

Finolex

Industries Limited



Finolex gets people together

Finolex Investors Day

26th February, 2014

Urse, Dist. Pune,

Maharashtra.



Finolex Industries - Snapshot

Capacities & Reach

Businesses

Financials

Business Outlook

32nd AGM – Chairman's Message



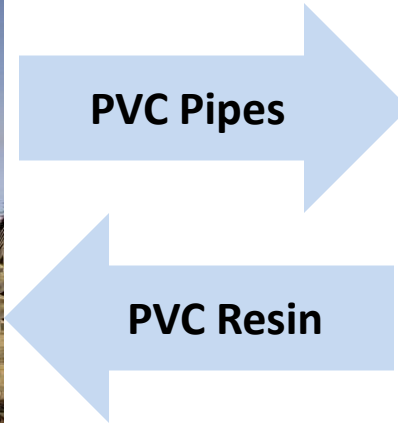
Finolex Industries – A Snapshot

- ❖ Largest PVC pipe manufacturer in India with a processing capacity of 2.1 Lakh MT annually:
 - Ratnagiri (Maharashtra) – 1.0 Lakh MT
 - Pune (Maharashtra) – 0.8 Lakh MT
 - Masar (Gujarat) – 0.3 Lakh MT
- ❖ Market leader in most of the product categories.
- ❖ Market presence for more than 3 decades since inception in 1981.
- ❖ Pan India distribution network through wide network of dealers, sub-dealers and retail outlets.
- ❖ Wide range of PVC pipes & fittings for diverse applications across sectors.
- ❖ Only PVC pipe manufacturer with state of the art fully backward integrated PVC Resin Plant at Ratnagiri with a processing capacity of 2.7 Lakh MT.
- ❖ Brand strength due to high quality product offerings.
- ❖ Strong cash generation helping in reduction of debt.



Installed Capacities

Capacities (MT)	2008-09	2009-10	2010-11	2011-12	2012-13
PVC Pipes & Fittings	97,200	1,14,163	1,22,867	1,80,000	2,10,000
PVC total capacity	2,60,000	2,60,000	2,60,000	2,60,000	2,70,000
Power (MW)	-	-	43	43	43



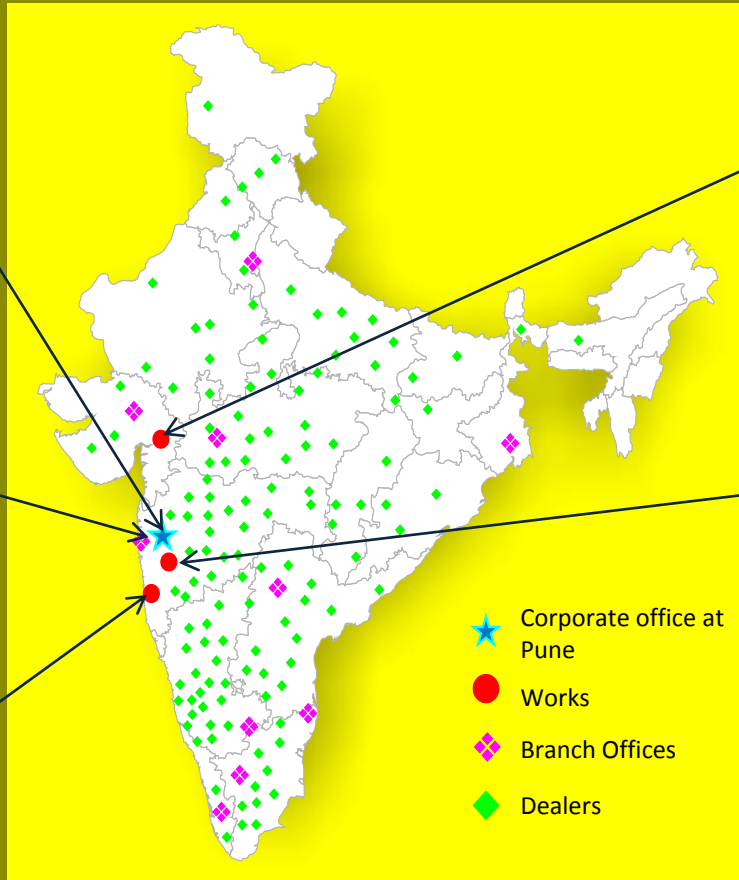


Pan India Reach

Corporate Office:
Finolex Industries Limited, D/10, M.I.D.C. Chinchwad, Pune Maharashtra.

1,30,000 sq.ft. warehouse facility exclusively for PVC Fittings at Chinchwad, Pune, Maharashtra.

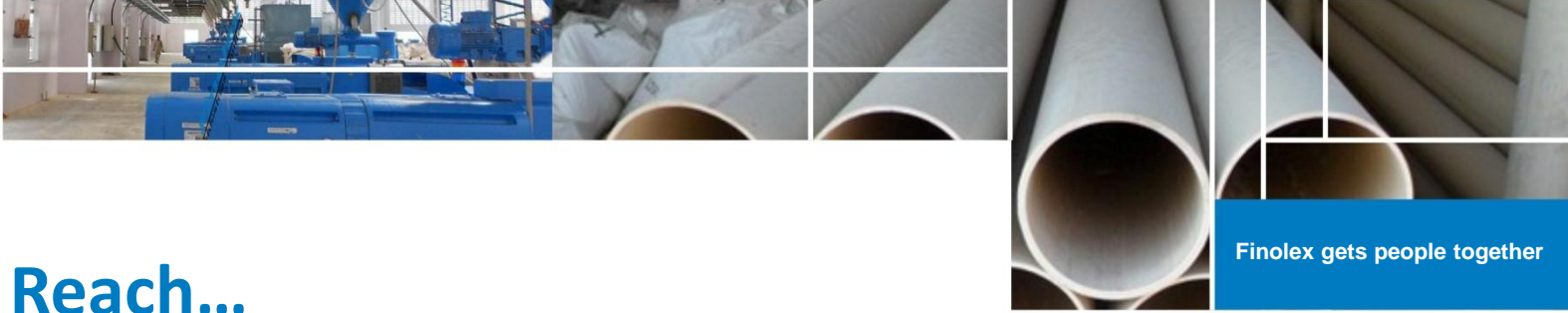
PVC Resin, PVC Pipe Manufacturing Unit & Captive Power plant at Ratnagiri, Maharashtra



PVC Pipe Manufacturing Unit Masar, Gujarat

PVC Pipe Manufacturing Unit Urse, Pune, Maharashtra

The company has more than 500 dealers and 15,000 retail touch points across the length and breadth of the country.



Pan India Reach...

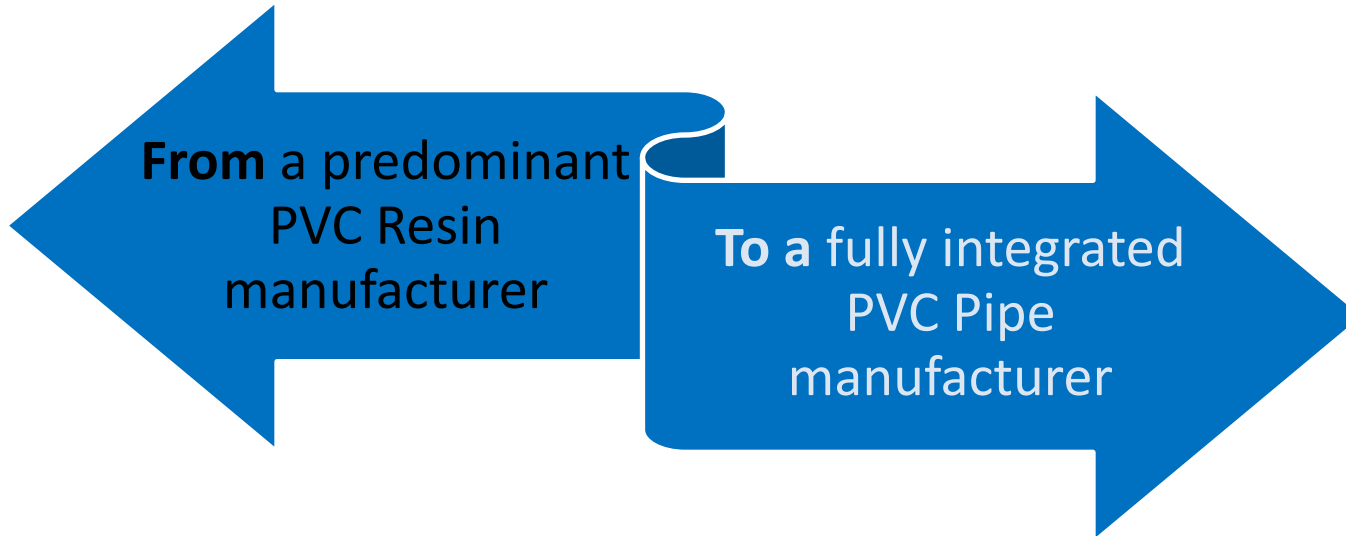
- ❖ Finolex Industries has consistently focused on increasing its reach across the country.
- ❖ Distribution to dealers is spread in such a way that no single dealer contributes more than 1% of the PVC pipe and fittings revenues.
- ❖ The company carries out various sales promotional activities and conducts events to engage with its customers on a consistent basis.
- ❖ Appointment of dealers is done after a rigorous process of due diligence.
- ❖ The company is now focusing on increasing its footprint in the northern and eastern parts of the country.



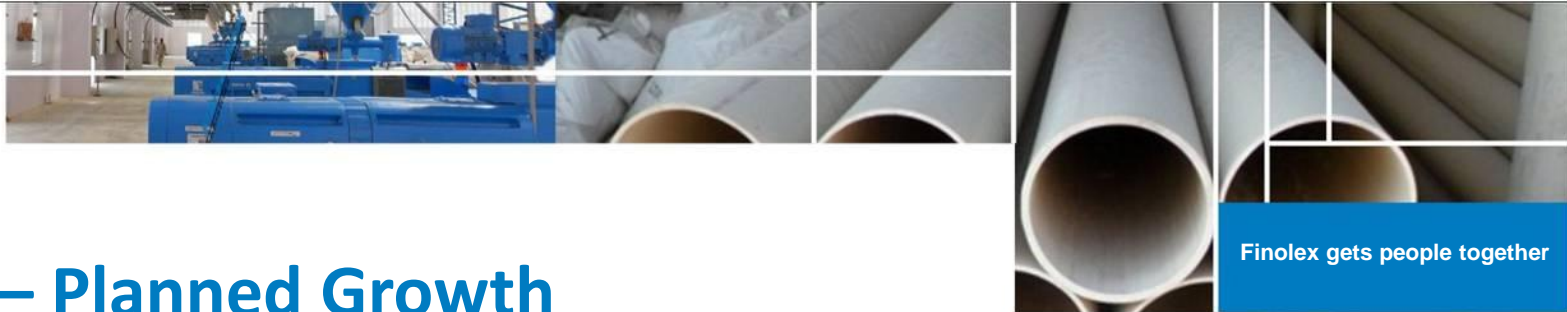
PVC Pipes & Fittings



Paradigm shift in business focus

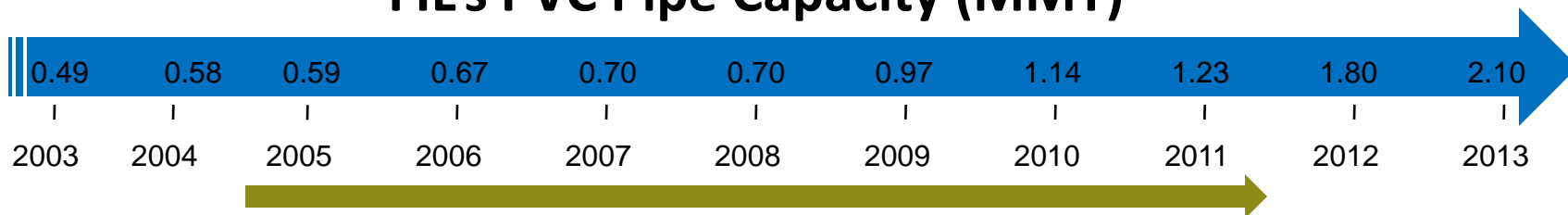


- ❖ FIL started in 1981 as a Pipe manufacturer.
- ❖ With a vision to become fully integrated, the company commissioned a state of the art PVC Resin manufacturing unit at Ratnagiri in 1993 and further increased the capacity in 2006.
- ❖ All incremental expansion in capacities in PVC Pipes & fittings only with a focus on improvement in ROCE.



PVC Pipe – Planned Growth

FIL's PVC Pipe Capacity (MMT)



CAGR of 15.67% over the last 10 years

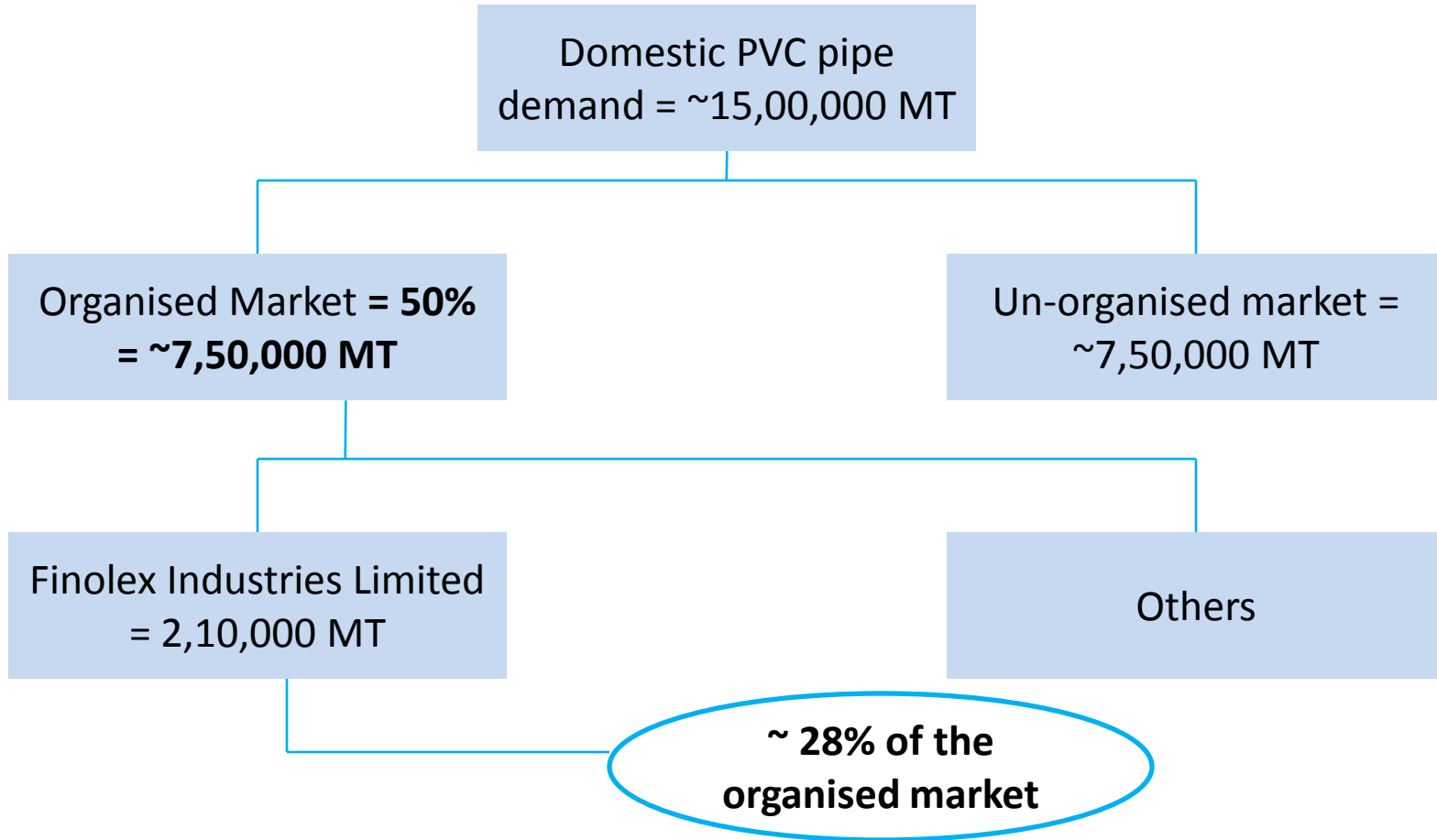
Revenues (INR millions)	FY09	FY10	FY11	FY12	FY13
Total revenues	14,929	14,549	19,777	20,998	21,448
Revenues – pipes & fittings	5,665	7,200	9,056	10,071	13,545
<i>% share of pipe & fittings</i>	38%	49%	46%	51%	63%

Marked shift in focus towards pipes & fittings business

Company continues to expand its PVC pipe business steadily over the years



PVC Pipe – Addressable Market

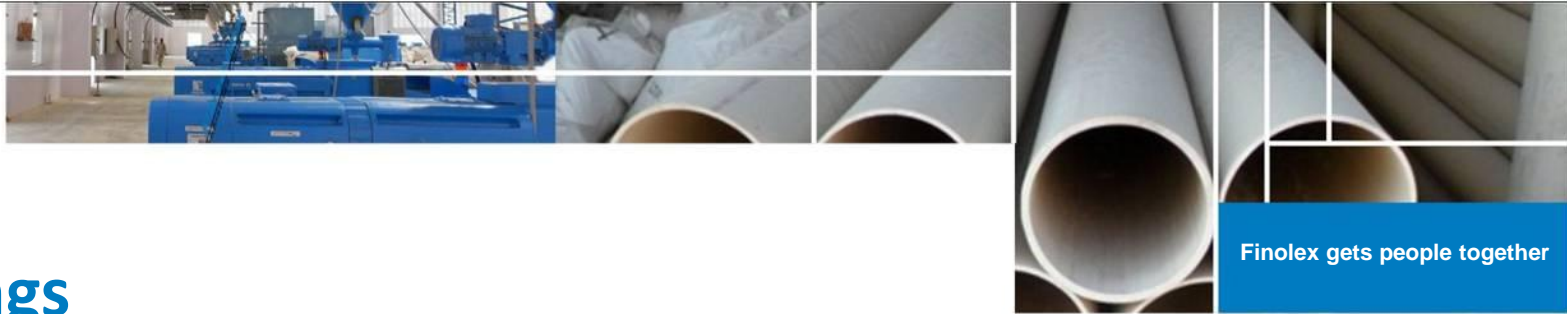


Company to benefit from the overall growth in the industry & likely shift to organised segment.



PVC Pipe – Growth drivers

- ❖ Only 40% agricultural land is under irrigation and the balance dependent on rainwater.
- ❖ Continuous depletion of water tables across the country, forcing people to source water from far flung places.
- ❖ GOI has plans to allocate INR 2.3 trillion (USD 38 billion) on water management and INR 5.0 trillion (USD 83 billion) to the irrigation sector in the 12th Five Year Plan.
- ❖ Total housing shortage in the urban area is ~22 million units. GOI is planning to add ~2.2 million units every year. One unit in urban area consumes ~ 200Kgs. of PVC products like pipes, flooring, door & windows etc.
- ❖ The approximate housing shortage in rural area is ~ 54 million units. One unit in rural area consumes ~75 Kg of PVC products like pipes, doors, roofing etc.



PVC Fittings

- ❖ PVC Fittings is a high value addition business for the company.
- ❖ In FY13, the company sold 10,961 MT of PVC fittings. Currently, fittings contribute approx. 8% to the total pipes and fittings sales mix.
- ❖ The company is focusing on increasing the proportion of high margin PVC fittings to ~10%-12% in its overall sales mix.
- ❖ The company is leveraging its market leader position in rural India, to increase the proportion of fittings in this market.
- ❖ Further, as a result of continuous shift from unorganised to organised markets, the organised market size is increasing.



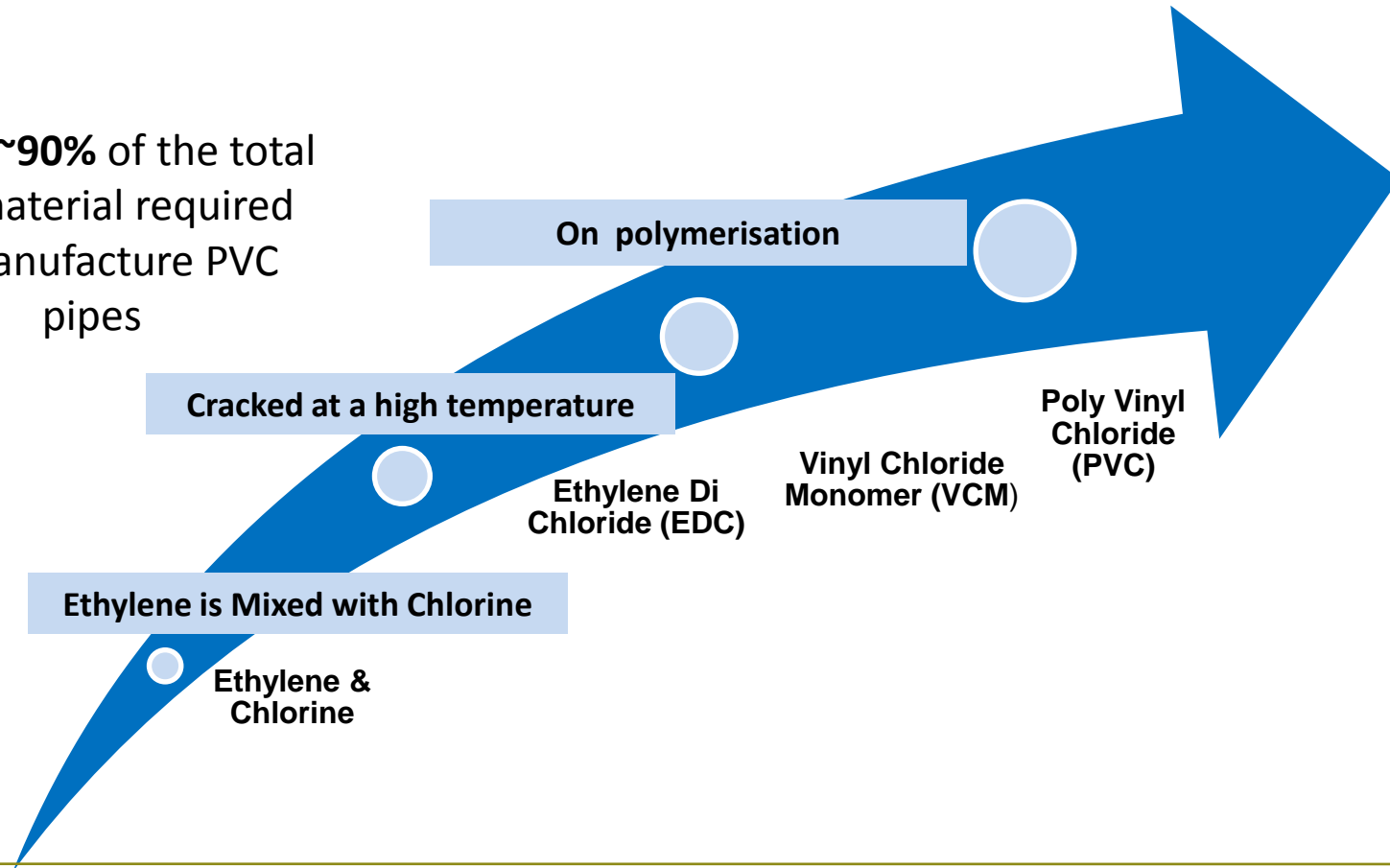
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PVC



Manufacturing Process – PVC Resin

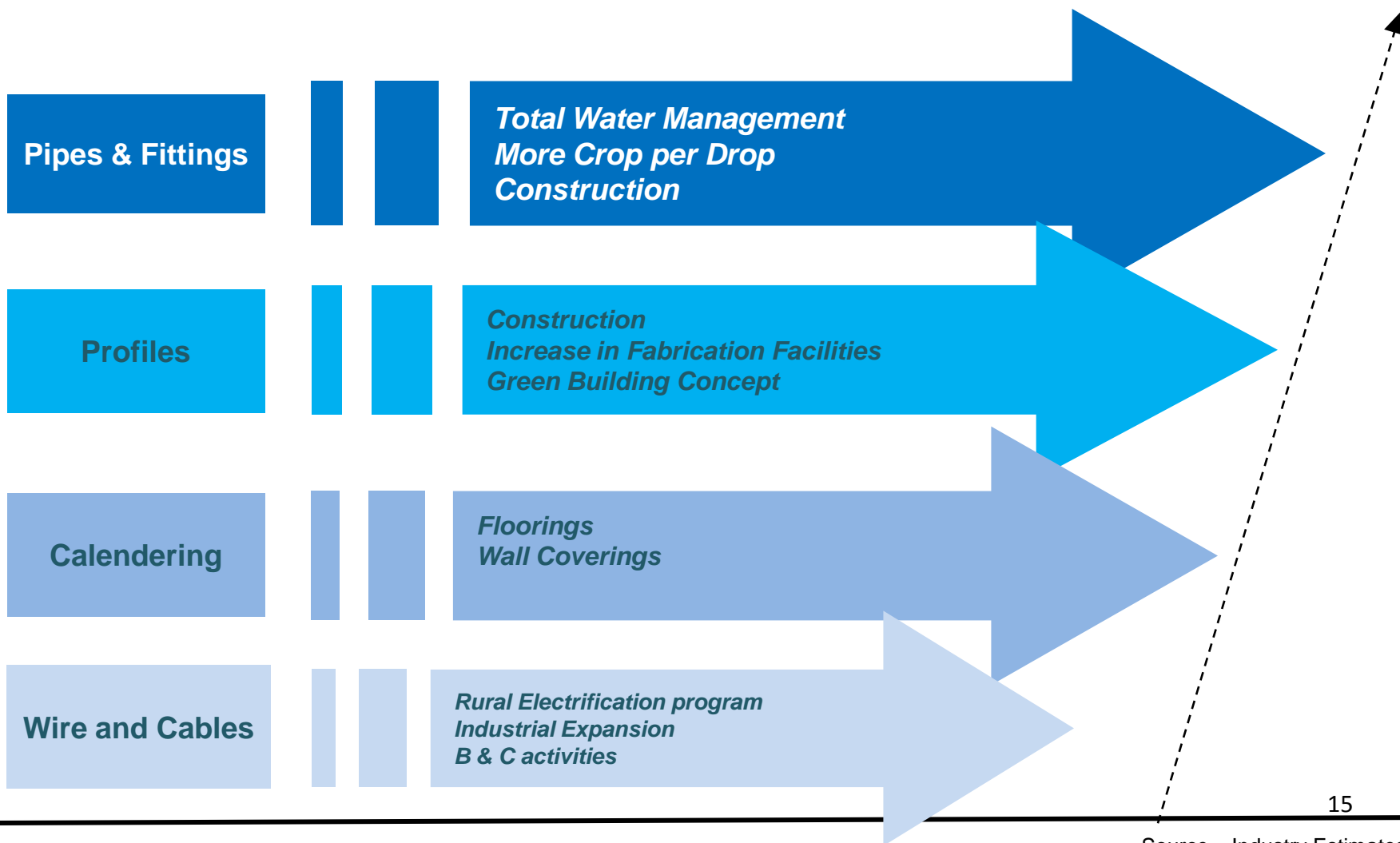
PVC is ~90% of the total raw material required to manufacture PVC pipes



FIL manufactures PVC Resin through both EDC & VCM route. 60% from EDC route whereas 40% is from the VCM route.

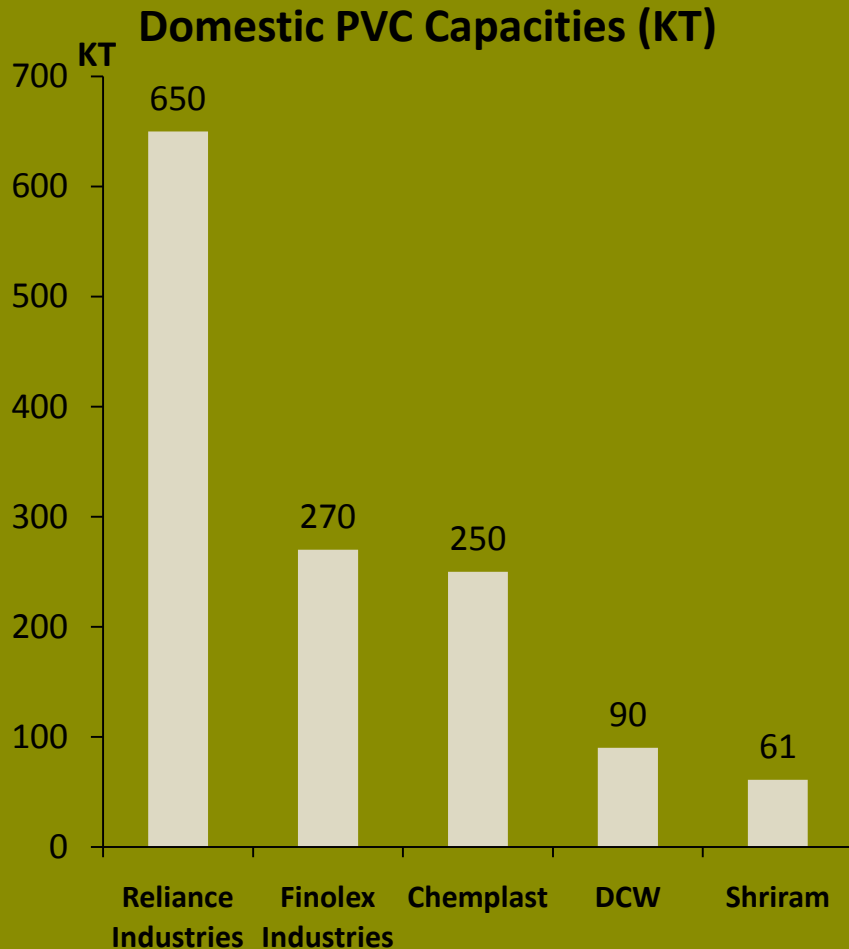


PVC: Major Usage Areas Globally





PVC – Industry & FIL's Position

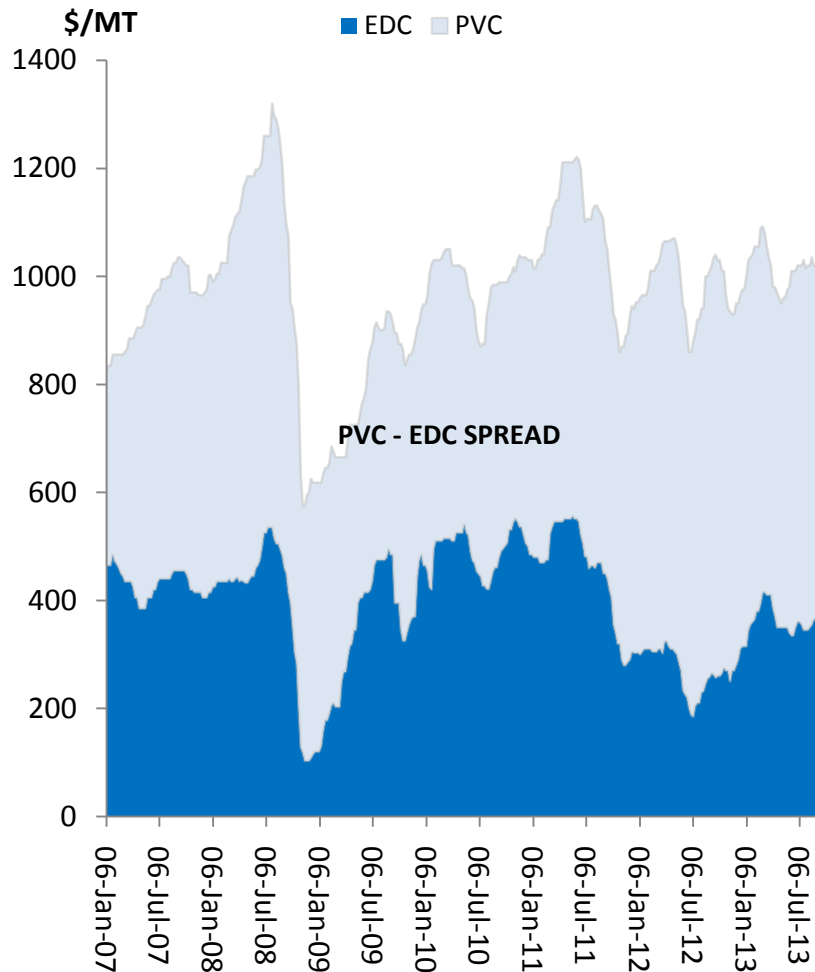


Source: Industry Estimates

- ❖ FIL has a total PVC capacity of 2,70,000 MT and is the second largest PVC producer in the country.
- ❖ PVC Resin plant was set up in technical collaboration with Uhde GmbH of Germany under technology license from Hoechst AG.
- ❖ Ratnagiri manufacturing facility has its own cryogenic jetty.
- ❖ 2 large water reservoirs making it self sufficient in water.
- ❖ Strong team of 400 technical personnel which helps to run the plant efficiently.
- ❖ PVC manufactured by the company is primarily used by the company in-house to manufacture PVC pipes & excess is sold in the market.



PVC – EDC spread



Source: Industry Estimates

- ❖ Currently, global capacity for PVC is ~54 MMT.
- ❖ Out of the total capacity, ~37 MMT is the current production in the world.
- ❖ Further, the global demand for PVC currently is ~34 MMT which is growing at a CAGR of ~1.5%. Thus, no additional PVC capacity is likely to be added in the near future.
- ❖ On the other hand, last year 2.8 MMT of EDC was traded globally.
- ❖ Further, ~2.0 MMT of EDC capacity in line to be added in the next three years..
- ❖ As a result of the above there is a likelihood that the spread between PVC and EDC will be maintained, if not enhanced.



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Power



Power

- ❖ Fully operational captive thermal power plant with a capacity of 43 MW at Ratnagiri.
- ❖ Majority of the power generated is used in house & balance is sold.
- ❖ As PVC pipe capacities grow in the coming years, more capacity would be utilised for captive consumption.
- ❖ Large water reservoirs & easy access of sea water.
- ❖ Negligible freight cost on coal, as imported coal transferred directly from jetty to the yard through conveyor.



Improving ROCE going forward

- ❖ Company anticipates double digit CAGR volume growth in PVC pipes & fittings over the next 5 years.
- ❖ This will be achieved by adding new extruders as well as replacing old extruders with efficient ones and other process improvements.
- ❖ Capex of INR 1000 million for the green field expansion of pipe capacity at Masar adding 50,000 MT p.a.
- ❖ Company maintains a CAPEX guidance of INR 300 to 400 million per annum including maintenance CAPEX for the next 3 years.
- ❖ As a policy Company sells all its PVC pipes & fittings on cash and carry basis by leveraging its brand strength thereby having a comfortable working capital position.



Financials



Quarterly P&L

Quarterly PL (INR million)	Q4		Q1		Q2		Q3	
	FY12	FY13	FY13	FY14	FY13	FY14	*FY13	FY14
Net Income	5,930	6,296	5,199	5,635	3,809	3,899	6,199	6,599
Cost of goods sold	4,766	4,669	3,902	4,307	2,742	2,739	4,779	4,930
Gross Profits	1,164	1,627	1,296	1,328	1,068	1,160	1,420	1,669
Gross margins (%)	20%	26%	25%	24%	28%	30%	23%	25%
EBIDTA before forex gain/(loss)	774	1,099	875	946	673	815	994	1,180
EBIDTA (%)	13%	17%	17%	17%	18%	21%	16%	18%
EBIDTA after forex gain/(loss)	944	1,277	138	407	639	490	627	1,276
EBIT before forex gain/(loss)	592	967	735	799	536	667	860	1,002
EBIT (%)	10%	15%	14%	14%	14%	17%	14%	15%
PBT	728	1,106	(142)	318	516	391	421	920
PBT (%)	12%	18%	-3%	6%	14%	10%	7%	14%
PAT	562	793	(137)	226	399	274	306	639
PAT (%)	9%	13%	-3%	4%	10%	7%	5%	10%
EPS	4.53	6.39	-	1.82	3.22	2.21	2.47	5.15

* Regrouped as per the published financial statements



Quarterly Segmental P&L

Segment wise – Quarterly PL (INR million)	Q4		Q1		Q2		Q3	
	FY12	FY13	FY13	FY14	FY13	FY14	FY13	FY14
<u>Segmental revenues</u>								
PVC	3,970	4,555	3,896	3,627	2,779	3,245	4,419	4,911
PVC pipes	3,447	4,142	3,134	4,349	2,945	2,779	3,599	3,819
Power	465	546	395	450	514	406	616	346
<u>Segmental profits</u>								
PVC	527	605	575	424	504	379	658	711
PVC pipes	177	315	199	355	80	236	123	340
Power	39	166	47	97	59	103	209	31
<u>Capital employed</u>								
PVC	6,758	7,462	7,209	8,203	6,129	7,400	6,994	7,806
PVC pipes	2,085	3,191	1,980	3,429	2,695	3,839	2,102	4,583
Power	3,859	3,151	3,903	3,464	3,485	2,743	3,668	2,696
Other segments	5,406	3,479	6,582	3,824	6,493	2,734	6,195	3,723



Profit & Loss – Key indicators

Profit & loss account (INR million)	FY10	FY11	FY12	FY13	9MFY14
Net Income	14,549	19,777	20,998	21,448	16,133
<i>Growth in sales (%)</i>		36%	6%	2%	
Gross Profits	4,442	3,878	3,893	5,356	4,157
<i>Gross margins (%)</i>	31%	20%	19%	25%	26%
EBIDTA before forex gain/(loss)	3,168	2,362	2,314	3,587	2,940
<i>EBIDTA (%)</i>	22%	12%	11%	17%	18%
EBIDTA after forex gain/(loss)	2,628	2,197	2,168	2,627	2,173
PBT	1,740	1,150	967	1,902	1,629
<i>PBT (%)</i>	12%	6%	5%	9%	10%
PAT	1,323	762	752	1,361	1,140
<i>PAT (%)</i>	9%	4%	4%	6%	7%



Balance Sheet – Key indicators

Balance Sheet (INR million)	<i>FY10</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>	<i>1HFY14</i>
<i>Equity and liabilities</i>					
Share capital	1,240	1,240	1,241	1,241	1,241
Reserves and surplus	4,637	4,963	5,380	5,971	6,471
Long term borrowings	1,958	1,954	1,896	1,397	1,197
Short term borrowings	6,377	5,391	8,229	5,709	5,405
Total borrowings	8,335	7,345	10,125	7,106	6,602
<i>Assets</i>					
Fixed Assets (Net Block)	8,356	7,924	7,840	8,795	8,724
Capital WIP	664	722	854	506	586
Non-current investments	1,208	1,221	1,221	1,274	1,274
Current investments	2,055	859	3,711	2,322	-



Business Outlook

- ❖ PVC pipe industry witnessing strong demand, and likely to remain robust in coming years.
- ❖ Focus on distribution in the coming few years to increase visibility and reach in North & East India.
- ❖ 20,000 MT pipe capacity to be commissioned by the end of Q4FY14 at various locations.
- ❖ With no major CAPEX in the pipeline, healthy cash inflows will be used to repay debt.



32nd AGM – Chairman’s Message

Key Highlights

- ❖ Company continues to be India’s largest manufacturer of PVC pipes and fittings.
- ❖ It plans to expand the pipe & fitting capacity to retain its numero-uno position in the industry.
- ❖ Company intends to focus on financial consolidation going forward.
- ❖ Measures have been initiated to achieve cost rationalization throughout the Company’s operations and the management expects that this will yield good long term benefits.
- ❖ Healthy cash generation by the company will help to bring down company’s debt levels steadily over the next few years.

For the full speech click on the link below

<http://www.finolex.com/images/UserFiles/File/CHAIRMAN%20SPEECH%20REVISED%20-%2020%20%209%202013.pdf>



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For further queries:

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