

January 24, 2024

Q3FY24 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		HOLD	
Target Price	2,764		2,704	
Sales (Rs. m)	1,36,565	1,51,948	1,39,229	1,54,810
% Chng.	(1.9)	(1.8)		
EBITDA (Rs. m)	30,915	35,180	31,696	36,578
% Chng.	(2.5)	(3.8)		
EPS (Rs.)	42.8	49.7	44.0	51.8
% Chng.	(2.7)	(4.2)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,17,991	1,23,080	1,36,565	1,51,948
EBITDA (Rs. m)	19,844	27,710	30,915	35,180
Margin (%)	16.8	22.5	22.6	23.2
PAT (Rs. m)	12,889	19,191	21,768	25,249
EPS (Rs.)	25.4	37.8	42.8	49.7
Gr. (%)	6.8	48.9	13.4	16.0
DPS (Rs.)	10.0	11.0	14.0	17.0
Yield (%)	0.4	0.4	0.5	0.7
RoE (%)	18.9	24.3	23.5	23.3
RoCE (%)	24.4	30.7	29.1	28.5
EV/Sales (x)	11.1	10.5	9.4	8.3
EV/EBITDA (x)	66.0	46.7	41.5	36.0
PE (x)	102.1	68.6	60.5	52.1
P/BV (x)	18.3	15.4	13.2	11.3

Key Data

PIDILITE | PIDI IN

52-W High / Low	Rs.2,805 / Rs.2,250
Sensex / Nifty	71,060 / 21,454
Market Cap	Rs.1,317bn / \$ 15,846m
Shares Outstanding	509m
3M Avg. Daily Value	Rs.1099.92m

Shareholding Pattern (%)

Promoter's	69.86
Foreign	11.44
Domestic Institution	8.02
Public & Others	10.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.0)	(2.3)	8.7
Relative	(2.0)	(8.7)	(6.7)

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Pidilite Industries (PIDI IN)

Rating: ACCUMULATE | CMP: Rs2,590 | TP: Rs2,764

Strong growth visibility; Upgrade to Accumulate

Quick Pointers:

- VAM prices at USD 900-1000/ton, 3Q24 usage at USD900/ton (USD2000/ton in 3Q23), input costs unlikely to soften further
- Pioneer/growth segments sustain strong momentum amidst rising usage of innovative construction aids
- Rural continues to grow ahead of urban led by rising availability, distribution and awareness about PIDI's products

We cut our FY25/26 EPS estimates by 2.7%/4.2% as PIDI will have just 60bps margin expansion and double digit topline growth in a volume growth and innovation led strategy. PIDI continues to grow strongly in Tier3/rural ahead of urban by increasing distribution and awareness of its products. PIDI has taken high single-digit price cut since March23 (~6% in 3Q24) to sustained volume growth and ward of competition. PIDI aims at growing at 1.5xGDP growth in volumes led by 1) rising construction activity & govt capex 2) rising share of growth and pioneer categories (45% of sales now) 3) sustained innovation across segments and 3) gains from deeper distribution reach/awareness and usage in all emerging construction aids. We estimate 25% EPS CAGR over FY23-26 and assign DCF based target price of Rs2704 (Rs2704 earlier). Although we expect moderate returns in near term given premium valuations (51.2x FY26 EPS), we upgrade the stock to Accumulate. We believe PIDI provides a better medium term opportunity than APNT.

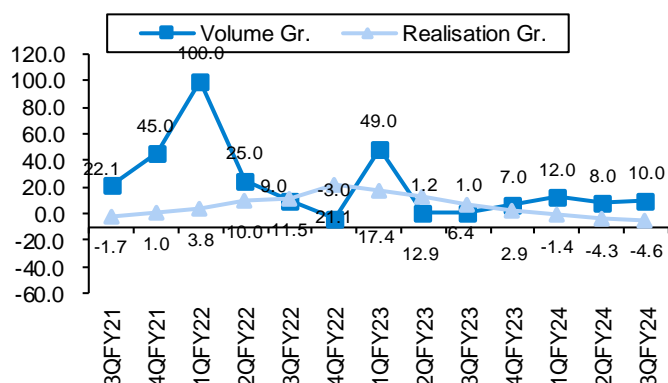
C&B volumes up 10% YoY; GM expands 156bps QoQ; →Consolidated Revenues grew by 4.4% YoY to Rs31.3bn (PLe: Rs32.7bn) Gross margins expanded 1104bps YoY to 52.9% (Ple: 50.5%) EBITDA grew 49.7% YoY to Rs7.4bn (PLe:Rs7.9bn); Margins expanded 718bps YoY to 23.7% (PLe:24.2%) PBT grew 64.7% YoY to Rs 6.9bn(PLe: Rs7.5bn) Adj PAT grew 66.8% YoY to Rs5.1bn (PLe:Rs5.5bn) **Standalone – Sales increased 4.6% to Rs28.3bn, GM improved 1186bps YoY/172bps QoQ to 52.9%. EBITDA grew 51.4% to Rs7.08bn; Margins expanded 772bps YoY/187bps QoQ to 25%. PBT grew 72.1 % to Rs6.9bn. Adj. PAT grew 76.5% to Rs5.2bn. **Consumer and Bazaar** Sales grew by 4.9% YoY to Rs25.4bn; EBIT grew by 43% YoY to 7704.3mn. **Industrial Products** sales grew by 6.2% YoY to Rs6.4bn; EBIT grew by 93% YoY to756.5mn.**

Concall Takeaways: 1) Demand trends remain strong with double digit volume growth 2) Rural/ semi-rural markets grew ahead of urban markets 3) Domestic B2B Subs grew 15% led by robust growth in Industrial & Project verticals, margins declined due to initial losses in Groupo Puma (Rs40mn) and Rs50-60mn higher ad spends in ICA Pidilite 4) International markets growth was led by Middle East and Africa 5) PIDI has increased the number of plants making tile adhesives from 2 to 10 in 2 years 6) PIDI has now entered TN and Karnataka (AP and Odisha earlier) even as the focus remains on economy segment in rural markets 7) 1/3rd Growth is contributed by the innovation led products introduced in the last 24months 8) NBFC pilot to start operations in one city in south India in next 15 days

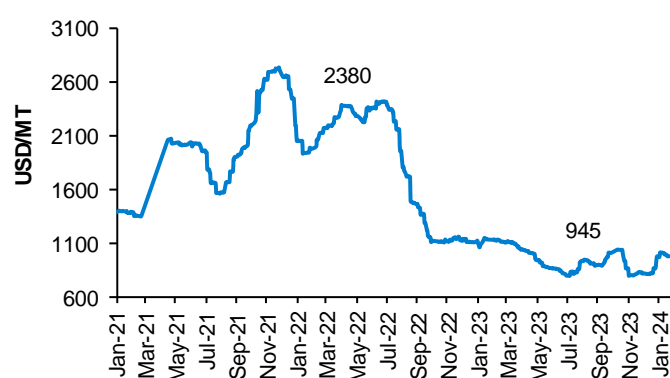
Exhibit 1: Revenues up 4.4%, EBITDA margins improve 717bps YoY & 162bps QoQ

Consolidated	Q3FY24	Q3FY23	YoY gr. (%)	Q2FY24	9MFY24	9MFY23	YoY gr. (%)
Net Revenue	31,300	29,976	4.4	30,760	94,811	91,099	4.1
Gross Profit	16,551	12,541	32.0	15,783	48,387	37,815	28.0
Margin %	52.9	41.8	11.0	51.3	51.0	41.5	9.5
Other Expenditure	9,126	7,583	20.4	8,985	27,096	22,563	20.1
EBITDA	7,425	4,959	49.7	6,797	21,291	15,252	39.6
Margin %	23.7	16.5	7.2	22.1	22.5	16.7	5.7
Depreciation	795	686	15.8	752	2,281	1,936	17.8
Interest	128	151	(15.4)	131	378	358	5.5
Other Income	370	51	620.9	316	920	268	243.4
PBT	6,872	4,173	64.7	6,230	19,552	13,226	47.8
Tax	1,765	1,111	58.8	1,631	5,100	3,277	55.6
Tax rate %	25.7	26.6		26.2	26.1	24.8	
Adj PAT	5,107	3,061	66.8	4,599	14,452	9,949	45.3

Source: Company, PL

Exhibit 2: C&B volumes grew 10% YoY


Source: Company, PL

Exhibit 3: VAM prices down 22.1% YoY/ 3.7% QoQ


Source: Company, PL

Exhibit 4: C&B/ B2B sales grew by 4.9%/6.2%, B2B margin up by 535/75bps YoY/QoQ

Segmental	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Consumer and Bazaar									
Sales (Rs m)	22645	19132	24358	24315	24216	21128	26609	25083	25413
Growth (%)	22.5	10.6	63.9	14.1	6.9	10.4	9.2	3.2	4.9
EBIT (Rs m)	5629	4177	5352	5265	5372	4560	7078	6935	7704
EBIT Growth %	-12.7	-11.0	44.5	-9.6	-4.6	9.2	32.3	31.7	43.4
EBIT margin %	24.9	21.8	22.0	21.7	22.2	21.6	26.6	27.6	30.3
B2B									
Sales (Rs m)	6186	6453	7220	6237	5999	6340	6780	6153	6373
Growth (%)	30.2	20.6	49.8	17.2	-3.0	-1.8	-6.1	-1.3	6.2
EBIT (Rs m)	400	444	748	495	391	707	917	685	757
EBIT Growth %	-28.3	-15.3	78.1	88.4	-2.2	59.3	22.5	38.3	93.4
EBIT margin %	6.5	6.9	10.4	7.9	6.5	11.2	13.5	11.1	11.9

Source: Company, PL

Domestic subs – B2C margins take a hit

- Domestic subsidiaries in C&B registered 14% sales growth. Margins drop by 1436bps QoQ/1079bps YoY. EBITDA degrew 56% YoY.
- B2B business (NINA Precept) saw sales growth of 16% with EBITDA of Rs28mn as margins improve 179bbps QoQ/142bps YoY
- B2C margins declined due to higher A&P of Rs50-60mn in ICA Pidilite and Rs40mn initial expenses on Groupo Puma.

Exhibit 5: Domestic subsidiary margins down by 530bps YoY/926bps QoQ

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Consumer & Bazar (C&B)	957	1,039	1,112	1,363	1,094
Business to Business (B2B)	786	892	884	707	912
Total Sales	1743	1931	1996	2070	2006
Sales Growth (YoY)	15	10	16	24	15
Consumer & Bazar (C&B)	12	22	25	33	14
Business to Business (B2B)	19	(2)	6	9	16
EBITDA (Rs mn)	181	179	241	297	102
Consumer & Bazar (C&B)	168	133	190	288	74
Business to Business (B2B)	13	46	51	9	28
EBITDA margin %	10.4%	9.3%	12.1%	14.3%	5.1%
Consumer & Bazar (C&B)	17.6%	12.8%	17.1%	21.1%	6.8%
Business to Business (B2B)	1.7%	5.2%	5.8%	1.3%	3.1%
EBITDA growth (YoY)	311.4	49	42	49	-44
Consumer & Bazar (C&B)	80.6	(1.5)	19.5	39.8	(56.0)
Business to Business (B2B)	NA	NA	363.6	NA	115.4

Source: Company, PL

Note: C&B contains ICA Pidilite Pvt Ltd; B2B contains Nina Percept Pvt Ltd

IBD – 115.6% EBITDA growth led by Middle East & Africa

International business (IBD) reported 5.1% decline in sales and 115.6% EBITDA growth; margins improved by 611bps YoY/483bps QoQ.

Americas: Sales declined 40.3%, EBITDA loss is Rs36mn as margins improved 1364bps YoY but declined by as 626bps QoQ. **Asia:** Sales grew by 2.4% with EBITDA of Rs 164mn, up 64% YoY. **Middle East & Africa:** Sales grew by 19.7% with EBITDA of Rs79mn with a margin of 10.3%.

Exhibit 6: EBITDA Margins increase by 611bps YoY/483bps QoQ

Subsidiaries	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Sales (Rs. m)	1,998	2,104	2,009	1,874	1,896
Americas	611	585	574	417	365
Asia	748	809	808	768	766
Middle East & Africa	639	710	627	689	765
Sales growth (YoY)	9.3	13.0	(6.6)	(8.8)	(5.1)
Americas	4.6	(0.3)	(23.7)	(39.7)	(40.3)
Asia	5.9	12.0	(1.2)	-	2.4
Middle East & Africa	18.8	28.4	8.1	15.6	19.7
EBITDA (Rs m)	96.0	114.0	147.0	114.0	207.0
Americas	(22.0)	(42.0)	(28.0)	(98.0)	(36.0)
Asia	100.0	122.0	129.0	144.0	164.0
Middle East & Africa	18.0	34.0	46.0	68.0	79.0
EBITDA (margin %)	4.8	5.4	7.3	6.1	10.9
Americas	(3.6)	(7.2)	(4.9)	(23.5)	(9.9)
Asia	13.4	15.1	16.0	18.8	21.4
Middle East & Africa	2.8	4.8	7.3	9.9	10.3
EBITDA growth (YoY)	(26.2)	107.3	(30.0)	(22.4)	115.6
Americas	(375.0)	68.0	(162.2)	988.9	63.6
Asia	(18.7)	43.5	(17.8)	9.9	64.0
Middle East & Africa	(1,900.0)	(780.0)	475.0	172.0	338.9

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,17,991	1,23,080	1,36,565	1,51,948
YoY gr. (%)	18.9	4.3	11.0	11.3
Cost of Goods Sold	67,594	59,972	67,285	74,587
Gross Profit	50,397	63,108	69,281	77,361
Margin (%)	42.7	51.3	50.7	50.9
Employee Cost	12,456	14,204	15,454	17,136
Other Expenses	-	-	-	-
EBITDA	19,844	27,710	30,915	35,180
YoY gr. (%)	7.4	39.6	11.6	13.8
Margin (%)	16.8	22.5	22.6	23.2
Depreciation and Amortization	2,697	2,998	3,396	3,875
EBIT	17,146	24,712	27,518	31,305
Margin (%)	14.5	20.1	20.2	20.6
Net Interest	476	460	499	563
Other Income	496	1,405	2,081	3,014
Profit Before Tax	17,166	25,658	29,100	33,756
Margin (%)	14.5	20.8	21.3	22.2
Total Tax	4,344	6,543	7,421	8,608
Effective tax rate (%)	25.3	25.5	25.5	25.5
Profit after tax	12,822	19,115	21,680	25,148
Minority interest	-	-	-	-
Share Profit from Associate	66	76	88	101
Adjusted PAT	12,889	19,191	21,768	25,249
YoY gr. (%)	6.8	48.9	13.4	16.0
Margin (%)	10.9	15.6	15.9	16.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,889	19,191	21,768	25,249
YoY gr. (%)	6.8	48.9	13.4	16.0
Margin (%)	10.9	15.6	15.9	16.6
Other Comprehensive Income	325	-	-	-
Total Comprehensive Income	13,213	19,191	21,768	25,249
Equity Shares O/s (m)	508	508	508	508
EPS (Rs)	25.4	37.8	42.8	49.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	52,372	56,357	60,783	65,796
Tangibles	36,137	40,525	45,355	50,772
Intangibles	16,235	15,832	15,428	15,024
Acc: Dep / Amortization	16,197	18,791	21,784	25,255
Tangibles	16,197	18,791	21,784	25,255
Intangibles	-	-	-	-
Net fixed assets	36,243	37,565	38,999	40,541
Tangibles	20,008	21,734	23,571	25,517
Intangibles	16,235	15,832	15,428	15,024
Capital Work In Progress	4,059	3,710	3,910	4,110
Goodwill	12,898	12,898	12,898	12,898
Non-Current Investments	4,239	4,345	4,454	4,565
Net Deferred tax assets	(3,780)	(4,129)	(4,641)	(5,221)
Other Non-Current Assets	1,994	2,215	2,458	2,735
Current Assets				
Investments	5,312	17,016	30,482	46,497
Inventories	18,171	16,431	18,434	20,844
Trade receivables	15,353	15,785	17,142	18,659
Cash & Bank Balance	3,267	5,728	5,284	4,084
Other Current Assets	2,379	2,469	2,739	3,047
Total Assets	1,05,250	1,19,453	1,38,097	1,59,287
Equity				
Equity Share Capital	508	508	508	508
Other Equity	71,614	85,058	99,553	1,16,005
Total Network	72,123	85,567	1,00,062	1,16,514
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	803	797	884	984
Other non current liabilities	1,756	2,394	3,137	4,117
Current Liabilities				
ST Debt / Current of LT Debt	1,633	1,633	1,633	1,633
Trade payables	10,636	9,365	10,507	11,648
Other current liabilities	11,838	12,770	14,320	16,145
Total Equity & Liabilities	1,05,250	1,19,453	1,38,097	1,59,287

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	17,166	25,658	29,100	33,756
Add. Depreciation	2,697	2,998	3,396	3,875
Add. Interest	476	460	499	563
Less Financial Other Income	496	1,405	2,081	3,014
Add. Other	(172)	(1,405)	(2,081)	(3,014)
Op. profit before WC changes	20,168	27,710	30,915	35,180
Net Changes-WC	(3,052)	(10,081)	(13,392)	(15,989)
Direct tax	(4,344)	(6,543)	(7,421)	(8,608)
Net cash from Op. activities	12,772	11,086	10,102	10,583
Capital expenditures	(6,611)	(3,970)	(5,030)	(5,617)
Interest / Dividend Income	496	1,405	2,081	3,014
Others	(579)	(11)	(2)	9
Net Cash from Invt. activities	(6,694)	(2,576)	(2,951)	(2,594)
Issue of share cap. / premium	112	-	-	-
Debt changes	(1,241)	-	-	-
Dividend paid	(5,083)	(5,591)	(7,116)	(8,641)
Interest paid	(476)	(460)	(499)	(563)
Others	192	-	-	-
Net cash from Fin. activities	(6,497)	(6,051)	(7,615)	(9,204)
Net change in cash	(419)	2,459	(464)	(1,215)
Free Cash Flow	6,161	7,116	5,072	4,966

Source: Company Data, PL Research

Key Financial Metrics

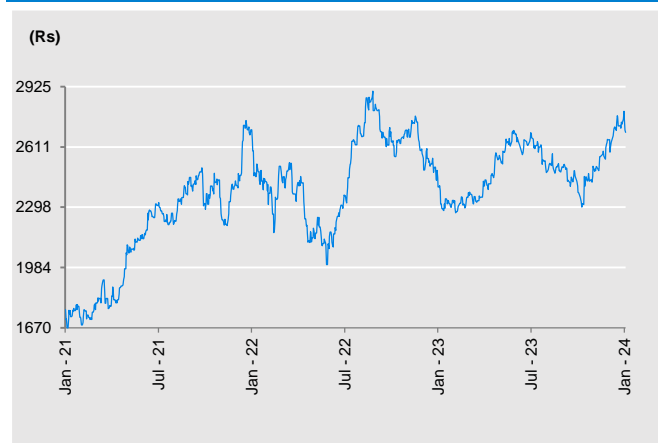
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	25.4	37.8	42.8	49.7
CEPS	30.7	43.7	49.5	57.3
BVPS	141.9	168.3	196.9	229.2
FCF	12.1	14.0	10.0	9.8
DPS	10.0	11.0	14.0	17.0
Return Ratio(%)				
RoCE	24.4	30.7	29.1	28.5
ROIC	17.7	25.6	26.9	28.8
RoE	18.9	24.3	23.5	23.3
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	71	68	67	67
Valuation(x)				
PER	102.1	68.6	60.5	52.1
P/B	18.3	15.4	13.2	11.3
P/CEPS	84.5	59.3	52.3	45.2
EV/EBITDA	66.0	46.7	41.5	36.0
EV/Sales	11.1	10.5	9.4	8.3
Dividend Yield (%)	0.4	0.4	0.5	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	26,893	32,751	30,760	31,300
YoY gr. (%)	7.3	5.6	2.2	4.4
Raw Material Expenses	14,310	16,697	14,978	14,749
Gross Profit	12,582	16,054	15,783	16,551
Margin (%)	46.8	49.0	51.3	52.9
EBITDA	4,592	7,070	6,797	7,425
YoY gr. (%)	14.5	33.5	36.0	49.7
Margin (%)	17.1	21.6	22.1	23.7
Depreciation / Depletion	762	734	752	795
EBIT	3,830	6,335	6,045	6,630
Margin (%)	14.2	19.3	19.7	21.2
Net Interest	118	119	131	128
Other Income	228	234	316	370
Profit before Tax	3,940	6,451	6,230	6,872
Margin (%)	14.7	19.7	20.3	22.0
Total Tax	1,067	1,704	1,631	1,765
Effective tax rate (%)	27.1	26.4	26.2	25.7
Profit after Tax	2,873	4,746	4,599	5,107
Minority interest	-	-	-	-
Share Profit from Associates	(15)	(10)	(14)	2
Adjusted PAT	2,859	4,737	4,585	5,109
YoY gr. (%)	12.4	32.5	35.8	66.0
Margin (%)	10.6	14.5	14.9	16.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,859	4,737	4,585	5,109
YoY gr. (%)	12.4	32.5	35.8	66.0
Margin (%)	10.6	14.5	14.9	16.3
Other Comprehensive Income	188	(163)	(128)	-
Total Comprehensive Income	3,047	4,574	4,458	5,109
Avg. Shares O/s (m)	508	508	508	508
EPS (Rs)	5.6	9.3	9.0	10.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Hold	2,704	2,720
2	09-Nov-23	Hold	2,644	2,458
3	07-Oct-23	Hold	2,610	2,454
4	11-Aug-23	Hold	2,610	2,545
5	06-Jul-23	Hold	2,664	2,649
6	09-May-23	Hold	2,589	2,472
7	11-Apr-23	Hold	2,500	2,359
8	25-Jan-23	Hold	2,500	2,315

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,159	3,242
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,170	2,536
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,724	2,565
8	ITC	Accumulate	487	466
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	556	524
12	Metro Brands	Hold	1,109	1,166
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Hold	2,704	2,720
16	Restaurant Brands Asia	Accumulate	145	116
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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(Indian Clients)

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