

ANNUAL REPORT  
2012-13



**DFM Foods Ltd. is a pioneer in the Indian packaged snack foods business.**

Our business was established in 1983, and CRAX was the first successful packaged snack food in India.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

R. P. Jain *Chairman*  
 Mohit Jain *Vice Chairman & Managing Director*  
 Rohan Jain *Executive Director*  
 S. C. Nanda  
 Pradeep Dinodia  
 Mohit Satyanand

## AUDITORS

A.K. Gangaher & Co.  
 Chartered Accountants

## BANKER

Punjab & Sind Bank  
 YES Bank Limited

## REGISTERED OFFICE

8377, Roshanara Road,  
 Delhi - 110 007  
 Tel.: +91-11-23826445  
 Fax : + 91-11-23822409  
 website : [www.dfmfoods.com](http://www.dfmfoods.com)

## PLANT LOCATIONS

### Ghaziabad

C-40, Meerut Road  
 Industrial Area,  
 Ghaziabad (U.P.) - 201 003

### Greater Noida

Plot No. 49, 50, 53 & 54,  
 Ecotech-I, Extn.,  
 Greater Noida (U.P.) - 201 306

## REGISTRARS & TRANSFER AGENT

MCS Ltd.  
 F-65, 1st Floor,  
 Okhla Industrial Area,  
 Phase-I,  
 New Delhi - 110 020

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## FINANCIAL HIGHLIGHTS

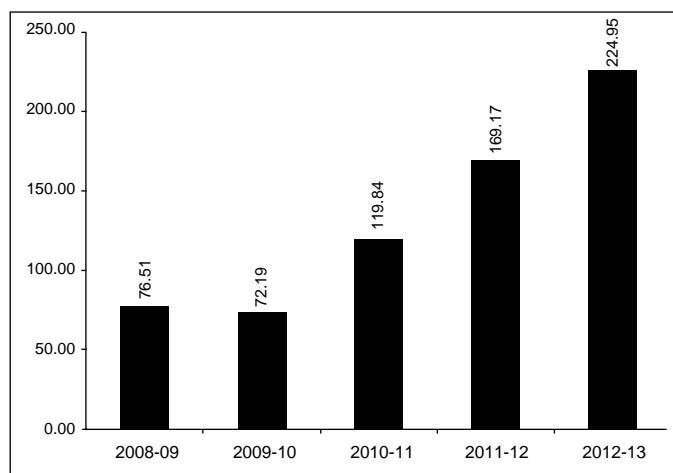
(All Amounts in Rs. Lacs, unless otherwise stated)

	2008-09	2009-10	2010-11	2011-12	2012-13
<b>INCOME</b>					
Sales and Other Income	78,42	73,47	1,21,38	1,72,19	2,27,87
Earnings Before Depreciation, Finance Cost and Tax Expense (EBDIT)	5,85	8,64	16,13	22,77	23,84
As % of Sales & Other Income	7.46	11.76	13.29	13.22	10.46
Depreciation	50	97	1,41	2,38	4,38
Net Profit for the year	2,00	4,21	8,32	10,36	6,31
<b>ASSETS EMPLOYED</b>					
Net Fixed Assets	9,68	22,54	32,11	88,45	97,36
Investments	2	2	50	2	2
Net Current Assets	15,30	12,11	8,47	9,44	9,96
Total	25,00	34,67	41,08	97,91	1,07,34
<b>EQUITY FUNDS AND EARNINGS</b>					
<b>Shareholders funds:</b>					
Equity Share Capital	9,97	9,97	10,00	10,00	10,00
Reserves and Surplus	3,98	6,44	12,70	20,15	23,55
<b>Total</b>	<b>13,95</b>	<b>16,41</b>	<b>22,70</b>	<b>30,15</b>	<b>33,55</b>
<b>Per Equity Share of Rs. 10/-</b>					
Book Value (Rs.)	13.99	16.46	22.70	30.15	33.55
Earnings (Rs.)	2.00	4.22	8.34	10.36	6.31
Dividend (Rs.)	1.00	1.50	2.00	2.50	2.50
Closing Market Price as on 31 <sup>st</sup> March (Rs.)	29.50	48.05	108.50	217.00	160.14
Market Capitalization as on 31 <sup>st</sup> March	29,42	47,91	1,08,52	2,17,04	1,60,17

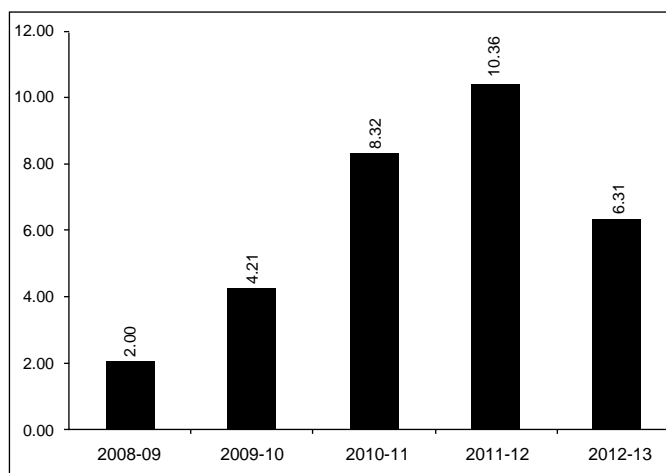
Note: Figures for the year 2012-13 & 2011-12 have been regrouped to make these comparable with the figures of the earlier years.

# FIVE YEARS TREND

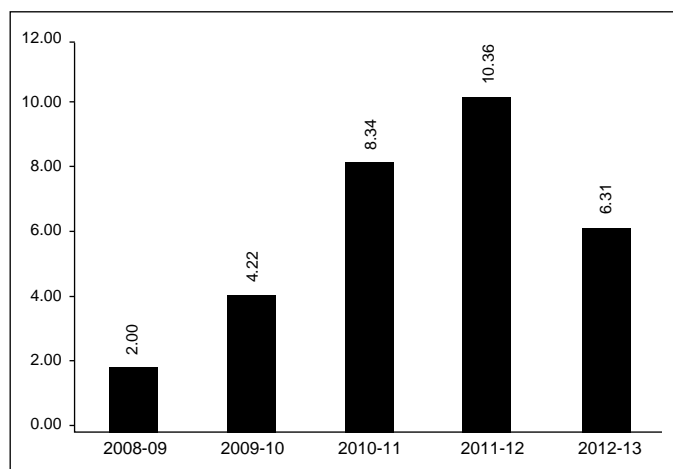
**Turnover (Rs. Crore)**



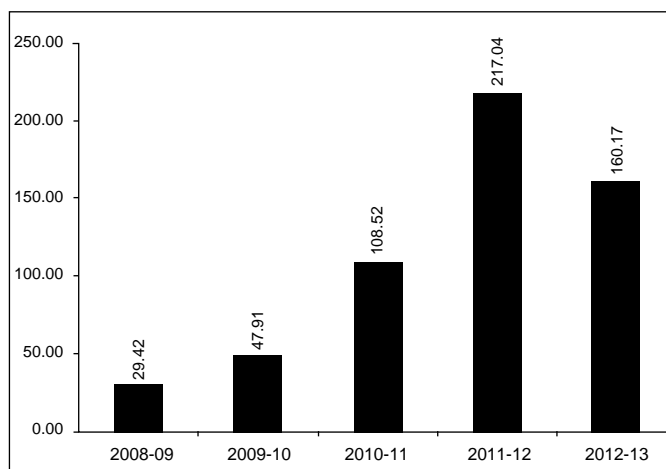
**Profit After Tax (Rs. Crore)**



**Earnings Per Share (Rs.)**



**Market Capitalisation (Rs. Crore)**







Source : [www.indiatodayimages.com](http://www.indiatodayimages.com)

### **DFM Foods Ltd. receives Star SME Overall winner award for medium enterprises at the BT – YES Bank Awards function**

(L to R—Mr. Sanjay Agrawal, Senior President, Business Banking, Yes Bank, Mr. ShriprakashJaiswal, Union Minister of Coal, Mr. Mohit Jain, Managing Director, DFM Foods Ltd., Mr. Rohan Jain, Executive Director, DFM Foods Ltd., Mr. K.H. Muniyappa, Minister of State of MSME, and Mr.AsishBagga, CEO, India Today Group)

*Dear Shareholders,*

The year gone by has been a challenging one

The economy continued to slow down and its impact was much more pronounced during the second half of the year. This was probably accentuated by the poor monsoon

Though our overall sales growth was still about 33%, it was the slowest in the last 7 years in our principal markets of North India. This slowdown affected the ability of the business to absorb the higher costs on account of the establishment of the new factory and the startup of operations in the new geographical areas

I am hopeful that the economy has bottomed out and may start to recover soon

We however continued with our efforts to develop the business in virtually all areas of operations:-

- Turnover crossed Rs. 200 crores for the first time
- Marketing spend was increased to enhance consumer reach
- Commenced sales and distribution in the East zone
- Expanded our distribution network across all zones
- Stabilized operations at the new manufacturing facility
- Virtually completed all works associated with the new factory
- Continued to complete the institutionalization of major management processes and worked on their absorption and stabilization within the organization
- Initiated the development of a new product targeted at a different consumer segment

I am confident that the inherent strength of our business, and our sustained efforts will enable us to emerge stronger from the current slowdown

In April this year, the performance of your Company over the past few years was given public recognition. Business Today / Yes Bank named your Company as the Star Performer in the Agricultural Sector and the Overall Star Performer in the Medium Sector for 2011-12. This is a great honour for the Company and I congratulate the entire team which made this possible

I am grateful to the Board of Directors for their unstinted support and guidance. I also thank all the stakeholders for their association with and trust in the organization

With best wishes,

Sincerely,



**Mohit Jain**

*Vice Chairman & Managing Director*

June 29, 2013







# MANAGEMENT DISCUSSION & ANALYSIS

**1.** The core business of your Company is the manufacture and marketing of snack foods

## **2. Economic Scenario**

Overall economic growth continued to slow down for the second year in succession

In response the Government has stepped up the pace of economic reforms and taken several steps to revive economic growth. It is felt that the economy has bottomed out and should start recovering soon

## **3. Industry structure and its development**

The industry consists of 2 principal segments:- the traditional ethnic snacks and the more recently introduced “modern” snacks

The traditional snacks segment has very few organized players and consists largely of small unorganized local manufacturers.

The modern snacks segment consists basically of larger organized manufacturers, which employ automated machinery, mass marketing and have a presence across various geographical markets

In recent years, there has been a growing trend of a shift to branded and premium products in the traditional segment

The major developments are taking place in the modern snacks segment. Several organized players have made an entry in recent years and more continue to enter. However, barring a few, most players have only a regional presence and the more successful are continuously attempting to expand their national footprint

Your Company operates in both the segments. However the modern segment constitutes the bulk of the business

The continued growth of the economy and consequent rising income levels, increasing urbanization and rising aspiration offer immense potential for the healthy growth of the snack food industry

## **4. Financial Highlights**

Revenue from operations increased from Rs. 169.42 crores to Rs. 225.24 crores. EBITDA increased from Rs. 22.77 crores to Rs. 23.84 crores whereas profit after tax fell from Rs. 10.36 cores to Rs. 6.31 crores

Manufacturing margins were maintained but the slowdown in demand affected the ability of the business to absorb the higher overhead costs on account of the new factory and the commencement of sales and distribution in the West and East zones of the country

Further the financial costs and depreciation expense also increased substantially on account of the capital investment in the new manufacturing facility

These higher costs are all related to investments for the future growth and development of the business

The work on the new facility was virtually completed during the year. The total outlay has been Rs. 78.00 crores of which Rs. 10.00 crores was incurred during the year

Fresh term loans of Rs. 8.00 crores were raised during the year towards the capital outlay

## **5. Business Developments**

During the year, marketing spend was increased so as to expand the consumer reach. Furthermore, substantial market research was conducted in order to better understand our consumers and assess the strength of our brands vis-à-vis the competition. This understanding will enable the strengthening of our business strategy

Accordingly the development of a new product has been initiated which is targeted at a different market segment

Direct retail coverage was expanded in all zones. The operations in the West zone are being stabilized and operations commenced in the East zone during the year. The initial response is encouraging and all efforts will be made to expand operations to the

entire zone during the current year

The balance work on the new manufacturing facility was virtually completed during the year and the operations of the factory have been stabilized. Of the total capital commitment of Rs. 78.00 crores, Rs. 66.00 crores was spent in 2011-12, Rs. 10.00 crores during the current year and the balance Rs. 2.00 crores would be spent during 2013-14

A major initiative had been taken to institutionalize certain management processes. These relate to the development and monitoring of annual operating plans and standardization of operating procedures across all functions. Continuous efforts have been made to implement these processes during the year and their absorption is likely to be completed during the current year. These systems will stabilize operations in all areas and substantially enhance the organizational capacity to handle larger business volumes more efficiently

During the year, competition in the modern snack segment increased with the entry of both organized and unorganized players. However, this should not be a matter of concern as our brands are strongly established in the market

## **6. Opportunities & Threats**

There are several opportunities available for the further development of the business. These are:-

- Developing new products to cater to different market segments
- Intensification of retail coverage in existing markets
- Expansion to new markets
- Innovation in marketing

Some of the threats faced by the business are:-

- Uncertainty in the price of raw materials and packaging materials
- Uncertain economic conditions within the country

## **7. Risks and Concern**

A major concern is the development and stabilization of organizational capacity and management systems

## **8. Outlook**

The action being taken to develop and launch a new product alongwith the likely revival of economic growth should result in a positive outlook for the business

## **9. Internal controls and their adequacy**

The Company has proper and adequate internal control systems to ensure that all the assets are safeguarded and that all transactions are authorized, recorded and reported correctly. Regular internal audits and checks are carried out to ensure that the responsibilities are executed effectively and that the systems are adequate. Management continuously reviews the internal control systems and procedures to ensure the efficient conduct of business. An Audit Committee of the board oversees the internal controls within the organization

## **10. Human Resources**

Our employees form the backbone of our organization. Your company takes pride in the commitment, competence and dedication shown by its employees in all areas of operation. Industrial relations have remained harmonious throughout the year

Your company endeavors to follow best HR practices across all areas. These cover recruitment, induction, development and training, and appraisal systems which are tied in with defined key result areas

The employee strength rose from 325 in the previous year to 390 as on 31<sup>st</sup> March, 2013