

Finolex Industries Ltd

Q2FY15 Results



FinOlex
Pipes

Tarakki Zindagibhar





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Pipes

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Business performance

- ❖ The sales volumes for PVC pipes and fittings grew by 7.3% YoY to 31,644 MT in Q2FY15.

Particulars	Q2FY15		Q2FY14		Q1FY15	
	INR Mn.	MT	INR Mn.	MT	INR Mn.	MT
PVC	2,076	27,909	3,245	46,021	4,139	55,899
PVC Pipes & Fittings	3,158	31,644	2,779	29,489	5,438	58,239
Power (Mwh)	293	37,086	406	50,998	353	43,060

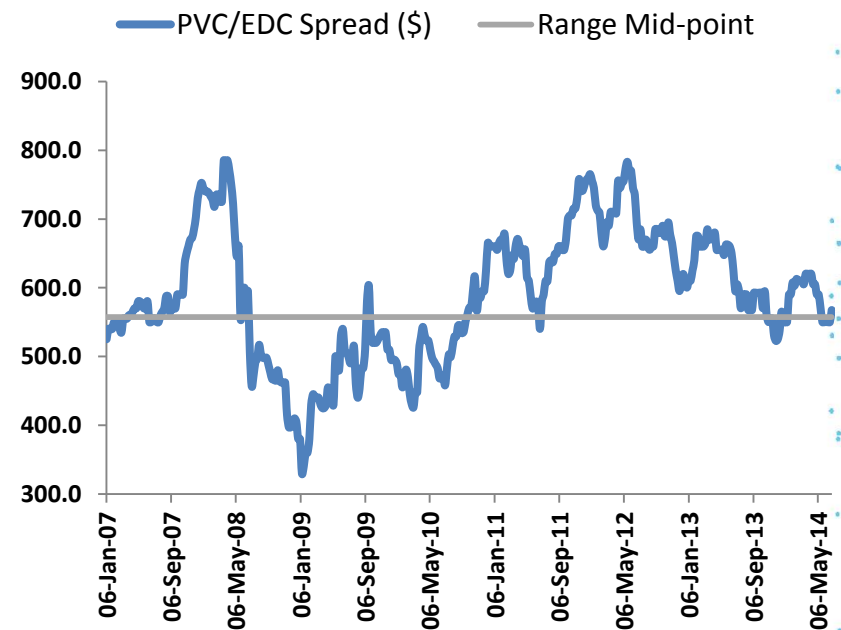
- ❖ Total revenues (net off interdivisional transfers) was flat at INR 3,859 Mn in Q2FY15 compared with Q2FY14.
- ❖ EBIDTA margins before exceptional items was 11.5% in Q2FY15 vis-à-vis 20.9% in Q2FY14, EBIDTA margins after exceptional items was 9.9% in Q1FY15 vis-à-vis 12.6% in Q2FY14

Business performance (contd.)

Reasons for the drop in profitability during Q2FY15 were as follows:

- ❖ Cost of material consumed as inventory of raw material, prior to Jetty shut down, was at higher price
- ❖ Lower margins in Pipes segment due to partial inventory loss on imported (traded) PVC
- ❖ Power and fuel, Stores and spares consumed and other expenses are high due to maintenance and repair shut down of PVC plant, as was planned. Startup was within schedule and cost, except for CPP which is still not started. It has also attributed to higher cost of Power and fuel.
- ❖ Loss of profit in CPP due to unforeseen, uncontrollable loss of production at power plant.
- ❖ Lower other income during current quarter due to deleveraging of investments.

CPP: Captive Power Plant



Source: IHF and ICIS chemical weekly reports

Results update – Profit & Loss

<i>Particulars (INR mn)</i>	Q2FY15	Q2FY14	YoY (%)	Q1FY15	QoQ (%)
Net Sales	3,859	3,899	-1%	6,627	-42%
EBIDTA before exceptional items	445	815	-45%	1,246	-64%
<i>EBIDTA margins (%)</i>	11.5%	20.9%		18.8%	
EBIDTA after exceptional items	385	490	-21%	1,079	-64%
Depreciation	149	148	0%	149	0%
EBIT before exceptional items	296	667	-56%	1,097	-73%
<i>EBIT margins (%)</i>	7.7%	17.1%		16.6%	
Other Income	86	172	-50%	52	65%
Interest	108	122	-12%	268	-60%
PBT	215	391	-45%	715	-70%
<i>PBT margins (%)</i>	5.6%	10.0%		10.8%	
Tax	77	117	-34%	213	-64%
PAT	137	274	-50%	502	-73%
<i>PAT margins (%)</i>	3.6%	7.0%		7.6%	

Quarterly – Profit & Loss

Quarterly PL (INR mn)	Q2		Q1		Q4		Q3	
	FY15	FY14	FY15	FY14	FY14	FY13	FY14	FY13
Net Sales	3,859	3,899	6,627	5,635	8,397	6,296	6,599	6,199
EBIDTA before exceptional items	445	815	1,246	946	1,025	1,099	1,180	994
EBIDTA margins (%)	11.5%	21.0%	18.8%	16.8%	12.2%	17.5%	17.9%	16.0%
EBIDTA after exceptional items	385	490	1,079	407	1,096	1,277	1,276	627
Depreciation	149	148	149	146	151	132	177	135
EBIT before exceptional items	296	667	1,097	799	875	968	1,002	860
EBIT margins (%)	7.7%	17.0%	16.6%	14.2%	10.4%	15.4%	15.2%	13.9%
Other Income	86	172	52	194	62	43	9	58
Interest	108	122	268	137	217	82	188	130
PBT	215	391	715	318	790	1,106	920	421
PBT margins (%)	5.6%	10.0%	10.8%	5.6%	9.4%	17.6%	13.9%	6.8%
Tax	77	117	213	91	228	313	281	115
PAT	137	274	502	226	562	793	639	306
EPS	1.1	2.2	4.0	1.8	4.5	6.4	5.1	2.5



Quarterly segmental – Profit & Loss

<i>Segment wise – Quarterly Profit & Loss (INR mn)</i>	Q2		Q1		Q4		Q3	
	FY15	FY14	FY15	FY14	FY14	FY13	FY14	FY13
<u>Segmental revenues</u>								
PVC	2,076	3,245	4,139	3,627	5,347	4,555	4,911	4,406
PVC pipes & fittings	3,158	2,779	5,438	4,349	4,686	4,142	3,819	3,558
Power	293	406	353	450	443	546	346	616
<i>Segmental profits</i>								
PVC	124	379	597	424	494	605	711	658
<i>% of Revenues</i>	6.0%	11.7%	14.4%	11.7%	9.2%	13.3%	14.5%	14.9%
PVC pipes & fittings	242	236	520	355	389	315	340	123
<i>% of Revenues</i>	7.7%	8.5%	9.6%	8.2%	8.3%	7.6%	8.9%	3.5%
Power	9	103	62	97	113	166	31	209
<i>% of Revenues</i>	2.9%	25.4%	17.6%	21.6%	25.5%	30.4%	9.1%	33.9%
<i>Capital employed</i>								
PVC	7,277	7,400	8,480	8,203	7,775	7,462	7,806	6,994
PVC pipes & fittings	3,899	3,839	3,063	3,429	3,393	3,191	4,583	2,102
Power	2,512	2,743	3,098	3,464	3,131	3,151	2,696	3,668
Other segments	3,051	2,734	1,381	3,824	1,715	3,479	3,723	6,195



Profit & Loss – Key indicators

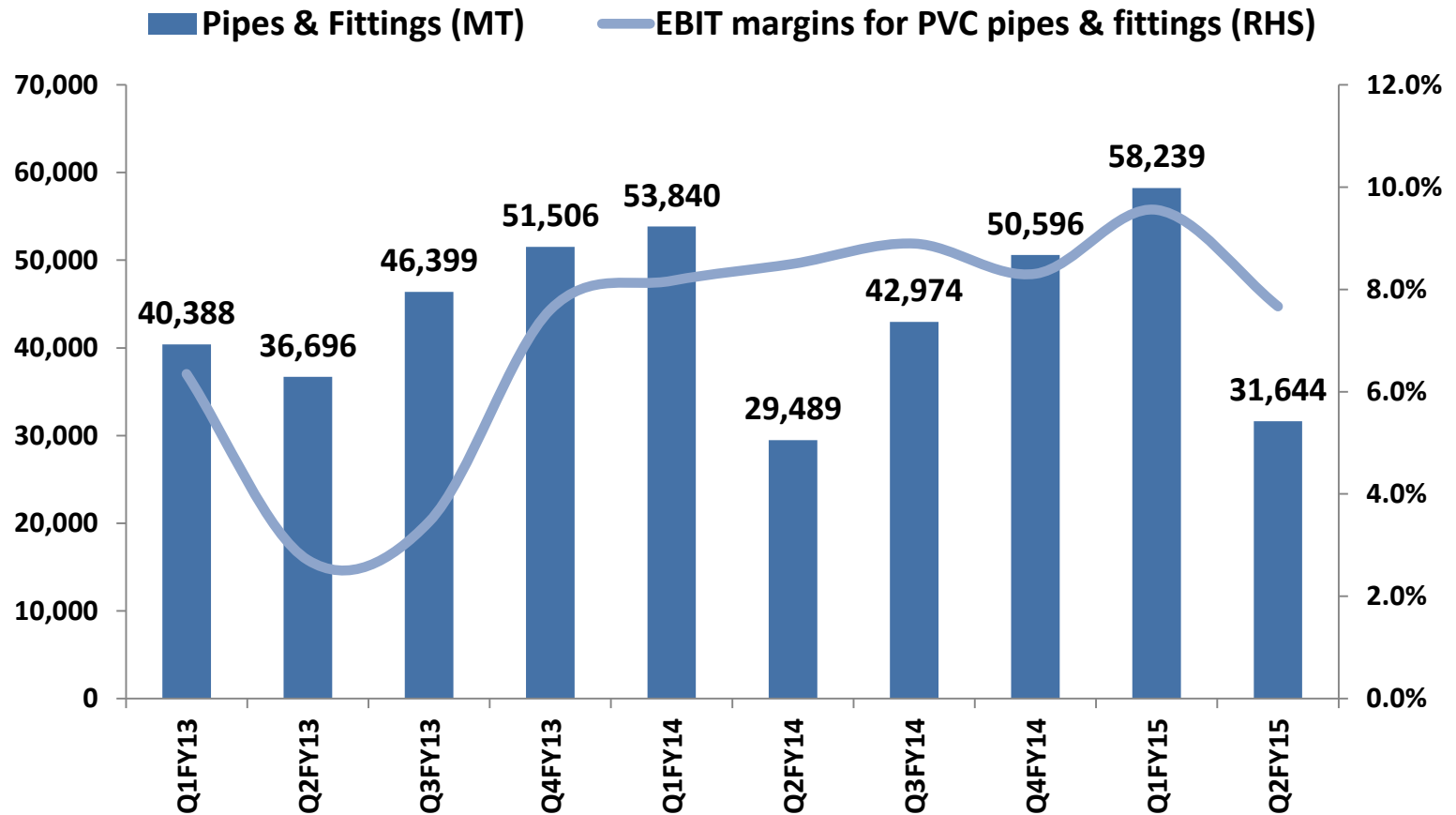
<i>Profit & loss account (INR mn)</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>	<i>FY14</i>	<i>1HFY15</i>
Net Income	19,777	20,998	21,448	24,530	10,486
<i>Growth in sales (%)</i>	<i>35.9%</i>	<i>6.2%</i>	<i>2.1%</i>	<i>14.4%</i>	<i>9.9%</i>
EBIDTA before exceptional items	2,655	2,618	3,921	4,403	1,691
<i>EBIDTA margins before exceptional items (%)</i>	<i>13.4%</i>	<i>12.5%</i>	<i>18.3%</i>	<i>17.9%</i>	<i>16.1%</i>
EBIDTA after forex gain/(loss)	2,490	2,472	2,960	3,705	1,464
PBT	1,150	967	1,902	2,419	929
<i>PBT (%)</i>	<i>5.8%</i>	<i>4.6%</i>	<i>8.9%</i>	<i>9.9%</i>	<i>8.9%</i>
PAT	762	752	1,361	1,701	639
<i>PAT (%)</i>	<i>3.9%</i>	<i>3.6%</i>	<i>6.3%</i>	<i>6.9%</i>	<i>6.1%</i>

Balance sheet – Key indicators

<i>Balance Sheet (INR mn)</i>	<i>FY11</i>	<i>FY12</i>	<i>FY13</i>	<i>FY14</i>	<i>1HFY15</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	7,092
Long term borrowings	1,954	1,896	1,397	2,322	2,239
Short term borrowings (incl. loans repayable in one year)	5,512	8,528	6,997	4,812	5,293
Total borrowings	7,466	10,424	8,394	7,134	7,531
<i>Assets</i>					
Fixed assets (Net block)	7,924	7,840	8,795	9,052	8,630
Capital WIP	722	854	506	325	269
Non current investments	1,221	1,221	1,274	1,274	1,274
Current investments	859	3,711	2,322	941	351



PVC pipes and fittings volume & margins





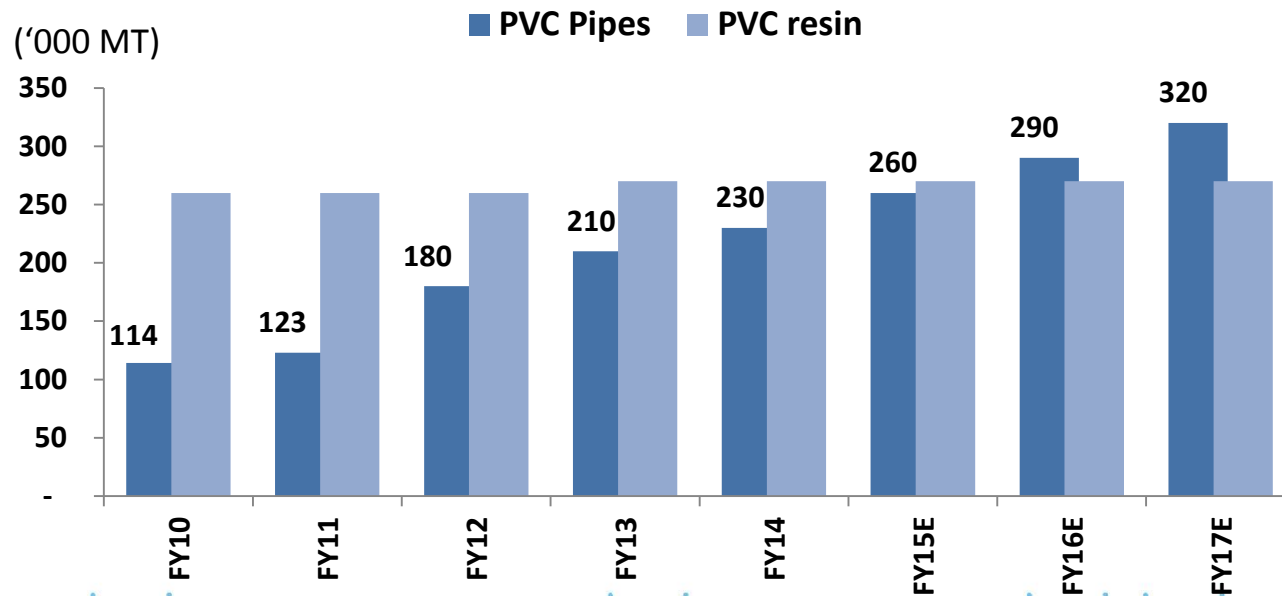
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Distribution reach to be enhanced further

- ❖ New warehouse in Cuttack, Odisha has helped to cut delivery days and inventory costs for dealers and distributors
- ❖ Recruited senior level managers to handle sales in the Eastern region
- ❖ To continue to follow Hub-n-Spoke model with centralised manufacturing locations and multiple warehouses, pan-India
- ❖ Aim to replicate the success for the Eastern zone warehouse with new warehouses in other parts of India

Brownfield expansion plans

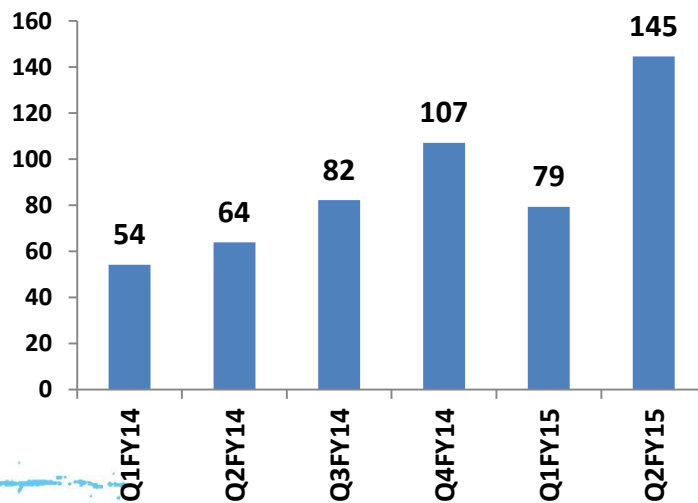
- ❖ Increase installed capacity of PVC pipes and fittings via brownfield expansion of 90,000 MT over next three years.
- ❖ Capital outlay for the brownfield expansion to be INR 0.9bn (a similar greenfield expansion could cost INR 2.4bn)
- ❖ No capacity expansion in PVC resin



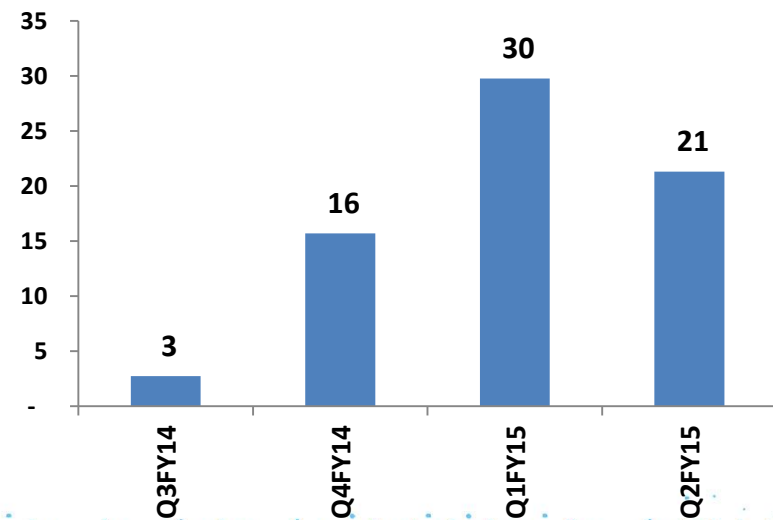
High margin products

- ❖ Enhancing distribution of PVC fittings (value added product) with a reputed logistics solution partner
- ❖ Conventionally, fittings were dispatched along with pipes in trucks. Now even small boxes of only fittings can be supplied to dealers
- ❖ New products: CPVC pipes & fittings and Column pipes see pick-up in volumes

■ CPVC Pipes and Fittings (INR mn)



■ Column Pipes (INR mn)





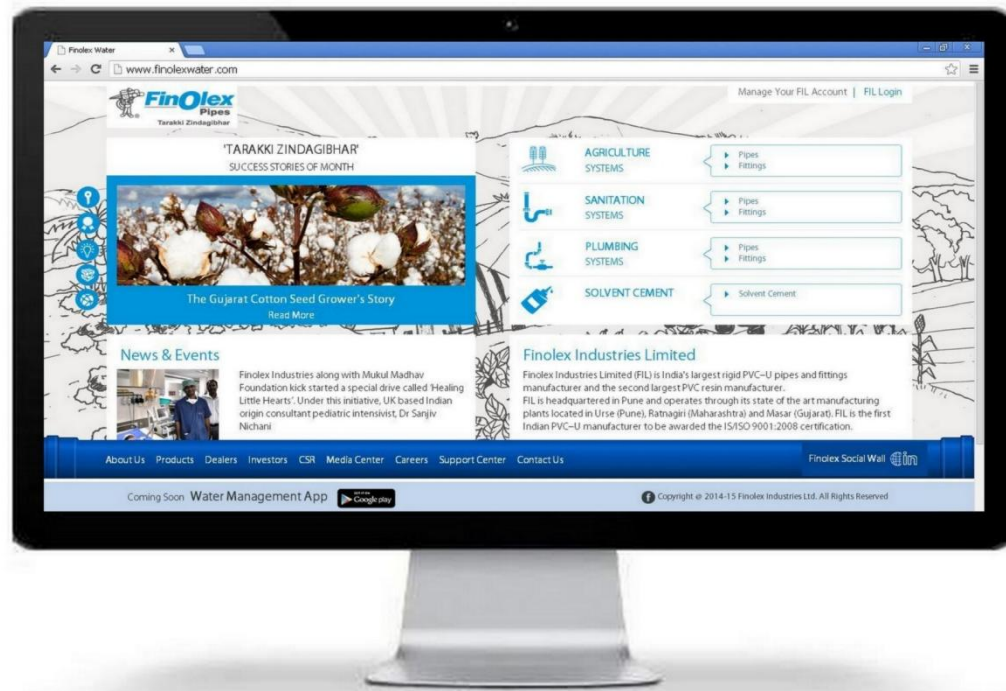
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Business of Managing Water

- ❖ India is looming under water crisis. India has 18% of global population but only 4% of usable water resources
- ❖ Distribution losses in carriage of water accentuate the situation. Finolex is planning to create solutions which help prevent such leakage
- ❖ Metamorphosing into a company engaged in the business of managing water.
- ❖ The new brand identity reflects new focus in the business. New tagline of “Tarakki Zindagibhar” promises a lifetime of prosperity to the consumer through water management.
- ❖ The new positioning will be communicated soon through a new television and radio campaign, a new website as well as cascade it into the social media

New website – reflecting the change

❖ www.finolexwater.com



❖ Better disclosures, greater engagement

National Sales and Dealer meet - 2014

- ❖ Recently, concluded National Sales and Dealer meet to create higher engagement and announce FIL's new positioning



Chairman unveiling the new brand identity



Address to the dealers from across India



Dealers from Karnataka

Green initiatives

- ❖ 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

Recent Accolades

- ❖ 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
- ❖ Listed by The Economic Times as one of 10 mid sized Companies (out of ET500) with high growth potential
- ❖ Entered BSE 'A' group

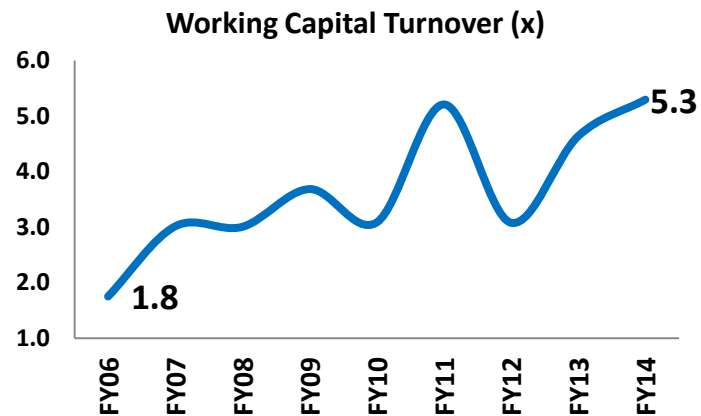
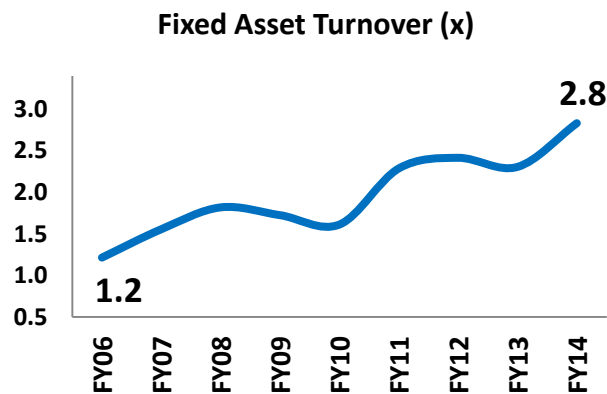
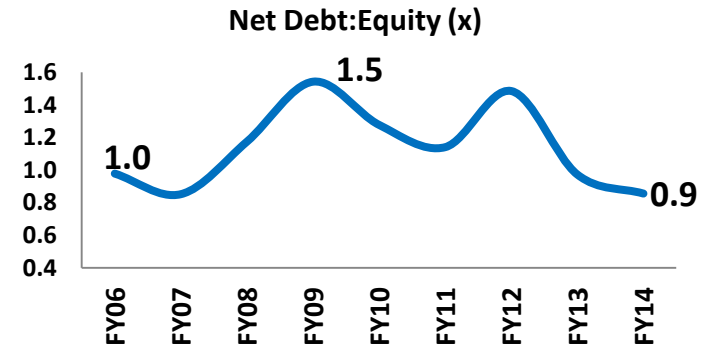
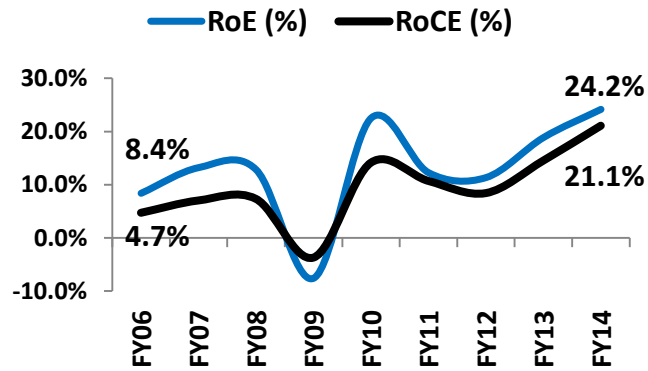


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Strong balance sheet



- ❖ Plans to reduce debt to minimal levels by FY17E, with debt repayment in the range of INR 1.25bn to INR1.5bn per annum till FY17E

FY15 – Key focus areas

- ❖ Increase the captive consumption of PVC resin. No capacity addition for PVC resin
- ❖ Improve overall return ratios via low capital outlay for the brownfield capex for PVC pipes & fittings
- ❖ Continue to run PVC pipes operations with the cash-n-carry model
- ❖ Continue to focus on Irrigation and agriculture segment
- ❖ Increase company's distribution reach by having more warehousing facilities across India
- ❖ Healthy cash generation to aid in debt reduction over the next few years
- ❖ Develop solutions in the water management business
- ❖ Maintain leadership position in the industry



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