Pidilite Industries Ltd.
Presentation to Investors at Edelweiss Conference
10th Feb 2014
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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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Company Overview

- **Market Presence**
  - Established since 1959
  - Pioneer in Consumer and Industrial Specialty Chemicals

- **Market Position**
  - Market Leader in most product categories
  - Strong Portfolio of Brands
  - Leading household Brand in its category
  - Diversified Product range

- **Operation Excellence**
  - Wide Geographical Presence – Domestic and International
  - Well established R&D Set up
  - Experienced Manpower
Key Milestones

- 1959: Commissioning of Acron brand of Pigment Emulsion and Fevicol adhesive
- 1973: Became 1st company in India to produce violet pigment
- 1984: IPO raised
- 1993: Consumer Product Division established
- 1993: Nationwide Distribution set up
- 1993-1997: Mumbai, Vapi and Mahad plants got ISO certifications
- 1999-2004: Fevicol ranked as Top 15th Indian Brand
- 2005-09: Acquisitions
  - M-Seal
  - Steel grip
  - Roff
- 2005-09: Acquired Brands
  - Holdtite
  - Sargent Arts
  - Cyclo
  - Pulvitec
- 2010-2012: Establishing Subsidiaries
  - Thailand
  - Bangladesh
  - Egypt
  - Brazil
- 2013: Strengthening Organization Capability
- 2013: Acquisition of Falcofix
- 2013: JV for Construction Chemicals
Business Overview

Business Segment - Consumer and Bazaar Products

- **Adhesive & Sealants (51% of Company’s revenue)**
  - Dominant market share across most products / categories.
  - “Fevicol” ranked as India’s 45th Most Trusted Brand in 2012 in Brand Equity’s Most Trusted Brand survey.
  - “Fevicol” ranked as 3rd Most Trusted brand in Household Care segment
  - Extensive distribution network

- **Construction and Paint Chemicals (20% of Company’s revenue)**
  - Wide product range
  - High growth potential in new construction and repair & renovation segments.
  - First mover advantage to build brand and business.

- **Art Materials and Stationary (10% of Company’s revenue)**
  - Extensive range of art materials for Education, hobby and fine arts segments.
Business Overview

Business Segment – Industrial Products

- **Industrial Adhesive (7% of Company’s revenue)**
  Leadership position with extensive range of products catering to packaging, cigarettes, stickers, labelings, footwear etc.

- **Industrial Resins (6% of total revenue)**
  Specialty chemicals for industries like paints, non-woven and flocked fabrics and leather catering to domestic and export market.

- **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

Marketing / Advertising

- Consistent and effective brand building activities resulting in leading market position across various categories (a) Consumer Adhesives & Sealants (b) Craftsmen Adhesives (c) Waterproofing Chemicals (d) Hobby & Craft Colours

- Several of the brands are generic to respective categories (Fevicol, Fevikwik, M-Seal, Dr Fixit, Fevicryl, etc.)

- Brand is critical in most categories as cost of usage is low and cost of failure is high.

- Award winning advertisements resulting in mass appeal of brands across all segments and geographies

- Significant relationship building activities with end users and influencers

- Extensive grass root contact with end-users to promote usage of products and brands.
Business Overview

Strengthening Internal Capabilities

- Management capability strengthened by inducting professional talent at senior levels.
- Systems and processes being revamped and automated.
- IT platform strengthened through implementation of SAP.
Business Overview

Global Presence

- Exports to more than 70 countries. Major exports to Middle East, Africa, USA & Europe

- Export Turnover of Rs. 3440 M in FY’13

- CAGR growth of 17% over last 5 years

- 14 Overseas subsidiaries – (4 Direct and 10 Step down)

- Total Revenue from Overseas subsidiaries of $61mn in FY’13.

- Significant manufacturing and selling activities in USA, Brazil, Thailand, Bangladesh, Egypt and Dubai
Business Overview

International Business

- **USA:**
  - ‘Sargent Arts’ manufactures and sells educational art material.
  - ‘Cyclo’ sells automotive after market chemicals for domestic and international market.

- **Brazil:**
  - ‘Pulvitec’ is into Adhesive, sealants and construction chemicals business.
  - Large market with dynamics to some extent similar to India.
  - Management capability for Americas strengthened by appointing a CEO for the business.
Business Overview

International Business

- **Bangladesh & Egypt:**
  - Bangladesh manufactures Adhesives & Sealants.
  - Established Trading arm to cater to growing Bangladesh market.
  - Egypt manufactures Adhesive and trades in select product categories.

- **Thailand, Dubai and Singapore:**
  - Companies acquired to get entry in these markets & to acquire technology with potential in India.
  - R&D centre in Singapore to develop products for construction chemicals segment.
International Business Roadmap / Strategy

- **SAARC / ME / Africa**
  - Increased focus and resource allocation. Company well positioned to build strong brands and achieve good growth in these markets.

- **North America**
  - Gradually improve sales growth and profitability by increased focus on high potential retail and international segments and brand building.

- **South America**
  - Strengthen management team and eliminate losses in near future. Thereafter build stronger business in high potential market with dynamics somewhat similar to India.
Performance Trend

Pidilite - Standalone

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<tr>
<th>FY'07</th>
<th>FY'08</th>
<th>FY'09</th>
<th>FY'10</th>
<th>FY'11</th>
<th>FY'12</th>
<th>FY'13</th>
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<tr>
<td>Sales Rs Mn</td>
<td>12,901</td>
<td>17,024</td>
<td>19,074</td>
<td>20,240</td>
<td>24,883</td>
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<tr>
<td>EBIT Rs Mn</td>
<td>1,602</td>
<td>2,403</td>
<td>1,950</td>
<td>3,575</td>
<td>4,494</td>
<td>4,779</td>
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</tbody>
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- Sales grew by 18% CAGR and EBIT by 25% CAGR in the last 6 years.

- Sales of Consumer & Bazaar products have grown by 18% while Industrial Products have grown by 12%.
The dividend payout amount has grown at a CAGR of 32% during the last 5 years.

Note:
Dividend Payout = Dividend (incl Dividend Tax) / PAT
Key Investment Consideration

- High market share and strong position in most products and segments.
- Strong portfolio of brands.
- Majority sale from products and segment pioneered in India.
- Focus on growing business in India (81% revenue from products sold in India)
- Track record of consistent growth. (10 year Sales CAGR 18.8%)
- Steady return on capital employed (above 30%)
- Robust Cash Flows.
- Strong Balance sheet with negative gearing.
- Consistent dividend payout (around 33%)
Contact Information

For reported financials, pl visit our website
www.pidilite.com