

FinOlex
INDUSTRIES

FINOLEX INDUSTRIES LIMITED

Q2FY16 RESULTS



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Q2 & H1 FY16 Results Summary

| | Volumes P & F # | Revenue | EBITDA | PAT |
|----------------|---------------------------|-----------------------------|----------------------------|-----------------------------|
| Q2 FY16 | 40,689 MT ↑ 29% | Rs 4,667 mn ↑ 21% | Rs 522 mn ↑ 11% | Rs 419 mn ↑ 206% |
| H1 FY16 | 98,626 MT ↑ 10% | Rs 11,001 mn ↑ 5% | Rs 1,796 mn ↑ 4% | Rs 1,121 mn ↑ 75% |

Management Comments :

In spite of a monsoon quarter, we have seen fairly good demand for pipes and fittings. We continue to be optimistic on long term growth prospects in terms of demand for PVC pipes and fittings on back of supportive government initiatives and preference for branded pipes.

P&F represents Pipes and Fittings

* All growth numbers are on Y-o-Y basis



Profit & Loss Account

| <i>Particulars (INR mn)</i> | Q2FY16 | Q2FY15 | Q1FY16 | H1FY16 | H1FY15 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 4,667 | 3,859 | 6,334 | 11,001 | 10,486 |
| EBIDTA before exceptional items | 522 | 471 | 1,274 | 1,796 | 1,730 |
| Exceptional gains/(loss) | *245 | - | - | *245 | (165) |
| EBIDTA after exceptional items | 767 | 471 | 1,274 | 2,041 | 1,565 |
| EBIDTA margins (%) | 16.43% | 12.21% | 20.11% | 18.55% | 14.92% |
| Depreciation | 126 | 149 | 125 | 251 | 298 |
| EBIT before exceptional items | 396 | 323 | 1,149 | 1,545 | 1,432 |
| EBIT margins (%) | 8.49% | 8.37% | 18.14% | 14.04% | 13.66% |
| Other Income | 141 | 86 | 27 | 168 | 138 |
| Finance costs | 164 | 194 | 158 | 321 | 476 |
| PBT | 618 | 215 | 1,019 | 1,636 | 929 |
| PBT margins (%) | 13.24% | 5.56% | 16.09% | 14.87% | 8.86% |
| Tax | 199 | 77 | 316 | 515 | 290 |
| PAT | 419 | 137 | 703 | 1,121 | 639 |
| PAT margins (%) | 8.98% | 3.55% | 11.10% | 10.19% | 6.09% |

*Represents benefit by way of electricity duty exemption under package scheme of incentives for earlier periods.

- ❖ The sales volumes for Q2FY16 for PVC Resin increased by 49% YoY to 41,512 MT and PVC Pipes and Fittings increased by 29% YoY to 40,689 MT in Q2FY16.

| <i>Particulars</i> | <i>Q2FY16</i> | | | <i>Q2FY15</i> | | |
|----------------------|----------------|-----------|-----------------|----------------|-----------|-----------------|
| | <i>INR Mn.</i> | <i>MT</i> | <i>Rs./Unit</i> | <i>INR Mn.</i> | <i>MT</i> | <i>Rs./Unit</i> |
| PVC resin | 2,581 | 41,512 | 62,175 | 2,076 | 27,909 | 74,385 |
| PVC pipes & fittings | 3,525 | 40,689 | 86,633 | 3,158 | 31,642 | 99,804 |
| Power | 299 | | | 293 | | |

- ❖ The sales volumes for H1FY16 PVC Resin increased by 25% YoY to 104,542 MT and PVC Pipes and Fittings increased by 10% YoY to 98,626 MT in Q2FY16.

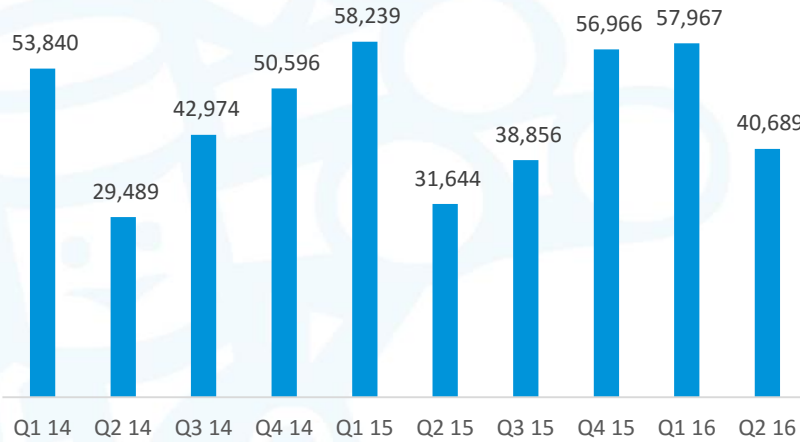
| <i>Particulars</i> | <i>H1FY16</i> | | | <i>H1FY15</i> | | |
|----------------------|----------------|-----------|-----------------|----------------|-----------|-----------------|
| | <i>INR Mn.</i> | <i>MT</i> | <i>Rs./Unit</i> | <i>INR Mn.</i> | <i>MT</i> | <i>Rs./Unit</i> |
| PVC resin | 6,730 | 104,542 | 64,376 | 6,216 | 83,825 | 74,154 |
| PVC pipes & fittings | 8,625 | 98,626 | 87,452 | 8,596 | 89,964 | 95,549 |
| Power | 683 | | | 647 | | |

- ❖ The realization for PVC resin and PVC pipes & fittings were lower on back of fall in the international market prices.
- ❖ PAT for the quarter was at INR 419 mn up 206% YoY. The current quarter results include benefits under Package Scheme of Incentives - Industrial Promotion subsidy of Rs. 742.4 mn accounted for as Capital Reserve and electricity duty exemption amounting to Rs. 244.7 mn for earlier periods accounted as income under Exceptional item.

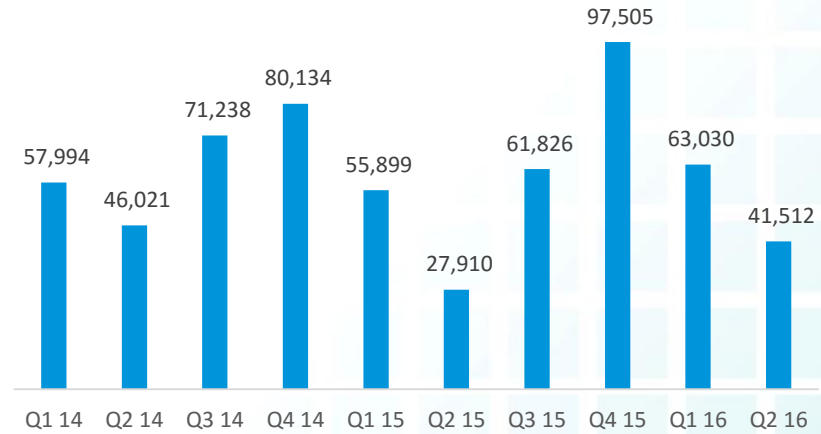


Business scenario

Pipes & Fittings (MT)



PVC (MT)



PVC/EDC Delta (USD/MT)



PVC (USD/MT)





Quarterly – Profit & Loss

| Quarterly PL (INR mn) | Q3 FY14 | Q4 FY14 | Q1 FY15 | Q2 FY15 | Q3 FY15 | Q4 FY15 | Q1 FY16 | Q2 FY16 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|
| Net Sales | 6,599 | 8,397 | 6,627 | 3,859 | 6,429 | 7,846 | 6,334 | 4,667 |
| EBIDTA after exceptional items | 1,276 | 1,096 | 1,093 | 471 | -388 | 714 | 1,274 | 767 |
| EBIDTA margins (%) | 19.34% | 13.05% | 16.49% | 12.21% | -6.04% | 9.10% | 20.11% | 16.43% |
| Depreciation | 177 | 151 | 149 | 149 | 146 | 143 | 125 | 126 |
| Other Income | 9 | 62 | 52 | 86 | 14 | 50 | 27 | 141 |
| Finance costs | 188 | 217 | 282 | 194 | 119 | 104 | 158 | 164 |
| PBT | 920 | 790 | 715 | 215 | -639 | 517 | 1,019 | 618 |
| PBT margins (%) | 13.90% | 9.41% | 10.79% | 5.60% | -9.94% | 6.59% | 16.09% | 13.24% |
| Tax | 281 | 228 | 213 | 77 | -201 | 241 | 316 | 199 |
| PAT | 639 | 562 | 502 | 137 | -438 | 277 | 703 | 419 |
| EPS | 5.1 | 4.5 | 4.0 | 1.1 | -3.5 | 2.2 | 5.7 | 3.4 |



Quarterly segmental – Profit & Loss

| <i>Profit & Loss (INR mn)</i> | <i>Q3 FY14</i> | <i>Q4 FY14</i> | <i>Q1 FY15</i> | <i>Q2 FY15</i> | <i>Q3 FY15</i> | <i>Q4 FY15</i> | <i>Q1 FY16</i> | <i>Q2 FY16</i> |
|-----------------------------------|----------------------|----------------------|----------------------|---------------------|-----------------------|----------------------|----------------------|----------------------|
| <i>Segmental revenues</i> | | | | | | | | |
| PVC | 4,911 | 5,347 | 4,139 | 2,076 | 3,664 | 5,721 | 4,149 | 2,581 |
| PVC pipes & fittings | 3,819 | 4,686 | 5,438 | 3,158 | 3,480 | 4,862 | 5,100 | 3,525 |
| Power | 346 | 443 | 353 | 293 | 175 | 486 | 385 | 299 |
| <i>Segmental profits</i> | | | | | | | | |
| PVC | 711 | 494 | 597 | 124 | -456 | 216 | 692 | 198 |
| <i>% of Revenues</i> | <i>14.50%</i> | <i>9.24%</i> | <i>14.42%</i> | <i>6.00%</i> | <i>-12.45%</i> | <i>3.78%</i> | <i>16.68%</i> | <i>7.67%</i> |
| PVC pipes & fittings | 340 | 389 | 520 | 242 | 254 | 321 | 492 | 297 |
| <i>% of Revenues</i> | <i>8.90%</i> | <i>8.31%</i> | <i>9.56%</i> | <i>7.70%</i> | <i>7.30%</i> | <i>6.60%</i> | <i>9.65%</i> | <i>7.91%</i> |
| Power | 31 | 113 | 62 | 9 | -41 | 145 | 81 | 42 |
| <i>% of Revenues</i> | <i>9.10%</i> | <i>25.54%</i> | <i>17.56%</i> | <i>2.90%</i> | <i>-23.43%</i> | <i>29.84%</i> | <i>21.04%</i> | <i>14.05%</i> |
| <i>Capital employed</i> | | | | | | | | |
| PVC | 7,806 | 7,775 | 8,480 | 7,277 | 7,221 | 6,060 | 7,167 | 5,660 |
| PVC pipes & fittings | 4,583 | 3,393 | 3,063 | 3,899 | 4,789 | 4,649 | 4,302 | 4,337 |
| Power | 2,696 | 3,131 | 3,098 | 2,512 | 2,650 | 2,552 | 2,772 | 2,527 |
| Other segments | 3,723 | 1,715 | 1,381 | 3,051 | 3,413 | 2,096 | 3,577 | 2,289 |



Profit & Loss – Key indicators

| <i>Profit & loss account (INR mn)</i> | <i>FY12</i> | <i>FY13</i> | <i>FY14</i> | <i>FY15</i> | <i>H1FY16</i> |
|---|----------------------|----------------------|----------------------|---------------------|----------------------|
| Net Income | 20,998 | 21,448 | 24,530 | 24,761 | 11,001 |
| <i>Growth in sales (YoY %)</i> | <i>6.20%</i> | <i>2.10%</i> | <i>14.40%</i> | <i>0.94%</i> | <i>4.90%</i> |
| EBIDTA before exceptional items | 2,313 | 3,587 | 3,966 | 2,111 | 1,796 |
| <i>EBIDTA margins before exceptional items (%)</i> | <i>11.02%</i> | <i>16.72%</i> | <i>16.17%</i> | <i>8.52%</i> | <i>16.33%</i> |
| EBIDTA after exceptional items | 2,168 | 2,626 | 3,268 | 1,896 | 2,041 |
| PBT | 967 | 1,902 | 2,419 | 808 | 1,636 |
| <i>PBTM (%)</i> | <i>4.60%</i> | <i>8.90%</i> | <i>9.90%</i> | <i>3.26%</i> | <i>14.87%</i> |
| PAT | 752 | 1,361 | 1,701 | 478 | 1,121 |
| <i>PATM (%)</i> | <i>3.60%</i> | <i>6.30%</i> | <i>6.90%</i> | <i>1.93%</i> | <i>10.19%</i> |

Note: FY15 figures are regrouped



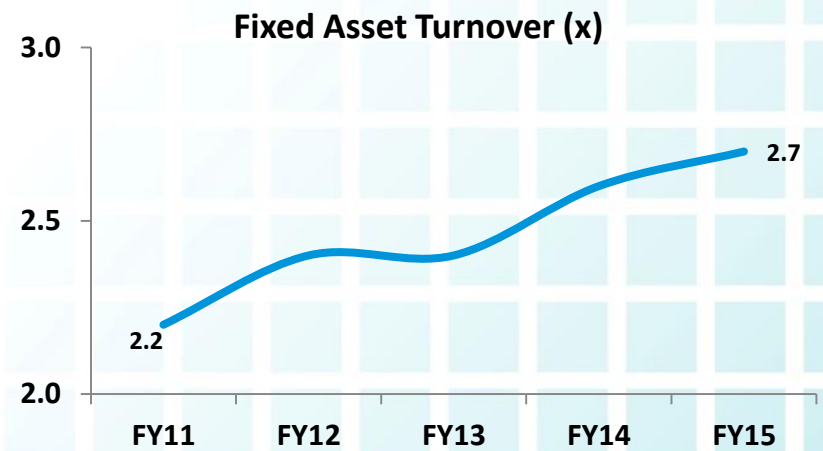
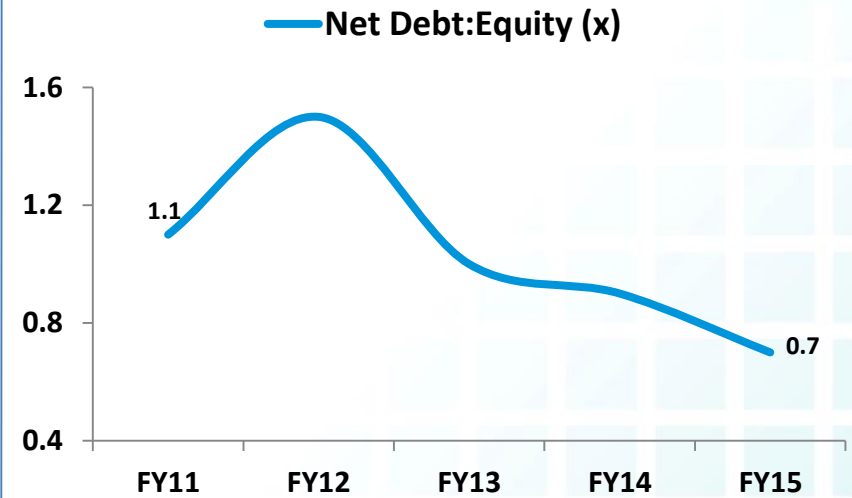
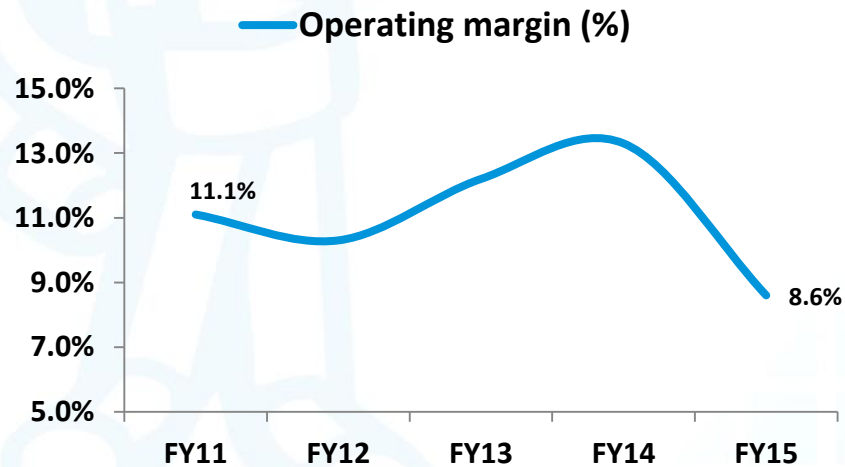
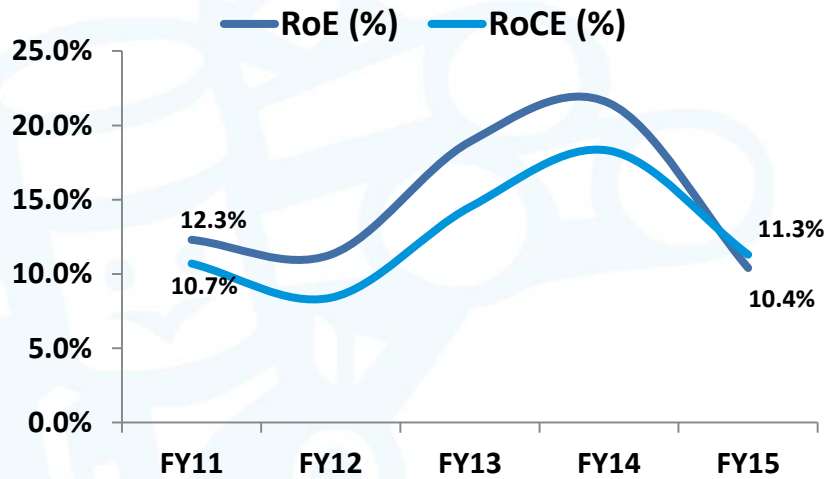
Balance sheet – Key indicators

| <i>Balance Sheet (INR mn)</i> | <i>FY12</i> | <i>FY13</i> | <i>FY14</i> | <i>FY15</i> | <i>H1FY16</i> |
|---|---------------|--------------|--------------|--------------|---------------|
| <i>Equity and liabilities</i> | | | | | |
| Share capital | 1,241 | 1,241 | 1,241 | 1,241 | 1,241 |
| Reserves and surplus | 5,381 | 5,971 | 6,656 | 6,633 | 8,497 |
| Long term borrowings | 1,896 | 1,397 | 2,322 | 1,837 | 1,545 |
| Short term borrowings (incl. loans repayable in one year) | 8,528 | 6,997 | 4,812 | 4,534 | 2,396 |
| Total borrowings | 10,424 | 8,394 | 7,134 | 6,371 | 3,941 |
| <i>Assets</i> | | | | | |
| Fixed assets (Net block) | 7,840 | 8,795 | 9,052 | 8,678 | 8,497 |
| Capital WIP | 854 | 506 | 325 | 104 | 70 |
| Non current investments | 1,221 | 1,274 | 1,274 | 1,246 | 1,246 |
| Current investments | 3,711 | 2,322 | 941 | 551 | 301 |

Note: Short term borrowings have reduced due to low inventory level during monsoon.



Key performance indicators





Key Initiatives

- ❖ Margins improvement initiatives – focus on increasing sales of higher margins products viz. fittings, column pipes, CPVC pipes. Initiatives on track to scale up share of fittings in sales mix to over 10% from 6-7% currently
- ❖ Increase in installed capacities of PVC pipes and fittings with average 30,000 MT p.a. till FY17E with a capex at INR 300 mn p.a.

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 |

- ❖ Cash-n-carry model to lighten Balance Sheet, debt reduction to continue as per plans
- ❖ Growing brand and quality consciousness – share of organized players to rise further with GST implementation



Government policy initiatives

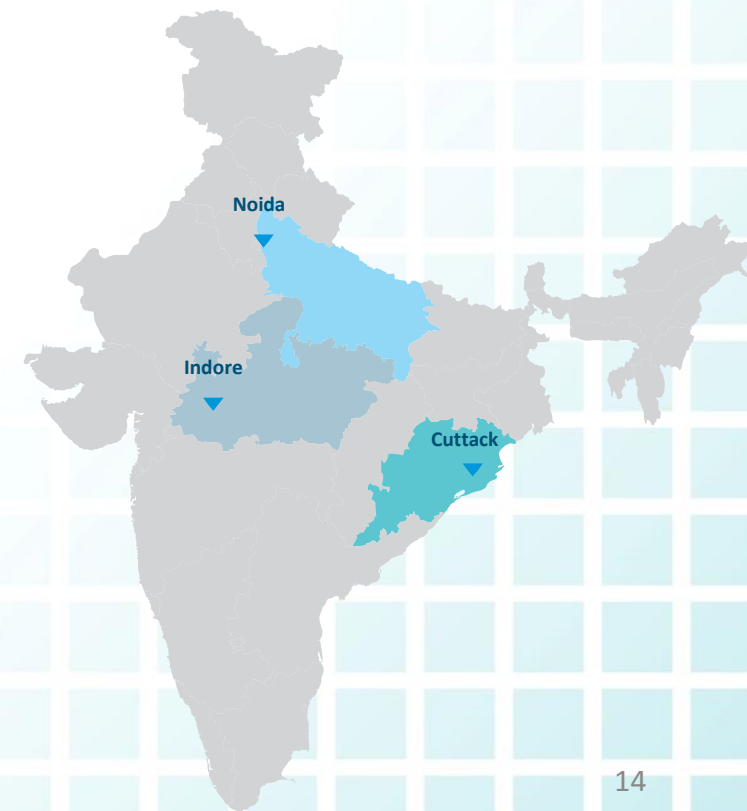
- ❖ Government's focus on increasing irrigation opportunity in non rain-fed areas through the INR 500 billion allocated to PMKSY will create a surge in demand for PVC pipes and will keep the industry growth strong over the next 5 years (2015-16 to 2019-20)
- ❖ At 157.35 million hectares, India holds one of the largest agricultural land in the world. The new scheme assumes importance as only 44% of agricultural land in India is under irrigation
- ❖ Measures like unified agricultural market, INR 8.5 lakh crore target for farm loans and investment in rural infrastructure to further benefit the company
- ❖ 'Housing for All' by 2022 to provide 20 million houses in urban areas and 40 million houses in rural areas
- ❖ Initiatives such as "Smart Cities" will create a surge in demand for the company's products in the years to come
- ❖ Being India's leading PVC pipe manufacturer with enhanced distribution reach, the company stands to gain from the above opportunities



Distribution reach enhanced

- ❖ Distribution is an important aspect in creating demand for the company's product - FIL is on track in terms of expanding its scale of operations not only by increasing production capacity, but also by setting up additional warehouses
- ❖ New warehouses opened at Indore (MP) and Noida (UP) in May 2015 and the warehouse in Cuttack (Odisha) have ensured faster delivery and enhanced distribution reach
- ❖ Addition of 20 direct dealers and more than 300 outlets pan India during the quarter

New Warehouses added





Branding & advertisements at religious fairs, exhibitions and events



Accolades and awards



India's most Trusted Brand in the category "Manufacturing – Pipes"
awarded by Brand Trust Report 2015

'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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