

**FUTURE
CONSUMER**
for the Fast Moving Consumer Generation

Q4FY20 and FY20 INVESTOR UPDATE JULY 2020



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1905

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Q4FY20 and FY20 at a Glance

FY20 : Key Operational Milestones (1/2)



Growth Engine Continues....



**Brands Crossed ₹2bn
Milestone**



**Won “Product of the
Year” 2020 Award**



**Formed partnership
with Amazon**



GOAL



1. Profitable & Sustainable Growth
2. FCF generation
3. Return Enhancement

FY20 : Key Operational Milestones (2/2)



Efficiency Increase



Sourcing efficiencies via
Vendx and Agribid



Slow Moving / Low
Margin SKUs
Rationalized



Inventory optimization
of 5 days leading to
supply chain efficiencies
& improved freshness
index



First Full Year of Free
Cash Flow Post
Operations & Investment



GOAL



1. Profitable & Sustainable Growth
2. FCF generation
3. Return Enhancement

FY20 in Numbers: Q4FY20 Impacting the Full Year Performance



	<u>9MFY20</u>	<u>Q4FY20</u>	<u>FY20</u>
Sales	₹30,933mn ↑9%	₹9,471mn ↓9%	₹40,403mn ↑4%
Gross Margin	14% ↓ 20bps	11% ↓ 200bps	13% ↓ 60bps
EBITDA (Pre ECL)	₹1,208mn ↑44%	₹242mn ↓28%	₹1,451mn ↑23%
EBITDA (Post ECL)	₹1,202mn ↑45%	-₹612mn	₹590mn ↓49%

Note: 9MFY20, Q4FY20 and FY20 EBITDA is not comparable prior period on account of IND AS 116, * Expected Credit Loss (ECL) impact of ₹7mn, ₹854mn and ₹861mn for 9MFY20, Q4FY20 and FY20 respectively



- **Sales Mix tilted towards essentials impacting the gross margins**
- **SKU Rationalization and Liquidation**
 - 805 SKUs rationalized in FY20 impacted Q4 sales
- **Liquidation of near expiry SKUs in processed food and HPC impacted the margins**
- **Covid-19 started impacting the performance towards the end of March leading to disruptions in sourcing, supply chain and distribution impacted by store closures due to lockdown**

WE ACHIEVED

Topline crosses the ₹40 bn milestone, despite rationalization of over 805 SKUs and fewer new launches



Tasty Treat and Karmiq crossed the ₹2bn topline milestone and continue gaining scale



Standalone gross margin expanded by 40bps



Achieved similar EBITDA levels* in FY20 despite challenging Q4



First full year of positive free cash flow post operations and investment



Inventory correction as inventory days reduce by 5 days to 21



MISSSES

COVID Pandemic started disrupting the business in Q4 FY20

Challenging environment led to increased prudence in accounting, provided for expected credit loss of ~₹861mn in receivables

FY20 was impacted by over 290 stores closures in channel

Receivables of 65 days outstanding affecting the cash conversion and sales turns

* Before Expected Credit Loss of ₹861mn



OVERVIEW OF FINANCIAL PERFORMANCE

Standalone: Profit & Loss Statement



(₹ in Mn, Unless specified otherwise)

Particulars	FY20	FY19	Q4 FY20	Q3 FY20	Q4 FY19
Total Income from Operations	30,261	29,900	6,884	6,753	7,793
Gross Profit	4,410	4,240	825	1,053	1,085
<i>Gross Margin (%)</i>	<i>14.6%</i>	<i>14.2%</i>	<i>12.0%</i>	<i>15.6%</i>	<i>13.9%</i>
Operating Cost	-3,077	-3,218	-714	-690	-787
Other Income	134	119	49	30	24
EBITDA	1,467	1,141	159	394	322
<i>EBITDA (%)</i>	<i>4.8%</i>	<i>3.8%</i>	<i>2.3%</i>	<i>5.8%</i>	<i>4.1%</i>
Expected Credit Loss (ECL)	-790	-2	-748	-2	0
EBITDA Post ECL	677	1,139	-589	392	322
Depreciation	-511	-349	-128	-130	-96
EBIT	165	790	-717	262	226
Net Interest	-271	-180	-58	-63	-66
PBT	-105	610	-774	199	160
Tax	-35	188	184	-52	188
PAT	-140	798	-590	148	348
Exceptional Items	-2,916	-192	-2,873	0	0
PAT Post Exceptional	-3,057	605	-3,463	148	348
Cash Profit	1,063	958	57	298	256

FY20 vs FY19:

- Gross Margin expanded by 40bps
- EBITDA (pre ECL) increased by 29% with margin expansion of 100bps
- Post ECL EBITDA stood at ₹677mn
 - Includes a higher provision for Expected Credit Loss (ECL) due to unprecedented times
- Creation of deferred tax assets in FY19 led to increase in PAT before exceptional in FY19
- Cash profit increased from ₹958mn in FY19 to ₹1,063mn in FY20

Q4 FY20 vs Q4 FY19:

- Gross margin impacted by one time liquidation in Processed Food and HPC and incremental share of essentials
- Reported EBITDA of ₹159mn (pre ECL) and -₹589mn (post ECL)

Note: Exceptional items for Q4FY20 and FY20 include impairment on Aadhaar, Nilgiris and other

Q4 / FY20 financials are not comparable prior period on account of IND AS 116, EBITDA growth adjusted for IND AS 116 of 11% for FY20

Consolidated: Profit & Loss Statement



(₹ in Mn, Unless specified otherwise)

Particulars	FY20	FY19	Q4 FY20	Q3 FY20	Q4 FY19
Total Income from Operations	40,403	38,806	9,471	9,240	10,374
Gross Profit	5,209	5,246	1,017	1,232	1,318
<i>Gross Margin (%)</i>	<i>12.9%</i>	<i>13.5%</i>	<i>10.7%</i>	<i>13.3%</i>	<i>12.7%</i>
Operating Cost	-3,894	-4,213	-827	-897	-1,019
Other Income	136	147	52	28	40
EBITDA	1,451	1,180	242	362	339
<i>EBITDA(%)</i>	<i>3.6%</i>	<i>3.0%</i>	<i>2.6%</i>	<i>3.9%</i>	<i>3.3%</i>
Expected Credit Loss (ECL)	-861	-25	-854	10	-12
EBITDA post ECL	590	1,154	-612	373	327
Depreciation	-705	-532	-169	-179	-143
EBIT	-114	623	-780	193	184
Net Interest	-746	-568	-174	-186	-177
PBT	-860	55	-955	7	8
Tax	18	166	181	14	181
Profit/(Loss) After Tax	-842	221	-773	21	188
Share of Profit/(Loss) in Asso. & JVs & MI	-463	-287	-151	-111	-111
Consolidated PAT	-1,305	-66	-924	-90	78
Exceptional Items	-853	2.2	-829	0	0
Consolidated PAT Post Exceptional	-2,158	-64	-1,753	-90	78
Consolidated Cash Profit	81	548	-127	35	32

FY20 vs FY19:

- Topline crossed ₹40bn milestone growing by 4%
- EBITDA (pre ECL) continues its growth trajectory as EBITDA grew by 23% on YoY basis while margins expanded by 60bps
- Operating Cost (pre ECL) declined by 7% compared to last year (120bps decline as % of sales)
- On post ECL basis, EBITDA stood at ₹590mn for FY20
- Includes higher provision for Expected Credit Loss (ECL) due to unprecedented times

Q4 FY20 vs Q4 FY19:

- Gross margin impacted by increase in share of essentials and liquidation in PF and HPC
- Operating Cost (pre ECL) declined by 19% compared to last year (100bps decline as % of sales)
- Reported EBITDA (pre ECL) of ₹242mn impacted by sales mix and COVID-19
- On post ECL basis, EBITDA stood at -₹612mn for Q4 FY20

Note: Exceptional items for Q4FY20 and FY20 include impairment on Nilgiris and other

Q4 FY20 and FY20 financials are not comparable prior period on account of IND AS 116,

EBITDA growth adjusted for IND AS 116 for FY20 is 5%

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Impairment in Aadhaar and Nilgiris – We Expect a Much Higher Growth Potential vs Modest Growth Assumed for Valuation



	Nilgiris	Aadhaar
Business Environment FY20	<ul style="list-style-type: none">Closing of unprofitable GT business and franchisees, outsourcing of manufacturing leading to temporary topline impact	<ul style="list-style-type: none">Strategically exited geographies which were impacting profitability leading to a softer topline
Valuation Basis	<ul style="list-style-type: none">Business environment led to conservative projectionsBusiness valuation also factors in trailing sales numbers which were impacted by strategic re-haul of both the businesses	
Impairment	<ul style="list-style-type: none">₹1.1bn	<ul style="list-style-type: none">₹1.5bn

While the Valuation has been conservative given Covid scenario, we continue to believe in the potential of Nilgiris and Aadhaar and the value of these assets and the distribution promise they have in an asset light consumer proximate way

Standard - IND AS 109

- Expected Credit Loss (ECL) requirements is in accordance with standard IND AS 109
- Applicable to receivables, lease receivables, most loan commitments, financial guarantee contracts etc.

Provisions of the Standard

- Entities are required to recognize an allowance for either 12-month or lifetime expected credit losses (ECLs), depending on whether there has been a significant increase in credit risk since initial recognition
- Measurement reflects a probability-weighted outcome, the time value of money and the best available forward-looking information.
- Incorporating forward-looking information involves considerable judgment of impact macroeconomic factors will have on ECLs
- Assessment of significant increase in credit risk will also require new data and processes

Application for FCL

- FCL evaluates ECL on each reporting date on all applicable asset class
- COVID 19 pandemic has led to a general slowdown in economy impacting the cash cycle and increased likelihood of delay / defaults of receivables going forward
- Company has prudently recognized ECL considering current macro-economic environment despite no significant historical trends
- **Impact:** ₹790mn in standalone financials and ₹861mn in consolidated financials. (LY ₹2mn Standalone / ₹25mn Consolidated)

ECL is a non-cash provision which can get reversed post realization of amount/value

FY20: FCL Approach and Impact of IND AS 116 Accounting



Particulars	Consolidated		
	FY20	IND AS 116	FY20
	Comparable	Adjustment	Reported
Revenue from Operations	40,403	0	40,403
Other Income	124	+12	136
COGS	-35,194	0	-35,194
Rent & Other Operating Expenses	-4,093	+199	-3,894
EBITDA	1,240	+211	1,451
Finance Cost	-665	-81	-746
Depreciation & Amortisation	-560	-145	-705
PBT	15	-15	0
PAT Before Exceptional Items	-1,290	-15	-1,305

Standalone		
FY20	IND AS 116	FY20
Comparable	Adjustment	Reported
30,261	0	30,261
136	+2	134
-25,851	0	-25,851
-3,272	+194	-3,077
1,274	+196	1,467
-200	-71	-271
-361	-150	-511
713	-25	685
-116	-25	-140

Particulars	Q4 FY20	IND AS 116	Q4 FY20
	Comparable	Adjustment	Reported
Revenue from Operations	9,471	0	9,471
Other Income	43	+9	52
COGS	-8,454	0	-8,454
Rent & Other Operating Expenses	-877	+50	-827
EBITDA	183	+59	242
Finance Cost	-155	-19	-174
Depreciation & Amortisation	-132	-37	-169
PBT	-104	+3	-101
PAT Before Exceptional Items	-927	+3	-924

Q4 FY20	IND AS 116	Q4 FY20
Comparable	Adjustment	Reported
6,884	0	6,884
51	-2	49
-6,060	0	-6,060
-773	+59	-714
102	+61	159
-40	-17	-58
-87	-41	-128
-25	-3	-27
-593	+3	-590

Consolidated Balance Sheet



(₹ in Mn, Unless specified otherwise)

Particulars	As on		
	31-Mar-20	31-Dec-19	31-Mar-19
Shareholder's Fund	10,542	12,273	9,902
Minority Interest	0	-29	-24
Gross Debt	5,948	6,225	8,137
Less: Cash and Cash Equivalents	590	649	684
Net Debt	5,357	5,576	7,453
Lease Liabilities and debt component of CCDs	1,008	958	
Less: Investment in JVs	-1,308	-1,344	-1,415
Net Adjusted Capital Employed	15,600	17,435	15,916
Fixed Assets	4,178	6,160	6,194
Right to Use Assets	1,368	681	
Assets Held for Sale	1,199		
Goodwill and Intangibles	2,636	3,449	3,567
Net Current Assets	6,219	7,145	6,156
Total Net Assets	15,600	17,435	15,916

Note: Balance Sheet for period ending Mar'20 and Dec'19 are not comparable with that of Mar'19 on account of IND AS 116

Thank You



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