



FINOLEX INDUSTRIES LIMITED

INVESTOR PRESENTATION

JUNE 2015

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Company at a glance

- ❖ India's largest backward integrated PVC pipe manufacturer with PVC pipe & fittings production capacity of 2.5 Lakh MT p.a.
- ❖ Backward integration –
 - PVC resin plant capacity - 2.7 Lakh MT
 - Captive thermal power plant capacity – 43 MW
- ❖ Pan India distribution network through wide network of dealers, sub-dealers and retail outlets – 15,000+ touch points
- ❖ Superior brand recall due to high quality product offerings for Agriculture, housing, building & construction.

Focus now on increasing PVC pipes & fittings production capacity and widening distribution reach

Company at a glance - in pictures

Storage tanks for raw material



PVC resin plant at Ratnagiri



Extruder lines



PVC resin storage section



Company at a glance - in pictures

PVC pipe plant, Masar, Gujarat



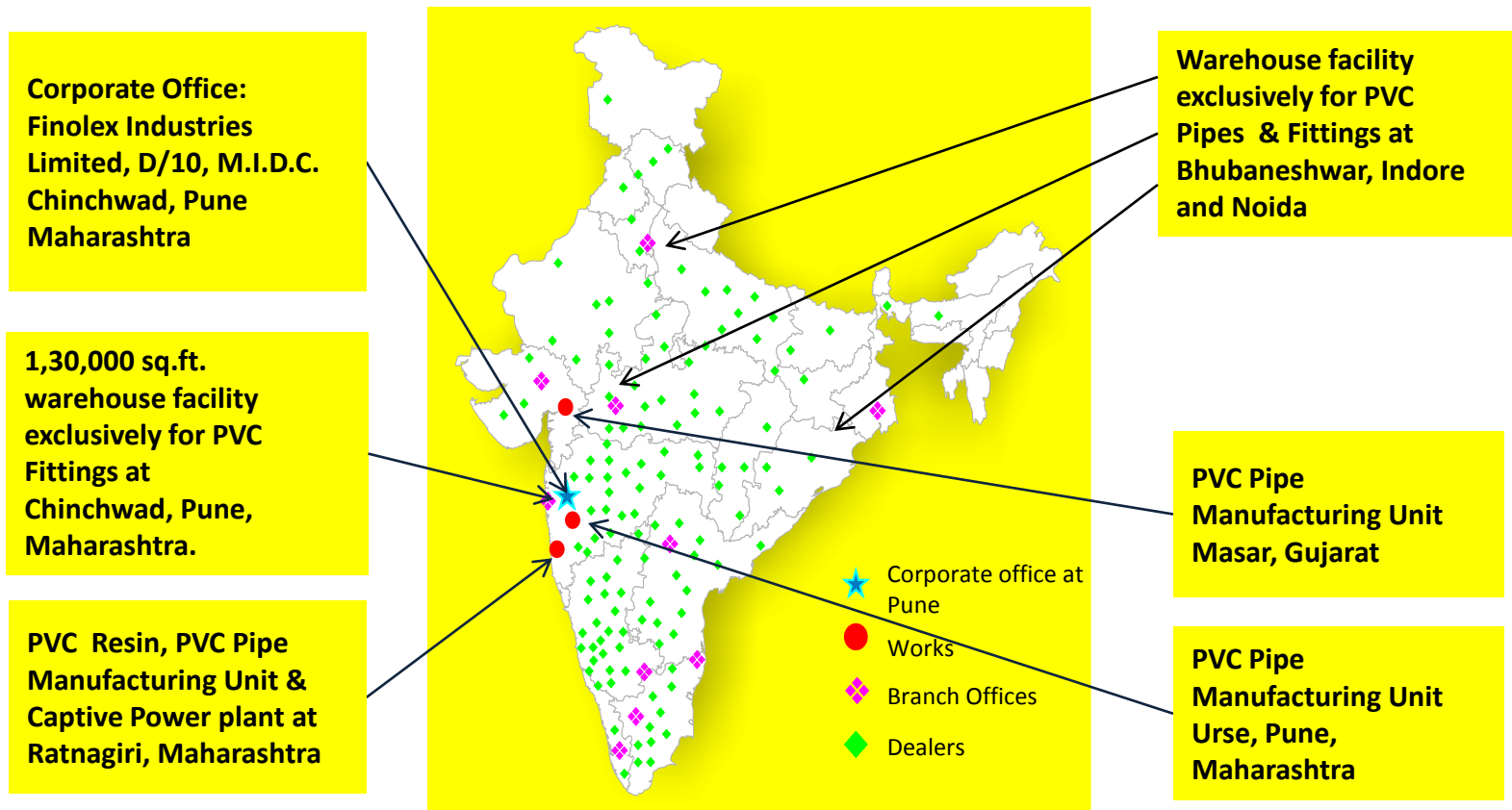
Extruders at the plant



Storage area for PVC fittings



Company at a glance - Pan India Reach



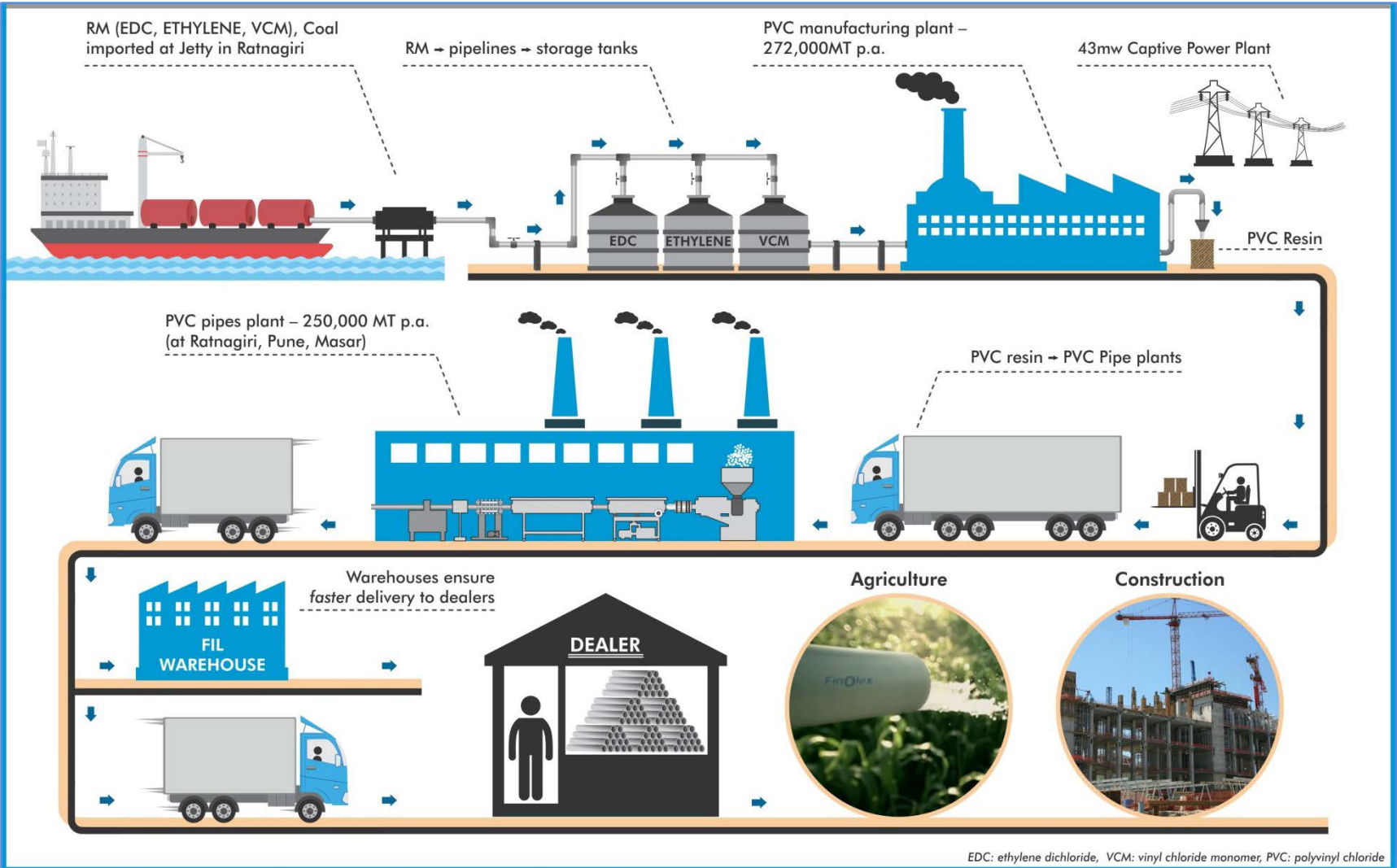
Over 600 dealers and 15,000 + retail touch points across the length and breadth of India

Business model

- ❖ Key revenue driver – mainly PVC pipes and fittings segment, with steadily increasing in-house consumption of the PVC resin
- ❖ Market wise sales are distributed between Agriculture (70%) and Non-agriculture (30%). Non-agriculture is mainly construction
- ❖ Key cost components - EDC, Ethylene and VCM are key raw materials for PVC production – mainly imported from middle east
- ❖ Margins improvement initiatives are underway, however, raw material prices movement (on back of crude oil) does impact operating margins in PVC resin segment
- ❖ Operating under cash-n-carry model

On track toward complete backward integration and in implementing margin improvement initiatives

Value Chain



EDC: ethylene dichloride, VCM: vinyl chloride monomer, PVC: polyvinyl chloride

Investment proposition

- ❖ Only 44% of agricultural land in India is under irrigation. Pipes industry is growing at about 10% CAGR. FIL's PVC pipes & fittings volumes grew by 15% CAGR over last ten years
- ❖ Government's focus on increasing irrigation and housing will help to keep the industry growth strong over the next 5 years
- ❖ Growing brand and quality consciousness – share of organized players to rise further
- ❖ Focus on increasing sales of higher margins products viz. fittings, column pipes, CPVC pipes
- ❖ Debt reduction to continue as per plans

Investment proposition (contd.)

- ❖ Production capacity – Capex only to increase PVC pipes and fittings capacity with average 30,000 MT p.a. over FY15-FY17E. Investment in brownfield capex at INR 300mn p.a. will lead to improvement in RoCE.

Installed capacities

Capacities (MT)	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E
PVC Pipes & Fittings	1,22,867	1,80,000	2,10,000	2,30,000	2,50,000	2,80,000	3,10,000
PVC Resin	2,60,000	2,60,000	2,72,000	2,72,000	2,72,000	2,72,000	2,72,000
Power (MW)	43	43	43	43	43	43	43

- ❖ More than 30 new products in pipes & fittings introduced and several more under development. Initiatives on track to scale up share of fittings in sales mix to over 10% from 6%-7% currently

High demand for pipes, margin improvement and brownfield capex to generate superior return ratios

Distribution reach enhanced

- ❖ Warehouse in Bhubaneswar, Odisha has cut delivery days and inventory cost for dealers and distributors
- ❖ New warehouses in Indore, Madhya Pradesh and Noida, Uttar Pradesh opened in May 2015
- ❖ FIL's strong distribution reach pan-India with continuous addition in retail outlets - entry barrier for any new player
- ❖ Leverage existing distribution network to launch various products in water management business

Expanding geographic presence to help increase markets share

Branding & advertisements

1. Advertisements on-the-move
2. Print Advertisements and TV commercials targeting Rural and Urban markets
3. Pipes display at an exhibition



2.



We wish Team India Tarakki during this Cricket World Cup.

3.



Financial overview

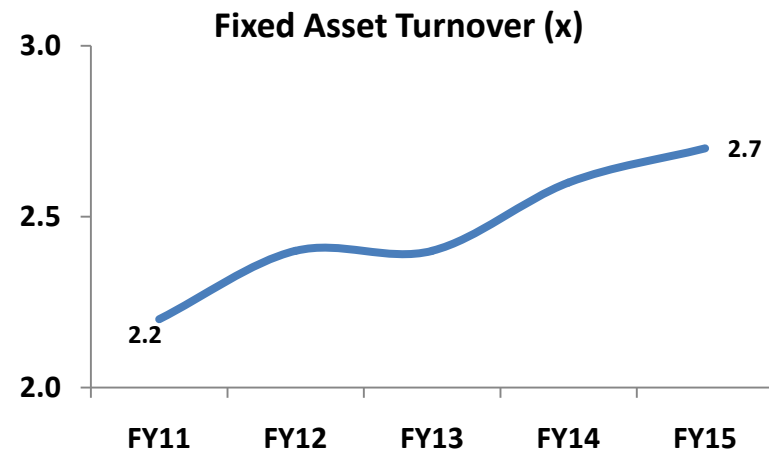
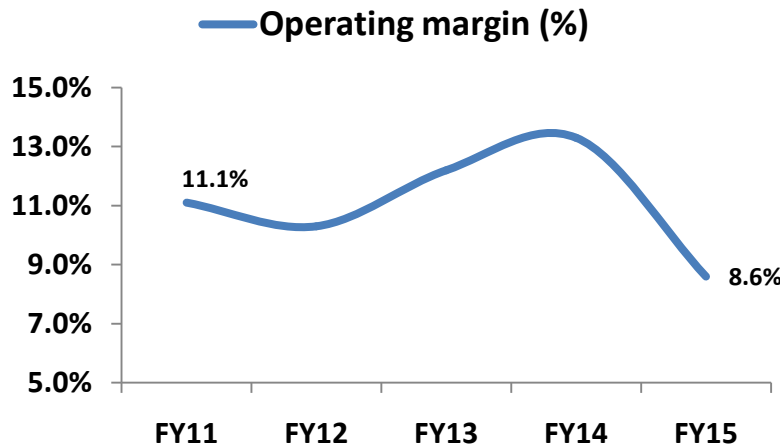
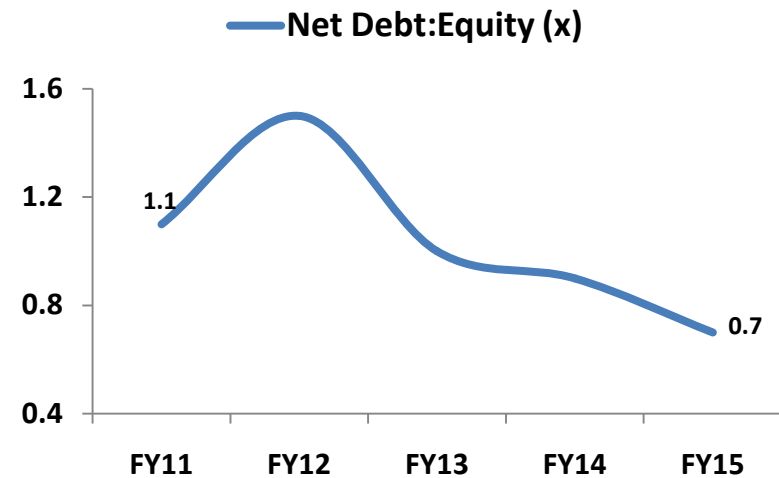
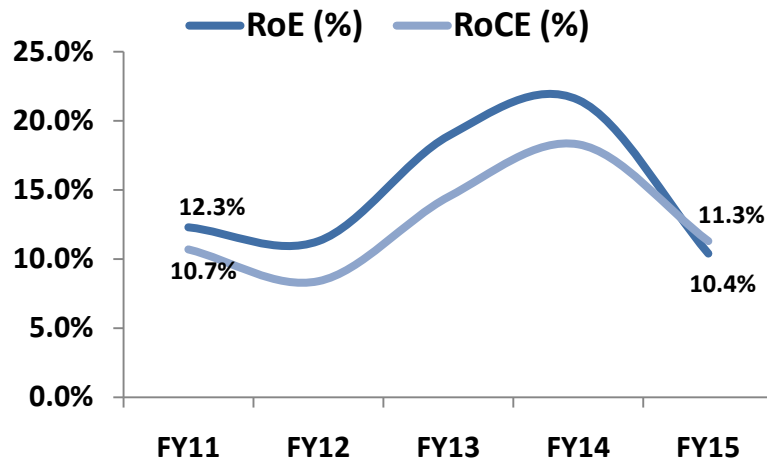
Profit & Loss – Key indicators

<i>Profit & loss account (INR mn)</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>	<i>FY14</i>	<i>FY15</i>
Net Income	19,777	20,998	21,448	24,530	24,761
<i>Growth in sales (%)</i>	<i>35.90%</i>	<i>6.20%</i>	<i>2.10%</i>	<i>14.40%</i>	<i>0.94%</i>
EBIDTA before exceptional items	2,362	2,313	3,587	3,966	2,133
<i>EBIDTA margins before exceptional items (%)</i>	<i>11.94%</i>	<i>11.02%</i>	<i>16.72%</i>	<i>16.17%</i>	<i>8.61%</i>
EBIDTA after forex gain/(loss)	2,197	2,168	2,626	3,268	1,790
PBT	1,150	967	1,902	2,419	808
<i>PBTM (%)</i>	<i>5.80%</i>	<i>4.60%</i>	<i>8.90%</i>	<i>9.90%</i>	<i>3.26%</i>
PAT	762	752	1,361	1,701	478
<i>PATM (%)</i>	<i>3.90%</i>	<i>3.60%</i>	<i>6.30%</i>	<i>6.90%</i>	<i>1.93%</i>

Balance sheet – Key indicators

<i>Balance Sheet (INR mn)</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>	<i>FY14</i>	<i>FY15</i>
<i>Equity and liabilities</i>					
Share capital	1,240	1,241	1,241	1,241	1,241
Reserves and surplus	4,963	5,381	5,971	6,656	6,633
Long term borrowings	1,954	1,896	1,397	2,322	1,837
Short term borrowings (incl. loans repayable in one year)	5,512	8,528	6,997	4,812	4,534
Total borrowings	7,466	10,424	8,394	7,134	6,371
<i>Assets</i>					
Fixed assets (Net block)	7,924	7,840	8,795	9,052	8,678
Capital WIP	722	854	506	325	104
Non current investments	1,221	1,221	1,274	1,274	1,246
Current investments	859	3,711	2,322	941	551

Key performance indicators



With no major CAPEX in the pipeline, healthy cash inflows will be used to repay debt

Q4FY15 performance

Business performance

- ❖ The sales volumes for PVC Resin improved 22% YoY to 97,505 MT and PVC Pipes and Fittings improved by 13% YoY to 56,966 MT in Q4FY15

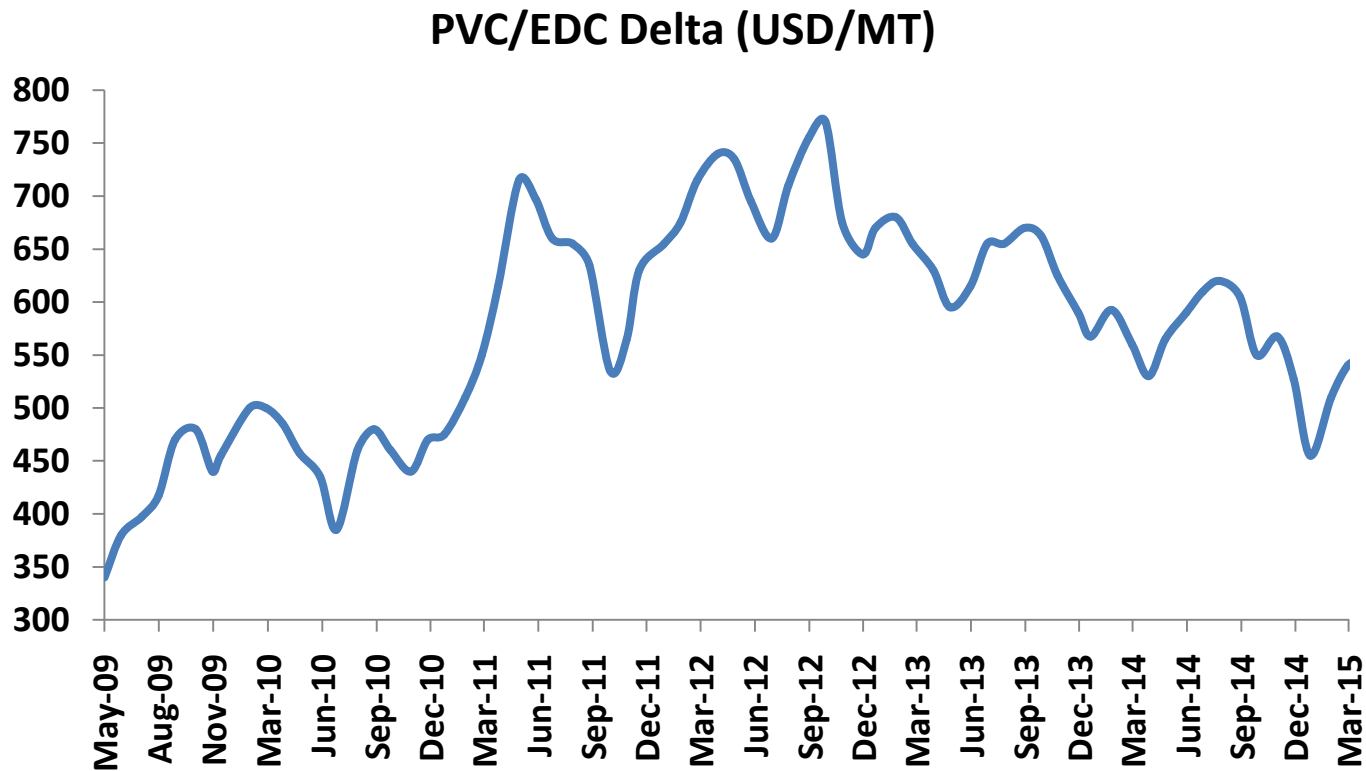
Particulars	Q4FY15			Q4FY14			Variance breakup (INR Mn.)		
	INR Mn.	MT	INR/Unit	INR Mn.	MT	INR/Unit	Volume	Price	Total
PVC Resin	5,721	97,505	58,674	5,347	80,134	66,726	1,159	(785)	374
PVC Pipes & Fittings	4,862	56,966	85,349	4,686	50,596	92,616	590	(414)	176
Power (Mwh)	486	49,786		443	54,088				43

- ❖ Sales volume was impacted by unseasonal rains during the Q4FY15. This is the second quarter in succession when demand was impacted by rains and hail storm, which is normally a peak season for the company's products.
- ❖ Though price of PVC resin and PVC pipes & fittings recovered during Q4FY15, the margins were effected due to spillover of high cost inventory from Q3FY15 and lower PVC-EDC spread during the quarter as compared to Q4FY14.
- ❖ Debt reduction on track with INR 763 mn repaid during FY15.

Result update – Profit & Loss

<i>Particulars (INR mn)</i>	Q4FY15	Q4FY14	Q3FY15
Net Sales	7,846	8,397	6,429
EBIDTA before exceptional items	683	1,025	-110
EBIDTA margins (%)	8.71%	12.21%	-1.71%
EBIDTA after exceptional items	714	1,096	-388
Depreciation	143	151	146
EBIT before exceptional items	541	875	-256
EBIT margins (%)	6.90%	10.42%	-3.98%
Other Income	50	62	14
Interest	104	217	119
PBT	517	790	-639
PBT margins (%)	6.59%	9.41%	-9.94%
Tax	241	228	-201
PAT	277	562	-438
PAT margins (%)	3.53%	6.69%	-6.81%

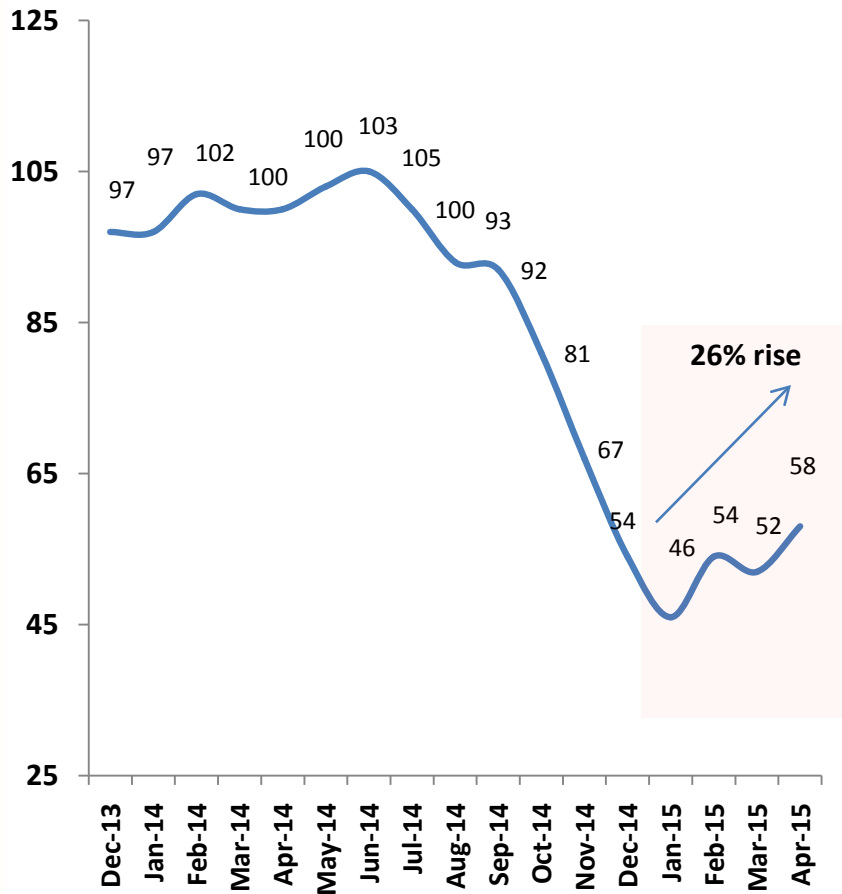
Business scenario in charts



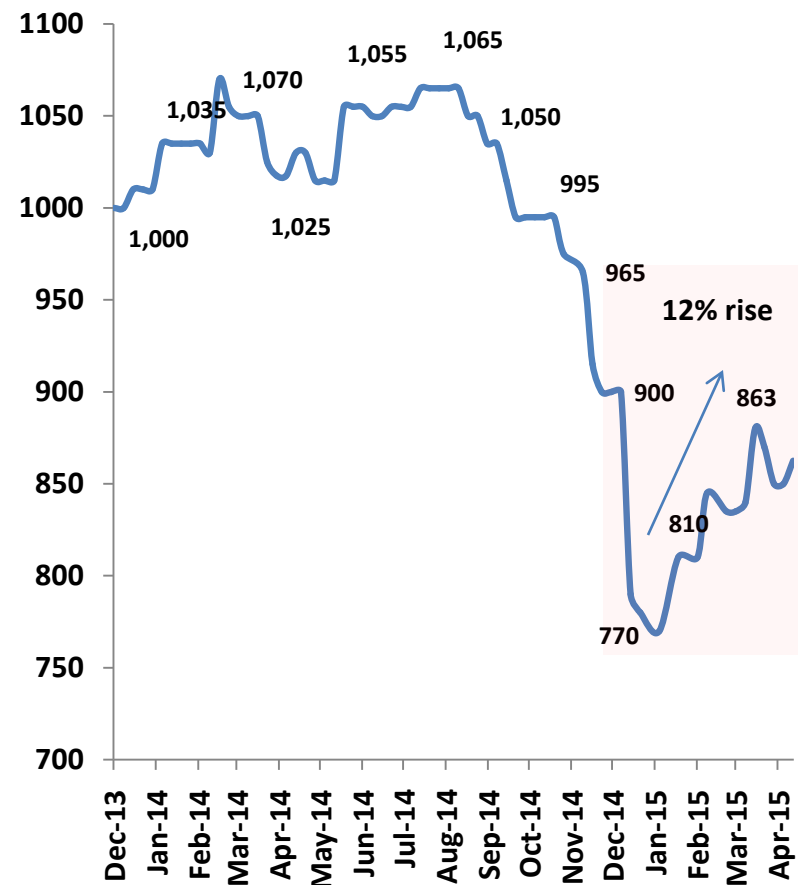
❖ From a low of USD 455/MT in Q3FY15 the spread improved to USD 545/MT in Q4FY15

Business scenario in charts

Crude (USD/bbl)



PVC (USD/MT)



Quarterly – Profit & Loss

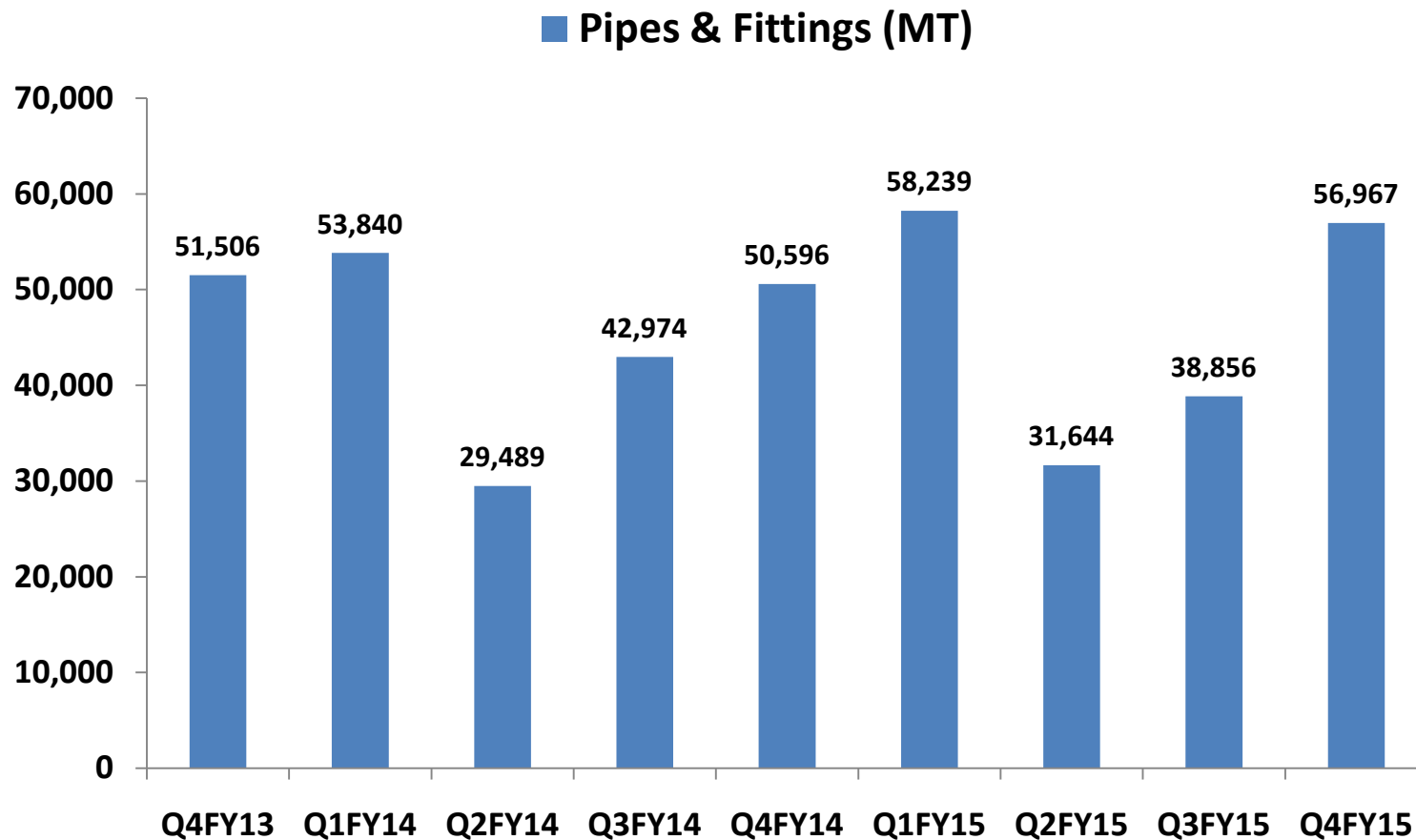
Quarterly PL (INR mn)	Q4		Q3		Q2		Q1	
	FY15	FY14	FY15	FY14	FY15	FY14	FY15	FY14
Net Sales	7,846	8,397	6,429	6,599	3,859	3,899	6,627	5,635
EBIDTA before exceptional items	683	1,025	-110	1,180	445	815	1,246	946
EBIDTA margins (%)	8.71%	12.21%	-1.71%	17.90%	11.50%	20.90%	18.80%	16.80%
EBIDTA after exceptional items	714	1,096	-388	1,276	385	490	1,079	407
Depreciation	143	151	146	177	149	148	149	146
EBIT before exceptional items	541	875	-256	1,002	296	667	1,097	799
EBIT margins (%)	6.90%	10.42%	-3.98%	15.20%	7.70%	17.10%	16.60%	14.20%
Other Income	50	62	14	9	86	172	52	194
Interest	104	217	119	188	108	122	268	137
PBT	517	790	-639	920	215	391	715	318
PBT margins (%)	6.59%	9.41%	-9.94%	13.90%	5.60%	10.00%	10.80%	5.60%
Tax	241	228	-201	281	77	117	213	91
PAT	277	562	-438	639	137	274	502	226
EPS	2.2	4.5	-3.5	5.1	1.1	2.2	4.0	1.8

Note: Tax for Q4FY15 includes deferred tax of INR 115mn

Quarterly segmental – Profit & Loss

<i>Segment wise – Quarterly Profit & Loss (INR mn)</i>	Q4		Q3		Q2		Q1	
	<i>FY15</i>	<i>FY14</i>	<i>FY15</i>	<i>FY14</i>	<i>FY15</i>	<i>FY14</i>	<i>FY15</i>	<i>FY14</i>
<u>Segmental revenues</u>								
PVC	5,721	5,347	3,664	4,911	2,076	3,245	4,139	3,627
PVC pipes & fittings	4,862	4,686	3,480	3,819	3,158	2,779	5,438	4,349
Power	486	443	175	346	293	406	353	450
<i>Segmental profits</i>								
PVC	216	494	-456	711	124	379	597	424
<i>% of Revenues</i>	3.78%	9.24%	-12.45%	14.50%	6.00%	11.70%	14.42%	11.69%
PVC pipes & fittings	321	389	254	340	242	236	520	355
<i>% of Revenues</i>	6.60%	8.31%	7.30%	8.90%	7.70%	8.50%	9.56%	8.16%
Power	145	113	-41	31	9	103	62	97
<i>% of Revenues</i>	29.84%	25.54%	-23.43%	9.10%	2.90%	25.40%	17.56%	21.56%
<i>Capital employed</i>								
PVC	6,060	7,775	7,221	7,806	7,277	7,400	8,480	8,203
PVC pipes & fittings	4,649	3,393	4,789	4,583	3,899	3,839	3,063	3,429
Power	2,552	3,131	2,650	2,696	2,512	2,743	3,098	3,464
Other segments	2,096	1,715	3,413	3,723	3,051	2,734	1,381	3,824

PVC pipes and fittings volume



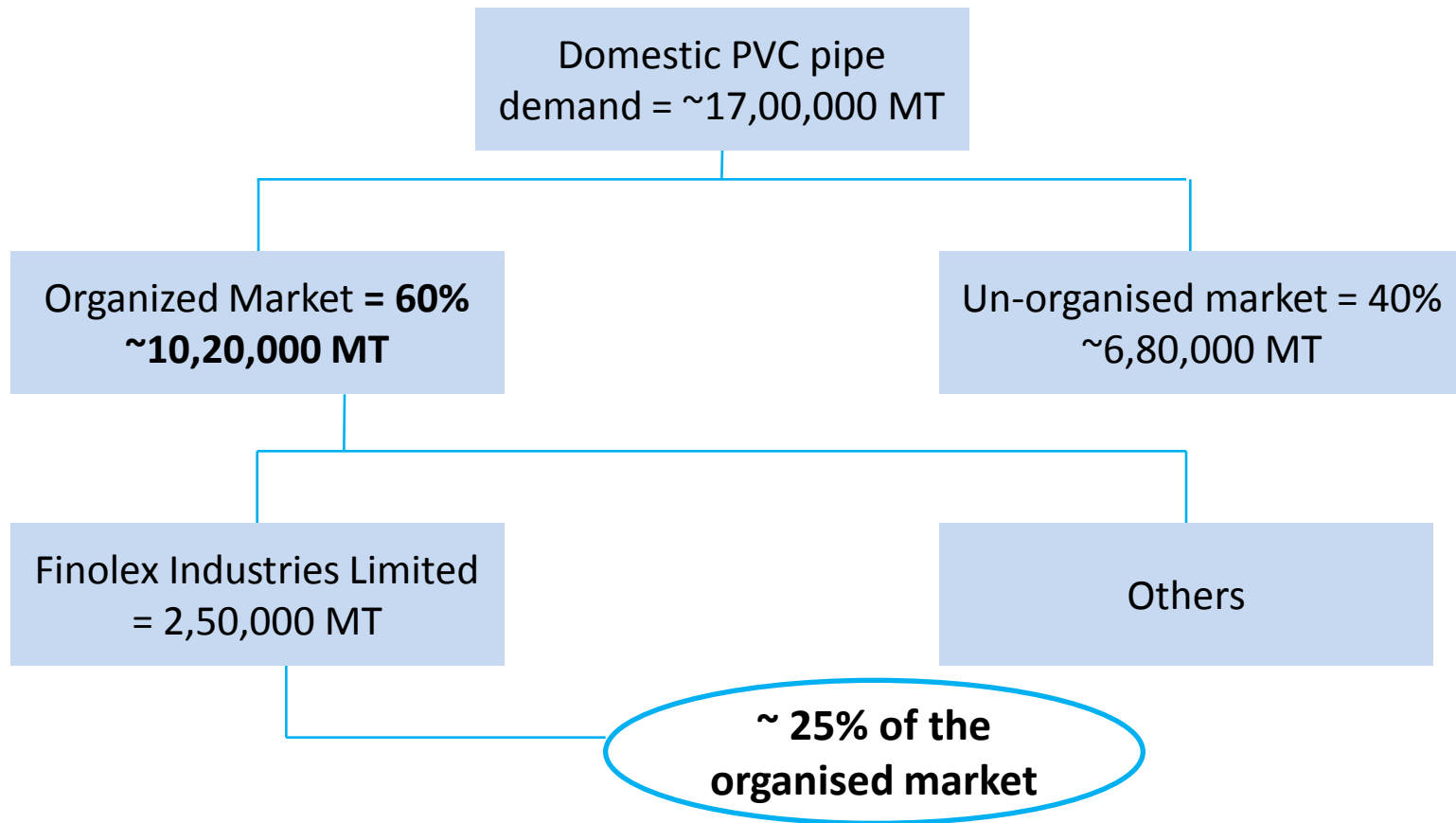
Appendix

Union Budget 2015

- ❖ Emphasis on increasing irrigated area by irrigating each farm to boost pipe demand
- ❖ A roof for each family and call given for 'Housing for all' by 2022 to provide 2 crore houses in urban areas and 4 crore houses in rural areas
- ❖ Measures like unified agricultural market, INR 8.5 lakh crore target for farm loans and investment in rural infrastructure to further benefit the company
- ❖ Basic custom duty on EDC and VCM reduced to 2% from 2.5%
- ❖ Cess on coal imports increased from INR 100 per MT to INR 200 per MT
- ❖ Corporate tax to be gradually reduced from 30% to 25% over four years.

Measures highlighted in the Union Budget 2015-16 likely to fuel demand for the company

PVC Pipe – Addressable Market



FIL to benefit from the overall growth in the industry & likely shift to organized segment with GST implementation

Green initiatives by FIL

- ❖ Internationally acclaimed Environment management system under ISO 14001, in place at the Ratnagiri plant.
- ❖ Achieved the goal of Zero effluent discharge at the Ratnagiri plant
- ❖ Planted and nurturing 49,000 trees within the Ratnagiri premises
- ❖ Awarded with “Certificate of Merit – believers Category” by “Frost and Sullivan's Green Manufacturing Excellence Award 2014” for Golap, Ratnagiri plant
- ❖ Won Bronze trophy in the National Safety Council Awards Competition 2013 for the PVC manufacturing plant at Ratnagiri



Plantation at the Ratnagiri plant premises

Corporate Social Responsibility (CSR)

- ❖ Providing English education at nominal cost to over 480 children at Mukul Madhav Vidyalaya, Ratnagiri
- ❖ Started extending financial assistance and support to Prathamik School and Girdhar Vidhyalaya at Masar, Gujarat
- ❖ 'The Finolex Women's Well Being Clinic' at Ratnagiri, provides quality health care services to underprivileged women.
- ❖ Under Rashtriya Gramin Peyajal Yojana' helped the Gram Panchayats of various villages in Maharashtra to make potable drinking water available to villagers from a well by providing pumps, pipeline and water tanks to villagers and also extended financial help for repair charges, electricity bills etc.
- ❖ Many more initiatives are regularly undertaken by the company as a responsible corporate citizen



Accolades and awards

- ❖ 'Excellence in CSR' award by Amity Global School



- ❖ Honoured by World Economic Forum (WEF) as amongst the 'Global Growth Companies – 2014' (in South Asia)



- ❖ Chosen as one of **Asia's 100 Best Marketing Brands** by the WCRC Leaders Asia magazine



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