15th February, 2019

| To, | To |
|---|---|
| The National Stock Exchange of India Ltd.<br>Exchange Plaza,<br>Plot no. C/1, G Block,<br>Bandra-Kurla Complex<br>Bandra (E), Mumbai - 400 051.<br><br>**Scrip Code No. VADILALIND-EQ** | Department of Corporate Services,<br>Bombay Stock Exchange Limited,<br>1st Floor, Rotunda Building,<br>Dalal Street, Fort,<br>Mumbai - 400 001.<br><br>**Scrip Code : 519156** |

Dear Sir,

**SUB: EARNING PRESENTATION OF THE COMPANY FOR THIRD QUARTER AND NINE MONTHS FINANCIAL PERFORMANCE OF 2018-19.**

With reference to the captioned subject, Please find enclosed herewith Earning Presentation of the Company for the Quarter – 3 (01-10-2018 to 31-12-2018) and Nine Months financial performance of 2018-19.

Kindly take the same on your record.

Thanking you,

Yours faithfully,
For **VADILAL INDUSTRIES LIMITED**

RBhatt

**RASHMI BHATT**
**Company Secretary &**
**Compliance Officer**

Encl : As above

# VADILAL INDUSTRIES

Q3 & 9M 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.

# Table of Contents

# Q3 & 9M FY19 Financial Performance

# Chairman's Message

## *Commenting on Q3 & 9M FY19 performance, Mr. Rajesh Gandhi, Chairman and Managing Director, Vadilal Industries Limited s*

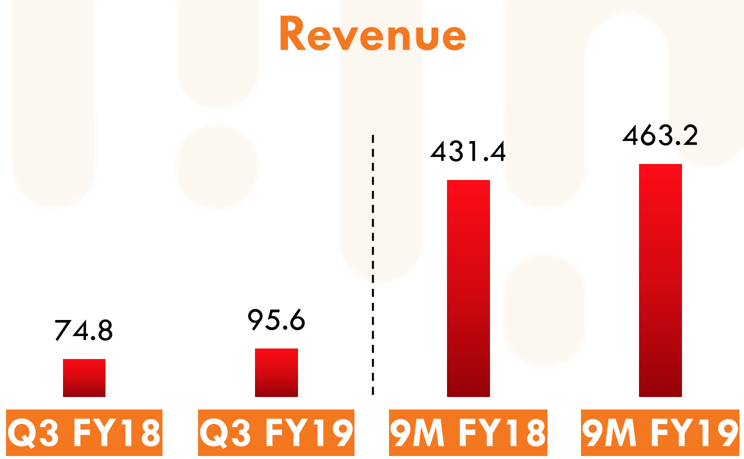
*"During Q3, we have delivered ~27% growth in revenues – including 12% growth in the domestic business and 71% growth in the international business that continues to expand rapidly from a low base. International revenues in the first nine months of FY19 constituted 24% of the business, compared to only 16% in FY18 when we started expanding aggressively in the US.*

*In India, we have continued to expand our distribution presence by adding POS deep freezers, in line with our ongoing commitment to growth. We have also opened up some new markets and territories, where we had previously been completely absent or had weak presence. Currently, we are present in 55,000 retail outlets in 26 states across the country.*

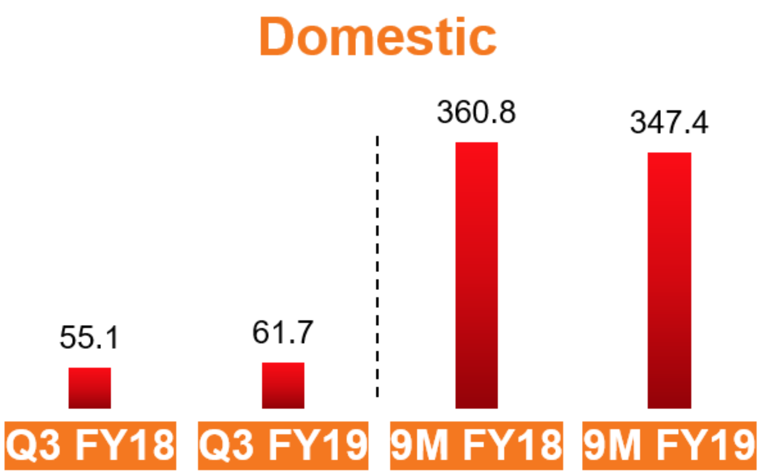
*International revenues contributed 35% to the turnover during Q3, and crossed the Rs. 100 crore milestone in the first nine months, driven by deeper proliferation of Vadilal ice creams and processed food products within the Indian diaspora in the US and other key markets. Based on the strong growth in demand, we are looking to penetrate deeper into these markets to address the gap in the availability of Indian products to the community. We are also exploring new overseas markets that provide the potential to replicate our success in the US.*

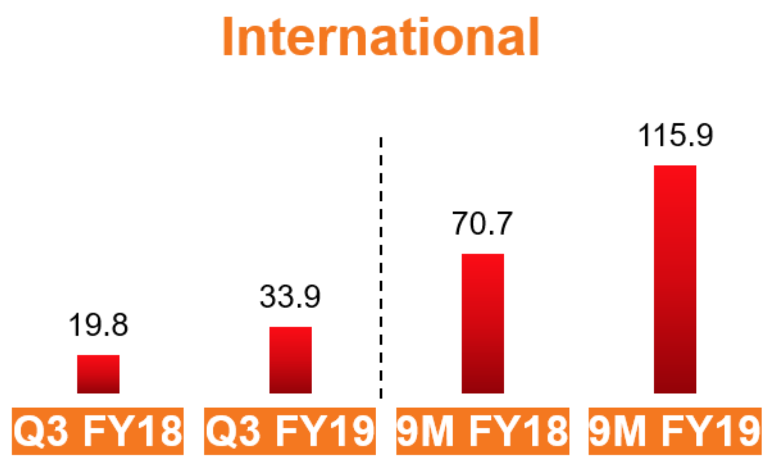
*Margins have continued to expand – gross margin increased to 50% in Q3 compared to 40% in the same quarter last year. On nine month basis, gross margin expanded from 43% to 49%. This was based on higher contribution from personalized packs to the domestic product mix, higher contribution from exports where per unit realizations are much higher and lower raw material costs. Having already closed key supply arrangements for the upcoming summer season, we have clear visibility of input costs and expect strong contribution from sales. While continuing to invest in teams that support our growth objectives, we have maintained strict discipline in terms of manufacturing efficiencies, operating cost structure and working capital, which reflects in EBITDA margin expansion. Flow down of these initiatives have resulted in profit after tax expanding from Rs. 15 crore to Rs. 40 crore in the first nine months of FY19. Another key achievement is the significantly lower loss in Q3, which is our seasonally weakest quarter – reflective of the increasing diversification in our business profile. Going forward, we see another good year in FY20 as we leverage the Vadilal brand for ongoing growth."*

# Financials – Q3 & 9M FY19 Performance




- In Q3 FY19 VIL revenues grew by 27% y-o-y driven by 12% y-o-y growth in the domestic business
  - Domestic business was driven by higher volumes
  - International business revenues grew by 71% yoy
- International business witnessed robust demand as VIL continues to increase its distribution and expands product portfolio focused on Indian diaspora in the US and other geographies

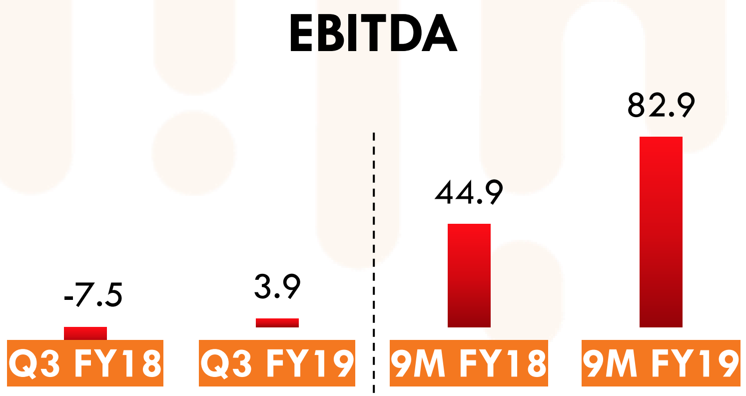


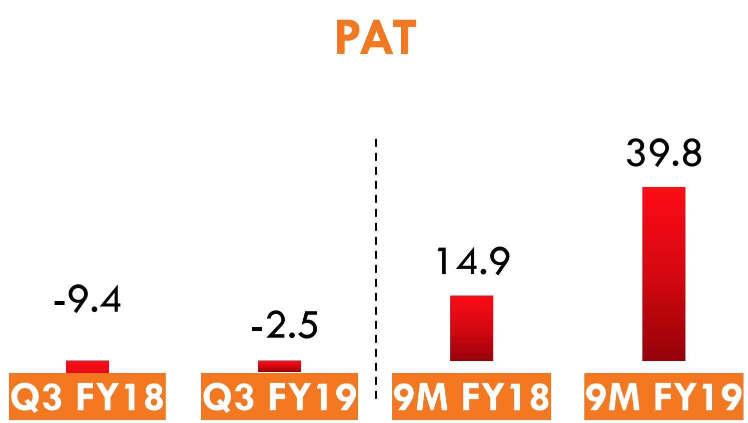

Consolidated financials in Rs. Crore

*International segment includes Vadilal Industries (USA) Inc.*

# Financials – Q3FY19 & 9MFY19 Performance




*Note – Revenues considered, net of excise duties*



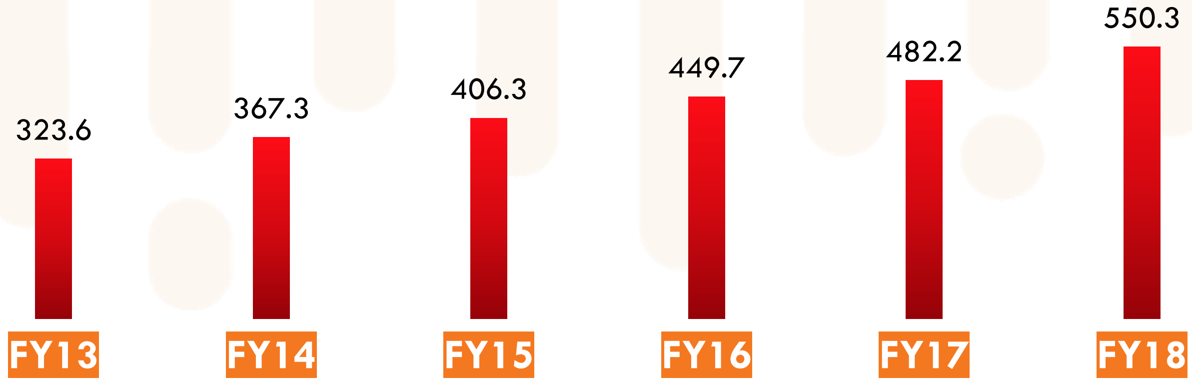

- EBITDA margin for the quarter were higher by ~1408 bps on account of higher volumes, lower input costs and focus on efficiencies
- Continue to focus on rationalization of debt:
  - Reconstituted outstanding debt to increase long tenure loans and reduced cost of debt
  - Overall debt as on Dec 31st 2018 was lower at Rs. 144 crore as against Rs. 166 crore on Dec 31st 2017
  - Finance costs in Q3FY19 lower by 1% y-o-y at Rs. 3.25 crore versus Rs. 3.29 crore in Q3FY18
- PAT for the quarter improved to Rs. -2.5 crore as compared to a loss of Rs. -9.4 crore in Q3FY18

Consolidated financials in Rs. Crore

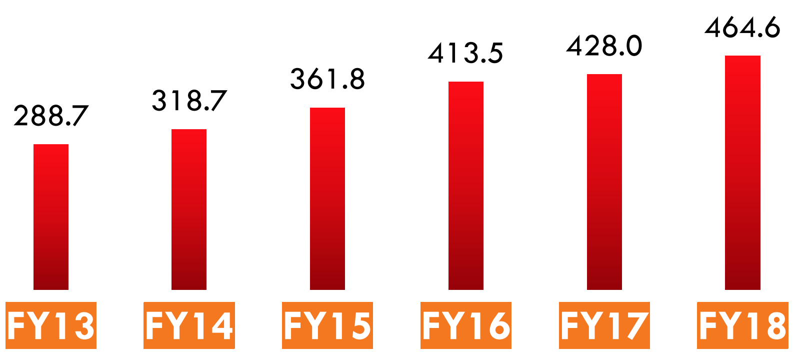
# Financials Performance Trends

# Financials Performance Trends

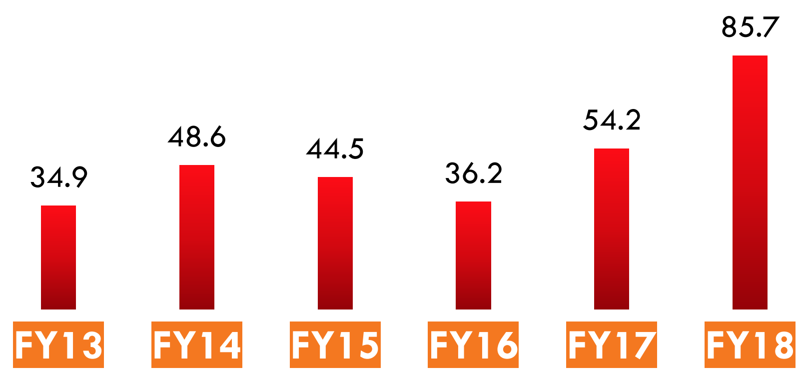
## Revenue (Rs. cr)




## Domestic



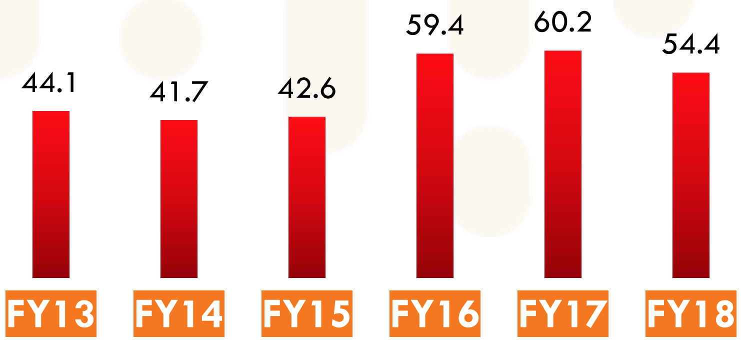

## International



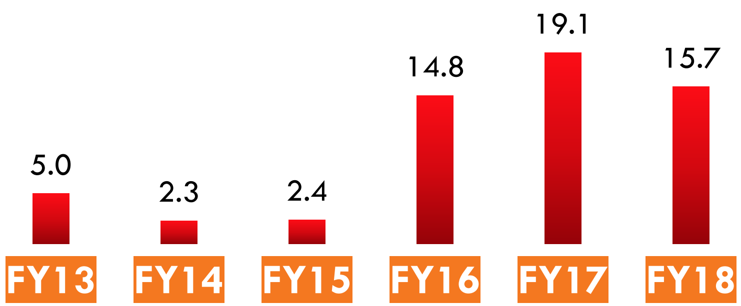

Consolidated financials in Rs. Crore

# Financials Performance Trends

EBITDA




PAT



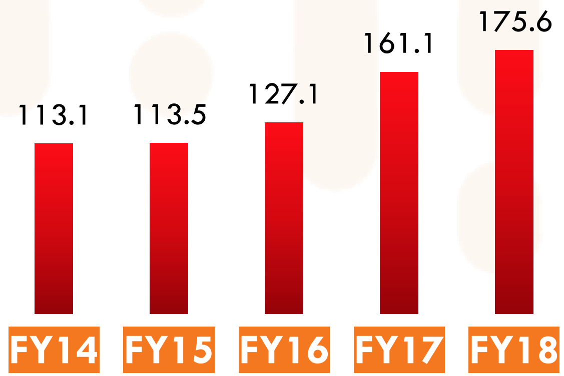

- Longer term, consumer behavior is transitioning with increasing acceptance for western desserts.
  - Domestic business growth, temporarily impacted by recent changes in operating environment and consumption spending, is now reverting to historical trends
  - Continued focus on developing domestic business 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

Consolidated financials in Rs. Crore

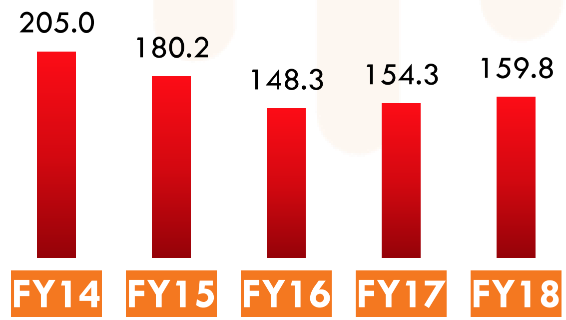
# Financials Performance Trends – Balance Sheet

Liabilities

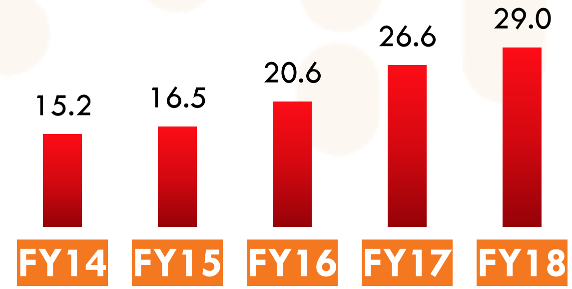
## Networth




## Debt

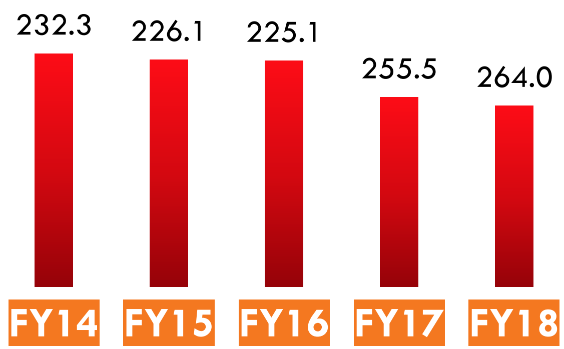



## Other Non-Current Liabilities

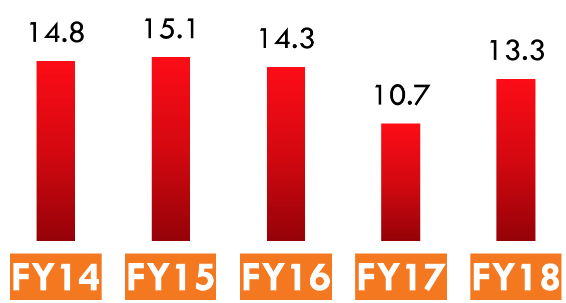



Assets

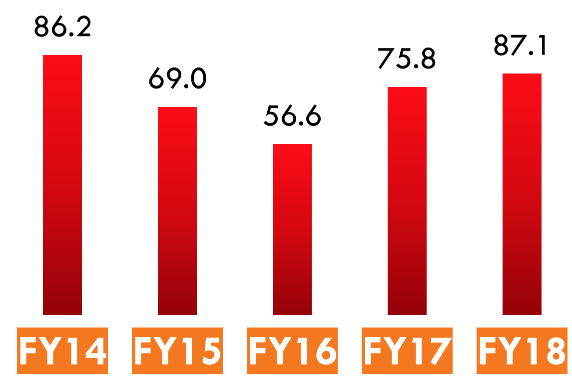
## Net Fixed Assets




## Other Non-Current Assets



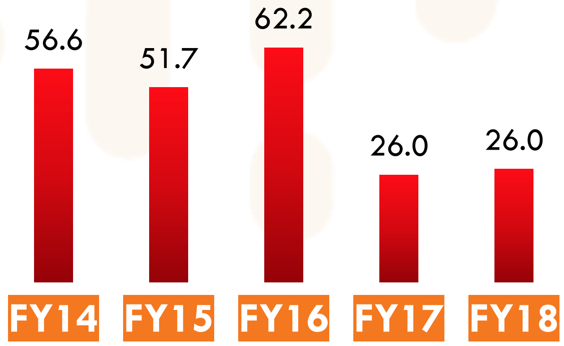

## Net Current Assets



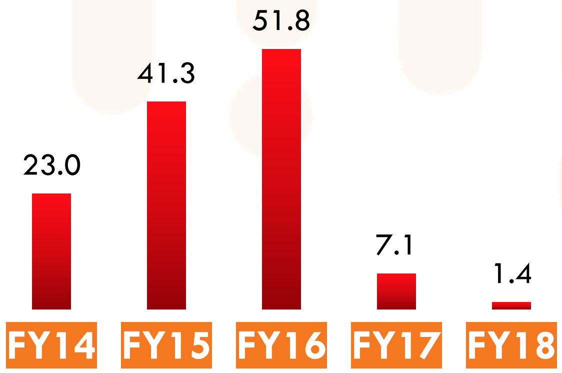

Consolidated financials in Rs. Crore

# Financials Performance Trends – Cash Flows

## Operating Cash Flow




## Free Cash Flows




- Estimated capex for FY 19 at ~ Rs. 35 crore

Consolidated financials in Rs. Crore

# 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, 50,000 +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, launched new categories such as Indian Mithai and Paneer

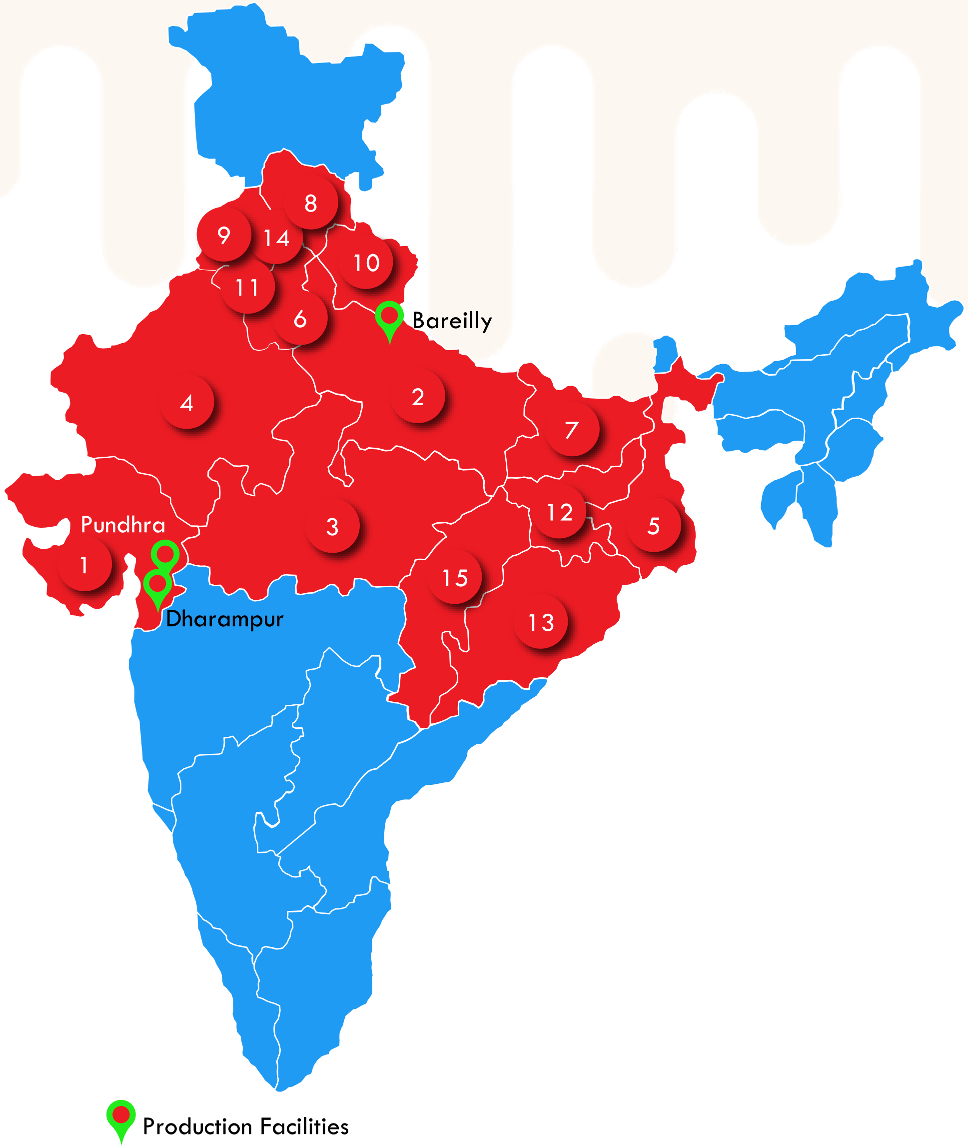

# International Product Portfolio

# 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, Uttar Pradesh | 150,000 liters per day | Ice cream | ISO-22000:2005 |
| Dharampur, Gujarat | 33,000 kgs per day | Processed foods | ISO-22000:2005 and BRC : Issue 6 |
| Pundhra, Gujarat | 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 **55,000** retailers, over **1,200** large distributors, **63** 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

Accelerating new product development both for domestic and international markets and improving production processes

Focus on higher value products and more sales contribution from individualized packs

Deep penetration in US market, targeting expanded presence in other geographies that are home to large Indian populations

Aggressive expansion of sales generating assets/cold supply chain – annual planned addition of ~10,000 deep freezers


Augmenting distribution management system that will allow micro-control over ROI from each business area and point of sale unit

Leveraging surplus generated by operations to rationalize/ restructure debt and improve working capital management

# Contact Us


**Kalpit Gandhi**

**Vadilal Industries Ltd**

Tel: +79-30921200

Email: kalpit@vadilalgroup.com

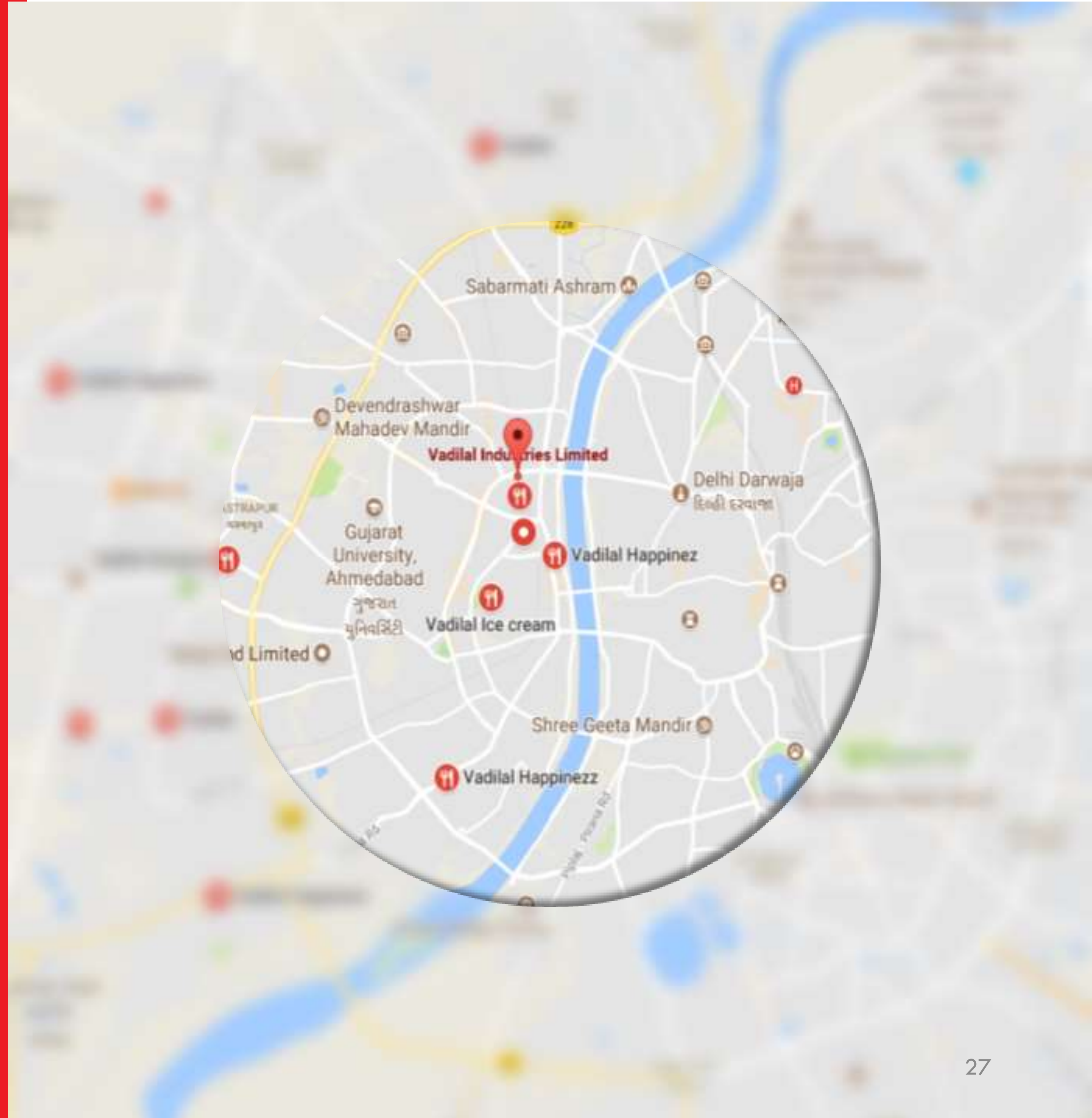


**Shiv Muttoo / Karl Kolah**

**CDR India**

Tel: +91 22 6645 1207 / 1220

Email: shiv@cdr-india.com
karl@cdr-india.com

Thank You