



Finolex

Industries Limited

Finolex gets people together

Investor Presentation

Quarter ended 30th June, 2013



Interesting Insight

- ❖ According to a study made by the Ministry of Water Resources (mowr), GOI, the total water demand for agriculture will rise from 656 billion cubic meters (bcm) in 2005 to 979 bcm in 2020 and 1,195 (bcm) in 2030.
- ❖ Out of the total area under agriculture in the country, only 40% of the total gross cropped area is under irrigation.
- ❖ Out of the total irrigated area in the country ~60% of net irrigated area in the country meets its water supply requirements from groundwater.

Source : FICCI HSBC Knowledge Initiative on Sustainable Agriculture Water Management

Falling water tables forcing sourcing of water from farther places



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About us

Businesses

Business Outlook

Financials



About us

Businesses

Business Outlook

Financials



Leadership & Management

Leadership:

- ❖ 19th largest PVC Pipe company in the global market out of the top 150 PVC Pipe companies as per the report published by The Plimsoll Global Analysis.
- ❖ 25th most profitable company out of top 150 Global PVC Pipe manufacturers as per The Plimsoll Global Analysis.
- ❖ The largest PVC pipe manufacturer in the country.
- ❖ Leader in PVC Pipe in the rural segment across most of its products.
- ❖ ~25% market share of the organised PVC pipes market in India.

Management:

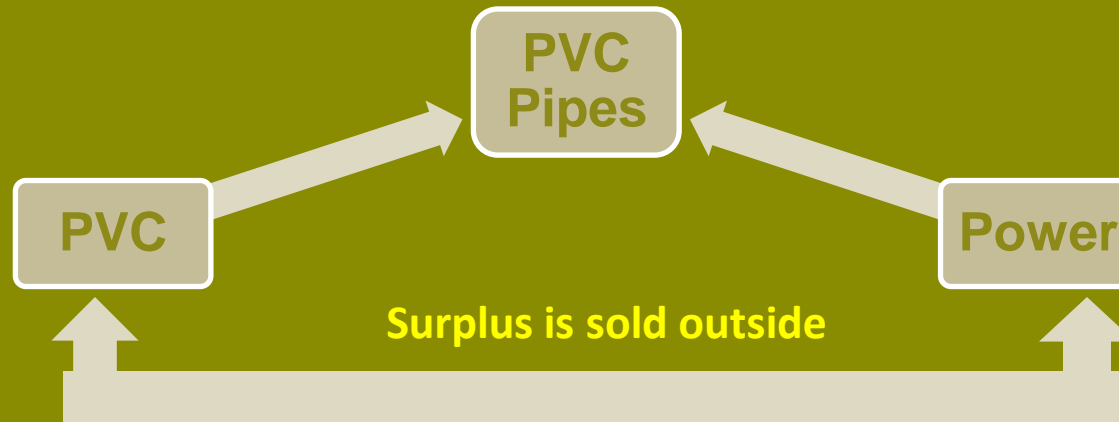
- ❖ Company run by professionals under the guidance of the Board of Directors.
- ❖ The company is headed by Mr. Prakash P. Chhabria - Executive Chairman.
- ❖ Other senior leadership include Mr. S.S. Dhanorkar - Managing Director, Mr. S.S. Math - Director (Operations) and Mr. Mandar B. Ratnaparkhi - CFO.



Business Snapshot

Business Model:

- ❖ Only company in the industry with a completely backward integrated plant



Products:

- ❖ The company manufactures PVC pipes and fittings for
 - Agriculture
 - Housing
 - Building & Construction
 - Telecom industry



Financial Snapshot

<i>Particulars (INR millions)</i>	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>
Net sales	14,929	14,549	19,777	20,998	21,448
EBIDTA before forex gain/(loss)	1,974	3,168	2,362	2,314	3,587
EBIDTA after forex gain/(loss)	100	2,628	2,197	2,168	2,626
PAT	(379)	1,323	762	752	1,362
Gross Debt	8,124	8,335	7,346	10,124	7,106
Net Debt*	6,248	5,452	6,218	6,123	4,694
Share Capital	1,240	1,240	1,240	1,241	1,241
EPS (INR unit)	-	10.67	6.14	6.06	10.97

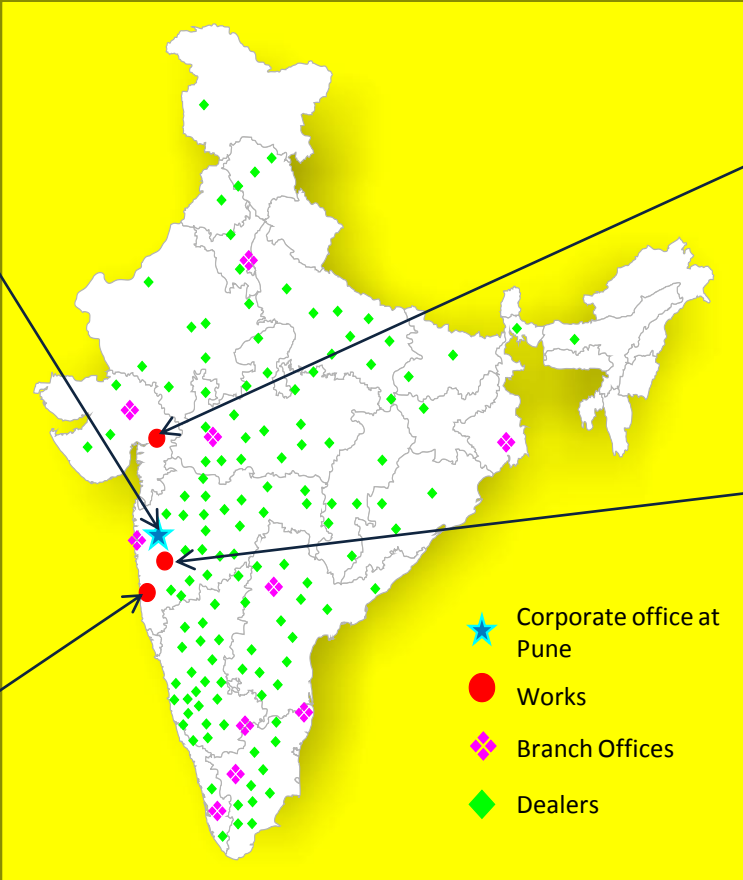
* Net Debt = Short term borrowing + long term borrowings – Cash – Current investments

Gross debt and Net debt of FY11, FY12 & FY13 does not include current maturities of long term debt .



Pan India Reach

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



PVC Pipe Manufacturing Unit Masar, Gujarat

PVC Pipe Manufacturing Unit Urse (Pune), Maharashtra

PVC & PVC Pipe Manufacturing Unit Ratnagiri, Maharashtra

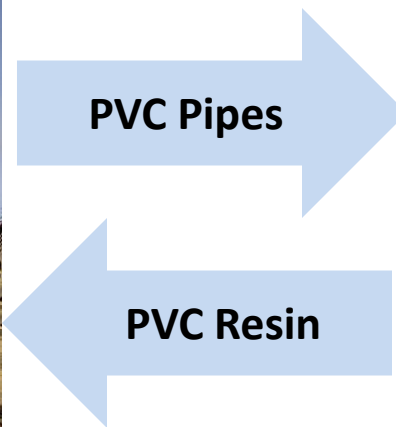
- ★ Corporate office at Pune
- Works
- ◆ Branch Offices
- ◆ Dealers

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



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





About us

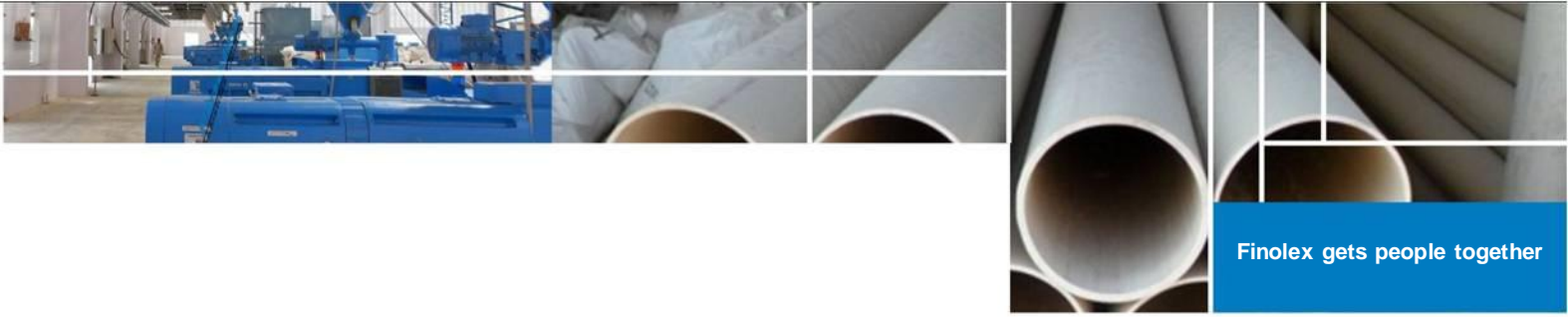
Businesses

Business Outlook

Financials



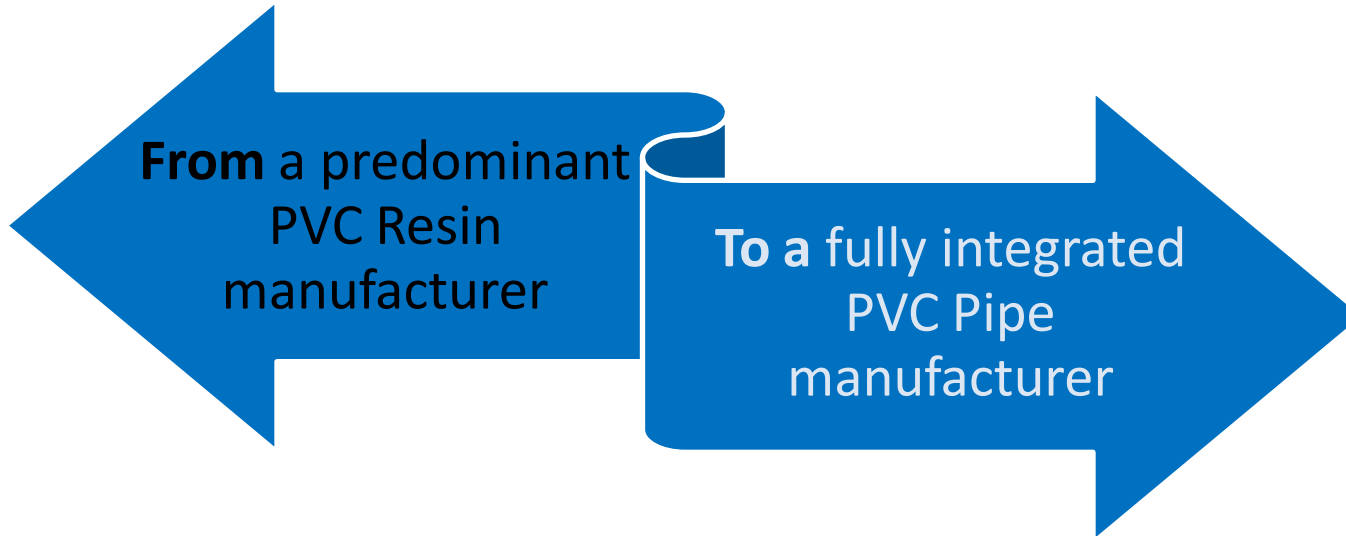
PVC Pipes



Paradigm shift in business focus



Shift in focus

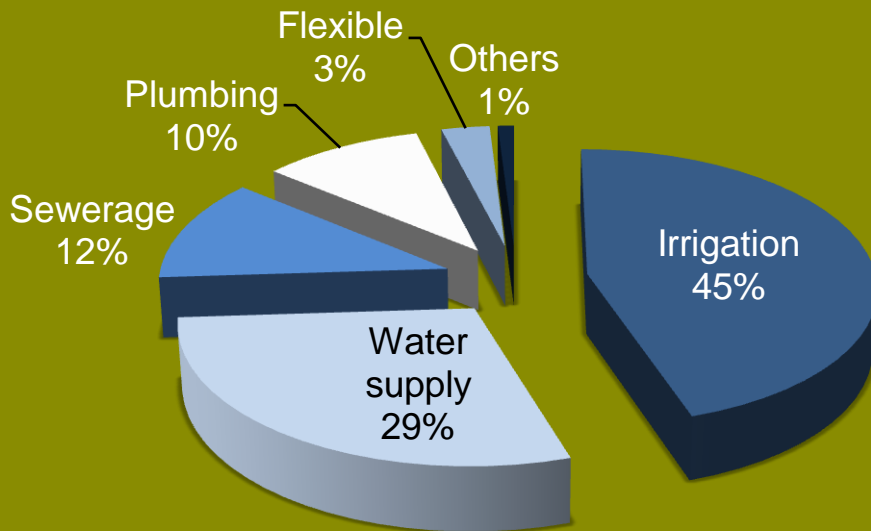


- ❖ FIL started in 1981 as a Pipe Manufacturer.
- ❖ With the vision to become fully integrated, the company commissioned a state of the art PVC Resin manufacturing unit at Ratnagiri in 1992.
- ❖ All incremental expansion in capacities in PVC Pipes & fittings only.

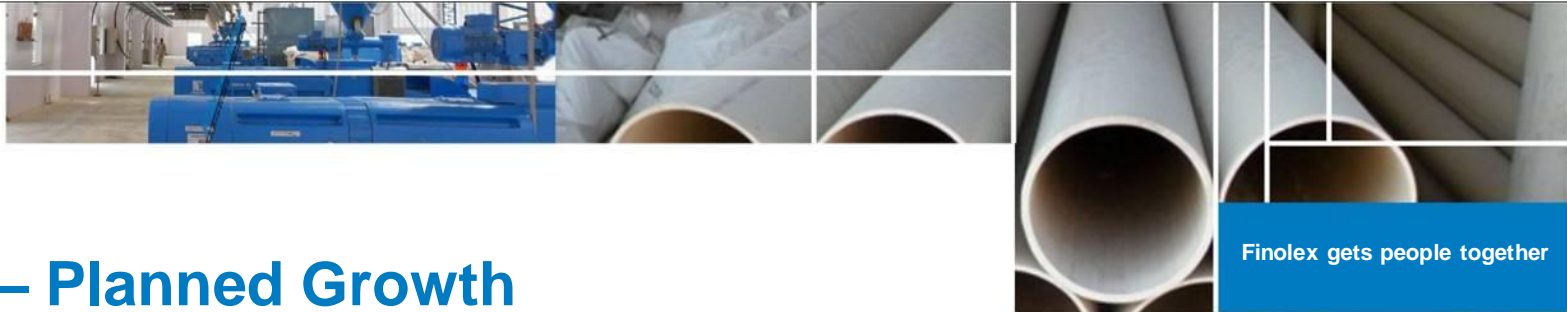


PVC Pipe – Industry Climate

Total domestic PVC pipe usage - segments

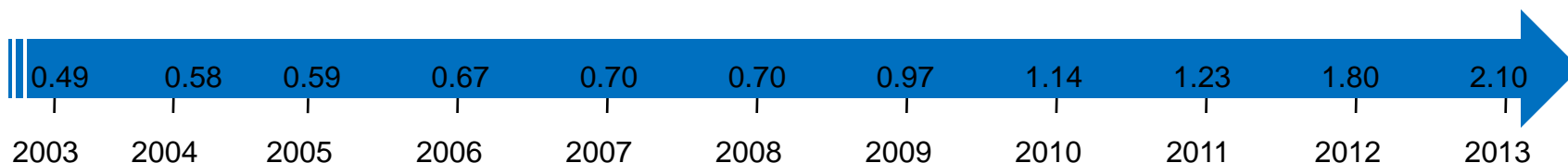


- ❖ ~75% of PVC Pipes is used in agriculture & irrigation segment. FIL has a leadership position in the rural segment.
- ❖ Domestic PVC pipe industry is largely fragmented & unorganised.
- ❖ The organised market for PVC pipes is expanding.
- ❖ FIL being the largest player in the organised segment is likely to benefit from this shift.
- ❖ In India pipes and fittings account for ~74% of the country's PVC consumption.
- ❖ FIL is the only PVC pipe Manufacturer with a complete backward integration.



PVC Pipe – Planned Growth

FIL's PVC Pipe Capacity (MMT)



CAGR of 15.67% over the last 10 years

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



PVC Pipe – Maintaining Global Standards

- ❖ All PVC pipes manufactured by FIL uses predominantly its own PVC Resin.
- ❖ Consistent quality of raw material translates into consistent quality of PVC pipes.
- ❖ One of the few manufacturers in India maintaining & matching global standards.
- ❖ This is evident from the fact that FIL's various product enjoys a market premium.



PVC Pipe – Agriculture Sector

Growth Drivers:

- ❖ Rural water management remains one of the focus areas of GOI.
- ❖ Only 40% agricultural land under irrigation. Of this 60% dependent on groundwater for its requirements.
- ❖ GOI continues its endeavor on increasing the total land under irrigation.
- ❖ Continuous depletion of water tables across the country, forcing people to source water from far flung places.
- ❖ To give impetus to agriculture 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.



PVC Pipe – Building & Construction Sector

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Urban Demand:

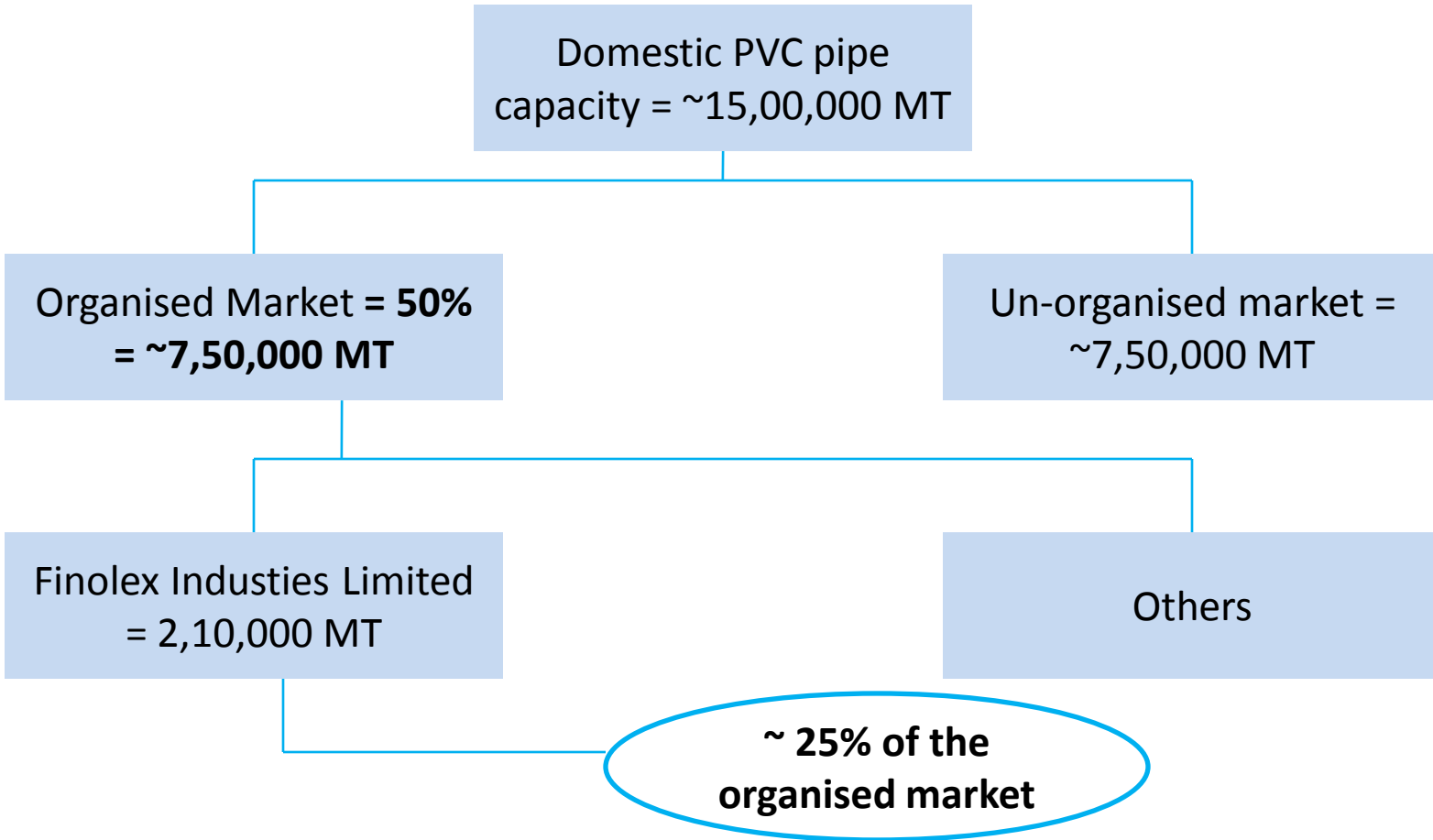
- ❖ Total housing shortage in the urban area is ~22 million units.
- ❖ GOI is planning to add ~2.2 million units every year.
- ❖ One unit in urban area consumes ~ 200Kgs. of PVC products like pipes, flooring, door & windows etc.

Rural Demand:

- ❖ 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 Pipe – Addressable Market



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



PVC Pipe – FIL's Position

- ❖ Strong brand loyalty.

- ❖ Company offers a wide range of applications in
 - Agriculture
 - Housing
 - Building & Construction
 - Telecom Industry

- ❖ FIL is the 1st Indian manufacturer to be awarded IS/ISO 9001:2008.

- ❖ FIL has pioneered the concept of “Ringfit” pressure pipes in the country.

- ❖ Pipes of wide variety ranging from 20mm to 400mm in size for various applications.



Product portfolio – Presence throughout the value chain



Various Applications



Irrigation



Rural Housing



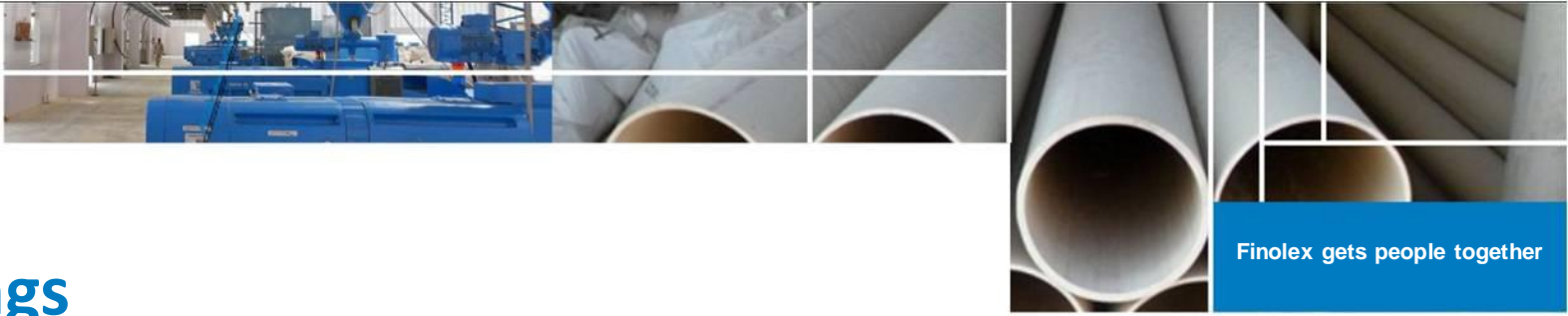
Water Management



Urban Housing



PVC Fittings



PVC Fittings

- ❖ PVC Fittings is a high value business for the company.
- ❖ During 2012-13, the company sold 10,961 MT of PVC fittings which came in at a growth of 6% vis-à-vis the previous year.
- ❖ As a result of continuous shift from un-organised to organised markets, overall market is itself increasing.
- ❖ FIL is comfortably placed to capture this increasing market share through its pan India distribution network of well established dealers (500 dealers) and distributor network. (15,000 distributors)



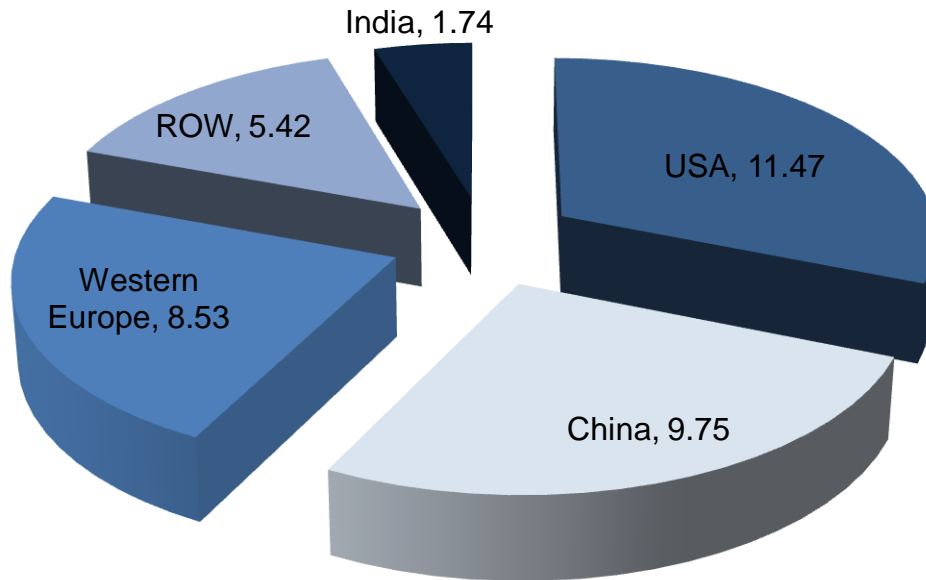
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PVC



PVC – Industry Climate

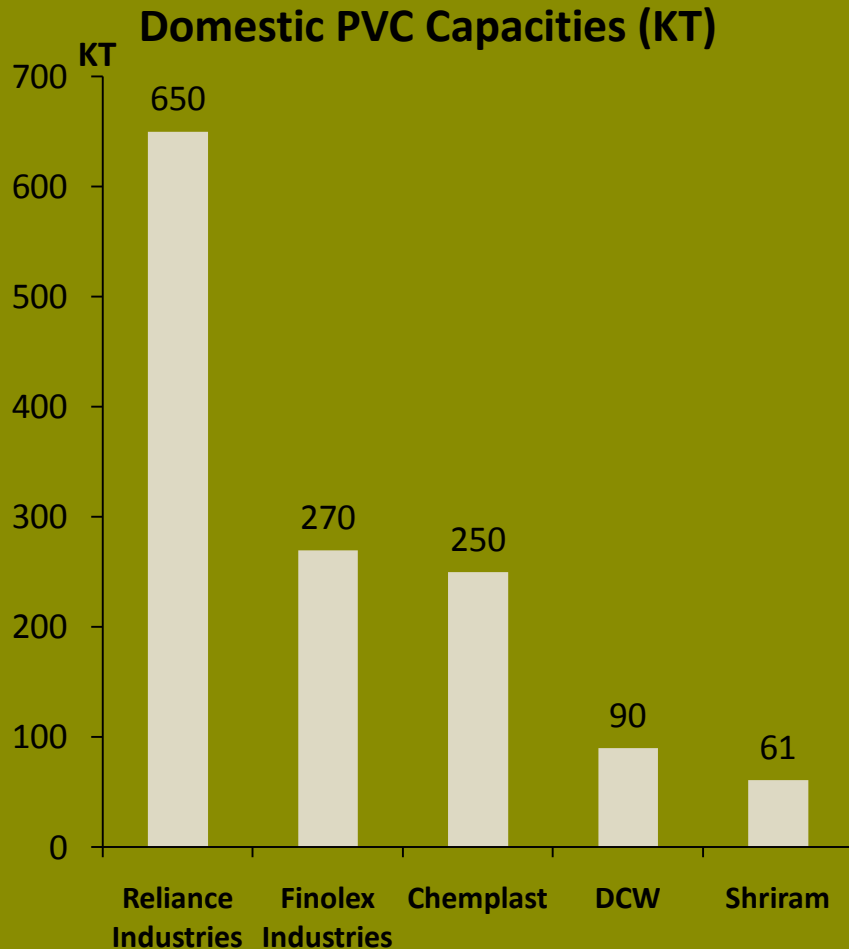
Global per Capita Consumption (In kgs.)



- ❖ Among different types of plastic pipes, PVC pipes account for ~86% of the domestic plastic pipe market.
- ❖ Global per capita consumption of PVC in India is only 1.74Kgs vs. China's 9.75Kgs.
- ❖ India consumes one of the lowest PVC in the world.
- ❖ Total domestic consumption for PVC is 2.22MMT out of which domestic capacity is only 1.3MMT whereas the rest is imported.
- ❖ In India, pipes and fittings account for ~74% of the country's total PVC consumption.



PVC – Industry & FIL's Position



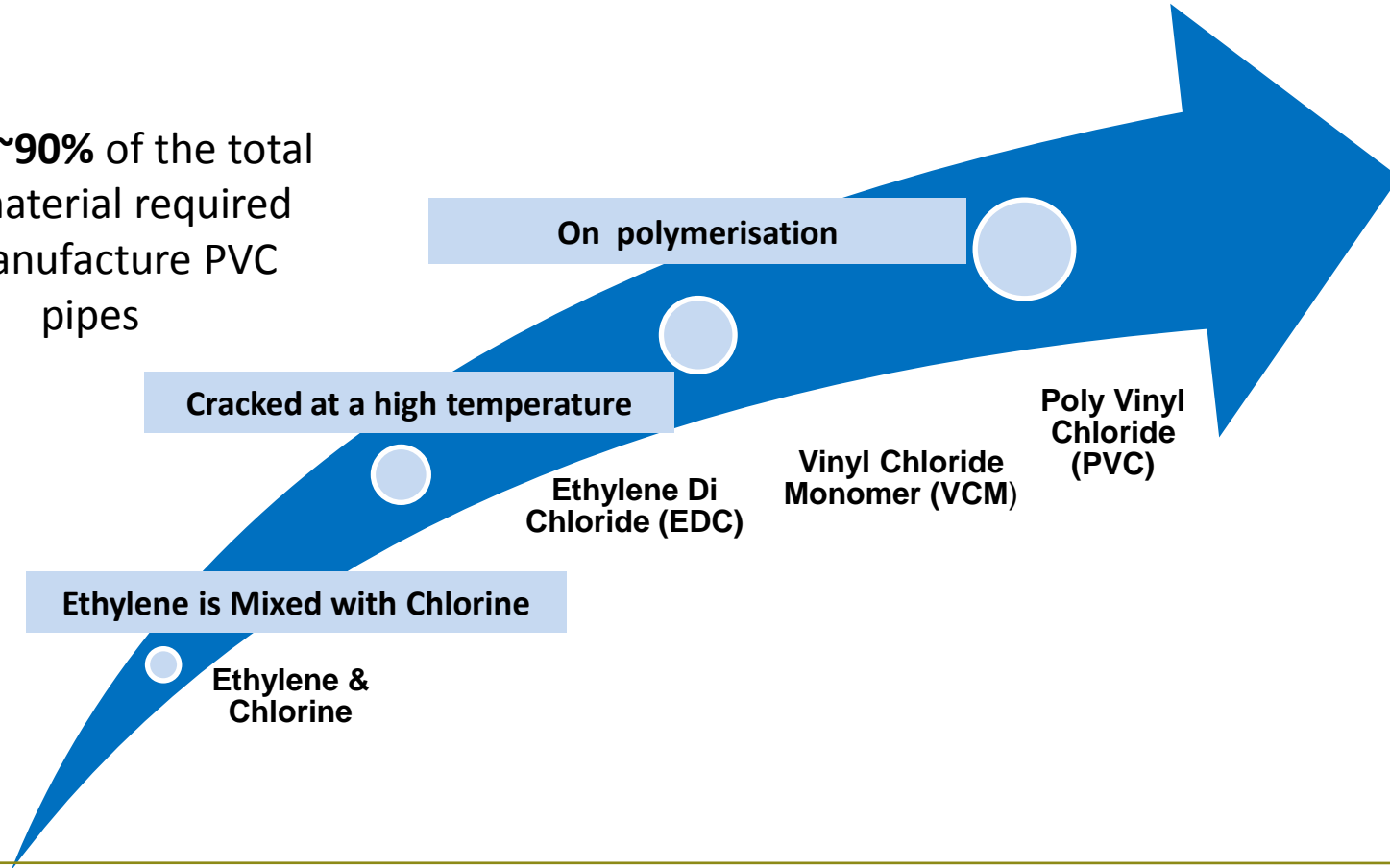
Source: Industry Estimates

- ❖ 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 team 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.



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. 50% from EDC route whereas 50% is from the VCM route.



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Power



Power

- ❖ Fully operational captive thermal power plant at Ratnagiri.
- ❖ Imported thermal coal based plant with an installed capacity of 43 MW.
- ❖ Majority of the power generated is used in house & balance is sold.
- ❖ As PVC pipe capacities grow in the coming years, full 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.



FIL – Snapshot

- ❖ Only PVC pipe manufacturer in India with a fully backward integrated plant.
- ❖ Complete control on availability of consistent quality raw material.
- ❖ Self sufficient on
 - Main raw material
 - Adequate land for any future expansion
 - Self sufficient on water
 - Self sufficient on power - captive power plant of 43 MW
- ❖ Control on raw material – own cryogenic Jetty near the plant.
- ❖ Market leader across products with strong brand pull.
- ❖ Sales against 100% advance payment.
- ❖ Pipes made up of highest quality.
- ❖ FITCH rating of IND AA- Stable.



About us

Businesses

Business Outlook

Financials



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 Q3FY14 at Masar Gujarat.
- ❖ Debottlenecking in existing plants to increase pipe capacities at existing locations.
- ❖ Focus on introducing more value added products.
- ❖ Focus on reduction of net debt.



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About us

Businesses

Business Outlook

Financials



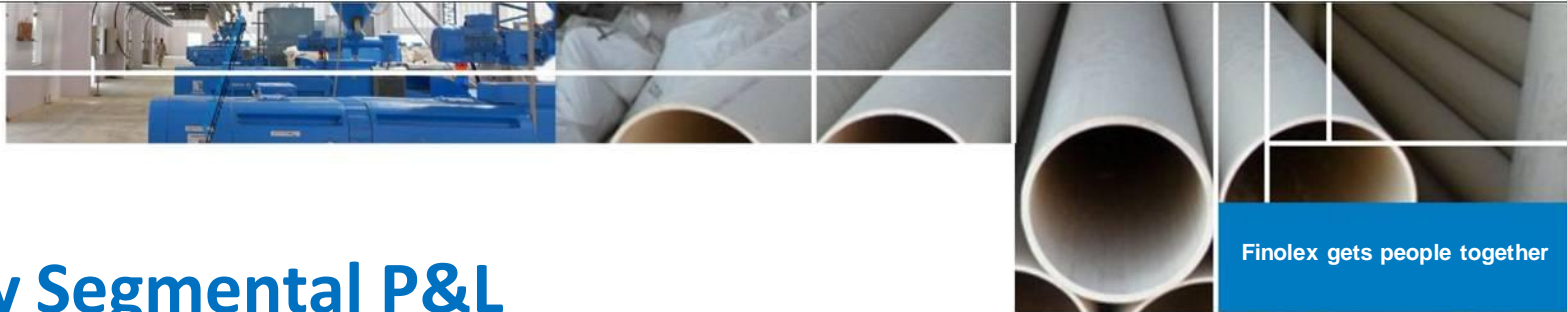
Results Update – Profit & Loss

<i>Particulars (INR millions)</i>	Q1FY13	Q4FY13	Q1FY14	YoY
Net Sales	5,199	6,296	5,635	8%
EBIDTA before forex gain/(loss)	875	1,099	946	8%
<i>EBIDTA margins (%)</i>	17%	17%	17%	
EBIDTA after forex gain/(loss)	573	1,277	407	-29%
Depreciation	141	132	146	4%
EBIT before forex gain/(loss)	735	967	799	9%
<i>EBIT margins (%)</i>	14%	15%	14%	
Other Income	21	43	194	824%
Interest	161	82	137	-15%
PBT	(142)	1,106	318	
<i>PBT margins (%)</i>	-3%	18%	6%	
Tax	(5)	313	91	
PAT	(137)	793	226	
<i>PAT margins (%)</i>	-3%	13%	4%	



Quarterly P&L

Quarterly PL (INR million)	Q2		Q3		Q4		Q1	
	FY13	FY12	FY13	FY12	FY13	FY12	FY14	FY13
Net Income	3,809	4,317	6,144	5,687	6,296	5,930	5,635	5,199
Cost of goods sold	2,742	3,386	4,779	4,582	4,669	4,766	4,307	3,902
Gross Profits	1,068	931	1,366	1,105	1,627	1,164	1,328	1,296
Gross Profits (%)	28%	22%	22%	19%	26%	20%	24%	25%
EBIDTA before forex gain/(loss)	673	434	940	497	1,099	774	946	875
EBIDTA (%)	18%	10%	15%	9%	17%	13%	17%	17%
EBIDTA after forex gain/(loss)	639	340	573	311	1,277	944	407	138
EBIT before forex gain/(loss)	536	241	805	301	967	592	799	735
EBIT (%)	14%	6%	13%	5%	15%	10%	14%	14%
PBT	516	42	421	(35)	1,106	728	318	(142)
PBT (%)	14%	1%	7%	-1%	18%	12%	6%	-3%
PAT	399	40	306	(18)	793	562	226	(137)
PAT (%)	10%	1%	5%	0%	13%	9%	4%	-3%
EPS	3.22	0.32	2.47	-	6.39	4.53	1.82	-



Quarterly Segmental P&L

Segment wise – Quarterly PL (INR million)	Q2		Q3		Q4		Q1	
	FY13	FY12	FY13	FY12	FY13	FY12	FY14	FY13
<u>Segmental revenues</u>								
PVC	2,779	2,949	4,406	4,315	4,555	3,970	3,627	3,896
PVC pipes	2,945	2,811	3,558	3,062	4,142	3,447	4,349	3,134
Power	514	432	616	482	546	465	450	395
<u>Segmental profits</u>								
PVC	504	175	658	235	605	527	424	575
PVC pipes	80	106	123	115	315	177	355	199
Power	59	52	209	61	166	39	97	47
<u>Capital employed</u>								
PVC	6,129	5,994	6,994	6,725	7,462	6,758	8,203	7,209
PVC pipes	2,695	2,915	2,102	2,367	3,191	2,085	3,429	1,980
Power	3,485	2,943	3,668	3,796	3,151	3,859	3,464	3,903
Other segments	6,493	3,462	6,195	5,154	3,479	5,406	3,824	6,582



Profit & Loss – Key indicators

Profit & loss account (INR million)	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>
Net Income	14,929	14,549	19,777	20,998	21,448
<i>Growth in sales (%)</i>		<i>-3%</i>	<i>36%</i>	<i>6%</i>	<i>2%</i>
Gross Profits	3,185	4,442	3,878	3,893	5,356
<i>Gross Profit (%)</i>	<i>21%</i>	<i>31%</i>	<i>20%</i>	<i>19%</i>	<i>25%</i>
EBIDTA before forex gain/(loss)	1,974	3,168	2,362	2,314	3,587
<i>EBIDTA (%)</i>	<i>13%</i>	<i>22%</i>	<i>12%</i>	<i>11%</i>	<i>17%</i>
EBIDTA after forex gain/(loss)	100	2,628	2,197	2,168	2,627
PBT	(590)	1,740	1,150	967	1,902
<i>PBT (%)</i>	<i>-4%</i>	<i>12%</i>	<i>6%</i>	<i>5%</i>	<i>9%</i>
PAT	(379)	1,323	762	752	1,361
<i>PAT (%)</i>	<i>-3%</i>	<i>9%</i>	<i>4%</i>	<i>4%</i>	<i>6%</i>



Balance Sheet – Key indicators

Balance Sheet (INR million)	<i>FY09</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>
<i>Equity and liabilities</i>					
Share capital	1,240	1,240	1,240	1,241	1,241
Reserves and surplus	3,760	4,637	4,963	5,380	5,971
Long term borrowings	2,430	1,958	1,954	1,896	1,397
Short term borrowings	5,694	6,377	5,391	8,229	5,709
<i>Assets</i>					
Fixed Assets (Net Block)	5,660	8,356	7,924	7,840	8,795
Capital WIP	2,991	664	722	854	506
Non-current investments	1,181	1,208	1,221	1,221	1,274
Current investments	1,465	2,055	859	3,711	2,322



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