
Investor Presentation

Q2 & H1 - FY09-10



Presentation Structure

- **Overview of Company**
- Performance: Q2 & H1 - FY09-10
- Review of Business Units
- Consolidated results
- Key Trends: H2 FY09-10

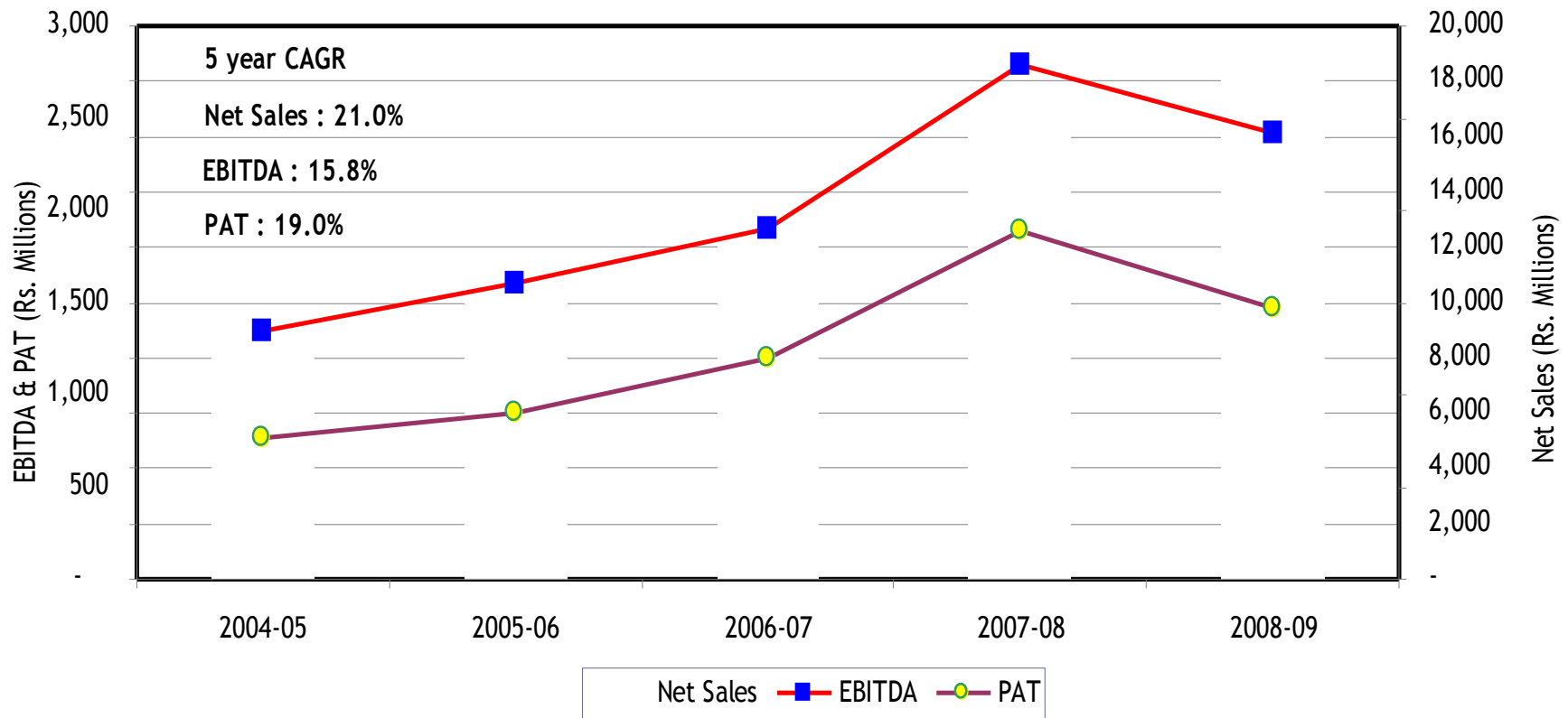
Company Overview

- Established in 1959
- Pioneer in the consumer and industrial specialty chemicals business in India
- 2/3rd sale comes from products and segments pioneered in India
- High market share and strong position in most products and segments
- Operations in 8 countries with manufacturing facilities

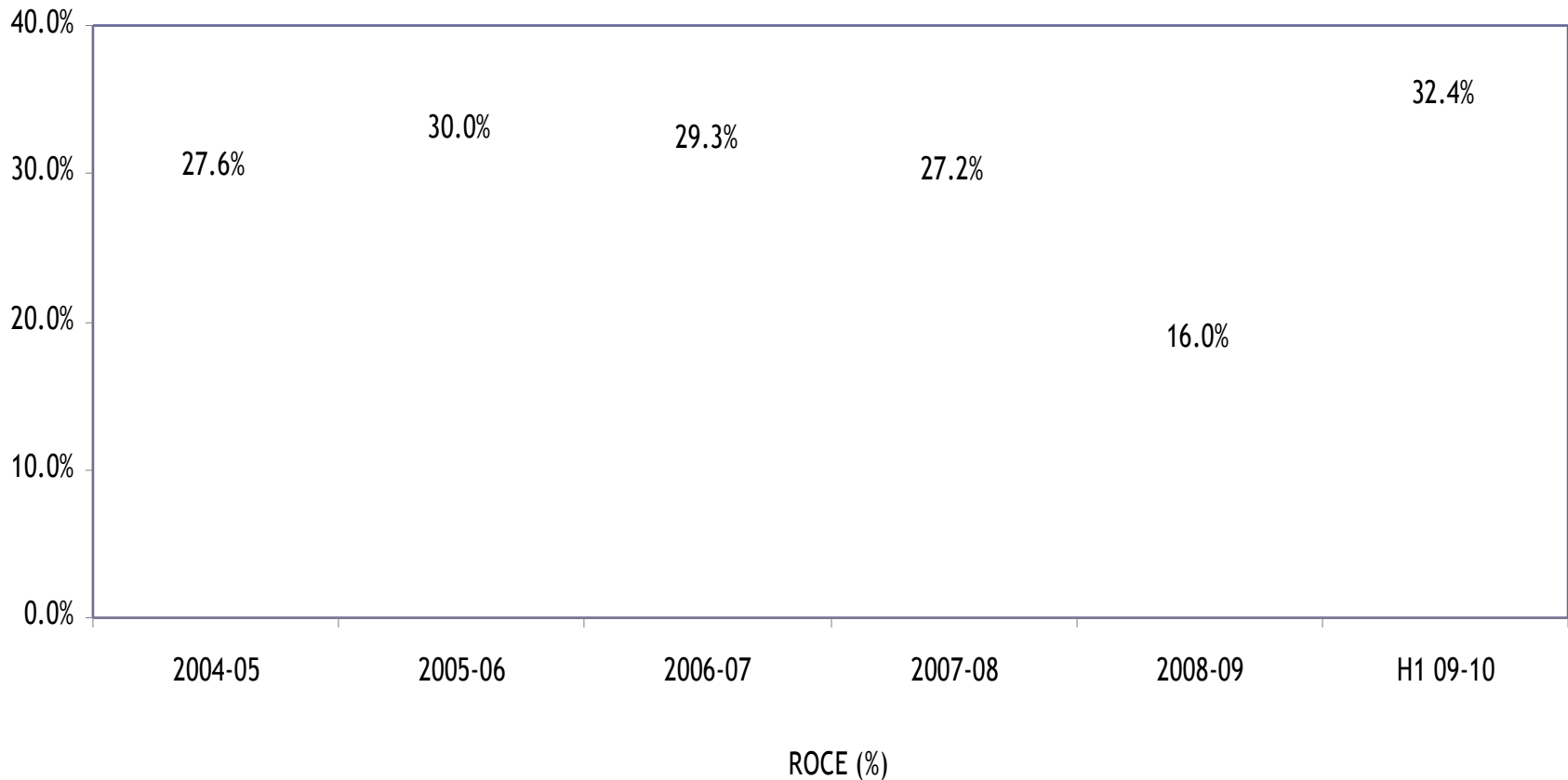
Company Overview

- Brand "Fevicol" ranked as # 1 Household care brand by Brand Equity in 2007-08
- Pidilite ranked as # 1 company in chemical segment by Business Today (2009)
- Consistent growth in sales, profits and dividend payout
- Group revenue of Rs.21325 million in FY 08-09

Track record of consistent growth

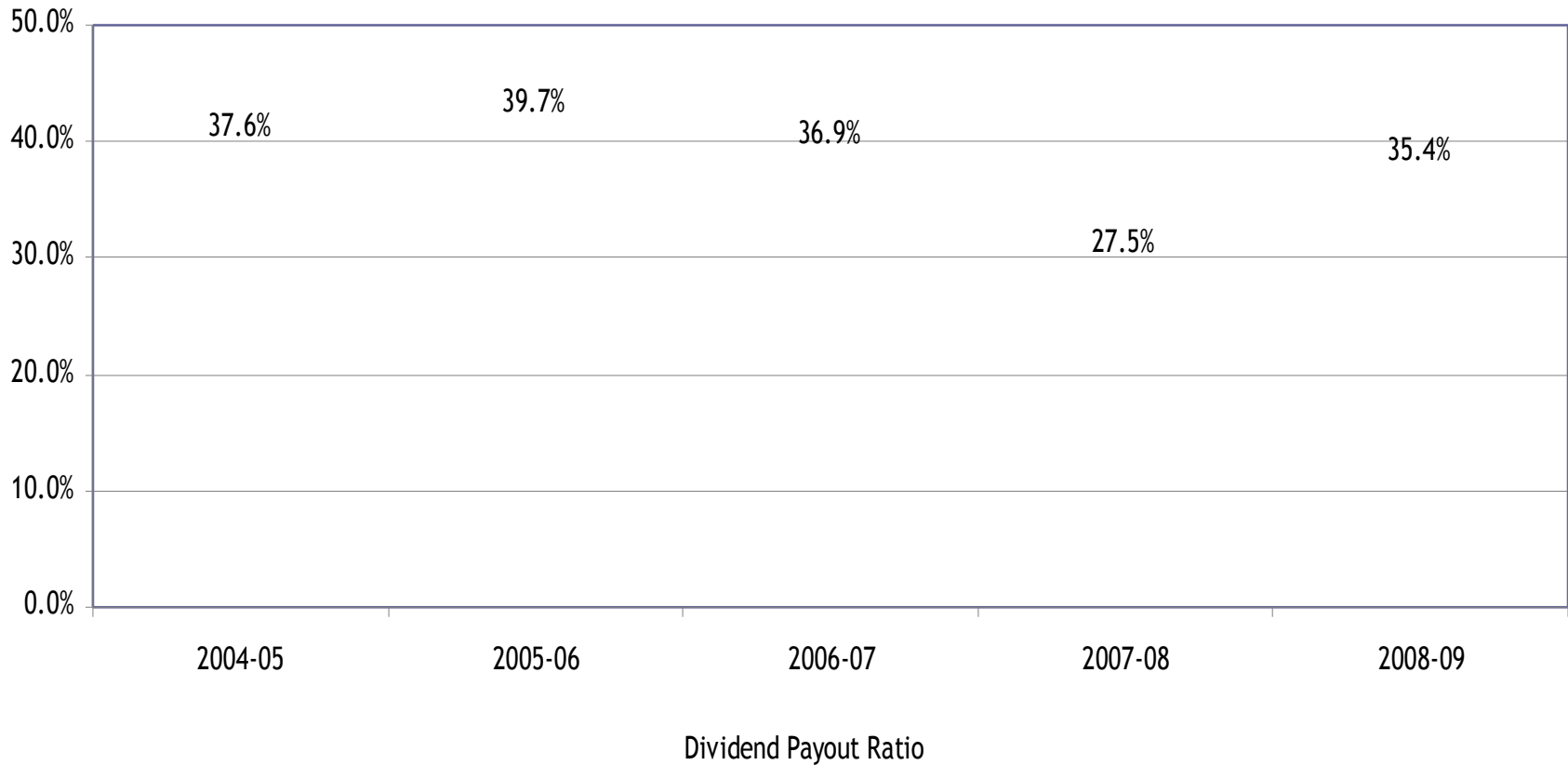


Attractive Return on Capital Employed



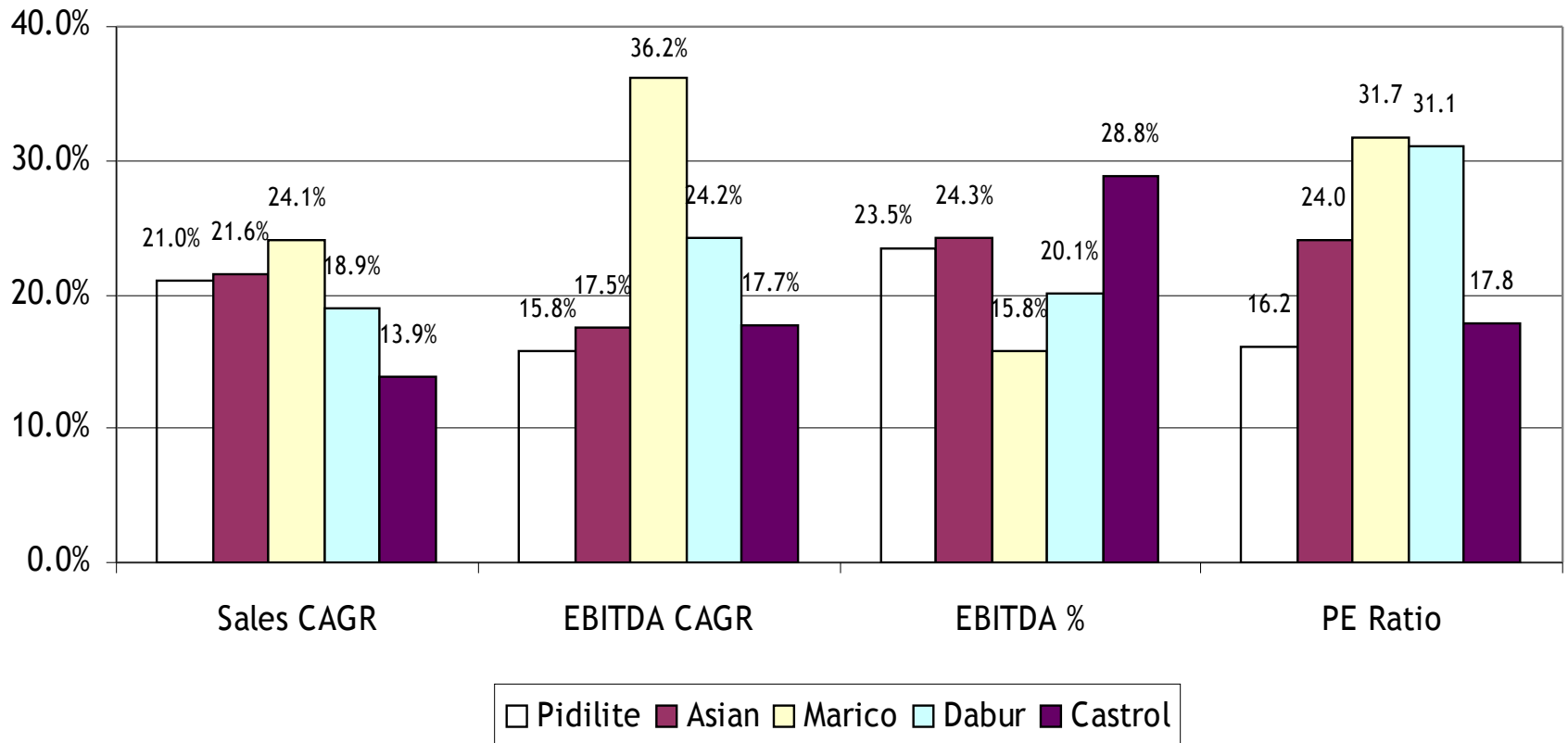
ROCE = PBIT / Avg. Capital Employed

Consistent Dividend Payout



Dividend Payout = Dividend / PAT

Peer company comparison



Sales & EBITDA (CAGR) for 5 years

EBITDA % to Net Sales for H1 FY09-10

PE Ratio based on trailing 12 months earnings and Market price as on 30.09.09

Segment overview

- Consumer and Bazaar products
- Specialty Industrial Chemicals
- Others

Consumer and Bazaar products

- Consumer and Bazaar products: 73% of Company's sales
- Consists of Adhesives & Sealants (50%), Construction & Paint Chemicals (17%) and Art Materials (6%)
- Market leader in all segments of adhesives and sealants, construction chemicals (retail segment) and hobby colours

Consumer and Bazaar products

- Extensive product range, developed through strong in-house R&D
- Strong brands
- Extensive distribution network
- Significant potential to expand consumption in most products / segments

Specialty Industrial Chemicals

- Industrial Specialty products: 21% of company's sales
- Consists of Industrial Adhesives (7%), Industrial Resins (8%), Organic pigments and preparations (6%)
- Extensive range of industrial adhesives for various applications.
- Market leader in pigment dispersions for Indian textile segment

Specialty Industrial Chemicals

- Pioneer in manufacturing Pigment Violet 23 in India
- Specialty polymers and co-polymers for various industries like paints, non-woven and flocked fabrics, construction chemicals and leather

Overseas operations

- Growing presence in adhesives & sealants segment in SAARC, ME and Africa. Strong market position achieved in SAARC and GCC
- Established manufacturing facility in Bangladesh and Egypt in 2009 to cater to growing volumes

Overseas operations

- Acquired three small construction chemical companies in Singapore, Dubai and Thailand in 2005/2006 to get entry in these markets and to acquire technology with potential in India

Overseas operations

- Acquired automotive chemical (for professionals and households) business in USA (2008-09 Revenues: Rs.588 mn) to enter this segment with significant synergy to Pidilite's business. 60 % sale of this company is outside USA. Business affected due to integration issues and global slow-down but now recovering though at slow pace

Overseas operations

- Acquired education art material company in USA (2008-09 Revenues: Rs.479 mn) to get entry in high potential USA market and to get access to extensive range for sale in other Pidilite territories. Business affected due to slow down in USA but has stopped losses due to significant cost reduction

Overseas operations

- Acquired adhesives & sealants company in Brazil (2008-09 Revenues: Rs.797 mn) to get entry in large and growing market with market dynamics to some extent similar to India. Business affected in 2008-09 due to organizational issues and global slow-down but has shown significant improvement in current financial year

Overseas operations

- Industrial adhesives
 - Focus to identify competitive niche products
 - Established presence in GCC, UAE, SAARC & African Countries
 - In Footwear segment, upgrading customers with technical knowledge to improve Quality, thereby establishing our product

Overseas operations

- Organic Pigments and preparations
 - Presence with major Colourant industries in Europe and the USA; well established in Brazil, China, Japan, Australia, Kenya and Nigeria
 - Achieved breakthroughs with ink manufacturers in Japan
 - Focusing on high performance pigment products like Pigment Violet 23 and Quinacridones
 - Thrust to reach other customers in coating and plastic businesses mainly in Europe and Americas

Overseas operations

- Industrial resins
 - Major exports to South East Asia, Europe, Latin America, SAARC, Africa and GCC
 - Developing specific products for water based paint industry
 - Focus on developing new products in the leather finishing range for future

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Environment - H1 FY09-10

- Retail demand good in select categories - Maintenance products, Construction Chemicals
- Growth a challenge in Industrial segment
- Lower material costs resulting in higher margins; likelihood of increase in second half
- Exports impacted due to global economic slowdown
- Economic revival in overseas markets uncertain

Standalone Sales & Profit Performance



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- Sales, excluding “Others”, in value terms, have grown by 10.0% in Q2 and 10.2% in H1
 - Consumer & Bazaar Products business has registered a growth of 13.2% in Q2 and 12.5% in H1
 - Industrial Products business has grown by 3.2% in Q2 and 4.2% in H1
 - Import of VAM remains viable and hence VAM plant shut for the time being

Standalone Sales & Profit Performance



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- Significant improvement in margins driven by;
 - Lower material costs
 - Material cost index for H1 was 95 vs. 113 last year
 - Planned reduction in advertising and sales promotion expenses
 - Strengthening of rupee resulting in lower Foreign exchange losses

Standalone Sales & Profit Performance



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- Control on working capital/capex, softer interest rates and FCCB buyback helps reduce interest burden
 - PBT before exceptional items and Foreign exchange difference grew by 90.1% in Q2 and 59.7% in H1
 - PAT grew by 158.0% in Q2 and 93.4% in H1

Stand Alone Sales

<i>Rs. In Million</i>					
Particulars	Q2 2009-10	Q2 2008-09	Growth %	% of Total Sales	
				Q2 2009-10	Q2 2008-09
Consumer & Bazaar Products	3931	3472	13.2	77.5	72.6
Industrial Products	1176	1139	3.2	23.2	23.8
Others	82	388	-79.0	1.6	8.1
Less: Inter-segment Revenue	117	215	-45.7	2.3	4.5
Total	5072	4784	6.0	100.0	100.0

<i>Rs. In Million</i>					
Particulars	H1 2009-10	H1 2008-09	Growth %	% of Total Sales	
				H1 2009-10	H1 2008-09
Consumer & Bazaar Products	8037	7145	12.5	78.6	73.2
Industrial Products	2321	2228	4.2	22.7	22.8
Others	107	832	-87.2	1.0	8.5
Less: Inter-segment Revenue	243	445	-45.5	2.4	4.6
Total	10222	9760	4.7	100.0	100.0

Stand Alone PBIT

<i>Rs. In Million</i>					
Particulars	Q2 2009-10	Q2 2008-09	Growth %	% of Total Sales	
				Q2 2009-10	Q2 2008-09
Consumer & Bazaar Products	1115	657	69.7	82.5	76.0
Industrial Products	267	190	40.7	19.7	21.9
Others	-30	19	-259.5	-2.2	2.1
Total	1352	865	56.3	100.0	100.0

<i>Rs. In Million</i>					
Particulars	H1 2009-10	H1 2008-09	Growth %	% of Total Sales	
				H1 2009-10	H1 2008-09
Consumer & Bazaar Products	2332	1564	49.1	85.2	80.1
Industrial Products	464	330	40.6	16.9	16.9
Others	-58	59	-198.1	-2.1	3.0
Total	2738	1952	40.3	100.0	100.0

Cash Flow

- Strong Cash generation due to operating performance
- Sharp reduction in working capital
- Capex in Q2 is Rs.128 mn
 - PCR project capex Rs.70 mn
 - Other Local Capex Rs.42 mn
- Investments in Overseas Subsidiaries in Q2 is Rs.55 mn

Cash Flow

- Sharp reduction in Debt in comparison to last year due to debt repayments
- Net debt as on 30/09/09 is Rs.2660 mn vs. Rs.5328 mn last year; Short term surplus invested in Liquid Funds; investments as on 30th Sep is Rs.1167 mn

Standalone - Cash Flow

(Rs. In Million)

Particulars	Q2 2009-10	Q2 2008-09	H1 2009-10	H1 2008-09
Operating Profit before WC changes	1223	555	2393	1355
Working Capital	-365	-768	435	-1087
Income Tax paid (net of refund)	-191	-90	-338	-146
Net cash generated from Operating Activities	666	-303	2490	122
Purchase of Fixed Assets	-128	-294	-441	-830
Investments in Overseas subsidiaries	-55	-275	-223	-534
Cash flow from investing activities	-172	-568	-646	-1363
Cash flow from financing activities	-553	786	-1435	741
Increase / (Decrease) in cash	-59	-85	409	-499
Cash and Cash Equivalent as on 01.04.09	1923	1071	1455	1486
Cash and Cash Equivalent as on 30.09.09	1864	986	1864	986

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Review of Business Units

- Consumer & Bazaar Products
- Industrial Products
- Elastomer Project
- International Business

Consumer & Bazaar Products

- Top Line impacted due to price reduction as lower material costs partially passed on in some products to customers in adhesives
 - Volume growth higher than value growth
- Strong growth in Sealants and Tapes
- Growth of Art materials impacted due to reduction in consumption by handicraft units
- Conversions on large projects low compared to last year mainly due to postponement of projects

Consumer & Bazaar Products

- Good growth in retail segment of Construction Chemicals partially offset by lower growth in projects and infrastructure
- Early signs of revival in projects and construction segments

Industrial Products

- Strong growth in domestic sales of Industrial adhesives due to new product introduction and new customer wins
- Strong growth in domestic sales of pigments due to new customer wins
- Export Sales and Sales to Export oriented sectors (like Leather & Carpets) impacted due to global slow down.
- Domestic sales up in H1 by 10.9%, exports down by 23.4%

Elastomer Project

- All the equipment arrived at the project site at Dahej (SEZ)
- Detailed engineering work and refurbishment of plant and machinery is under progress
- Pilot plant being set up at site to make all grades to test technology and validate process improvements

International Business

- Overseas subsidiaries have reduced losses mainly due to improved performance at Brazil & USA
 - Overall loss at EBIT level in H1 down from Rs.128 mn to Rs.35 mn
- Significant actions taken to reduce costs at USA & Brazil has helped to improve the overall performance
- Brazil is back to break even level compared to the loss for the LY
- USA turned out improved profit compared to LY

International Business

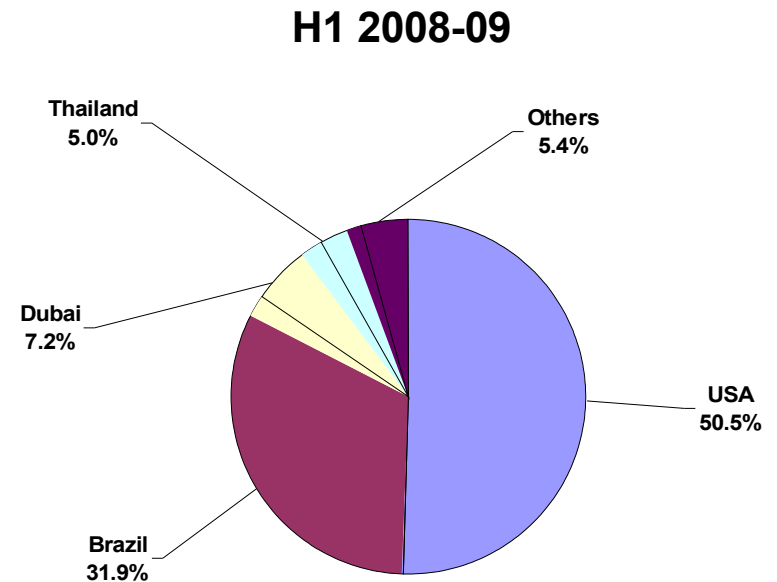
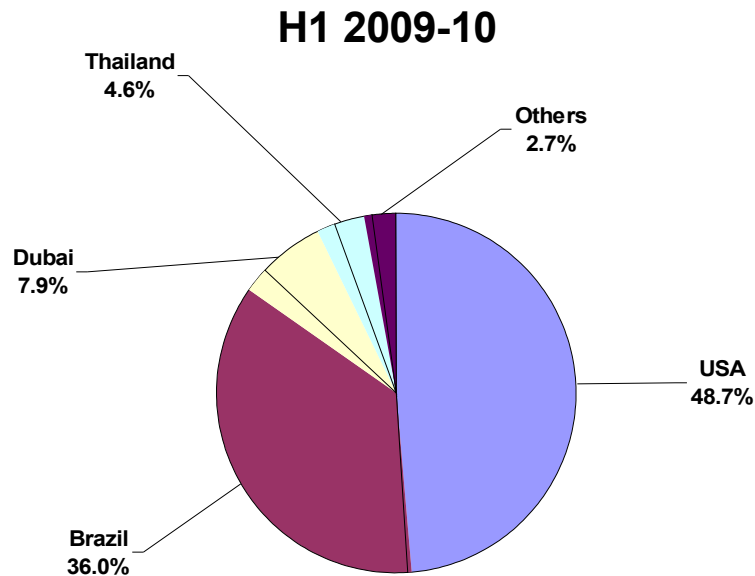
- Plant at Egypt commissioned in July
- Trading company set up in Egypt to sell manufactured products and trade in imported products
- Bangladesh plant commissioned in October
- Chemson (Singapore) being amalgamated with Pidilite Innovation Centre to reduce costs

Sales of International Subsidiaries

			Rs. Mn
Net Sales	Q2 2009-10	Q2 2008-09	Growth %
USA	344	333	3.4
Brazil	280	207	34.8
Dubai	59	39	51.4
Thailand	39	34	13.0
Others	21	39	-46.4
Total	743	653	13.8

			Rs. Mn
Net Sales	H1 2009-10	H1 2008-09	Growth %
USA	686	628	9.3
Brazil	507	397	27.9
Dubai	112	89	25.6
Thailand	65	62	4.9
Others	38	68	-43.3
Total	1408	1243	13.3

Region Wise Sales Breakup



EBIT of International Subsidiaries

Rs. Mn			
EBIT	Q2 2009-10	Q2 2008-09	Improvement
USA	3	-21	24
Brazil	-5	-46	41
Dubai	-21	-9	-11
Thailand	-1	-6	5
Others	-7	-6	0
Total	-30	-88	58

Rs. Mn			
EBIT	H1 2009-10	H1 2008-09	Improvement
USA	12	-17	29
Brazil	4	-83	88
Dubai	-33	-12	-20
Thailand	-4	-12	8
Others	-15	-3	-12
Total	-35	-128	93

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Consolidated Sales & Profit Performance



-
- Sales, excluding “Others”, in value terms have grown by 10.8% in Q2 and H1
 - Margins improved in Q2 & H1 of 2009-10 as compared to Q2 & H1 of 2008-09
 - PBT before exceptional items and Foreign exchange difference grew by 114.0% in Q2 and 71.0% in H1
 - PAT grew by 240.0% in Q2 and 122.3% in H1

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Key Trends: H2 FY09-10

- Improving economic sentiment
- Revival in Infrastructure sector resulting in new projects
- Hardening of commodity prices, Oil at 12 month high
- Inflation expected to creep up
- Interest rates expected to increase
- Government expected to retain fiscal benefits till March
- Strengthening of Rupee vs USD

Key Trends: H2 FY09-10

- Sustained demand generation initiatives to stimulate demand
- Introduction of new products in select categories
- Import of VAM likely to remain economical vs manufacture
- Margins likely to be lower than H1
- Overhead expenses to increase in light of higher Marketing spend
- Costs as % to sales likely to increase as historically H2 sales lower as compared to H1⁴⁷

Key initiatives

- Sales and Marketing:
 - Building network and product range for growth in semi urban and rural markets -economy range, small packs and new products.
 - Back end operations strengthened through centralization
 - Focus on value added services to WSS
- Supply Chain
 - Professionalizing CFA operations
 - Close monitoring and control on working capital

Key initiatives

- Human Resources:
 - Quality manpower recruited at senior levels to build long term capability
 - Renewed focus on Learning and Development
 - Non family professionals now occupying many key senior positions in the company and their number and role likely to increase.

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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Thank You