i>	<i>(0.0%)</i>		<i>1.1%</i>
Less:				
D&A	31.1	38.2	22.8%	38.8
Reported EBIT	147.8	(38.7)	(126.2%)	(26.7)
<i>% of Net Revenue</i>	<i>10.5%</i>	<i>(2.6%)</i>		<i>(2.4%)</i>
Less: Finance Cost	27.4	20.2	(26.3%)	27.1
Add: Other Income	18.2	17.9	(1.6%)	31.6
Reported PBT	138.6	(41.0)	(129.6%)	(22.2)
<i>% of Net Revenue</i>	<i>9.8%</i>	<i>(2.8%)</i>		<i>(2.0%)</i>
Less: Taxes	35.4	(9.7)		(4.9)
Reported PAT	103.2	(31.3)	(130.3%)	(17.3)
<i>% of Net Revenue</i>	<i>7.3%</i>	<i>(2.1%)</i>		<i>-1.6%</i>
Reported EBITDA	178.9	(0.5)	(100.3%)	12.1
Add:				
ESAR Expenses	11.3	(2.6)	(122.8%)	9.9
One time expenses ^a	-	-		30.7
Adjusted EBITDA	190.2	(3.1)	(101.6%)	52.7
<i>% of Net Revenue</i>	<i>13.5%</i>	<i>(0.2%)</i>		<i>4.8%</i>

Key Highlights

- Markets opened up in Q2 and with our sales and marketing efforts, top line grew ~33% QoQ and 4% YoY
- Despite unprecedented commodity inflation, material margins were at 37.3% through a company wide cost management programme and better price realisation.
- Investment behind the brand continued with advertising spend increasing to 9.1% of sales in Q2FY22 vs. 2.9% of net sales in Q2FY21
- Investment in go to market expansion increased to 2.4% of net sales in Q2FY22 vs 0.8% of net sales in Q2FY21
- Increase in Other Expenses primarily due to consulting charges for cost management programme, freight, automation, and travel expenses.
- Adjusted EBITDA declined largely due to increased investments in brand building and go to market expansion



Q2'22: Financial Update – YTD P&L



Abridged Quarterly Financials

INR M	YTD FY21	YTD FY22	YoY Gr.	FY21
Net Sales	2,562.0	2,575.7	0.5%	5,240.6
Less: COGS	1,536.3	1,607.6	4.6%	3,118.8
Material Margin	1,025.7	968.1	(5.6%)	2,121.8
<i>% of Net Revenue</i>	<i>40.0%</i>	<i>37.6%</i>		<i>40.5%</i>
Less:				
Employee Cost	279.8	276.1	(1.3%)	542.9
Advertising and Marketing	42.2	185.2	339.2%	192.7
Investment in GTM Expansion	20.7	61.7	197.9%	54.9
Other Expenses	356.2	433.6	21.7%	774.9
Reported EBITDA	326.8	11.6	(96.5%)	556.4
<i>% of Net Revenue</i>	<i>12.8%</i>	<i>0.5%</i>		<i>10.6%</i>
Less:				
D&A	62.5	77.0	23.2%	131.8
Reported EBIT	264.3	(65.4)	(124.7%)	424.6
<i>% of Net Revenue</i>	<i>10.3%</i>	<i>(2.5%)</i>		<i>8.1%</i>
Less: Finance Cost	57.5	47.3	(17.7%)	108.0
Add: Other Income	37.5	49.5	32.0%	69.2
Reported PBT	244.3	(63.2)	(125.9%)	385.8
<i>% of Net Revenue</i>	<i>9.5%</i>	<i>(2.5%)</i>		<i>7.4%</i>
Less: Taxes	61.1	(14.6)		98.8
Reported PAT	183.2	(48.6)	(126.5%)	287.0
<i>% of Net Revenue</i>	<i>7.2%</i>	<i>(1.9%)</i>		<i>5.5%</i>
Reported EBITDA	326.8	11.6	(96.5%)	556.4
Add:				
ESAR Expenses	14.7	7.3	(50.0%)	27.0
One time expenses ^a	-	30.7		9.5
Adjusted EBITDA	341.5	49.6	-85.5%	592.9
<i>% of Net Revenue</i>	<i>13.3%</i>	<i>1.9%</i>		<i>11.3%</i>

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

Key Highlights

- 2nd wave of COVID and ensuing lockdowns substantially impacted the category and the company in Q1FY22; resulting in revenue remaining flat YoY
- Despite unprecedented commodity inflation, material margins were at 37.6% through a company wide cost management programme and better price realisation.
- Investment behind the brand continued with advertising spend increasing to 7.2% of sales YTD FY22 vs. 1.6% of net sales YTD FY21
- Investment in go to market expansion increased to 2.4% of net sales in YTD FY22 vs 0.8% of net sales in YTD FY21
- Increase in Other Expenses primarily due to one-time expenses (CWIP write off and COVID related provisions), consultancy for cost management programme, freight, automation and travel expenses.
- Adjusted EBITDA declined largely due to increased investments in brand building and go to market expansion



Q2'22: Financial Update – Balance Sheet



Balance Sheet

INR M	Sep-20	Jun-21	Sep-21
Bank balances and investments	1,191	1,083	1,018
Inventory	234	308	279
Receivables	-	-	18
Other current assets	54	124	143
Total Current Assets	1,479	1,515	1,458
Fixed Assets (incl CWIP)	1,776	1,765	1,883
RoU	477	381	447
Other assets	92	113	141
Total Assets	3,824	3,773	3,929
Payables	596	615	668
Other current liabilities	99	87	204
Other financial liabilities	153	137	177
Short Term Debt**	76	85	128
Current Liabilities	925	925	1,176
Long Term Debt	746	690	643
Lease Liabilities	282	185	234
Other Liabilities	77	54	54
Deferred Tax Liabilities	137	146	130
Non Current Liabilities	1,241	1,074	1,062
Equity	1,659	1,774	1,691
Total Equity + Liabilities	3,824	3,773	3,929
Net Debt	(370)	(309)	(247)

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 86.9 M in Sep-21, INR 79.7 M in Jun-21, and INR 76.2 M in Sep-20)



Q2'22: Financial Update – Cash Flow



Cash Flow

INR M	QUARTER		YTD	
	Sep-20	Sep-21	Sep-20	Sep-21
Reported EBITDA	179	(0)	327	12
Change in WC	(56)	139	59	148
Income tax paid	(38)	(1)	(58)	(2)
Capex	(3)	(164)	(11)	(181)
Interest paid	(24)	(17)	(46)	(30)
Interest received	8	12	13	20
Others	62	(0)	73	17
FCFF	129	(33)	358	(17)
Debt issued / (paid)	(17)	17	(92)	(6)
Dividend paid	-	(50)	-	(50)
Equity raised/option exercised	-	-	8	-
Net Cash generated	112	(66)	274	(73)
Opening Bank Balances and Investments	1,079	1,083	918	1,090
Closing Bank balances and Investments	1,191	1,018	1,191	1,018

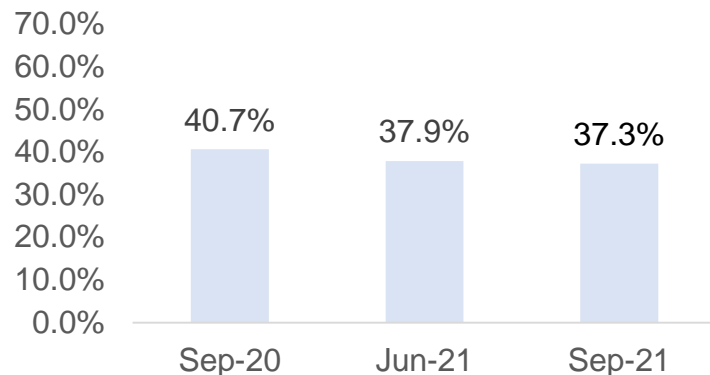
Key Highlights

- Company's cash position continues to remain healthy
- Dividend payment of INR 50M in Q2FY22
- Capex of INR 164M in Q2FY22 for investment in capacity addition and automation

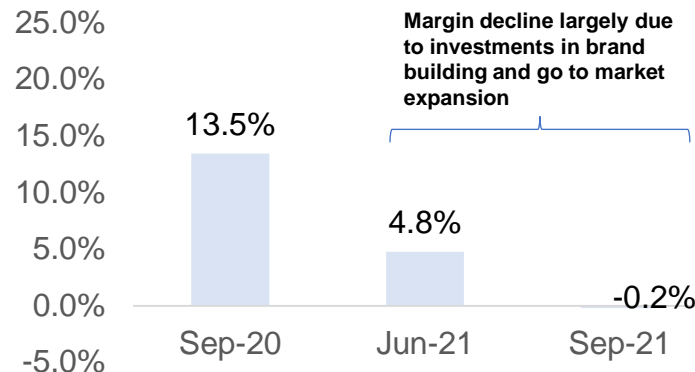


Q2'22: Financial Update – Key Ratios

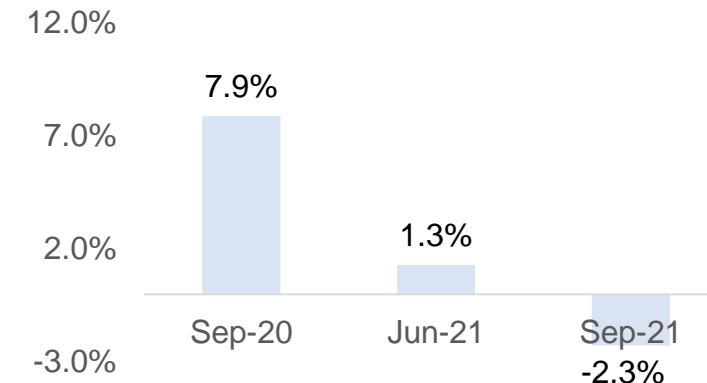
Material Margin¹



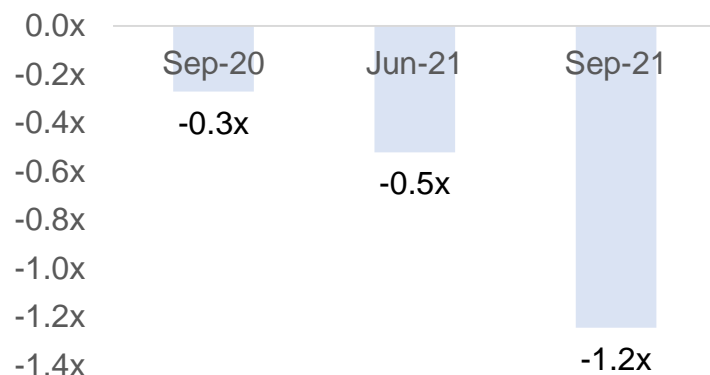
Adjusted EBITDA Margin²



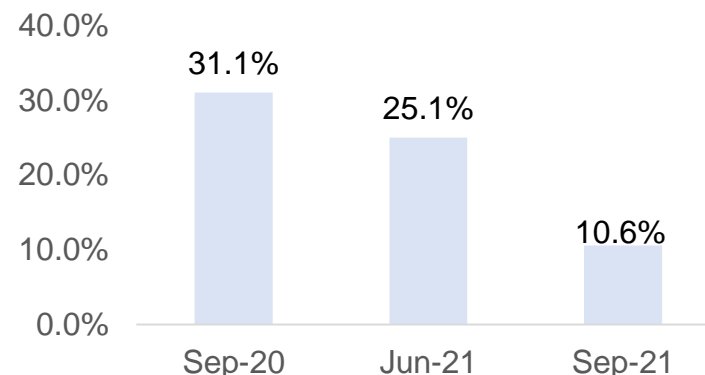
Adjusted PAT Margin³



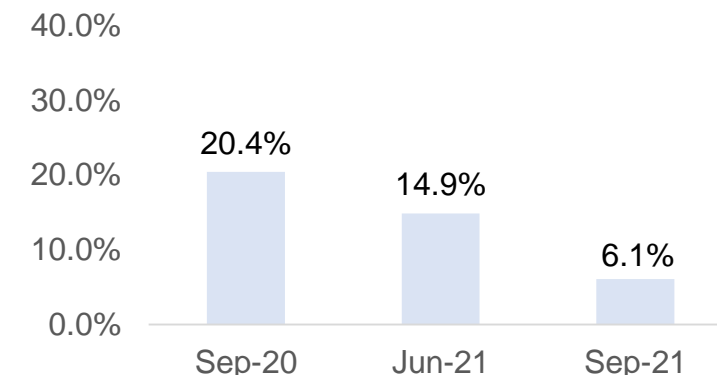
Net Debt / Adj. EBITDAx⁴



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