



Corporate Office: 1401-1411, 14th Floor, Logix City Center,
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Tel.: 0120- 6013232

14th November, 2022

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 – Q2 FY 2022-23.

Thanking you.

Yours faithfully,
For DFM Foods Limited

RAJU
SINGH
TOMER
(R. S. Tomer)
Company Secretary

Digitally signed
by RAJU SINGH
TOMER
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Encl: As above

DFM Foods

Quarterly Update – Q2FY23

14th Nov 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 in Core
geography for Extruded Snacks²
1.4M Retailers²

Attractive Material Margin



~ 38%

Negative Working Capital Cycle³



Negative ~25 Days

Professional Management Team



20+
Avg. Years of Experience
with Top Mgmt. Team

Note: 1) Extruded market estimate based on Nielsen Data (Pre covid) 2) Nielsen Data 3) LTM 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

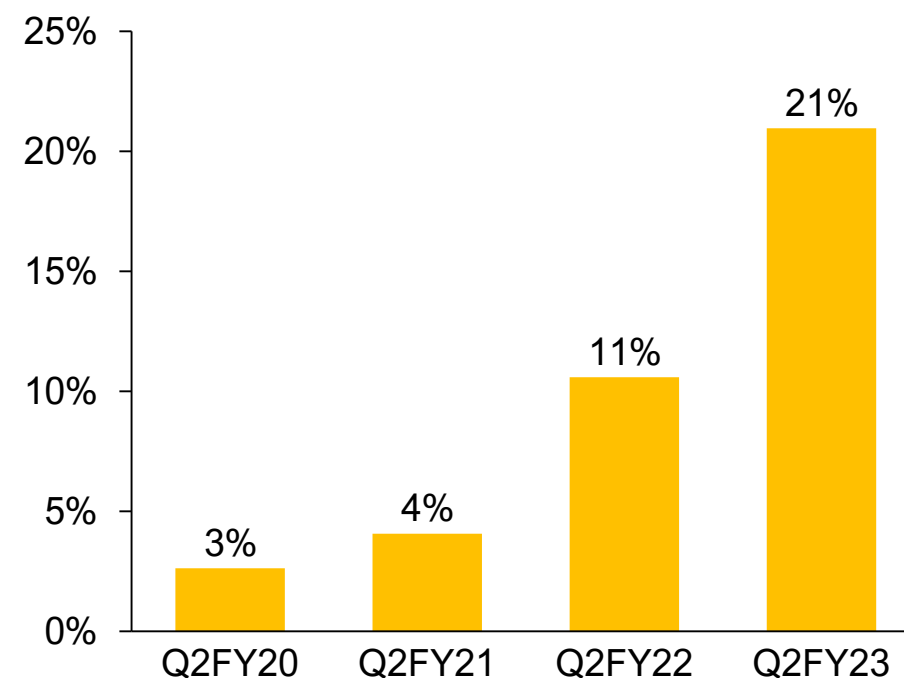


Strong Performance of Latest Product Launches



Higher Price Points*			New Festive Pack*
Rs. 10	Rs. 20	Rs. 25	
 	 	 	 Festive Gift Packs : Launched at price points of Rs. 65, 100, and 200
Potato Chips : Launched in Uttar Pradesh, Haryana, and Uttarakhand			Bowls and Noodles
  			 

Portfolio Mix of Latest launch vs Others



*Pictures are not exhaustive

Note: Latest launch refers to Potato Chips, Higher price points packs of INR 10 and above, New Festive Pack, Bowls and Noodles



Key Brand Campaigns



Crax Fritts: Integrated campaign in Cinema theatres



Large Packs – 100% Cashback Consumer Promo



Crax Fritts - Smart Integration with Cricket



Crax Rings: Collaboration with Little Singham



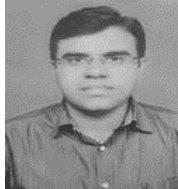
Management Team

**Lagan Shastri, Managing Director & CEO**

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

**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

**Sanmukha Rao Guniti, Head of Supply Chain**

- Ex-Supply Chain Lead, Hindustan Uniliver;
- 18 years of experience in Manufacturing & Supply Chain
- PGDIE, NITIE

**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

**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

**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)

**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

**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



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

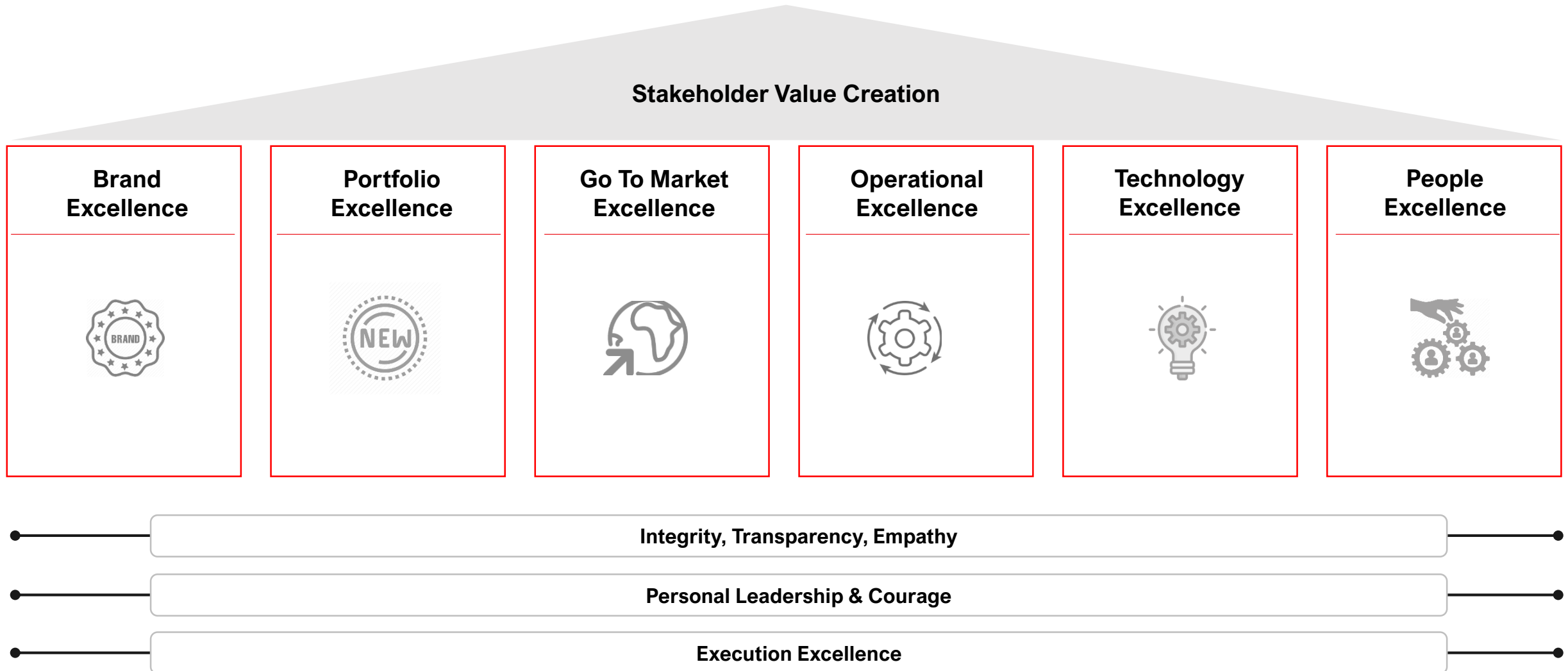


Lagan Shastri, Managing Director & CEO

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



Strategic Roadmap



Q2'23: Key Highlights

1

13.1% QoQ revenue growth; 20 bps QoQ share gain in the extruded category in focus geographies

2

Material margin (excluding portfolio expansion) improved to 40.2% in Q2 FY23 vs 36.1% in Q1 FY23

3

Invested 13.2% of revenue in brand building and Go-to-Market initiatives vs. 11.5% in Q2 FY22

4

Weighted distribution of Natkhat, Curls and Fritts increased between 120 and 770 bps YoY in our core geography

Commentary for the quarter



DFM net sales grew 13.1% QoQ, while the extruded snacks market grew 3.7% over the same period. Gained 20 bps of share in focus geographies supported by significant investments in brand building, Go-to-Market initiatives, talent augmentation and technology investments. Material margins (excluding portfolio expansion) improved to 40.2% in Q2FY23 compared to 36.1% in Q1FY23.

- **Resilient team:** Through sustained sales and marketing execution, revenue grew by 13.1% QoQ
- **Continued share gain in extruded market:** YoY share gain 20 bps pan India
- **Resilient product portfolio:**
 - Growing Natkhat, Curls and Fritts to diversify and strengthen the core portfolio by driving reach expansion, share gain
 - Continued increase in salience of products with price points of INR 10 and above
- **New segment performance:** Scaling up Potato Chips in 3 states (UP, Uttarakhand and Haryana)
- **Brand building and Go-to-Market:** Continues to be an area of focus - spend of 13.2% of sales in Q2FY23 vs 11.5% of sales in Q2FY22
 - Brand building: Increased advertising and visibility
 - Go-to-Market: Weighted distribution of Natkhat, Curls and Fritts increased between 120 and 770 bps YoY in our core geography
- **Cost management:** Excluding portfolio expansion, material margin improved to 40.2% in Q2FY23 compared to 36.1% in Q1FY23, achieved through a company-wide cost management programme and softening of commodity prices.



Q2'23: Financial Update – Quarterly P&L



Abridged Quarterly Financials

INR M	Sep-21	Sep-22	YoY Gr.	Jun-22
Net Sales	1,471.2	1,649.7	12.1%	1,459.0
Less: COGS	922.0	1,015.9	10.2%	959.0
Material Margin	549.2	633.8	15.4%	500.0
% of Net Revenue	37.3%	38.4%		34.3%
Less:				
Employee Cost	141.9	205.3	44.7%	184.0
Advertising and Marketing	133.8	164.1	22.7%	133.5
Investment in GTM Expansion	35.8	53.8	50.4%	49.5
Other Expenses	238.3	321.7	35.0%	276.7
Reported EBITDA	(0.5)	(111.1)	NM	(143.7)
% of Net Revenue	0.0%	(6.7%)		-9.8%
Less:				
D&A	38.2	36.9	(3.4%)	35.3
Reported EBIT	(38.7)	(148.0)	NM	(179.0)
% of Net Revenue	-2.6%	(9.0%)		(12.3%)
Less: Finance Cost	20.2	21.3	5.4%	23.0
Add: Other Income	17.9	10.6	(40.8%)	9.9
Reported PBT	(41.0)	(158.7)	NM	(192.1)
% of Net Revenue	-2.8%	(9.6%)		(13.2%)
Less: Taxes	(9.7)	(38.4)		(48.0)
Reported PAT	(31.3)	(120.3)	NM	(144.1)
% of Net Revenue	-2.1%	(7.3%)		-9.9%
Reported EBITDA	(0.5)	(111.1)	NM	(143.7)
Add:				
ESAR Expenses	(2.6)	19.0	NM	18.7
Adjusted EBITDA	(3.1)	(92.1)	NM	(125.0)
% of Net Revenue	-0.2%	(5.6%)		-8.6%

Note: NM refers to Not Meaningful

Key Highlights

- Continued emphasis on sales and marketing helped grow Net Sales 12.1% YoY.
- Material Margins improved 410 bps QoQ thanks to softening commodity prices and the ongoing company-wide cost management. However, on a YoY basis, commodities remained higher.
- Brand investments continued with Advertising and Marketing spends at 9.9% of net sales in Q2FY23 vs. 9.1% in Q2FY22.
- We continued our investments in Go-to-Market, focusing mainly on key market and product segments, increasing to 3.2% of net sales in Q2FY23 vs. 2.4% in Q2FY22.
- Other Expenses increased YoY primarily due to higher net sales and fuel cost inflation.
- Adjusted EBITDA improved from Q1FY23 due to higher the revenue growth along with lower input costs but declined YoY largely due to inflation, higher investments in brand building, Go-to-Market expansion and talent acquisition, partly mitigated by cost initiatives and pricing.



Q2'23: Financial Update – YTD P&L



Abridged YTD Financials

INR M	YTD FY22	YTD FY23	YoY Gr.	FY22
Net Sales	2,575.7	3,108.7	20.7%	5,544.5
Less: COGS	1,607.6	1,974.9	22.8%	3,489.0
Material Margin	968.1	1,133.8	17.1%	2,055.5
% of Net Revenue	37.6%	36.5%		37.1%
Less:				
Employee Cost	276.1	389.3	41.0%	602.0
Advertising and Marketing	185.2	297.6	60.7%	500.0
Investment in GTM Expansion	61.7	103.3	67.5%	154.0
Other Expenses	433.6	598.4	38.0%	970.4
Reported EBITDA	11.6	(254.8)	NM	(170.9)
% of Net Revenue	0.5%	(8.2%)		-3.1%
Less:				
D&A	77.0	72.2	(6.2%)	143.9
Reported EBIT	(65.4)	(327.0)	NM	(314.8)
% of Net Revenue	-2.5%	(10.5%)		-5.7%
Less: Finance Cost	47.3	44.3	(6.3%)	88.9
Add: Other Income	49.5	20.5	(58.6%)	76.6
Reported PBT	(63.2)	(350.8)	NM	(327.1)
% of Net Revenue	-2.5%	(11.3%)		-5.9%
Less: Taxes	(14.6)	(86.4)		(79.5)
Reported PAT	(48.6)	(264.4)	NM	(247.6)
% of Net Revenue	-1.9%	(8.5%)		-4.5%
Reported EBITDA	11.6	(254.8)	NM	(170.9)
Add:				
ESAR Expenses	7.3	37.7	413.9%	41.7
One time expenses ^a	30.7	-	(100.0%)	51.2
Adjusted EBITDA	49.6	(217.1)	NM	(78.0)
% of Net Revenue	1.9%	-7.0%		-1.4%

Note: a) **One-time expenses (YTD FY22)** 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 (FY22) 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 against land re-registration charges of (INR 10.7 m).

Key Highlights

- Net Sales grew 20.7% YoY on the back of post Covid recovery, aided by our sales & marketing investments.
- Unprecedented commodity inflation impacted material margins but was partially mitigated by the ongoing company-wide cost management programme and by higher price realisation.
- Brand investments continued with Advertising and Marketing spends increasing to 9.6% of net sales in YTD FY23 vs. 7.2% in YTD FY22.
- We continued our investment in Go-to-Market expansion increasing to 3.3% of net sales in YTD FY23 vs. 2.4% in YTD FY22.
- Other Expenses increased YoY primarily due to higher net sales and fuel cost inflation.
- Adjusted EBITDA declined largely due to inflation, sustained investments in brand building and Go-to-Market expansion and talent investments, partly mitigated by cost initiatives and pricing.



Q2'23: Financial Update – Balance Sheet



Balance Sheet

INR M	Sep-21	Jun-22	Sep-22
Bank balances and investments	1,018	752	562
Inventory	279	332	438
Receivables	18	61	139
Other current assets	143	155	143
Total Current Assets	1,458	1,300	1,283
Fixed Assets (incl CWIP)	1,883	1,943	1,939
RoU	447	416	376
Deferred Tax Assets	-	-	21
Other assets	141	141	128
Total Assets	3,929	3,799	3,747
Payables	668	759	873
Other current liabilities	204	227	277
Other financial liabilities	177	154	147
Short Term Debt	128	422	405
Current Liabilities	1,176	1,562	1,703
Long Term Debt	643	534	496
Lease Liabilities	234	229	192
Other Liabilities	54	54	54
Deferred Tax Liabilities	130	17	-
Non Current Liabilities	1,062	834	742
Equity	1,691	1,403	1,302
Total Equity + Liabilities	3,929	3,799	3,747
Net Debt	(247)	204	339

Source: Company Data

Note : * Net Working Capital refers to Inventory + Receivables - Payables

Key Highlights

- Negative working capital* continues



Q2'23: Financial Update – Cash Flow



Cash Flow

INR M	QUARTER		YTD	
	Sep-21	Sep-22	Sep-21	Sep-22
Reported EBITDA	(0)	(111)	12	(255)
Change in WC	139	(3)	148	(5)
Income tax paid	(1)	(0)	(2)	(1)
Capex	(164)	(9)	(181)	(42)
Interest paid	(17)	(17)	(30)	(34)
Interest received	12	6	20	11
Others	(0)	3	17	15
FCFF	(33)	(132)	(17)	(310)
Debt issued / (paid)	17	(57)	(6)	(17)
Dividend paid	(50)	(1)	(50)	(1)
Net Cash generated	(66)	(189)	(73)	(327)
Opening Bank Balances and Investments	1,083	752	1,090	890
Closing Bank balances and Investments	1,018	562	1,018	562



Thank you