



# **Pidilite Industries Limited**

## **Investor Update**

Quarter ended June 2014

### **Coverage**

- Financial Highlights
- Business segment wise performance
- Overseas subsidiaries performance
- Financial Results

### **Investor Communication**

This investor update covers the Company's performance for quarter ended 30<sup>th</sup> June 2014.

### **Contact information**

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## **Financial Highlights**

### **Quarter ended 30<sup>th</sup> June 2014**

#### **Consolidated Performance**

- Net sales at Rs 13,381 Million grew by 19.6% over the same quarter last year.
- Material cost as % of net sales increased by 272 bps mainly due to increase in cost of VAM, a key raw material for the company, caused by global demand supply mismatch.
- Expenses grew by 18.4%.

- EBITDA from operations, before other income, finance costs & exceptional items, grew by 5.1% mainly due to higher material cost.
- PBT at Rs 2,259 Million grew by 2.1%
- PAT at Rs 1677 Million grew by 3.8%

### **Standalone Performance**

- Net sales at Rs 12,072 Million grew by 19.5% over same quarter last year. This was driven by a 20.8% growth in sales of consumer & bazaar products and 16.4% growth in industrial products.
- Material cost as % of sales increased by 291 bps mainly due to increase in cost of VAM and higher US \$ rate.
- Expenses grew by 18.9%
- EBITDA from operations before other income, finance costs & exceptional items grew by 4.4% mainly due to higher material cost.
- As per the requirement of the provisions of Schedule II of the Companies Act, 2013 (the "Act"), the Management has decided to adopt the useful lives as suggested in Part C of Schedule II of the Act with effect from 1st April, 2014 for all its fixed assets. Accordingly, depreciation for the quarter is increased by Rs. 46.3 Million.
- In accordance with the transitional provisions under note 7(b) to part C of Schedule II of the Act, the Company has adjusted an estimated amount of Rs. 134.3 Million (net of deferred tax of Rs. 69.2 Million) in the retained earnings, pertaining to assets whose balance useful life was NIL as at 1st April, 2014.
- The company has incurred an exceptional cost on voluntary retirement scheme of Rs 49.1 Million.
- Gain from Foreign exchange difference is lower at Rs 3.3 Million as against Rs 76.8 Million in Q1 last year.
- Profit from operations before other income, finance costs & exceptional items grew by 1.1% mainly due to increase in depreciation cost.
- Profit Before Tax at Rs 2219 and is same as last year.

## Business segment wise performance

(Values in Rs Millions)

Segment	For the Quarter ended		
	Jun-14	Jun-13	% Change
<b>Segment Revenue</b>			
a) Consumer & Bazaar Products	10,169	8,417	20.8%
b) Industrial Products	2,169	1,863	16.4%
c) Others	111	68	64.0%
<b>Total</b>	<b>12,449</b>	<b>10,347</b>	<b>20.3%</b>
Less : Inter Segment Revenue	376	248	51.7%
<b>Total revenue</b>	<b>12,072</b>	<b>10,099</b>	<b>19.5%</b>
<b>Segment Results</b>			
a) Consumer & Bazaar Products	2,413	2,415	-0.1%
b) Industrial Products	161	192	-16.0%
c) Others	-33	3	
<b>Total</b>	<b>2,541</b>	<b>2,610</b>	<b>-2.6%</b>
less			
Interest	13	29	-57.5%
Unallocated Corporate Expenditure	310	363	-14.6%
<b>Total Profit Before Tax</b>	<b>2,219</b>	<b>2,217</b>	<b>0.1%</b>

### Quarter ended 30<sup>th</sup> June 2014 - Standalone

#### CONSUMER AND BAZAAR PRODUCTS

- Segment revenue grew by 20.8%
- Segment PBIT is same as last year due to higher input costs.

#### INDUSTRIAL PRODUCTS

- Segment revenue grew by 16.4%.
- Segment PBIT for the quarter declined by 16.0% mainly due to higher input costs.

**Unallocated Corporate Expenditure** net of unallocable income, has declined by 14.6% due to higher non operating income.

## Domestic subsidiaries performance

- There are 2 operating Indian subsidiaries namely Building Envelope Systems India Ltd (BESI) and Percept Waterproofing Services Ltd (PWSL). BESI commenced operations in November 2013 and PWSL started in February 2014. Total sales from these two subsidiaries was Rs 70 Million and Profit after tax was Rs 1.7 Million.

## Overseas subsidiaries performance

- The Company has 13 overseas subsidiaries (4 direct and 9 step-down) including those having manufacturing and selling operations in USA, Brazil, Thailand, Dubai, Egypt and Bangladesh.
- The performance of the following geographies, **in constant currency terms**, is detailed below

Sales - Rs mn	Q1 2013-14	Q1 2014-15
North America	525.8	638.9
South America	357.9	353.2
Middle East & Africa	79.7	130.1
South & South East Asia	193.3	258.2
<b>Total</b>	<b>1,156.7</b>	<b>1,380.4</b>

EBITDA- Rs mn	Q1 2013-14	Q1 2014-15
North America	37.0	46.6
South America	(15.5)	(17.4)
Middle East & Africa	(15.0)	(2.8)
South & South East Asia	43.1	56.9
<b>Total</b>	<b>49.6</b>	<b>83.3</b>

Sales in constant currency grew by 19.3% during the quarter. However, due to translation impact the reported sales show a growth of 22.6%. Comments below are based on constant currency

### North America:

- Sales of Cyclo (Car care chemicals) business declined by 4.4% mainly due to lower exports. Gross margins are in same line as same quarter last year.

Sales of Sargent Art (Art Materials) business grew by 47.3% due to increased orders from retail chains. Gross margins declined by 3% mainly due to change in customer mix.

EBITDA for the quarter grew by 26% to Rs 46.6 Million due to high sales growth.

**South America:**

- Sales declined by 1.3% as the markets were partly closed for most part of June 2014 for the world cup. Gross margins are same as LY. EBITDA loss increased from Rs 15.5 Million to Rs. 17.4 Million due to low sales growth & costs related to restructuring of manufacturing operations.

**Middle East & Africa:**

- Sales grew by 63.2% and loss at EBIDTA level declined by 81.2%. Sales of the subsidiary in Dubai grew by 227% & that of the Egypt businesses grew by 9.9%.

**South & South East Asia:**

- Sales grew by 33.6% & EBIDTA grew by 31.9% over last year. Sales in Bangladesh grew by 34.3% and Thailand grew by 29.5%.

**STATEMENT OF STANDALONE & CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30.06.2014**

(Rs. In Lakhs)

Part I		Standalone				Consolidated			
Sr. No.	Particulars	For the Quarter ended				For the Quarter ended			
		30.06.2014	31.03.2014	30.06.2013	31.03.2014	30.06.2014	31.03.2014	30.06.2013	31.03.2014
		Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
1	<b>Income from Operations</b>								
	a) Net sales / Income from Operations (Net of excise duty)	120724	90231	100993	385607	133810	98547	111881	426059
	b) Other Operating Income	565	500	491	2217	565	513	491	2261
	<b>Total Income from Operations (net)</b>	<b>121289</b>	<b>90731</b>	<b>101484</b>	<b>387824</b>	<b>134375</b>	<b>99060</b>	<b>112372</b>	<b>428320</b>
2	<b>Expenses</b>								
	a) Cost of materials consumed	59919	54767	45224	200228	64895	59849	48927	218143
	b) Purchases of stock-in-trade	4016	3818	5493	18005	5531	5209	7410	23848
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	4121	(6497)	3274	(4226)	4951	(8519)	3649	(5860)
	d) Employee benefits expense	10370	9288	9094	35826	12793	11470	11128	44200
	e) Depreciation and amortisation expense	2278	1841	1531	6863	2518	1987	1919	8116
	f) Other expenses	19555	17675	16067	70190	22169	20751	18393	80289
	<b>Total Expenses</b>	<b>100259</b>	<b>80892</b>	<b>80683</b>	<b>326886</b>	<b>112857</b>	<b>90747</b>	<b>91426</b>	<b>368736</b>
3	<b>Profit from operations before other Income, finance costs and exceptional items (1-2)</b>	<b>21030</b>	<b>9839</b>	<b>20801</b>	<b>60938</b>	<b>21518</b>	<b>8313</b>	<b>20946</b>	<b>59584</b>
4	Other Income	1738	1833	897	4294	1800	1991	966	4486
5	<b>Profit from ordinary activities before finance costs and exceptional items (3+4)</b>	<b>22768</b>	<b>11672</b>	<b>21698</b>	<b>65232</b>	<b>23318</b>	<b>10304</b>	<b>21912</b>	<b>64070</b>
6	Finance Costs	125	124	294	969	269	273	533	1633
7	<b>Profit from ordinary activities after finance costs but before exceptional items (5-6)</b>	<b>22643</b>	<b>11548</b>	<b>21404</b>	<b>64263</b>	<b>23049</b>	<b>10031</b>	<b>21379</b>	<b>62437</b>
8	Exceptional Items	491	13	-	650	491	13	-	650
9	<b>Profit from ordinary activities before Foreign Exchange Difference Expense/ (Income) (7-8)</b>	<b>22152</b>	<b>11535</b>	<b>21404</b>	<b>63613</b>	<b>22558</b>	<b>10018</b>	<b>21379</b>	<b>61787</b>
10	Foreign Exchange Difference Expense / (Income)	(33)	369	(768)	513	(33)	375	(747)	555
11	<b>Profit from ordinary activities before tax (9-10)</b>	<b>22185</b>	<b>11166</b>	<b>22172</b>	<b>63100</b>	<b>22591</b>	<b>9643</b>	<b>22126</b>	<b>61232</b>
12	Tax Expense	5757	2303	5945	16239	5826	2460	5981	16527
13	<b>Net Profit from ordinary activities after tax (11-12)</b>	<b>16428</b>	<b>8863</b>	<b>16227</b>	<b>46861</b>	<b>16765</b>	<b>7183</b>	<b>16145</b>	<b>44705</b>
14	Extraordinary Items	-	-	-	-	-	-	-	-
15	<b>Net Profit for the period (13-14)</b>	<b>16428</b>	<b>8863</b>	<b>16227</b>	<b>46861</b>	<b>16765</b>	<b>7183</b>	<b>16145</b>	<b>44705</b>
16	Share of Profit of associate	-	-	-	-	101	124	(35)	304
17	Minority Interest	-	-	-	-	(14)	1	(11)	(29)
18	<b>Net Profit after taxes, minority interest and share of profit of associate (15+16+17)</b>	<b>16428</b>	<b>8863</b>	<b>16227</b>	<b>46861</b>	<b>16852</b>	<b>7308</b>	<b>16099</b>	<b>44980</b>
19	Paid-up Equity Share Capital (Face value of share : Re. 1/-)	5126	5126	5126	5126	5126	5126	5126	5126
20	Reserves excluding Revaluation Reserves as at balance sheet date				198826				190136
21	Earnings per share (before and after extraordinary item)(of Re.1/- each) :								
	a) Basic	@ 3.20	@ 1.73	@ 3.17	9.14	@ 3.29	@ 1.43	@ 3.14	8.77
	b) Diluted	@ 3.20	@ 1.73	@ 3.17	9.14	@ 3.29	@ 1.43	@ 3.14	8.77
<b>PART II Select information for the Quarter ended 30.06.2014</b>									
<b>A PARTICULARS OF SHAREHOLDING</b>									
1	<b>Public Shareholding</b>								
	- Number of Shares	153468530	153468784	153468784	153468784				
	- Percentage of Shareholding	29.94	29.94	29.94	29.94				
2	<b>Promoters and Promoter Group Shareholding</b>								
	<b>a. Pledged / Encumbered</b>								
	- Number of Shares	-	-	-	-				
	- Percentage of shares (as a % of the total shareholding of promoter and of promoter group)	-	-	-	-				
	- Percentage of shares (as a % of the total share capital of the Company)	-	-	-	-				
	<b>b. Non-encumbered</b>								
	- Number of Shares	359173800	359173546	359173546	359173546				
	- Percentage of Shares (as a % of the total shareholding of promoter and of promoter group)	100	100	100	100				
	- Percentage of Shares (as a % of the total share capital of the Company)	70.06	70.06	70.06	70.06				
<b>Particulars</b>		3 months ended 30.06.2014							
<b>B INVESTOR COMPLAINTS</b>									
	Pending at the beginning of the quarter	Nil							
	Received during the quarter	7							
	Disposed of during the quarter	3							
	Remaining unresolved at the end of the quarter	4							
@ For the period only and not annualised.									

**REPORTING OF SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED**

(Rs. In Lakhs)

Sr. No.	Particulars	Standalone				Consolidated			
		For the Quarter ended		For the year ended		For the Quarter ended		For the year ended	
		30.06.2014	31.03.2014	30.06.2013	31.03.2014	30.06.2014	31.03.2014	30.06.2013	31.03.2014
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	
<b>1</b>	<b>Segment Revenue</b>								
	a) Consumer & Bazaar Products	101690	69878	84165	311089	114776	78194	95053	351541
	b) Industrial Products	21688	21933	18632	81567	21688	21933	18632	81567
	c) Others	1110	1051	677	3411	1110	1051	677	3411
	Total	124488	92862	103474	396067	137574	101178	114362	436519
	Less : Inter Segment Revenue	3764	2631	2481	10460	3764	2631	2481	10460
	<b>Net Sales / Income From Operations</b>	<b>120724</b>	<b>90231</b>	<b>100993</b>	<b>385607</b>	<b>133810</b>	<b>98547</b>	<b>111881</b>	<b>426059</b>
<b>2</b>	<b>Segment Results</b>								
	a) Consumer & Bazaar Products	24129	12275	24153	71323	24741	10877	24415	69883
	b) Industrial Products	1609	1836	1915	8025	1609	1836	1915	8025
	c) Others	(328)	(307)	27	(716)	(328)	(307)	27	(716)
	Total	25410	13804	26095	78632	26022	12406	26357	77192
	Less : i) Interest	125	124	294	969	269	273	533	1633
	ii) Other Unallocable Expenditure - Net Of Unallocable Income	3100	2514	3629	14563	3162	2490	3698	14327
	<b>Total Profit Before Tax</b>	<b>22185</b>	<b>11166</b>	<b>22172</b>	<b>63100</b>	<b>22591</b>	<b>9643</b>	<b>22126</b>	<b>61232</b>
<b>3</b>	<b>Capital Employed</b>								
	a) Consumer & Bazaar Products	61895	61328	42907	61328	89169	85013	63730	85013
	b) Industrial Products	23645	24911	19900	24911	23645	24911	19900	24911
	c) Others	3080	4082	4207	4082	3080	4082	4207	4082
	d) Unallocated	132170	113631	122458	113631	97288	81256	94459	81256
	<b>Total Capital Employed</b>	<b>220790</b>	<b>203952</b>	<b>189472</b>	<b>203952</b>	<b>213182</b>	<b>195262</b>	<b>182296</b>	<b>195262</b>

**Notes:**

- The above results have been reviewed by the Audit Committee on 29th July, 2014 and approved by the Board of Directors at their meeting held on 30th July, 2014.
- The Statutory Auditors have carried out a "Limited Review" of the standalone financial results for the quarter ended 30th June, 2014.
- The Company has opted to publish Standalone as well as Consolidated financial statements. The Consolidated financial results prepared as per Accounting Standard (AS-21) and Accounting Standard (AS-23) comprise the results of Pidilite Industries Ltd. (Holding Company), 19 subsidiary companies, two partnership firms and one associate Company.
- Unallocated Capital Employed as at 30th June, 2014 includes
  - Capital Work in Progress of Rs. 37111 lakhs (30th June, 2013 Rs. 36524 lakhs) of Synthetic Elastomer Project
  - Investments in units of mutual funds/ term deposit with banks Rs. 49070 lakhs (30th June, 2013 Rs. 51501 lakhs)
- As per the requirement of the provisions of Schedule II of the Companies Act, 2013 (the "Act"), the Management has decided to adopt the useful lives as suggested in Part C of Schedule II of the Act with effect from 1st April, 2014 for all its fixed assets. Accordingly, depreciation for the quarter is increased by Rs. 463 lakhs. In accordance with the transitional provisions under note 7(b) to part C of Schedule II of the Act, the Company has adjusted an estimated amount of Rs. 1343 lakhs (net off deferred tax of Rs. 692 lakhs) in the retained earnings, pertaining to assets whose balance useful life was NIL as at 1st April, 2014.
- Exceptional item in standalone and consolidated result for the quarter ended 30th June, 2014 relates to Voluntary Retirement Scheme.
- The figures for the quarter ended 31st March, 2014 are the balancing figures between the audited figures in respect of the full financial year and the published year to date unaudited figures upto the third quarter of the financial year ended 31st March, 2014.
- Previous period's figures are regrouped/ reclassified wherever necessary to confirm to the current period's classification.

Mumbai  
Dated : 30th July, 2014

M.B.PAREKH  
Chairman & Managing Director