

Pidilite Industries Limited

Investor Presentation

Feb 2011

Disclaimer

This presentation may contain statements which reflect Management's current views and estimates and could be construed as forward looking statements.

The future involves certain risks and uncertainties that could cause actual results to differ materially from the current views being expressed.

Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

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Investment Highlights

Business Overview

Financial Performance

Project Update

Key Trends

Investment Highlights

Market Position

- ü Leading household brand in its category.
- ü Market leader in most product categories.
- ü Strong portfolio of brands.
- ü Diversified Product range.

Operation Excellence

- ü Pioneer in consumer and specialty industrial chemicals.
- ü Well established R&D set up.
- ü Wide Geographical presence.
- ü Experienced management team.

Strong Financial Performance

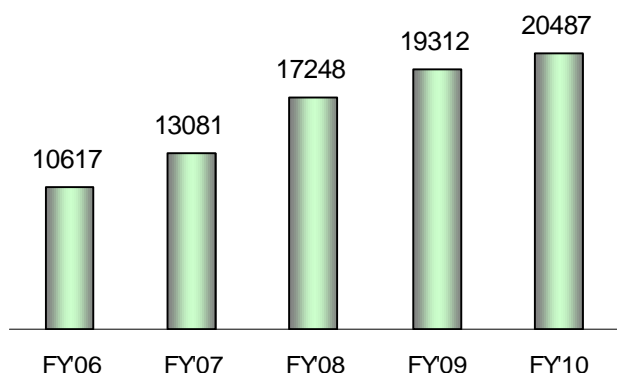
- ü Track record of growth
- ü Consistent Dividend payout
- ü Attractive return on capital employed.

Strong brands with leading market positions, extensive distribution and presence in growth segments, position Pidilite to favorably benefit from the economic growth in India.

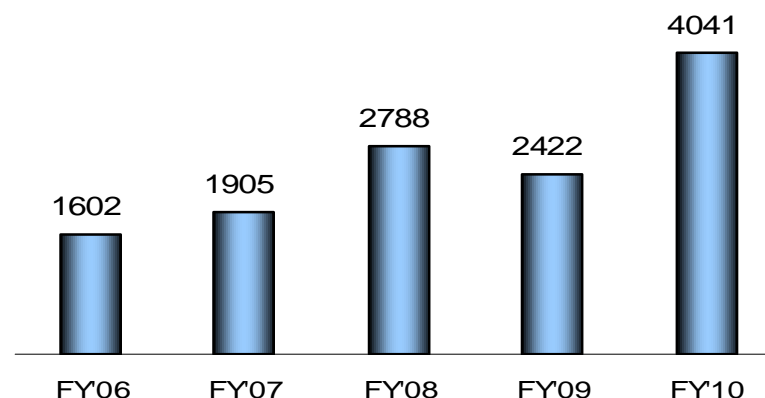
Investment Highlights

Strong Performance track record

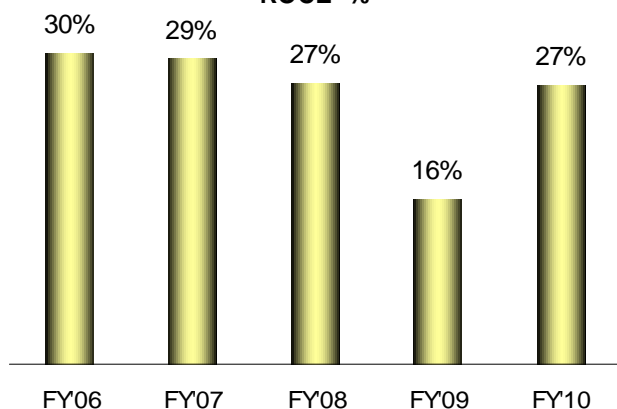
Turnover - Rs mn



EBITDA-Rs mn



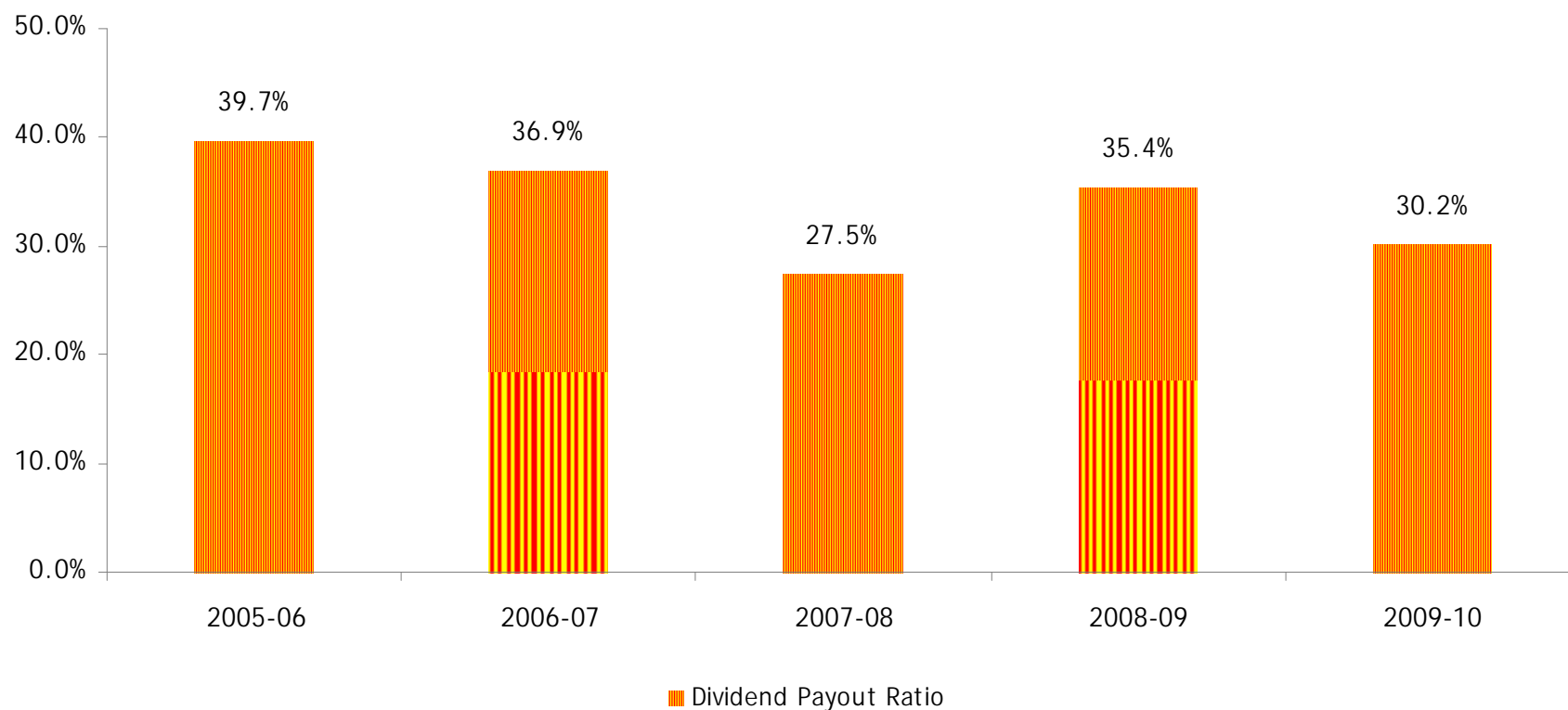
ROCE -%



- Turnover has grown by 18% CAGR in last 5 years.
- Difficult economic scenario in FY'09 affected margin in second half. Barring FY'09, EBITDA margin remains above 15%.
- EBITDA has grown at 26% CAGR in last 5 years
- ROCE remains above 27%

Investment Highlights

Consistent Dividend Payouts

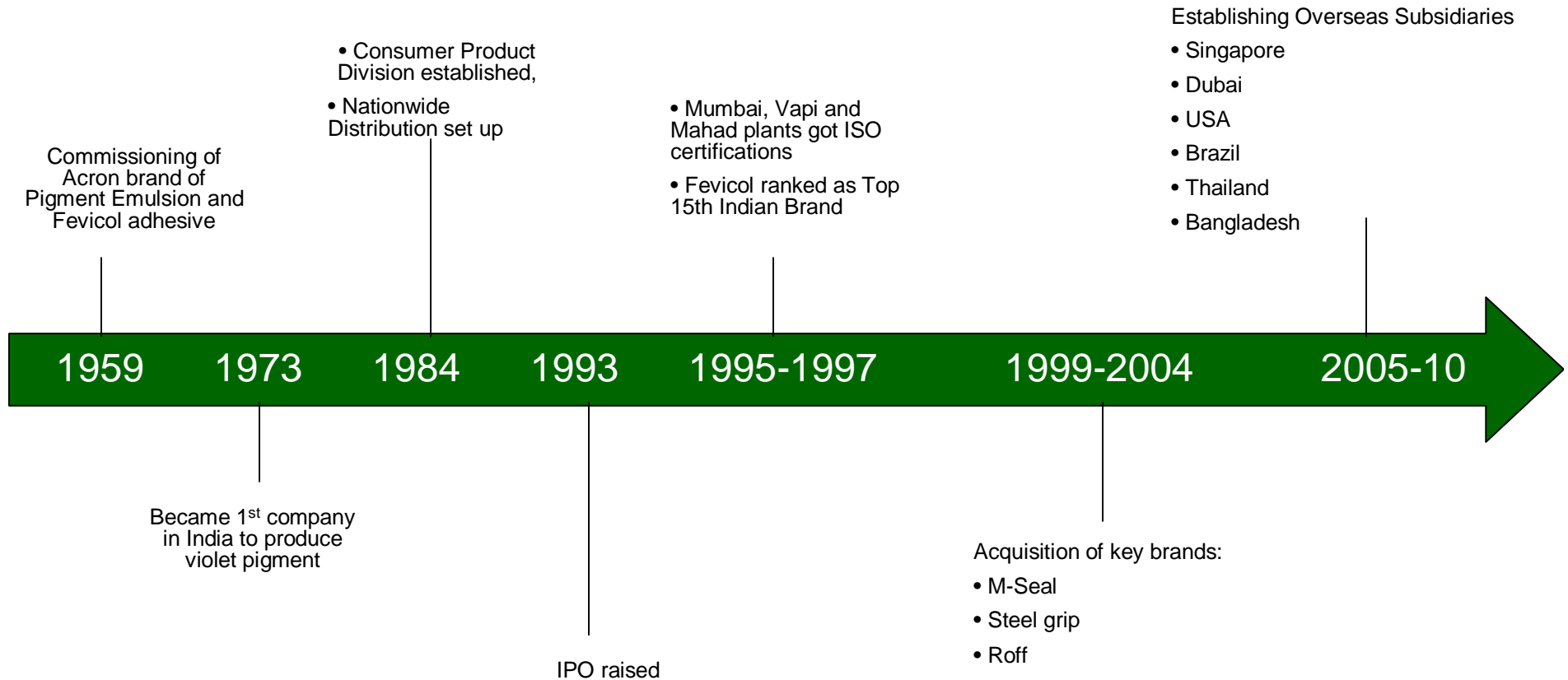


Note :

Dividend Payout = Dividend (incl Dividend Tax) / PAT

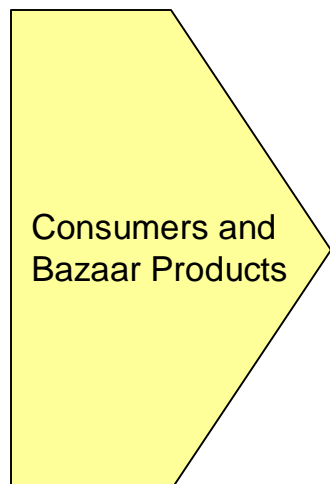
Business Overview

Key Milestones

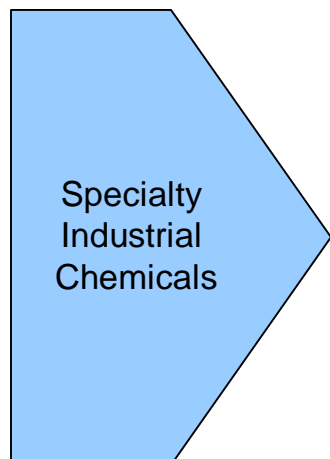


Business Overview

Diversified Business : Mix of different product and customers



- o **Adhesive & Sealants (49% of Company's revenue)**
Dominant market share across most products / categories.
"Fevicol" ranked as #1 brand in Household Care segment
Extensive distribution network
- o **Construction and Paint Chemicals (18% of Company's revenue)**
Extensive product range
High growth potential
- o **Art Materials and Others (10% of Company's revenue)**
Wide products range - Art Stationary, Fabric care and Car care products



- o **Industrial Adhesive (7% of Company's revenue)**
Leadership position with extensive range of products catering to packaging, cigarettes, stickers, footwear etc.
- o **Industrial Resins (8% of total revenue)**
Specialty chemicals for industries like paints, non-woven and flocked fabrics and leather catering to domestic and export market.
- o **Organic pigments and preparations (6% of total revenue)**
Market leader in pigment dispersions for Textile segment
Pioneer in manufacturing Pigment Violet 23 in India

Business Overview

Key Brands

Ø Adhesive & Sealant



Ø Construction Chemical



Ø Art Materials & Others



Business Overview

Increasing Global Presence

- § Exports to more than 80 countries. Major exports to Middle East, Africa, USA & Europe
- § Export Turnover of Rs 1.9 Bn in FY'10
- § CAGR growth of 25% over last 5 years

- § 14 Overseas subsidiaries – (4 Direct and 10 Step down)
- § Total Revenue from Overseas subsidiaries of Rs 2.7 Bn in FY'10.
- § Significant manufacturing and selling activities in USA, Brazil, Thailand, Singapore, Bangladesh, Egypt and Dubai

Global Technology = 581 people

Business Overview

Strategically Placed Manufacturing Locations



▲ 19 Manufacturing Plants

▲ 25+ Job working Units

q Units strategically located for operational synergies.

International Business

- **USA:**
 - ‘Sargent Arts’ manufactures and sells educational art material. Acquired to get entry in high potential USA market, to get access to extensive range for sale in other Pidilite territories.
 - ‘Cyclo’ sells automotive after market chemicals for domestic and international market. Segment with significant synergy to Pidilite business.
- **Brazil:**
 - ‘Pulvitec’ is into Adhesive and Sealants business. Large & growing market with market dynamics to some extent similar to India.
- **Bangladesh & Egypt:**
 - Manufacturing plants commissioned to cater growing volumes in Adhesives in these regions.
- **Singapore, Dubai & Thailand:**
 - 3 small Construction Chemical companies to get entry in these markets & to acquire technology with potential in India.

Financial Performance

Q3 and YTD Performance

STANDALONE Rs Millions	FOR QUARTER ENDED			FOR PERIOD ENDED			FOR YEAR ENDED
			%			%	
	Dec-09	Dec-10	Change	Dec-09	Dec-10	Change	Mar-10
Revenue	4,608	5,884	28%	14,829	17,970	21%	19,298
Gross Profit*	2,231	2,707	21%	7,147	8,438	18%	9,339
EBITDA	945	1,240	31%	3,415	4,098	20%	4,132
Profit Before Tax	755	1,084	44%	2,746	3,525	28%	3,289
Profit After Tax	638	851	33%	2,342	2,747	17%	2,891
Gross Profit * - %	48%	46%		48%	47%		48%

* Gross Profit = Net Turnover less Material cost

- Ø Sales for the quarter higher by 28% driven by robust growth in both domestic and export. Domestic sales were up by 27% whereas Exports were up 46% as compared to the same period last year.
- Ø Gross Profit for the quarter is up by 21% over last year. Margins were impacted due to increase in input cost for industrial products .
- Ø Lower operating costs have helped offset the increase in material costs.
- Ø Advertising expenses have been phased to Q4 to coincide with major sporting events being staged in that period.

Financial Performance

Q3 and YTD Segment Performance

STANDALONE Rs Millions	FOR QUARTER ENDED			FOR PERIOD ENDED			FOR YEAR ENDED
	Dec-09	Dec-10	% Change	Dec-09	Dec-10	% Change	Mar-10
Revenue							
Consumer and Bazaar Products	3,557	4,499	26%	11,594	14,031	21%	14,817
Industrial Products	1,071	1,425	33%	3,392	4,219	24%	4,653
Others	38	36	-7%	145	76	-48%	176
Less : Inter Segment Revenue	(59)	(76)		(301)	(356)		(348)
Total Revenue	4,608	5,884	28%	14,829	17,970	21%	19,298
Profit before Interest and Tax							
Consumer and Bazaar Products	893	1,144	28%	3,224	3,835	19%	3,849
Industrial Products	204	261	28%	668	729	9%	915
Others	(41)	(40)	-1%	(98)	(103)	5%	(126)
Total	1,056	1,365	29%	3,794	4,461	18%	4,638
Interest	(74)	(52)		(228)	(221)		(286)
Unallocated Corporate Expenditure	(227)	(229)		(820)	(715)		(1,063)
Profit before Tax	755	1,084	44%	2,746	3,525	28%	3,289

- Ø Consumer and Bazaar Segment : Adhesive & Sealant and Construction & Paint chemicals have shown good growth. PBIT to Sales for Q3 has improved over last year.
- Ø Industrial Products : Sales of Resins and Pigments for both domestic and international markets have grown over last year. PBIT to Sales improved to 18.3% in the current quarter as compared to 17.5% and 16% in Q1 and Q2 of this year respectively.

Financial Performance

Cash Flow

Rs Millions	FY'09	FY'10	YTD Dec'10
Operating Profit*	2,619	4,064	3,997
Working Capital movement	399	1,040	(820)
Interest / Tax paid	(416)	(969)	(589)
Capex	(1,504)	(805)	(744)
Investment in Subsidiaries	(603)	(251)	(124)
Dividend	(504)	(489)	(878)
Net Cash Flow - Pre financing	(8)	2,589	842
Closing Net Debt	4,125	1,252	399
Closing Gross Debt	5,580	4,214	2,899
Gearing - Gross Debt	43%	31%	19%
Gearing - Net Debt	36%	12%	3%

- Ø Higher Operating Profit results in improvement in Gearing ratio.
- Ø Capex being stepped up to build capacity. Spend in PCR project in CY Rs. 257 mil (YTD Rs. 2905 mil).
- Ø Surplus cash invested in various short term debt instruments of Mutual Funds & Bank deposits.

* Operating Profit is Profit before Depreciation & Interest adjusted for Gain / (loss) on sale of assets, Foreign Currency losses on loans.

Financial Performance

International Business

Sales - Rs mn	Q3	Q3	YTD Dec	YTD Dec
	2009-10	2010-11	2009-10	2010-11
North America	234	257	919	945
South America	284	361	792	949
Middle East & Africa	51	44	168	140
South & South East Asia	64	82	162	247

Total	633	744	2,041	2,280
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EBITDA - Rs mn	Q3	Q3	YTD Dec	YTD Dec
	2009-10	2010-11	2009-10	2010-11
North America	(7)	5	23	42
South America	53	13	94	30
Middle East & Africa	(10)	(22)	(41)	(62)
South & South East Asia	(7)	8	(7)	25

Total	29	4	69	34
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Ø North America

- At constant forex, Q3 sales are up by 16% mainly driven by automotive after market product sales. Price increases and control over costs has resulted in 94% ytd EBITDA growth at constant forex.

Ø South America

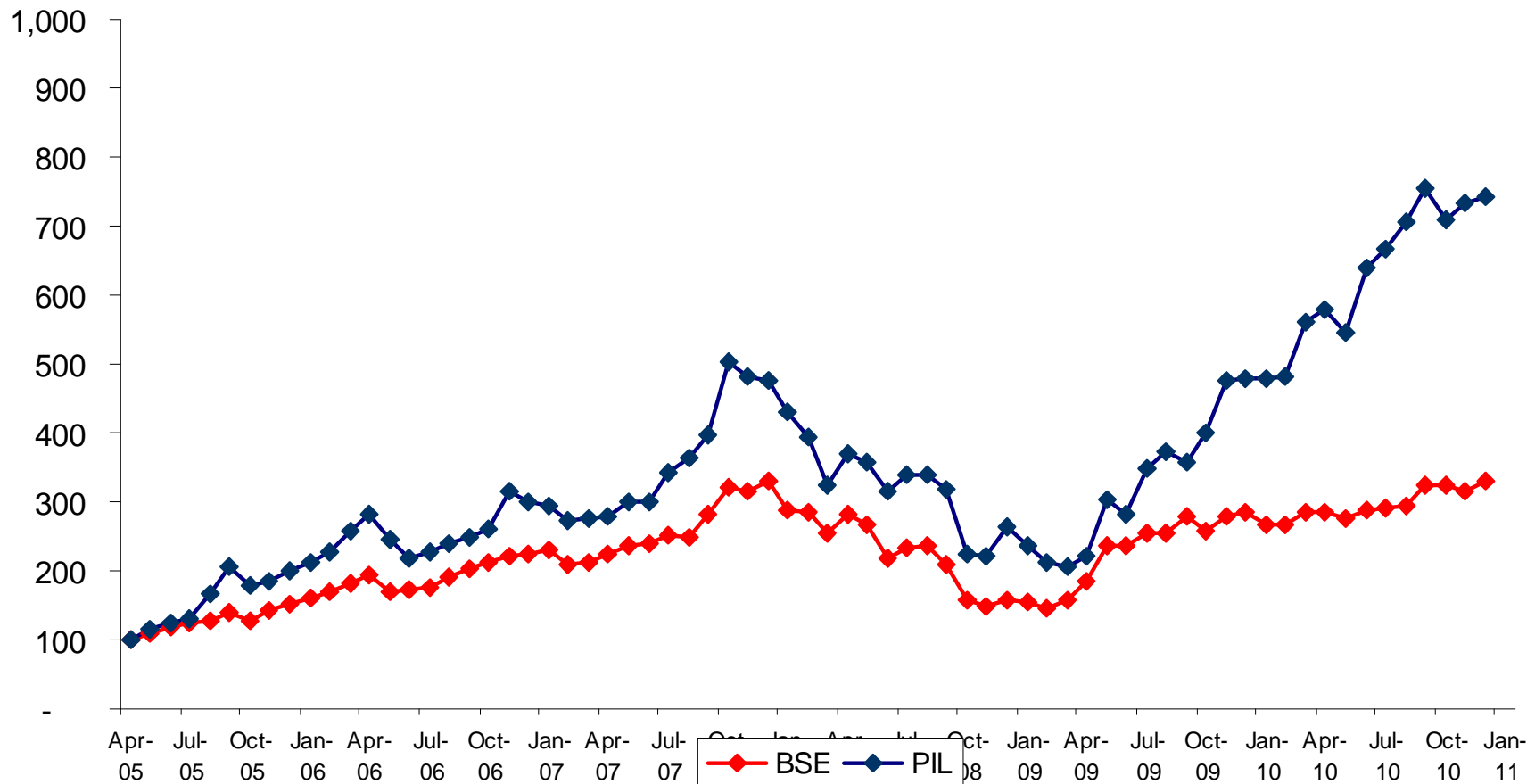
- At constant forex, Q3 sales are up by 15%. EBITDA is not comparable owing to one off exceptional gain of Rs28mn last year. Margins affected by higher freight cost coupled with competitive pressures.

- Ø Poor market conditions affected sales and profitability in Middle East

- Ø Bangladesh operations have showed good performance.

Financial Performance

Share Price Performance



Outperformed the Benchmark Index

PCR Update

- Ø Civil work commenced for construction of plant.
- Ø Long lead time items ordered.
- Ø Target to commission in FY 2012
- Ø Additional capex of Rs 140 cr.

Key Trends

- Ø Improving economic sentiment in India and developed markets like US / Europe.
- Ø Inflation emerging as major concern.
- Ø Excise duty rates, if increased to earlier levels, will impact margins.
- Ø Interest rates have hardened and expected to increase further.
- Ø Rural demand expected to remain good.
- Ø Increase in interest rates and high inflation could impact growth prospects.