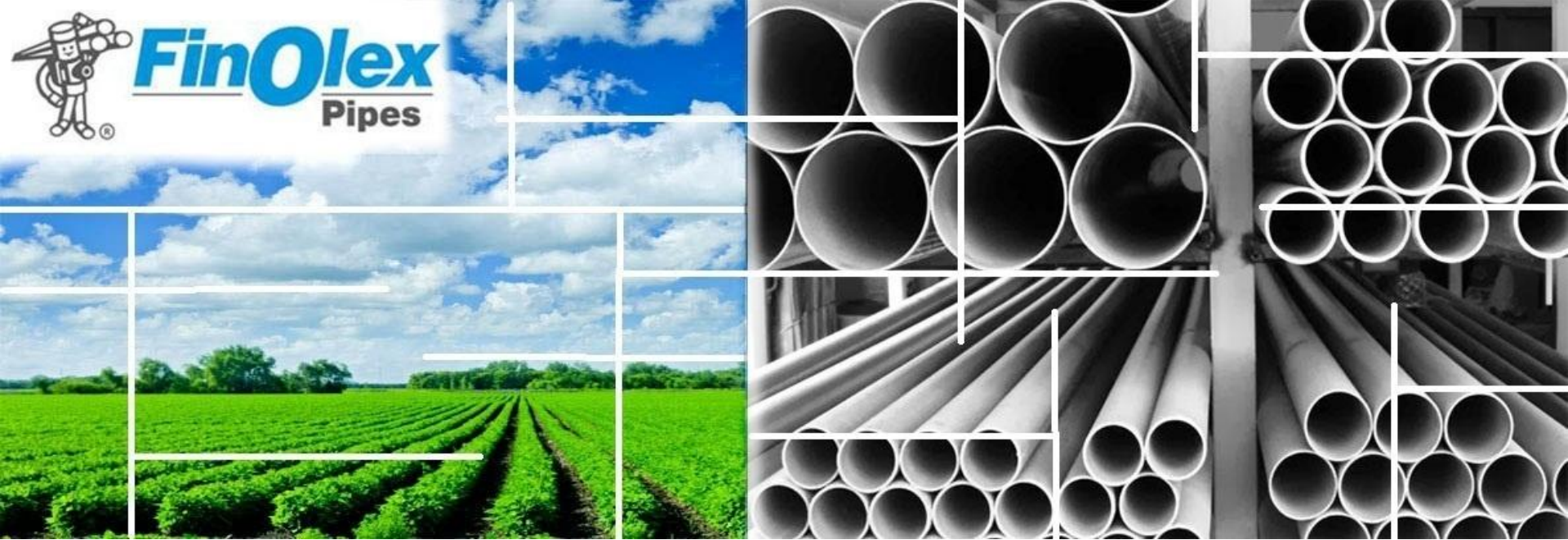




Finolex Industries Limited

India's largest and backward integrated PVC pipe manufacturer

Q1FY15 Results



Business performance

- ❖ Demand for PVC pipes & fittings bounced back in Q1FY15. The sales volumes for PVC pipes and fittings grew by 8.2% YoY to 58,239 MT in Q1FY15.

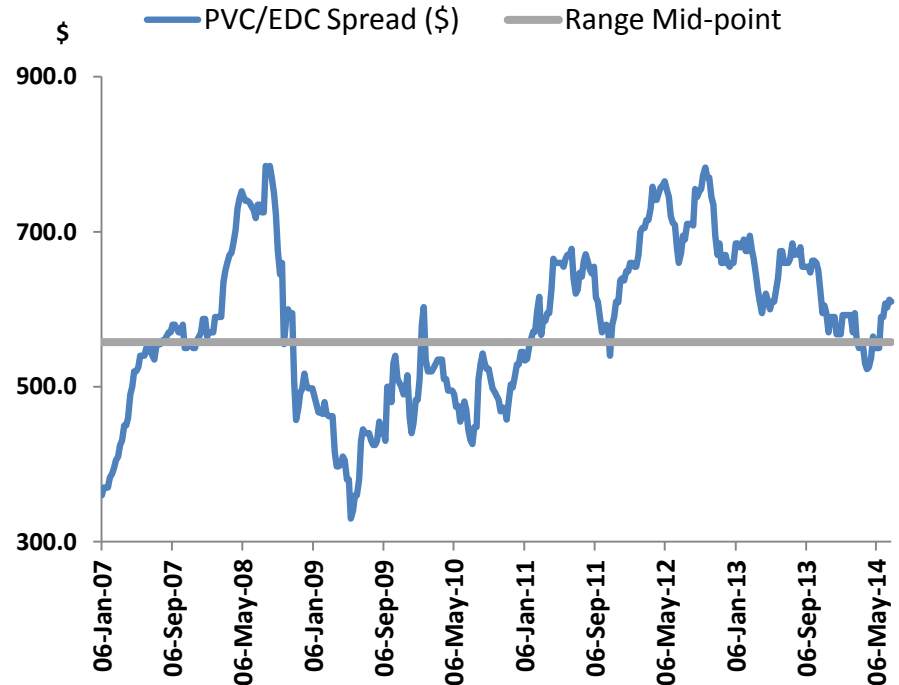
<i>Particulars</i>	<i>Q1FY15</i>		<i>Q1FY14</i>		<i>Q4FY14</i>	
	INR Mn.	MT	INR Mn.	MT	INR Mn.	MT
PVC	4,139	55,899	3,627	57,994	5,347	80,134
PVC Pipes & Fittings	5,438	58,239	4,349	53,840	4,686	50,596
Power (Mwh)	353	43,060	450	61,754	443	54,088

- ❖ Total revenues (net off interdivisional transfers) increased by 17.6% YoY to INR 6,627 Mn in Q1FY15
- ❖ EBIDTA margins before exceptional items was 18.8% in Q1FY15 vis-à-vis 16.8% in Q1FY14, EBIDTA margins after exceptional items was 16.3% in Q1FY15 vis-à-vis 7.2% in Q1FY14



Business performance (contd.)

- ❖ Anticipating increased volatility in forex rates around election time, the Company had covered its entire forex exposure by way of forward covers / plain vanilla options. Finance cost has increased because of premium paid on such covers.
- ❖ The Company settled an old derivative dispute out of court. The amount appears under 'Exceptional Items' in the Profit and Loss Account.
- ❖ During Q1FY15, there was favourable shift in PVC and EDC prices.
- ❖ Toward the end of Q1FY15, the PVC/EDC spread widened to \$610/MT from \$530/MT in the end of Q4FY14, an improvement of 15%. With the new global EDC capacities expected to come on stream in the coming quarters, the spreads are expected to remain healthy.



Source: IHF and ICIS chemical weekly reports



Results Update – Profit & Loss

<i>Particulars (INR mn)</i>	<i>Q1FY15</i>	<i>Q1FY14</i>	<i>YoY (%)</i>	<i>Q4FY14</i>	<i>QoQ (%)</i>
Net Sales	6,627	5,635	18%	8,397	-21%
EBIDTA before exceptional items	1,246	946	32%	1,025	22%
<i>EBIDTA margins (%)</i>	<i>18.8%</i>	<i>16.8%</i>		<i>12.2%</i>	
EBIDTA after exceptional items	1,079	407	165%	1,096	-2%
Depreciation	149	146	2%	151	-1%
EBIT before exceptional items	1,097	799	37%	875	25%
<i>EBIT margins (%)</i>	<i>16.6%</i>	<i>14.2%</i>		<i>10.4%</i>	
Other Income	52	194	-73%	62	-16%
Interest	268	137	95%	217	23%
PBT	715	318	125%	790	-10%
<i>PBT margins (%)</i>	<i>10.8%</i>	<i>5.6%</i>		<i>9.4%</i>	
Tax	213	91	133%	228	-7%
PAT	502	226	122%	562	-11%
<i>PAT margins (%)</i>	<i>7.6%</i>	<i>4.0%</i>		<i>6.7%</i>	



Quarterly - Profit & Loss

Quarterly Profit & Loss (INR mn)	Q2		Q3		Q4		Q1	
	FY13	FY14	FY13	FY14	FY13	FY14	FY14	FY15
Net Sales	3,809	3,899	6,199	6,599	6,296	8,397	5,635	6,627
EBIDTA before exceptional items	673	815	994	1,180	1,099	1,025	946	1,246
EBIDTA margins (%)	17.7%	20.9%	16.0%	17.9%	17.5%	12.2%	16.8%	18.8%
EBIDTA after exceptional items	639	490	627	1,276	1,277	1,096	407	1,079
Depreciation	137	148	177	177	132	151	146	149
EBIT before exceptional items	536	667	860	1,002	968	875	799	1,097
EBIT margins (%)	14.1%	17.1%	13.9%	15.2%	15.4%	10.4%	14.2%	16.6%
Other Income	157	172	58	9	43	62	194	52
Interest	142	122	130	82	82	217	137	268
PBT	516	391	421	920	1,106	790	318	715
PBT margins (%)	13.5%	10.0%	6.8%	13.9%	17.6%	9.4%	5.6%	10.8%
Tax	117	117	115	281	313	228	91	213
PAT	399	274	306	639	793	562	226	502
EPS	3.2	2.2	2.5	5.1	6.4	4.5	1.8	4.0



Quarterly Segmental – Profit & Loss

<i>Segment wise – Quarterly Profit & Loss (INR mn)</i>	Q2		Q3		Q4		Q1	
	FY13	FY14	FY13	FY14	FY13	FY14	FY14	FY15
<u>Segmental revenues</u>								
PVC	2,779	3,245	4,406	4,911	4,555	5,347	3,627	4,139
PVC pipes & fittings	2,945	2,779	3,558	3,819	4,142	4,686	4,349	5,438
Power	514	406	616	346	546	443	450	353
<u>Segmental profits</u>								
PVC	504	379	658	711	605	494	424	597
% of Revenues	18.1%	11.7%	14.9%	14.5%	13.3%	9.2%	11.7%	14.4%
PVC pipes & fittings	80	236	123	340	315	389	355	520
% of Revenues	2.7%	8.5%	3.5%	8.9%	7.6%	8.3%	8.2%	9.6%
Power	59	103	209	31	166	113	97	62
% of Revenues	11.4%	25.4%	33.9%	9.1%	30.4%	25.5%	21.6%	17.6%
<u>Capital employed</u>								
PVC	6,129	7,400	6,994	7,806	7,462	7,775	8,203	8,480
PVC pipes & fittings	2,695	3,839	2,102	4,583	3,191	3,393	3,429	3,063
Power	3,485	2,743	3,668	2,696	3,151	3,131	3,464	3,098
Other segments	6,493	2,734	6,195	3,723	3,479	1,715	3,824	1,381



Profit & Loss – Key indicators

<i>Profit & 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>-2.5%</i>	<i>35.9%</i>	<i>6.2%</i>	<i>2.1%</i>	<i>14.4%</i>
Gross Profits	4,442	3,878	3,893	5,356	5,705
<i>Gross margins (%)</i>	<i>30.5%</i>	<i>19.6%</i>	<i>18.5%</i>	<i>25.0%</i>	<i>23.3%</i>
EBIDTA before exceptional items	3,168	2,362	2,313	3,587	3,966
<i>EBIDTA (%)</i>	<i>21.8%</i>	<i>11.9%</i>	<i>11.0%</i>	<i>16.7%</i>	<i>16.2%</i>
EBIDTA after exceptional items	2,628	2,197	2,168	2,627	3,268
PBT	1,740	1,150	967	1,902	2,419
<i>PBT (%)</i>	<i>12.0%</i>	<i>5.8%</i>	<i>4.6%</i>	<i>8.9%</i>	<i>9.9%</i>
PAT	1,323	762	752	1,361	1,701
<i>PAT (%)</i>	<i>9.1%</i>	<i>3.9%</i>	<i>3.6%</i>	<i>6.3%</i>	<i>6.9%</i>



Balance Sheet – Key indicators

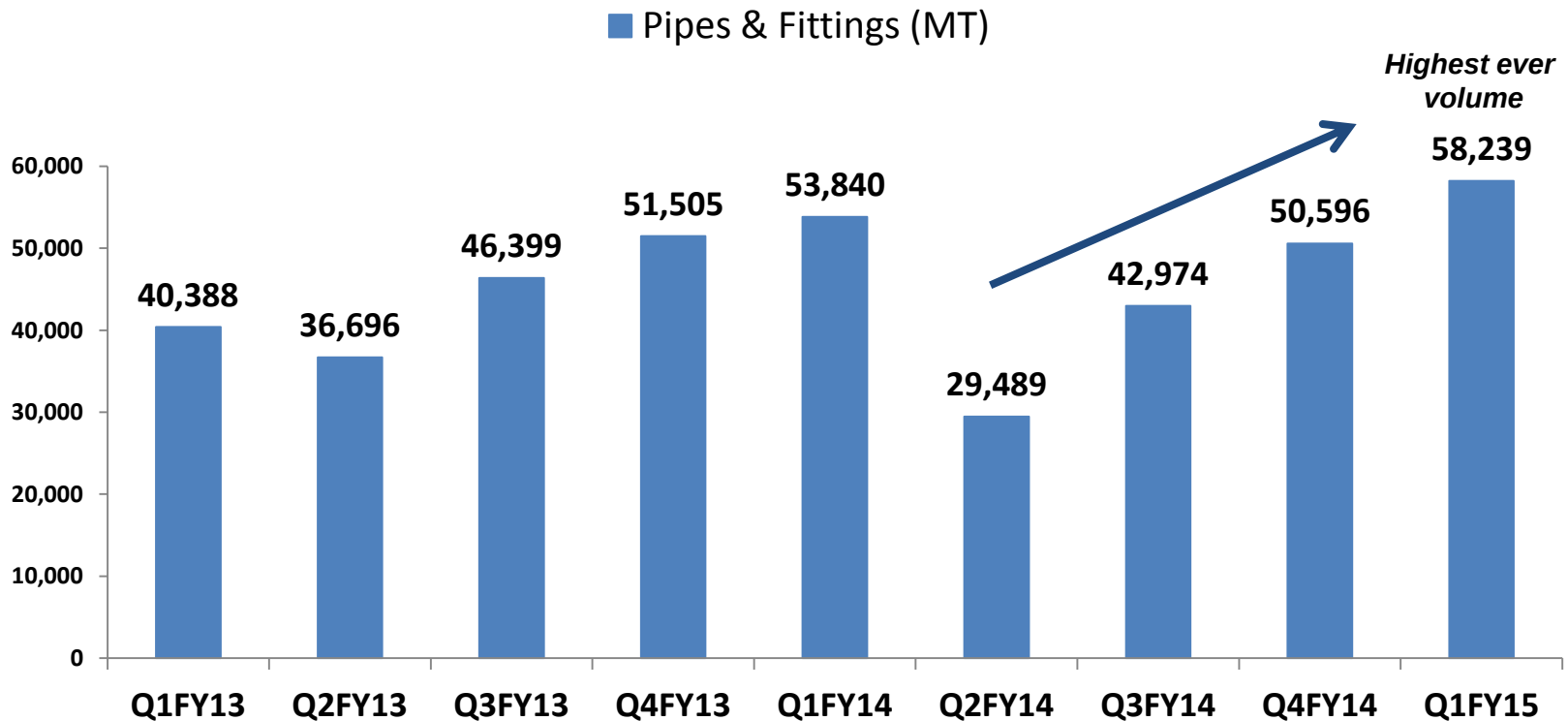
Balance Sheet (INR mn)	FY10	FY11	FY12	FY13	FY14
Equity and liabilities					
Share capital	1,240	1,240	1,241	1,241	1,241
Reserves and surplus	4,637	4,963	5,380	5,971	6,656
Long term borrowings	1,845	1,954	1,896	1,397	2,322
Short term borrowings (incl. loans repayable in one year) *	6,490	5,512	8,528	6,997	4,812
Total borrowings	8,335	7,466	10,424	8,394	7,134
Assets					
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



Demand picks up

- ❖ Highest ever sales volume of PVC pipes & fittings on quarterly basis



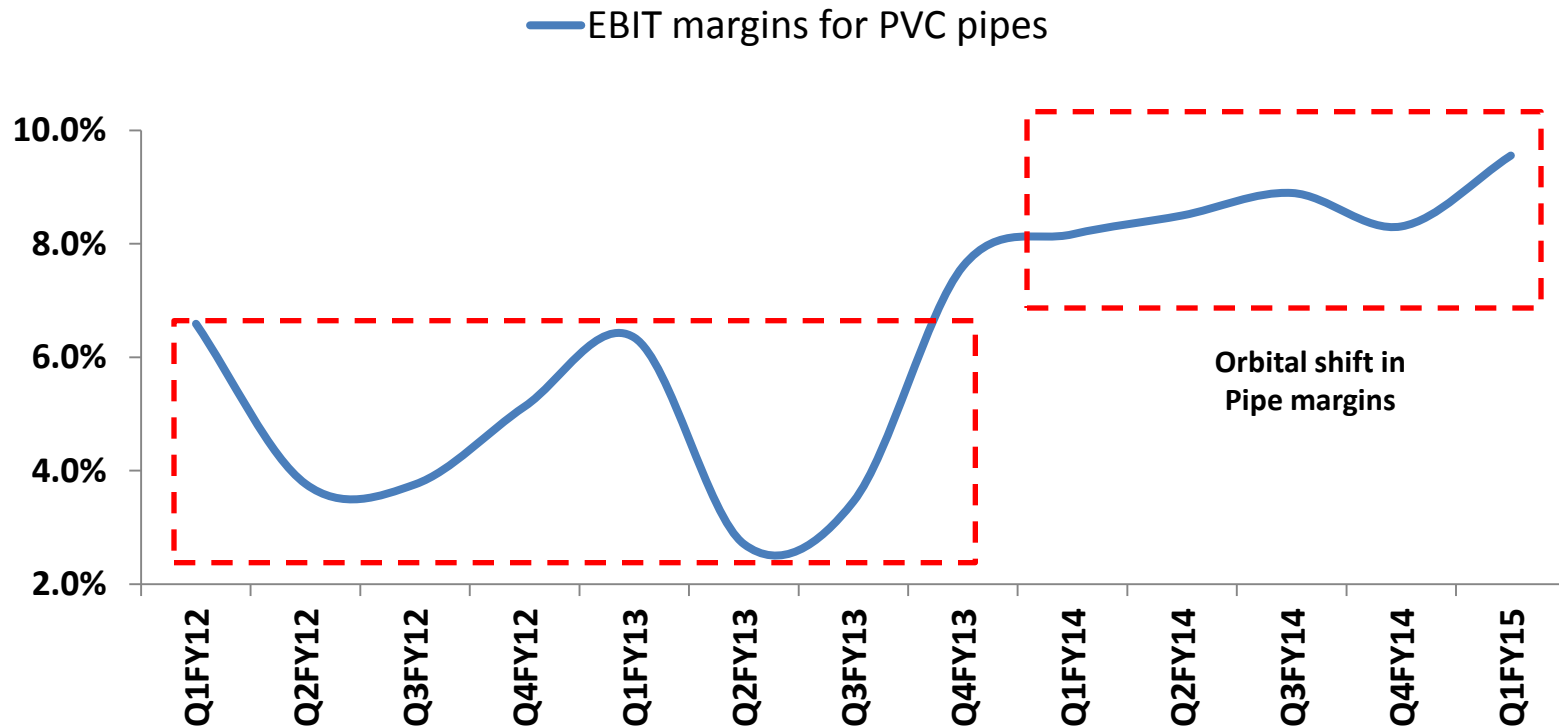
PVC pipes and fittings sales volume

Demand for pipes to grow steadily in coming years



Margin improvement on track

- ❖ High brand recall, pricing power and improvement in demand enable 5% increase in product price for PVC pipes and fittings during Q1FY15



Greater share of Pipes & fittings to bring stability in margins



Distribution reach enhanced (Cuttack, Odisha)

- ❖ New warehousing facility in Cuttack, Odisha was started in FY14 to increase distribution presence, cut delivery days and inventory cost for dealers and distributors
- ❖ The warehousing facility has received great response from dealers in Eastern India. Dealer comments:
 - a) **Shree Ganesh Sanitation**
 - We can get material within a day and liquidate it early
 - We can maintain minimum level of stock at our end
 - Higher diameter pipes can now be supplied quickly
 - Freight advantage
 - b) **Utkal Building Materials**
 - Transit time minimized
 - Getting pricing advantage as compared to billing from Pune
- ❖ The company already has strong distribution presence in Western and Southern India, the new Odisha warehouse will help to increase presence in Eastern India



Distribution reach enhanced (contd.)

1.



2.



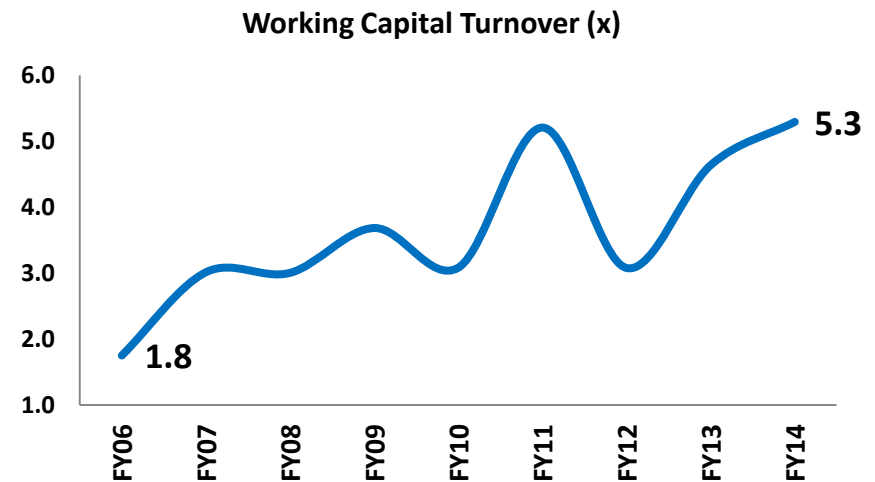
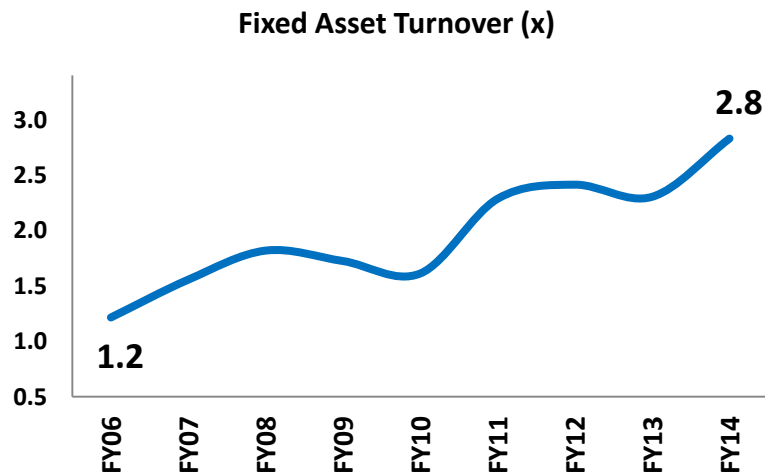
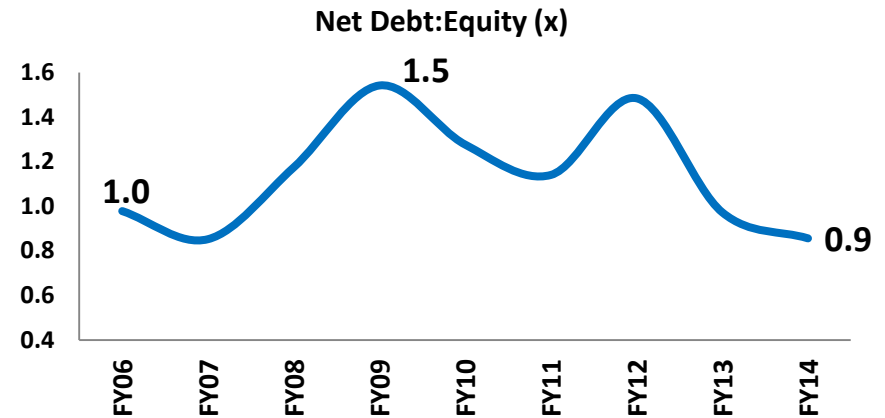
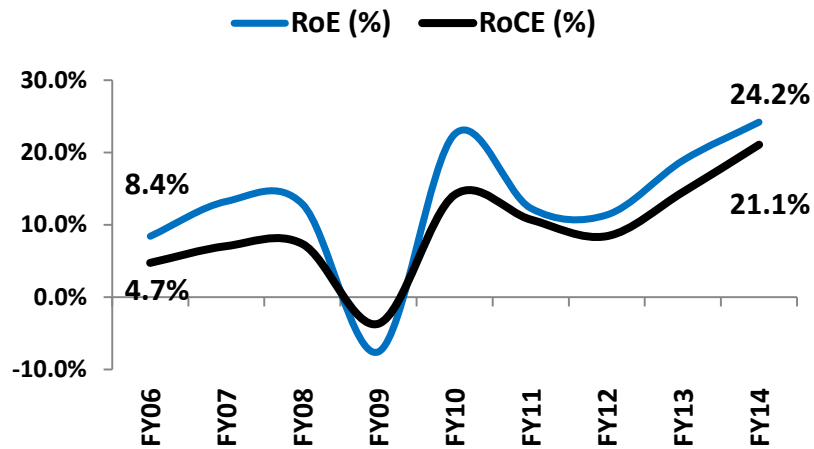
3.



1. Warehouse in Eastern India located at Cuttack, Odisha.
2. PVC pipes of various diameter stacked
3. PVC fittings stored on racks



Strong Balance sheet



Aim to reduce debt over the next two years



Union Budget 2014

- ❖ Custom duty reduction on Ethylene (raw material) from 5% to 2.5%, in the Union budget, to aid cost reduction
- ❖ A target of INR 800,000 crore for agriculture credit during 2014-15
- ❖ Allocation of INR 1000 crore to improve access to irrigation under Pradhan Mantri Krishi Sinchayee Yojana
- ❖ MGNREGA revamp – 60% funds now to be spent on Agri-asset creation
- ❖ Increased allocation of INR 8000 crore for National Housing Bank to expand rural housing
- ❖ Earmarking INR 3600 crore under National Rural Drinking Water Programme



Union Budget 2014 (contd.)

- ❖ Outlay of INR 7060 crores for development of 100 smart cities
- ❖ Total sanitation by the year 2019
- ❖ Continuation of Interest subvention scheme for short term crop loans giving 3% incentive on timely repayment
- ❖ Interlinking of rivers gets priority
- ❖ INR 5000 crore added to Rural Infrastructure Development Fund over and above the target of INR 25,000 crore for creation of infrastructure in agriculture and rural areas
- ❖ Government's Motto for irrigation – Har Khet Ko Pani (Water to all fields) by brining in innovative idea and use of technology



Anti-dumping duty on PVC

- ❖ Anti-dumping duty on PVC (raw material) exported from various countries into India has been increased as shown in the table below, for the period of five years starting from June 13, 2014
- ❖ Expect PVC prices to rise in India

Anti-dumping duty on PVC exported into India

Country	Old Duty Range (INR/MT)	New Duty Range (INR/MT)
Thailand	1821-2456	2892.6
Indonesia	2351-4738	4234.8
Taiwan	Nil-1119	568.20-3675
Japan	1620-3834	897
China	1620-3834	5476-8874
USA	2170	1799-6930
Europe	Nil	2379-11400
Mexico	Nil	5280-9780
Malaysia	3713	2575.2



FY15 - Key focus areas

- ❖ Increase dealer network and market share in Eastern India
- ❖ Increase the captive consumption of PVC resin. No capacity addition for PVC resins
- ❖ Brown-field expansion in PVC pipe & fittings capacities to come at a significantly lower investment
- ❖ Increase sales of products with superior margins - Column pipes & PVC fittings
- ❖ Continue to run PVC pipes operations with the cash-n-carry model
- ❖ Better leveraging of the 'Finolex' brand and maintain margin profile

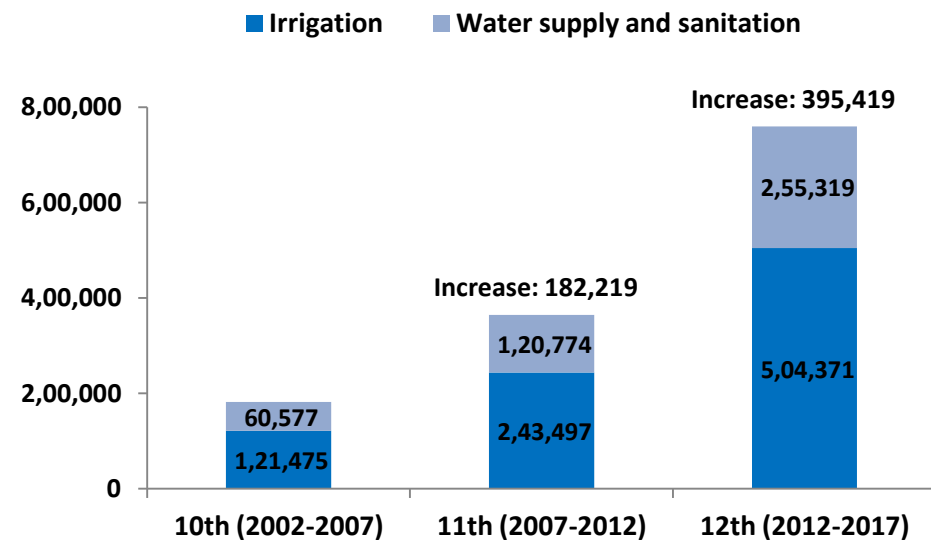
Continue to focus on core business segments



FY15 - Key focus areas

- ❖ Continue to focus on Irrigation and agriculture segment
- ❖ Strong government's focus and spending on irrigation (INR 5tn) and water management (INR 2.5tn) and shift toward organized pipes segment are expected to deliver compounded growth for the rigid PVC pipes industry
- ❖ 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
- ❖ Maintain leadership position in the industry

Government spending in five year plans (INR crore)



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

Contact No.: 022 6635 1001/2