



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Pidilite Industries Q3FY24 consolidated revenues came in at ₹3,130 Cr, up +4.42% YoY and up +1.76% QoQ.
- Operating Profit for Q3FY24 stood at ₹742 Cr, up +49.60% YoY and up +9.44% QoQ.
- Operating margin for Q3FY24 came at 24%, +700 bps YoY and +200 bps QoQ.
- PAT for Q3FY24 stood at ₹511 Cr, up +65.91% YoY and +11.33% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Management aims to achieve and sustain double digit volume growth in foreseeable future.
- Company has opened 9 factories last year and has a total of over 70 facilities now and will add more in the ongoing year.
- Management is confident about business growth in next 24-36 months.
- According to the management, raw material prices have come down and the benefit has been passed on to the customers.

### 3. SEGMENTAL ANALYSIS:

- The C&B segment (49.5% of revenue) grew at 4.94% YoY in Q3FY24.
- The B2B (28.1% of revenue) segment grew by 6.24% YoY in Q3FY24.
- B2B segment has returned to growth after four consecutive quarters of declining revenues.

### 4. CONCALL SUMMARY

- Standalone revenue growth of 4.60% YoY in Q3FY24 was due to robust Underlying Volume Growth (UVG) of 10.40%.
- Growth was seen in both rural and urban markets. However small town and rural markets grew faster than the urban.
- Export demand also remained strong and delivered double-digit UVG.
- Moderation in raw material prices was passed on to the end customers and hence revenue growth was in mid-single digit as compared to a double-digit growth in volume.
- VAM consumption stood at \$900 per ton in Q3FY24 as compared to \$2000 per ton in Q3FY23.
- A total of nine plants were commissioned in the first nine months with one plant commissioned in Q3FY24.
- Company is focusing on digitization to increase its distribution touch points across India.
- Company is confident about demand in the near term given increased government spending and uptick in construction activities.
- Management aims to deliver volume led profitable growth.
- Company has launched Fevicol Hiper Star which is doing extremely well.

### 5. OTHER DEVELOPMENTS:

- Company has received Order on 17th April, 2024, imposing penalty of INR 9,26,171 as per the applicable provisions of the Central Goods and Service Tax Act, 2017.
- Company has received Order on 16th April, 2024, imposing penalty of INR 39,98,741 as per the applicable provisions of the Central Goods and Service Tax Act, 2017.

### 6. VALUATION AND OUTLOOK:

We are optimistic on Pidilite's performance in the near term and project a 35.53% PAT CAGR over FY23-25. We reiterate a "BUY" rating on the stock and value the stock at 75 times the FY25 projected EPS.

## RECOMMENDATION - BUY

CMP – 2918

TARGET – 3446 (18.1%)

Industry	Chemicals
NSE CODE	PIDILITIND
BSE CODE	500331
Market Cap (₹ Cr)	1,48,367
Shares Outstanding (in Cr)	50.9
52 wk High/Low (₹)	3,074/2,293
P/E	86.66
P/BV	19.7
Face Value (₹)	1
Book Value (₹)	148
EPS (FY23) (₹)	25.05
Dividend Yield (%)	0.38%
Debt / Equity	0.06
Interest Coverage	48.3

## SHAREHOLDING PATTERN

	Mar 24	Dec 23	Sep 23
Promoters	69.78%	69.84%	69.86%
MF/ DII	8.93%	8.32%	8.01%
FII/FPI	11.31%	11.49%	11.44%
Retail & Others	10.00%	10.36%	10.70%
Promoter Pledging	0.00%	0.00%	0.00%

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023A	2024E	2025E
<b>Crore</b>			
Sales	11,799	12,388	14,122
Sales Gr. (%)	18.93%	5.00%	14.00%
EBITDA	1,986	2,787	3,248
EBITDA %	17%	22.50%	23%
PAT	1,289	1,939	2,339
EPS (₹)	25.05	38.09	45.94
EPS Gr. (%)	5.43%	52.06%	20.64%
<b>Ratios</b>			
RoE (%)	19%	25%	26%
RoCE (%)	24%	31%	31%
<b>Valuation</b>			
P/E (x)	86.67	76.61	63.52

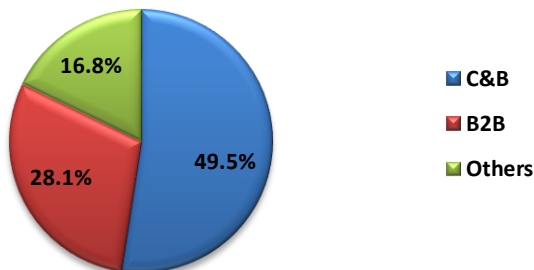
## Historical & Industrial Val Ratios

Historical P/E	45.40
Industry P/E	42.53
Historical P/B	12.5
Industry P/B	12.37

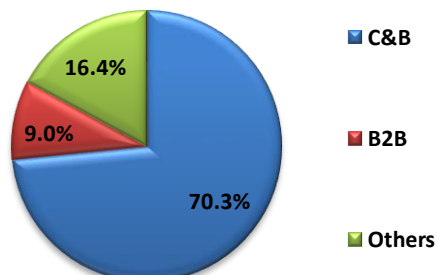


## REVENUE SPLIT (Q3 FY24)

Revenue Mix (Q3 FY24)



Profit (Before finance cost and unallocable items) Mix (Q3 FY24)



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23				FY24				FY23	FY24E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E*		
<b>Net sales</b>	<b>3101</b>	<b>3011</b>	<b>2998</b>	<b>2689</b>	<b>3275</b>	<b>3076</b>	<b>3130</b>	<b>2907</b>	<b>11799</b>	<b>12388</b>
YoY change (%)	60.12%	14.65%	5.15%	7.27%	5.61%	2.15%	4.42%	8.11%	18.93%	5.00%
<b>Total Expenditures</b>	<b>2572</b>	<b>2511</b>	<b>2502</b>	<b>2232</b>	<b>2569</b>	<b>2398</b>	<b>2388</b>	<b>2245</b>	<b>9813</b>	<b>9600</b>
<b>EBITDA</b>	<b>529</b>	<b>500</b>	<b>496</b>	<b>458</b>	<b>706</b>	<b>678</b>	<b>742</b>	<b>661</b>	<b>1986</b>	<b>2787</b>
Margins (%)	<b>17%</b>	<b>17%</b>	<b>17%</b>	<b>17%</b>	<b>22%</b>	<b>22%</b>	<b>24%</b>	<b>23%</b>	17%	22.5%
Other income	14	14	7	23	23	32	37	28	55	120
Interest	9	12	15	12	12	13	13	12	48	50
Depreciation	61	64	69	76	73	75	79	45	270	272
<b>PBT</b>	<b>473</b>	<b>439</b>	<b>419</b>	<b>393</b>	<b>644</b>	<b>622</b>	<b>687</b>	<b>632</b>	<b>1723</b>	<b>2585</b>
Rate (%)	24%	23%	27%	27%	26%	26%	26%	22%	25%	25%
<b>Adjusted PAT</b>	<b>358</b>	<b>338</b>	<b>308</b>	<b>286</b>	<b>474</b>	<b>459</b>	<b>511</b>	<b>495</b>	<b>1289</b>	<b>1939</b>
<b>EPS in Rs</b>	<b>6.96</b>	<b>6.54</b>	<b>5.98</b>	<b>5.57</b>	<b>9.21</b>	<b>8.85</b>	<b>10.04</b>	<b>9.80</b>	<b>25.05</b>	<b>38.09</b>

### Key Performance Indicators

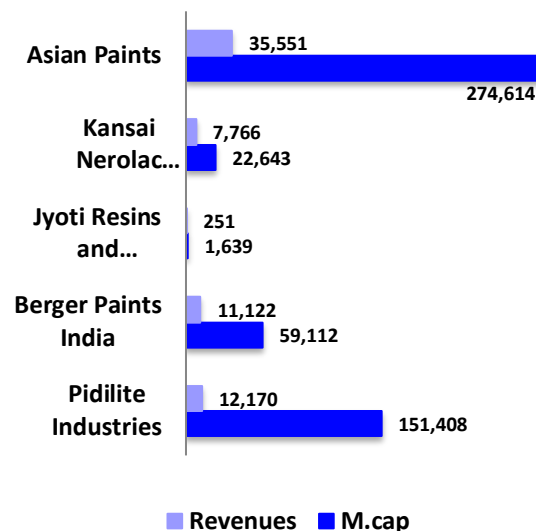
<b>Gross Margin %</b>	41.70%	40.99%	41.84%	46.79%	49.02%	51.31%	52.88%		
<b>C&amp;B Segment Growth %</b>	63.89%	14.13%	6.94%	10.43%	9.24%	3.16%	4.94%		
<b>B2B Segment Growth %</b>	<b>49.78%</b>	<b>17.16%</b>	<b>-3.03%</b>	<b>-1.75%</b>	<b>-6.08%</b>	<b>-1.35%</b>	<b>6.24%</b>		

Source: Company, Hem Securities Research.

## INDUSTRY OVERVIEW

- The adhesives and sealants sector is a pivotal segment within the chemical industry, catering to diverse industries such as construction, automotive, packaging, and woodworking.
- This segment offers a broad spectrum of products, including acrylics, epoxies, polyurethanes, and silicones, tailored to specific applications and needs.
- Robust growth in the construction sector, particularly in emerging economies like India, is driving the demand for construction adhesives and sealants.
- Urbanization and infrastructure development are fueling the demand for adhesives and sealants in the construction industry.
- The adhesives and sealants market is marked by intense competition, with numerous global and regional players vying for market share.
- Major players include Henkel AG, 3M Company, Sika AG, Arkema Group, and H.B. Fuller Company.
- Price fluctuations in raw materials, especially petrochemical-based substances, pose a challenge to maintaining profit margins.
- Stringent environmental regulations and the push for sustainability are driving the need for greener, more sustainable products, adding to manufacturing costs.
- The adhesives and sealants industry is poised for steady growth, driven by rising demand from various industries.
- Focus on innovation in product development, with an emphasis on sustainability and performance, will be critical for maintaining competitiveness.

## Peer Group



## PEER PERFORMANCE

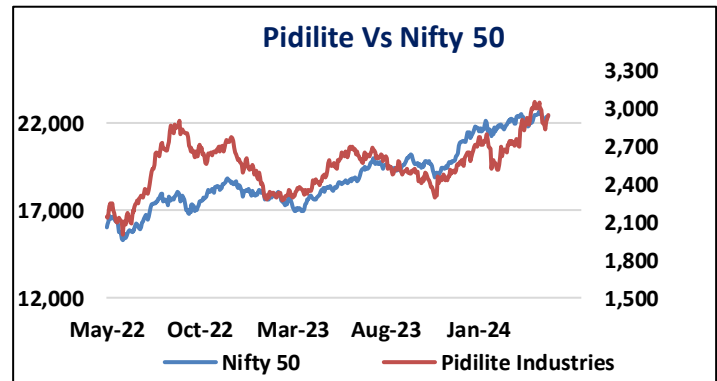
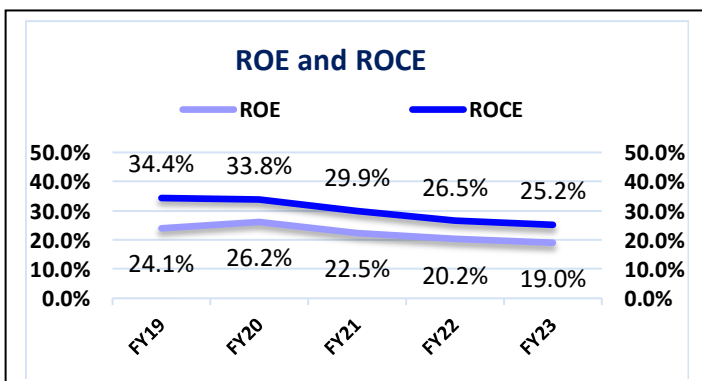
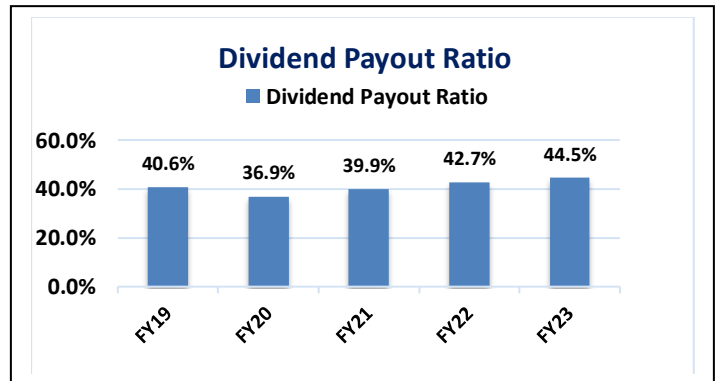
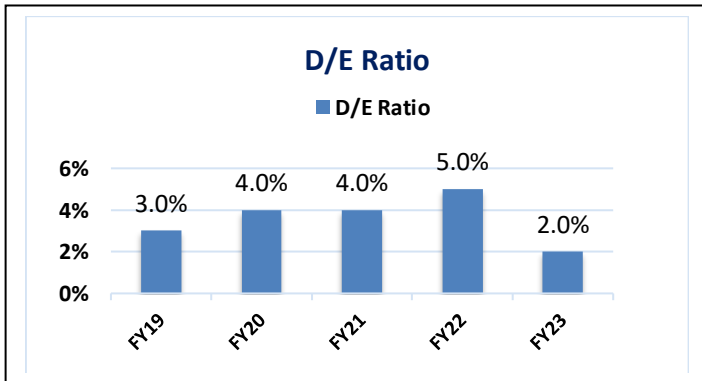
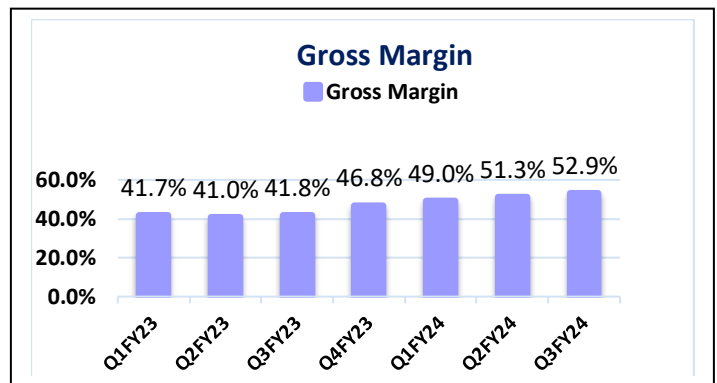
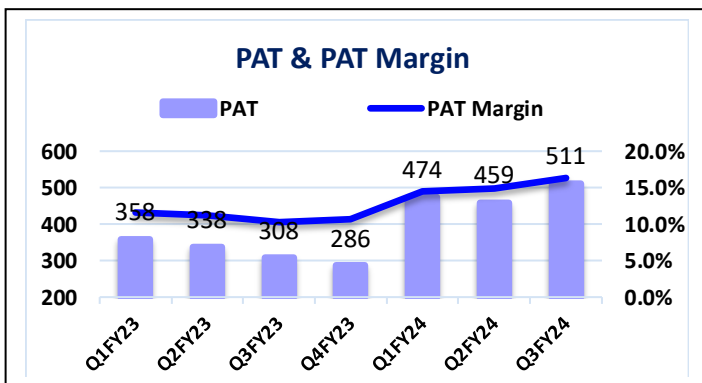
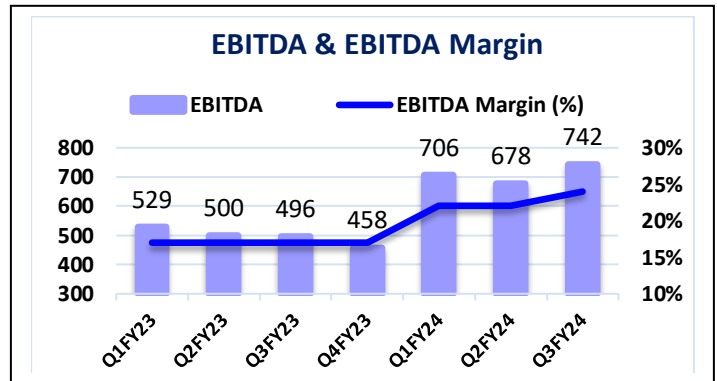
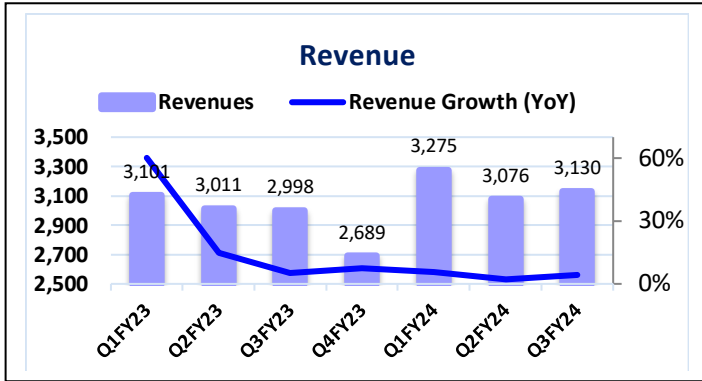
(₹ Cr)

Particulars	Peer Group				
	Pidilite Industries Ltd	Asian Paints Ltd	Berger Paints India Ltd	Kansai Nerolac Paints Ltd	Jyoti Resins and Adhesives Ltd
Market Cap	1,48,809	2,72,892	58,902	22,412	1,638
Net Sales	12,170	35,551	11,122	7,766	251
EBITDA	2,585	7,758	1,857	1,017	83
PAT	1,729	5,541	1,133	1,158	65
EPS(₹)	33.67	56.69	9.70	14.39	53.97
EBITDA MARGIN %	21%	22%	17%	13%	33%
PAT MARGIN %	14.21%	15.59%	10.19%	14.91%	25.90%
ROCE %	24%	34%	24%	14%	73%
ROE %	19%	28%	20%	11%	55%
P/E TTM	86.7	50	52	19.33	25.30
P/B TTM	19.8	16.5	12.2	4.23	12.5
EV/EBITDA	55	32.3	31.0	20.9	18.0
Dividend Yield %	0.37%	0.89%	0.53%	0.66%	0.44%
Market Cap/ Sales TTM	12.2	7.68	5.30	2.89	6.51

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Pidilite Industries is the market leader in adhesive manufacturing in India. It manufactures various types of adhesives, sealants, construction chemicals, craftsmen products, and polymer emulsions.
- Increased government spending, pick up in the construction and home building activities in India and fast pace infrastructure development provides a great opportunity to Pidilite for its next phase of growth.
- Normalization of VAM prices will aid significantly to Pidilite's margin profile in coming quarters and years.
- The B2B segment has returned to growth path after four quarters of declining revenues. We expect this momentum to continue in the medium term.
- We remain optimistic on company's growth journey for the next 24-36 months given prevailing tailwinds in construction and home building activities and normalization of raw material cost.
- Management aims to sustain the double-digit volume growth going forward and maintain volume led profitable growth.
- Pidilite is available at an attractive valuation of 64 times FY25 projected EPS.

## RISK / NEGATIVE FACTORS:

- Slowdown in housing activity will result in lower-than-expected growth in earnings.
- A sharp rise in raw material prices could affect margins.
- Subdued performance in international subsidiaries.

## COMPANY RECAP

- Pidilite Industries Limited is an Indian multinational corporation specializing in the manufacture and distribution of adhesives, sealants, construction chemicals, and other consumer and industrial products. The company is well-known for its flagship brands like Fevicol, Fevikwik, M-Seal, and Dr. Fixit, which are widely used in construction, crafts, and do-it-yourself (DIY) projects.
- Pidilite's business is divided into two primary segments: Consumer & Bazaar (C&B) Products and Business to Business (B2B) products.
- The Consumer & Bazaar Products segment includes adhesives, sealants, art and craft materials, and other consumer goods.
- The Industrial Products segment consists of adhesives, sealants, and chemicals used in industries such as automotive, construction, and packaging.
- Pidilite has a strong presence in both domestic and international markets, focusing on innovation and customer satisfaction.
- The company boasts a robust distribution network, ensuring widespread availability of its products across various retail channels.



## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

	(₹ Cr)						
Y/E March	2019	2020	2021	2022	2023	2024E	2025E
<b>Revenue from operations</b>	<b>7,078</b>	<b>7,294</b>	<b>7,293</b>	<b>9,921</b>	<b>11,799</b>	<b>12,388</b>	<b>14,122</b>
Growth YoY (%)	16.44%	3.06%	-0.02%	36.04%	18.93%	5.00%	14%
<b>Total Expenditure</b>	<b>5,707</b>	<b>5,718</b>	<b>5,606</b>	<b>8,065</b>	<b>9,813</b>	<b>9,600</b>	<b>10,874</b>
(%) of sales	80.63%	78.39%	76.87%	81.29%	83.17%	77.49%	77%
<b>EBITDA</b>	<b>1,371</b>	<b>1,576</b>	<b>1,686</b>	<b>1,856</b>	<b>1,986</b>	<b>2,787</b>	<b>3,248</b>
EBITDA Growth (%)	2.24%	14.95%	6.98%	10.08%	7.00%	40.33%	16.54%
EBITDA Margin (%)	19%	22%	23%	19%	17%	22.50%	23%
Depreciation	133	170	201	240	270	272	300
<b>EBIT</b>	<b>1,238</b>	<b>1,406</b>	<b>1,485</b>	<b>1,616</b>	<b>1,716</b>	<b>2,515</b>	<b>2,948</b>
EBIT Growth (%)	1.39%	13.57%	5.62%	8.82%	6.19%	46.56%	17.22%
Net Interest Expenses	26	34	37	42	48	50	50
Other Income	130	97	74	39	55	120	220
<b>Earnings before Taxes</b>	<b>1,342</b>	<b>1,470</b>	<b>1,522</b>	<b>1,614</b>	<b>1,723</b>	<b>2,585</b>	<b>3,118</b>
EBT Margin (%)	18.96%	20.15%	20.87%	16.27%	14.60%	20.87%	22.08%
Tax-Total	414	348	396	407	434	646	780
Rate of tax (%)	31%	24%	26%	25%	25%	25%	25%
<b>Net Profit</b>	<b>928</b>	<b>1,122</b>	<b>1,126</b>	<b>1,207</b>	<b>1,289</b>	<b>1,939</b>	<b>2,339</b>
PAT Growth (%)	-3.93%	20.91%	0.36%	7.19%	6.79%	50.43%	20.63%
PAT Margin (%)	13.11%	15.38%	15.44%	12.17%	10.92%	15.65%	16.56%
Minority Interest	3.48	5.63	-5.08	-0.80	15.62	0.00	0.00
<b>Adjusted PAT</b>	<b>9,24.91</b>	<b>1,116.42</b>	<b>1,131.21</b>	<b>1,207.56</b>	<b>1,273.38</b>	<b>1,939</b>	<b>2,339</b>
<b>EPS</b>	<b>18.21</b>	<b>21.97</b>	<b>22.26</b>	<b>23.76</b>	<b>25.05</b>	<b>38.09</b>	<b>45.95</b>
EPS Growth (%)	-3.91%	20.65%	1.32%	6.74%	5.43%	52.06%	20.63%

#### Balance Sheet

Y/E March	2019	2020	2021	2022	2023
Equity Capital	51	51	51	51	51
Reserves	4,097	4,405	5,542	6,353	7,161
Borrowings	113	288	331	416	391
Other Liabilities	1,643	1,779	2,890	2,675	2,902
<b>Total Liabilities &amp; Equity</b>	<b>5,904</b>	<b>6,523</b>	<b>8,814</b>	<b>9,494</b>	<b>10,505</b>
Fixed Assets	1,448	1,807	4,418	4,703	4,914
CWIP	242	259	294	225	406
Investments	1,548	1,186	516	459	881
Other Assets	2,666	3,270	3,586	4,107	4,304
<b>Total Assets</b>	<b>5,904</b>	<b>6,523</b>	<b>8,814</b>	<b>9,494</b>	<b>10,505</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	13.1%	15.3%	15.4%	12.1%	10.9%
EBITDA margin (%)	21.4%	23.6%	24.1%	18.9%	17.2%
EBIT margin (%)	19.3%	20.6%	21.4%	16.7%	15.0%
ROE (%)	24.1%	26.2%	22.5%	20.2%	19.0%
ROCE (%)	34.3%	33.8%	29.9%	26.5%	25.2%
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	57.2	64.4	87.9	68.9	57.0
Inventory (Days)	44.8	46.6	54.1	53.8	54.3
Receivables (Days)	51.4	53.6	60.3	50.6	45.9
Current Ratio (x)	2.7	2.3	1.4	1.7	1.9
<b>Valuations Ratios</b>					
EV/sales (x)	8.9	9.3	12.5	12.5	10.1
EV/EBITDA (x)	41.6	39.6	52.1	66.2	58.7
P/E (x)	68.2	61.7	81.3	103.3	93.9
P/BV (x)	15.2	15.5	16.5	19.6	16.7
Dividend Yield (%)	0.52%	0.52%	0.47%	0.41%	0.47%
Return on Assets (%)	16.7%	18.0%	14.7%	13.2%	12.9%
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.03	0.04	0.04	0.05	0.02

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>CF from Operating activities (A)</b>	<b>845</b>	<b>1,280</b>	<b>1,392</b>	<b>955</b>	<b>1,558</b>
<b>CF from Investing Activities (B)</b>	<b>-513</b>	<b>103</b>	<b>-1,688</b>	<b>-558</b>	<b>-899</b>
<b>CF from Financing Activities (C)</b>	<b>-361</b>	<b>-849</b>	<b>-76</b>	<b>-468</b>	<b>-656</b>
Net Cash Flow	-29	533	-372	-71	2
Add: Opening Bal.	102.19	72.94	606.55	327.20	256.47
<b>Closing Balance</b>	<b>73.27</b>	<b>606.37</b>	<b>234.55</b>	<b>256.42</b>	<b>258.61</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
25 April 2024	Buy	3446

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