



**FinOlex**  
**PIPES**

Paani ko apni manzil tak pahunchaye.



# Finolex Industries Limited

India's largest and backward integrated PVC pipe manufacturer

## Q4FY14 Results



## Business performance - I

- ❖ The company continued to enjoy strong operating performance with a growth in revenues of 14% on a YoY basis for FY14
- ❖ EBIDTA margins after forex gain was 13% in FY14 vis-à-vis 12% in FY13, EBIDTA margins before forex gain was 16% in FY14 vis-à-vis 17% in FY13
- ❖ PVC pipes & fittings sales volumes for the quarter were subdued due to unseasonal rains and hail-storms. While volumes for Q4FY14 were down by 2% YoY the revenues rose by 13% YoY. Sales have already picked up during Q1FY15 due to bounce back in demand. Production is back to peak levels
- ❖ EDC prices spiked during Q4FY14 due to unexpected delay in new global EDC capacities coming on stream. However, EDC prices have now corrected downward by around 20%
- ❖ Anti-dumping duties prevailing for the past few years on import of PVC resin lapsed during January 2014. Re-imposition of the same is expected after general election results. Anti-dumping duty ranging from \$30/MT to \$190/MT has been recommended on PVC resin imported from countries including China, Indonesia, Thailand, USA and EU, which will ensure that unfair imports do not result in bringing down domestic PVC prices.



## Business performance - II

- ❖ FOREX volatility during the quarter was under control with the company's policy of hedging bulk of its Forex exposure. Finance cost has increased because of premium paid on forward covers
- ❖ Forex gains for the Q4FY14 were at INR 70.39 Mn

Realised Loss – INR 12.70 Mn

Unrealised Profits – INR 83.09 Mn

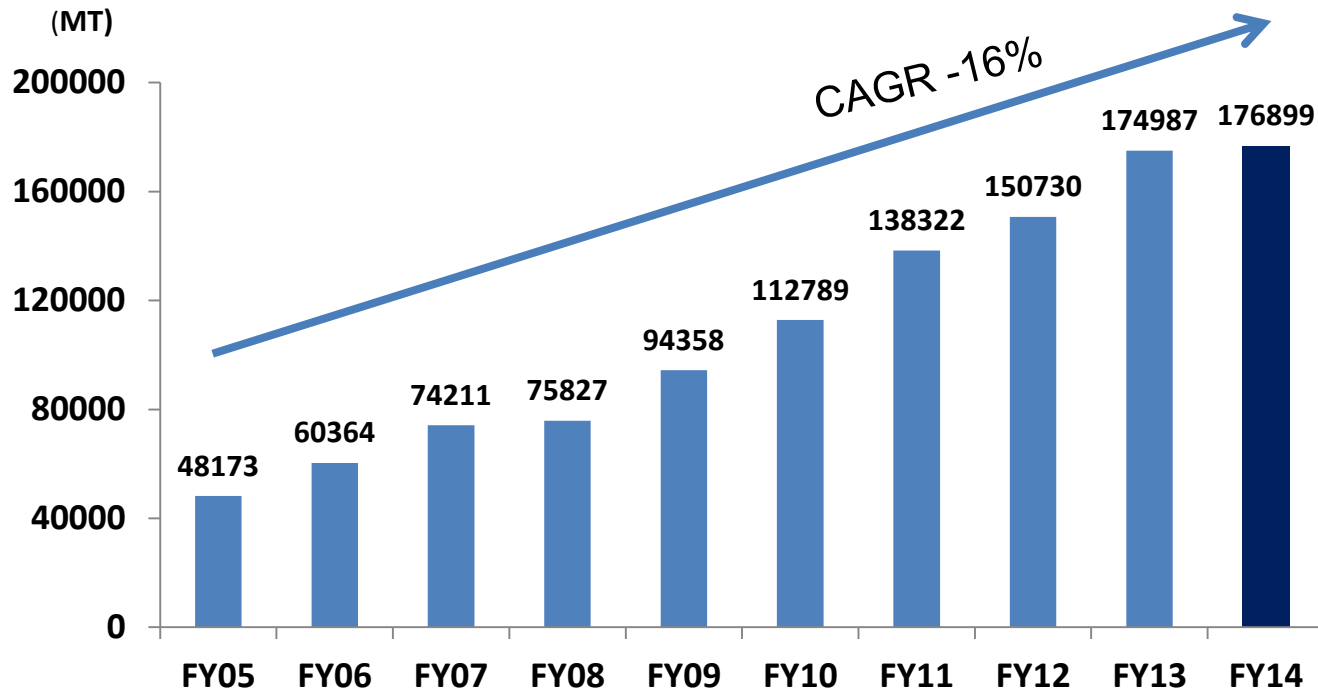
<i>Particulars</i>	<i>Q4FY14</i>		<i>Q4FY13</i>		<i>Q3FY14</i>	
	<b>INR Mn.</b>	<b>MT</b>	<b>INR Mn.</b>	<b>MT</b>	<b>INR Mn.</b>	<b>MT</b>
PVC	5,347	80,134	4,555	73,410	4,911	71,238
PVC Pipes & Fittings	4,686	50,596	4,142	51,505	3,819	42,974
Power (Mwh)	443	54,088	546	76,774	346	40,884



## Business performance

- ❖ Steady growth in volumes in the PVC pipes and fittings business at 16% CAGR.

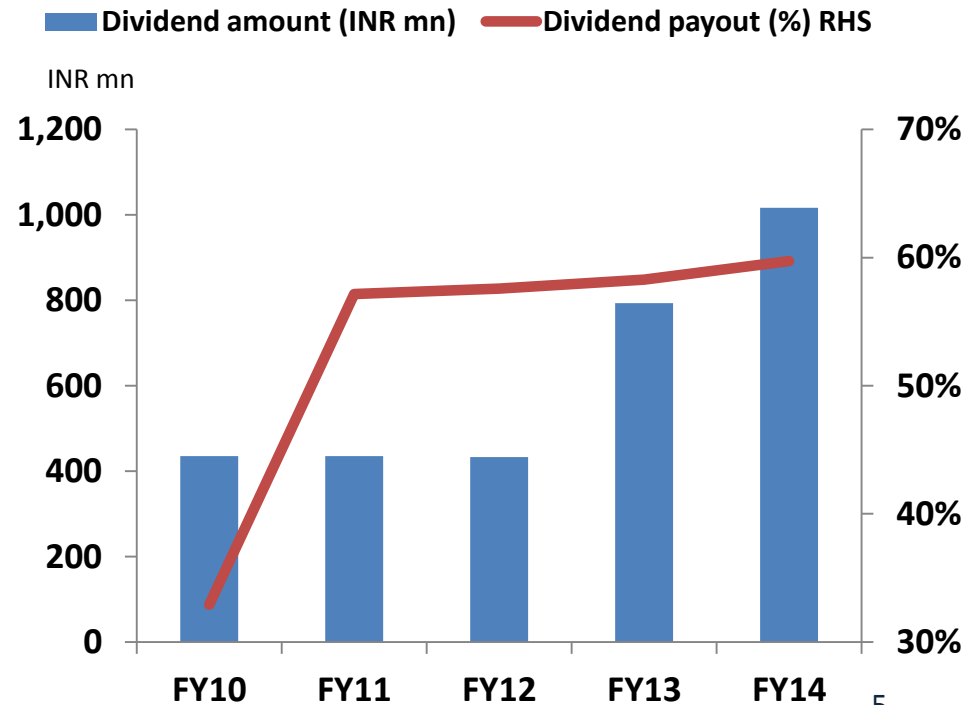
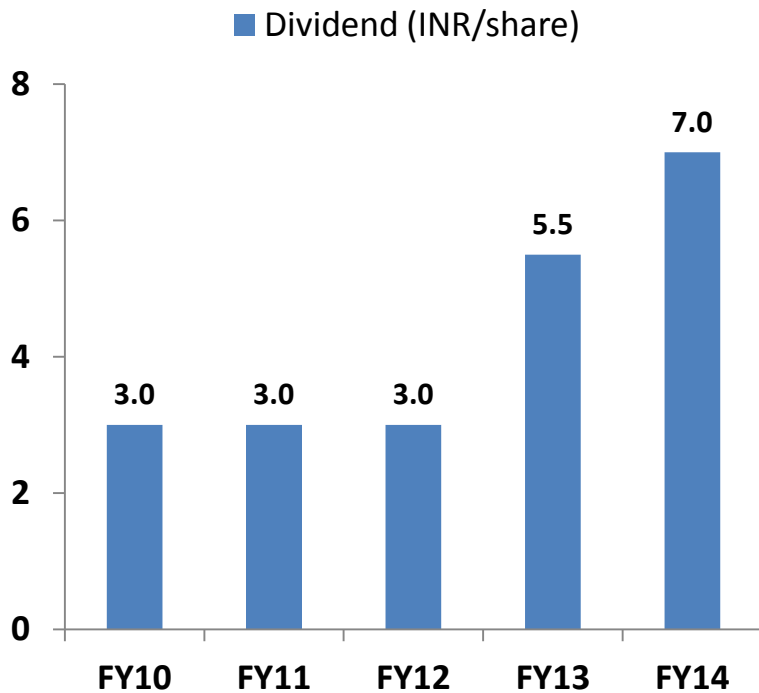
**PVC pipes and fittings volumes**





## Record-high dividend

- ❖ For FY14, the company has declared highest-ever dividend amount at INR 1016.2 mn (INR 7.0/per share)
- ❖ Consistently high payout ratio above 55% in last four years





## Quarterly P&L

Quarterly PL (INR mn)	Q1		Q2		Q3		Q4	
	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14
Net Income	5,199	5,635	3,809	3,899	6,199	6,599	6,296	8,397
Cost of goods sold	3,902	4,307	2,742	2,739	4,779	4,930	4,669	6,849
Gross Profits	1,296	1,328	1,068	1,160	1,420	1,669	1,627	1,549
<b>Gross margins (%)</b>	<b>25%</b>	<b>24%</b>	<b>28%</b>	<b>30%</b>	<b>23%</b>	<b>25%</b>	<b>26%</b>	<b>18%</b>
EBIDTA before forex gain/(loss)	875	946	673	815	994	1,180	1,099	1,025
<b>EBIDTA (%)</b>	<b>17%</b>	<b>17%</b>	<b>18%</b>	<b>21%</b>	<b>16%</b>	<b>18%</b>	<b>17%</b>	<b>12%</b>
EBIDTA after forex gain/(loss)	138	407	639	490	627	1,276	1,277	1,096
EBIT before forex gain/(loss)	734	799	536	860	860	1,002	968	875
<b>EBIT (%)</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>	<b>17%</b>	<b>14%</b>	<b>15%</b>	<b>15%</b>	<b>10%</b>
PBT	-142	318	516	391	421	920	1,106	790
<b>PBT (%)</b>	<b>-3%</b>	<b>6%</b>	<b>14%</b>	<b>10%</b>	<b>7%</b>	<b>14%</b>	<b>18%</b>	<b>9%</b>
PAT	-137	226	399	274	306	639	793	562
<b>PAT (%)</b>	<b>-3%</b>	<b>4%</b>	<b>10%</b>	<b>7%</b>	<b>5%</b>	<b>10%</b>	<b>13%</b>	<b>7%</b>
EPS	-1.1	1.8	3.2	2.2	2.5	5.1	6.4	4.5



## Quarterly Segmental P&L

<i>Segment wise – Quarterly PL (INR mn)</i>	<i>Q1</i>		<i>Q2</i>		<i>Q3</i>		<i>Q4</i>	
	<i>FY13</i>	<i>FY14</i>	<i>FY13</i>	<i>FY14</i>	<i>FY13</i>	<i>FY14</i>	<i>FY13</i>	<i>FY14</i>
<b><u>Segmental revenues</u></b>								
PVC	3,896	3,627	2,779	3,245	4,406	4,911	4,555	5,347
PVC pipes	3,134	4,349	2,945	2,779	3,558	3,819	4,142	4,686
Power	395	450	514	406	616	346	546	443
<b><u>Segmental profits</u></b>								
PVC	575	424	504	379	658	711	605	494
PVC pipes	199	355	80	236	123	340	315	389
Power	47	97	59	103	209	31	166	113
<b><u>Capital employed</u></b>								
PVC	7,209	8,203	6,129	7,400	6,994	7,806	7,462	7,775
PVC pipes	1,980	3,429	2,695	3,839	2,102	4,583	3,191	3,393
Power	3,903	3,464	3,485	2,743	3,668	2,696	3,151	3,131
Other segments	6,852	3,824	6,493	2,734	6,195	3,723	3,479	1,715



## Profit & Loss – Key indicators

<i>Profit &amp; loss account (INR mn)</i>	<i>FY10</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>	<i>FY14</i>
Net Income	14,549	19,777	20,998	21,448	24,530
<i>Growth in sales (%)</i>	<i>-3%</i>	<i>36%</i>	<i>6%</i>	<i>2%</i>	<i>14%</i>
Gross Profits	4,442	3,878	3,893	5,356	5,705
<i>Gross margins (%)</i>	<i>31%</i>	<i>20%</i>	<i>19%</i>	<i>25%</i>	<i>23%</i>
EBIDTA before forex gain/(loss)	3,168	2,362	2,313	3,587	3,966
<i>EBIDTA (%)</i>	<i>22%</i>	<i>12%</i>	<i>11%</i>	<i>17%</i>	<i>16%</i>
EBIDTA after forex gain/(loss)	2,628	2,197	2,168	2,627	3,268
PBT	1,740	1,150	967	1,902	2,419
<i>PBT (%)</i>	<i>12%</i>	<i>6%</i>	<i>5%</i>	<i>9%</i>	<i>10%</i>
PAT	1,323	762	752	1,361	1,701
<i>PAT (%)</i>	<i>9%</i>	<i>4%</i>	<i>4%</i>	<i>6%</i>	<i>7%</i>





## Balance Sheet – Key indicators

<b>Balance Sheet (INR mn)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
<b>Equity and liabilities</b>					
Share capital	1,240	1,240	1,241	1,241	1,241
Reserves and surplus	4,637	4,963	5,380	5,971	6,656
Long term borrowings	1,845	1,954	1,896	1,397	2,322
Short term borrowings (incl. loans repayable in one year) *	6,490	5,512	8,528	6,997	4,812
Total borrowings	8,335	7,466	10,424	8,394	7,134
<b>Assets</b>					
Fixed assets (Net block)	8,356	7,924	7,840	8,795	9,052
Capital WIP	664	722	854	506	325
Non current investments	1,208	1,221	1,221	1,274	1,274
Current investments	2,055	859	3,711	2,322	941

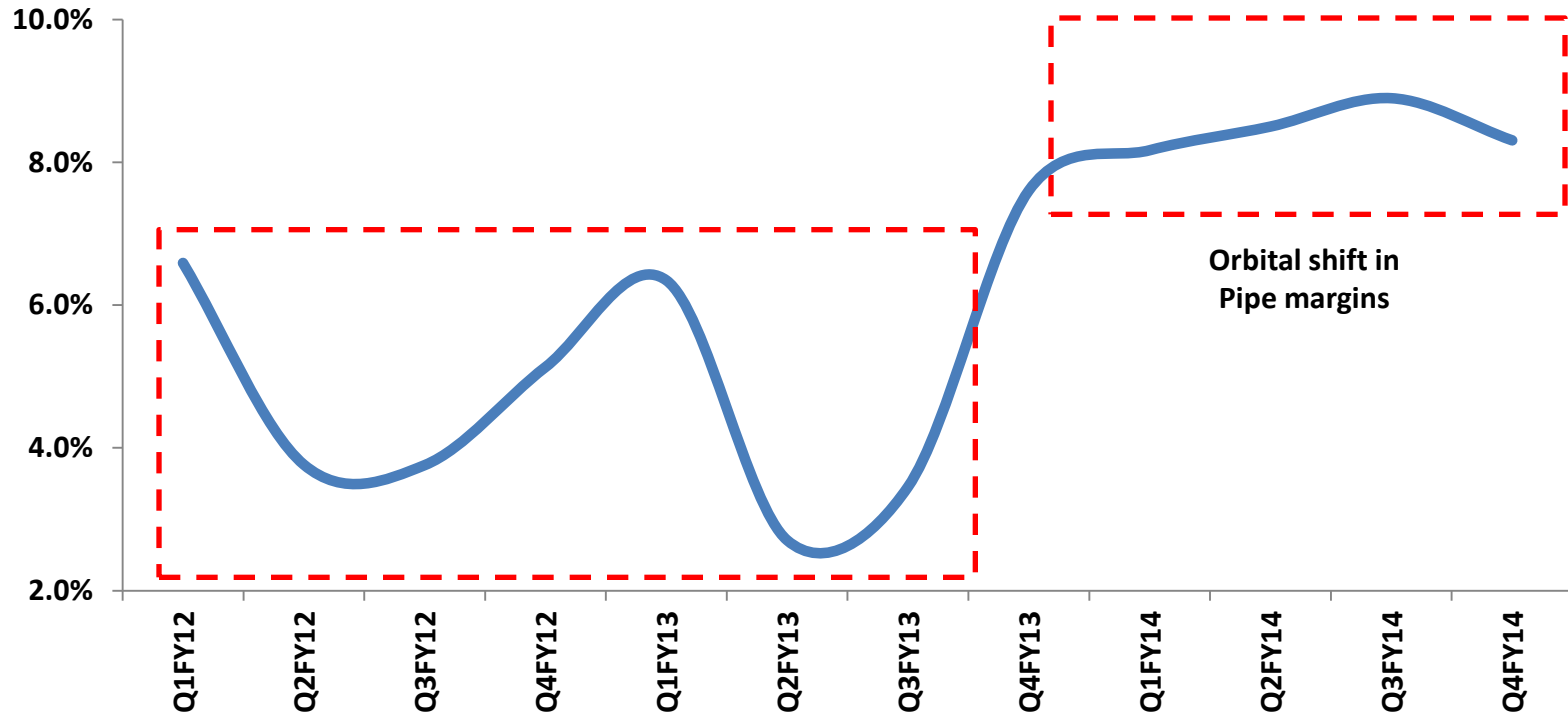
\* Buyers' credit down to INR 3220 mn in FY14 from INR 5250 mn in FY13



## Marked improvement in Pipes margins

- ❖ Superior margin profile on back of pricing power

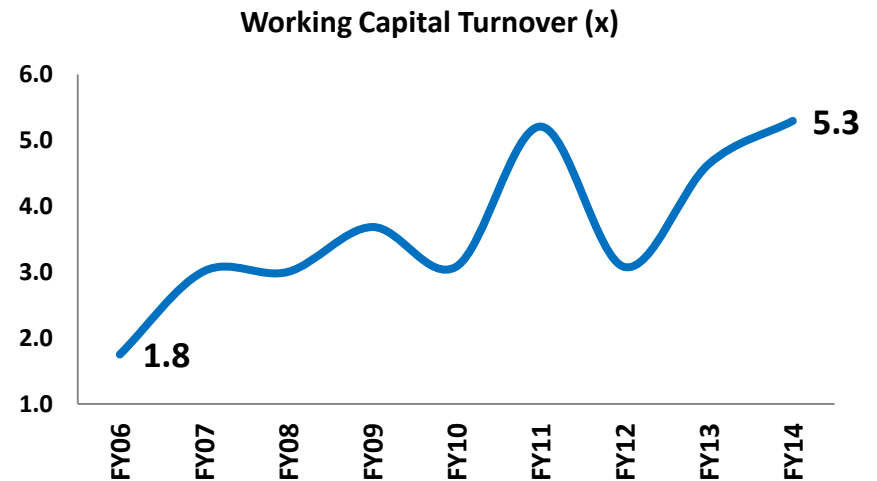
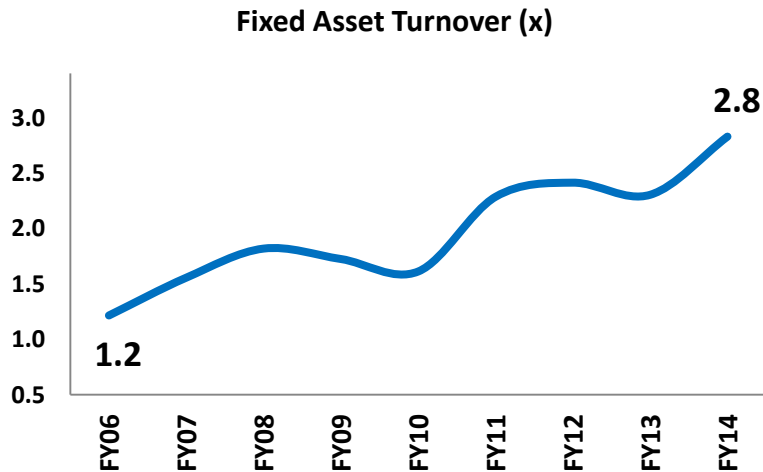
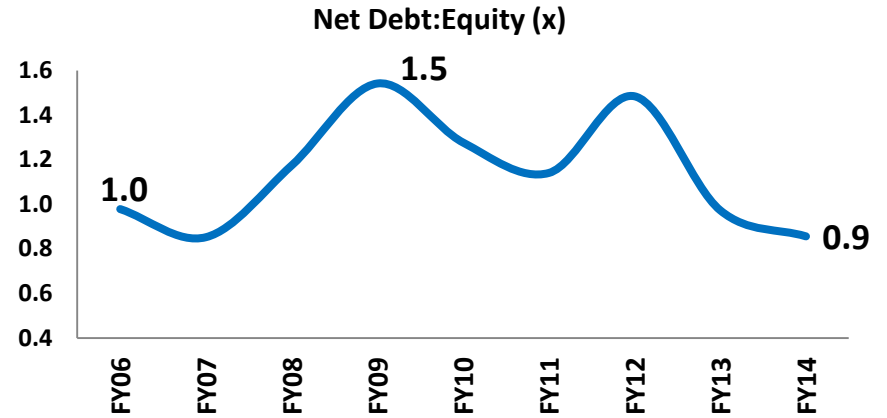
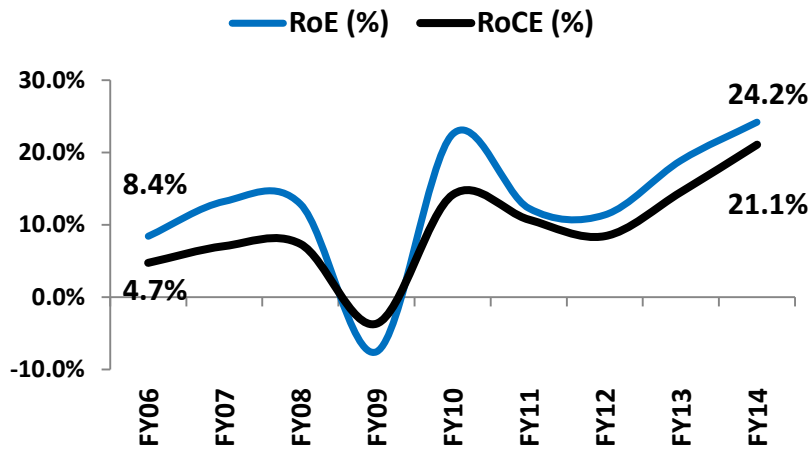
**EBIT margins for PVC pipes**



**Greater share of Pipes & fittings to bring stability in margins**



## Balance sheet strengthens



**Strong improvement in key balance sheet variables**



## New capacities on stream

- ❖ The new PVC pipe plant at Masar, Gujarat is fully operational with 50,000 MT capacity
- ❖ The facility has state-of-the-art extruder lines and high-speed mixers, comparable with best in the world



**Well designed state-of-the-art infrastructure at Masar, Gujarat**



## PVC pipes plant at Masar, Gujarat

Extrusion  
Machines



High speed  
mixers



Extrusion  
Hall



Extrusion  
Lines

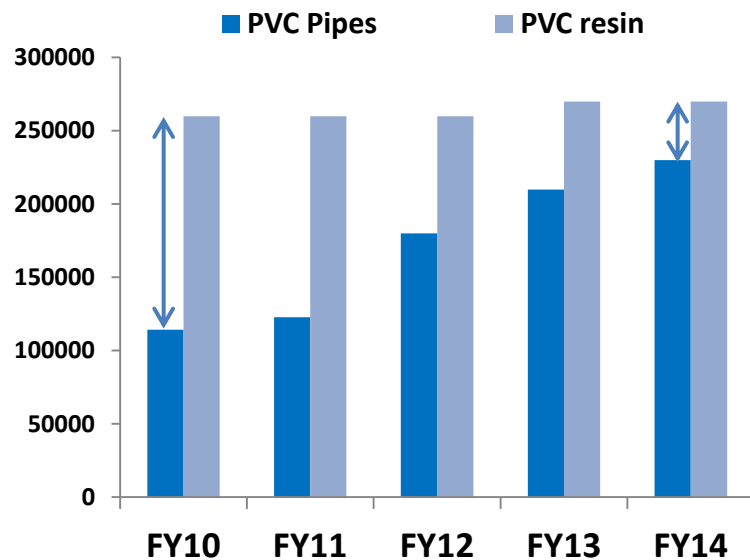




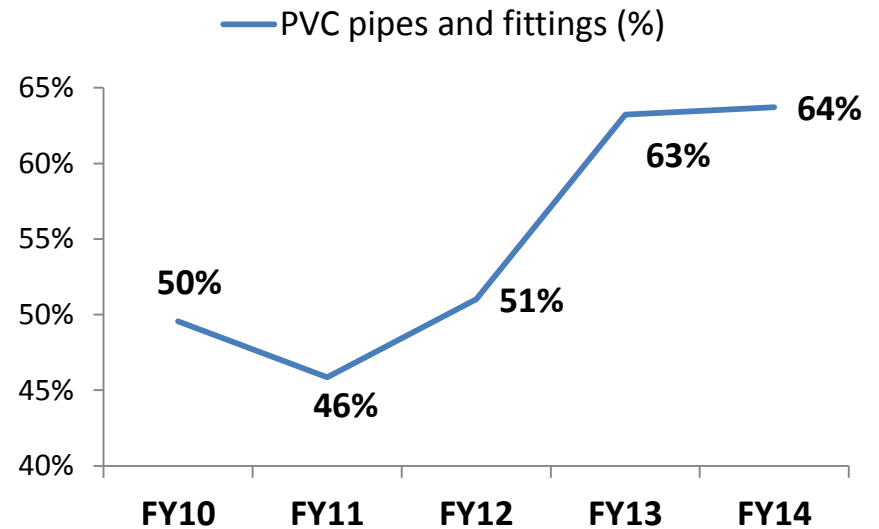
## Backward integration on track

- ❖ Increased PVC pipe capacity now stands at 2,30,000 MT. PVC resin and Power plant capacity remains at 270,000 MT and 43 MW, respectively
- ❖ Capacity addition at 19% CAGR in PVC pipes vs. 1.0% in PVC resin in last four years

**Installed capacities (MT) – Nearing full integration**



**Revenue Mix – PVC Pipes & Fittings at 64% from 50%**

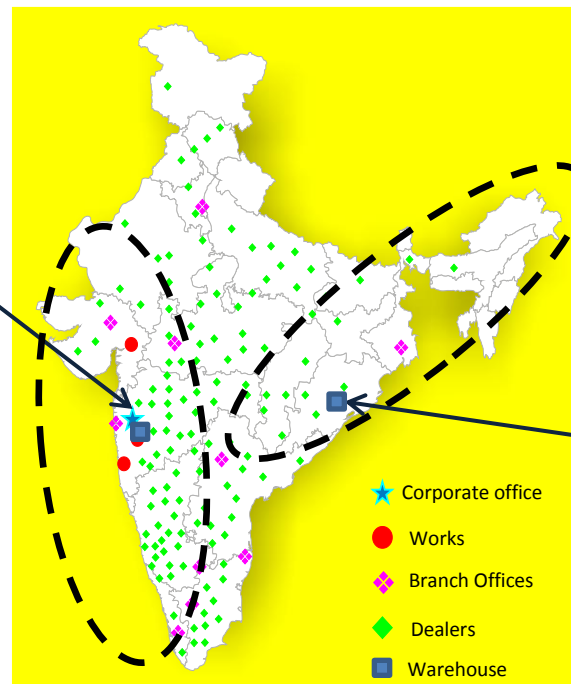




## Distribution reach enhanced

- ❖ New warehousing facility in Bhubaneswar, Odisha to help increase market presence in the East.
- ❖ Current reach: 500 dealers & over 15,000 retail touch points

• Strong distribution presence in Western and Southern India.

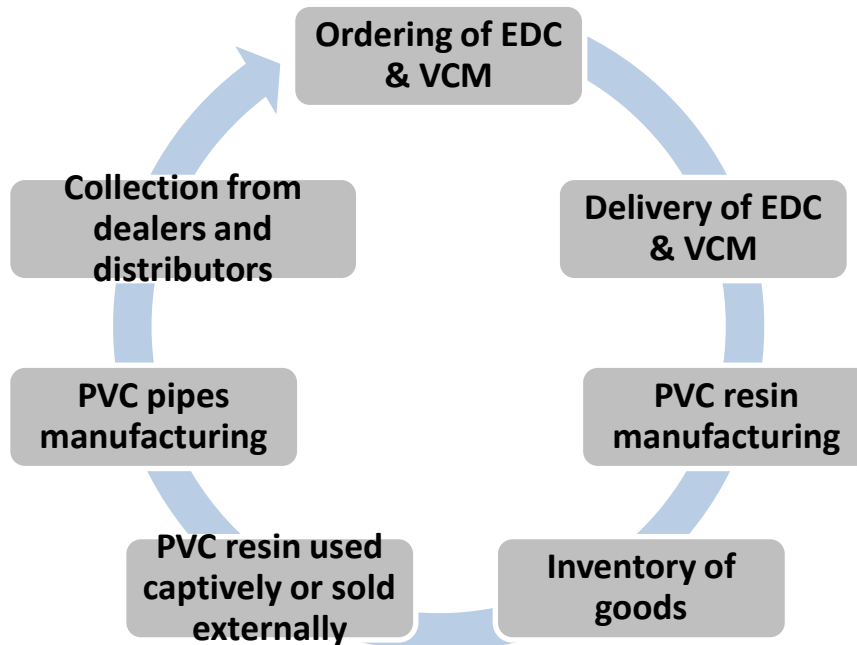


• New warehousing facility in Bhubaneswar, Odisha to help increase presence in Eastern India.

- Will cut delivery period to dealers from 12 days to 2 days.
- Will help to cut inventory cost for distributors and dealers.



## Improvement in operational cycle



- ❖ Buyers' credit reduced to 90 days (earlier 360 days)
- ❖ Buyers' credit down to INR 3220 mn in FY14 from INR 5250 mn in FY13
- ❖ Forex hedging increased to ~70%. (earlier <50%)
- ❖ Resulting in significantly lower forex exposure
- ❖ Cash and carry operating model for PVC pipes. To continue to operate in this way
- ❖ Revenue diversification: No single dealer constitutes more than 1% of revenues

❖ Anti-dumping duty ranging from \$30/MT to \$190/MT has been recommended on PVC resin imported from countries incl. China, Indonesia, Thailand, USA and EU, which will ensure cheap imports do not result in bringing down domestic PVC prices.

**Risks significantly reduced due to lower forex exposure**





## FY15 - Key focus areas - I

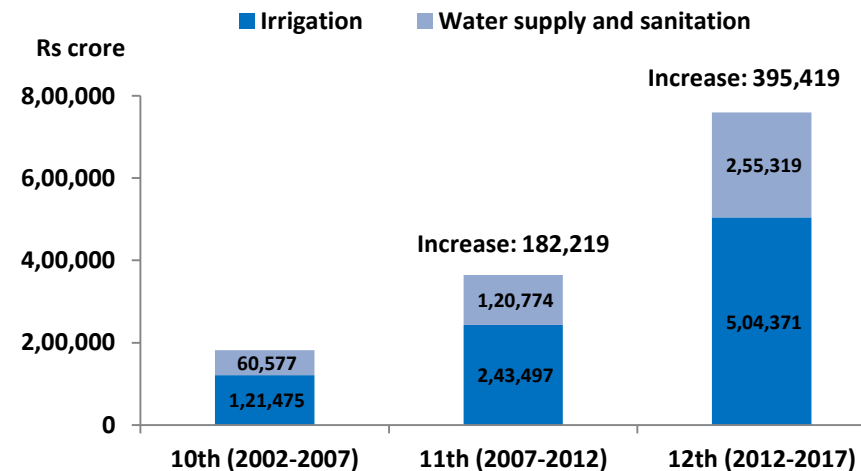
- ❖ The new warehouse in Odisha to help increase dealer network and market share in East India
- ❖ Increase the captive consumption of PVC resin. Brown-field expansion in PVC pipe & fittings capacities to come at a significantly lower investment
- ❖ New value added product with superior margins – Column pipes launched in FY14, is well received by the market
- ❖ Continue to run PVC pipes operations with the cash-n-carry model
- ❖ Better leveraging of the ‘Finolex’ brand and maintain margin profile



## FY15 - Key focus areas - II

- ❖ Continue to focus on Irrigation and agriculture segment
- ❖ Huge government spending on irrigation (INR 5tn) and water management (INR 2.5tn) and shift toward organized segment are expected to deliver compounded growth for the rigid PVC pipes industry
- ❖ Focus on inorganic expansion of PVC pipes capacities. No capacity addition in PVC division
- ❖ Increase distribution reach by having more warehousing facilities
- ❖ Healthy cash generation to aid in debt reduction over the next few years
- ❖ Maintain leadership position in industry

### Government spending in five year plans



Source: Planning commission, Gol.



**For further queries:**

**Finolex Industries Limited**

D-1/10, M.I.D.C.

Chinchwad, Pune 411 019

*Contact No.: 020 2740 8200*

**S-Ancial Advisors Pvt. Ltd.**

503, Gundecha Chambers,

Nagindas Master Road,

Fort, Mumbai 400 001

*Email: [fil@s-ancial.com](mailto:fil@s-ancial.com)*

*Contact No.: 022 6635 1001/2*