May 22, 2017

Rating matrix		
Rating	:	Buy
Target	:	₹ 827
Target Period	:	12 months
Potential Upside	:	12%

What's changed?	
Target	Changed from ₹ 775 to ₹ 827
EPS FY18E	Changed from ₹ 17.6 to ₹ 18.2
EPS FY19E	Changed from ₹ 20.0 to ₹ 21.2
Rating	Unchanged

Quarterly performance

	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	1,404.3	1,314.8	6.8	1,437.2	-2.3
EBITDA	257.9	238.2	8.3	290.9	-11.4
EBITDA (%)	18.4	18.1	25bps	20.2	-188bps
PAT	157.2	169.1	-7.0	202.6	-22.4

Key financials

₹ Crore	FY16	FY17E	FY18E	FY19E
Net Sales	5,702	6,062	6,714	7,774
EBITDA	1,173.5	1,259.8	1,351.5	1,559.8
Net Profit	807.2	863.2	933.9	1,086.8
EPS (₹)	15.7	16.8	18.2	21.2

Valuation summary

	FY16	FY17E	FY18E	FY19E
P/E	46.9	43.9	40.6	34.9
Target P/E	52.5	49.1	45.4	39.0
EV / EBITDA	31.8	29.0	26.9	23.1
P/BV	14.4	10.9	10.0	8.7
RoNW (%)	30.6	24.9	24.6	24.9
RoCE (%)	40.4	33.0	32.5	33.0

Stock data

Particular	Amount
Market Capitalization (₹ Crore)	37,884.1
Total Debt (FY17) (₹ Crore)	97.5
Cash and Investments (FY17) (₹ Crore)	90.4
EV (₹ Crore)	36,501.4
52 week H/L	782 / 764
Equity capital (₹ Crore)	51.3
Face value (₹)	1.0

Price performance

	1M	3M	6M	12M
Pidilite Industries	6.7	11.2	23.7	23.4
Asian Paints	7.0	16.8	23.7	17.3
Kansai Nerolac	6.6	18.4	28.9	42.4

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Pidilite Industries (PIDIND)

₹ 739

Consumer segment drives volume growth…

- Pidilite recorded sales growth of ~7% YoY in Q4FY17 supported by same amount of volume growth. The company's consumer & bazaar (C&B) segment recorded volume growth of 8% due to recovery in demand post demonetisation. However, muted performance of the industrial segment can attributable to change in product mix and no price hike which translated into muted realisation during the period. However, company recorded volume growth of ~5% in the industrial product category during Q4
- Despite higher raw material prices (as gross margin declined 90 bps YoY) EBITDA margin increased 25 bps YoY owing to other expenses and employee cost. PAT recorded a decline of ~7% YoY owing to higher tax incidence (expiry of tax benefits of some plants)
- We have modelled consolidated revenue, earnings CAGR of 13%, ~12%, respectively, for FY17-19E

Market leader in adhesive segment

Pidilite is a dominant play in India's adhesive market with a market share of ~70% in its leading brand categories (Fevicol) in the organised segment. The company's two major segments, consumer & bazaar (C&B) (product includes: Fevicol & M-seal) and speciality industrial chemical recorded sales CAGR of ~17% and ~11% (standalone), respectively, in FY11-16. The C&B segment growth came on the back of demand from the construction, repair & maintenance activities. We believe the segment is likely to record CAGR of 14% in FY17-19E on the back of rising penetration in smaller towns (population below 50,000), pick-up in construction activity in the country. Additionally, per capita consumption of adhesive and sealants in India have remained lower at 0.2 kg vs. 1.5 kg and 9.1 kg in China and US, respectively. We believe higher disposable income (due to Seventh Pay Commission) & implementation GST would help to boost the volume of adhesives segments in terms of higher expenditure towards house décor and reduction of tax arbitrage for the unorganised segment.

Revival in industrial activity to drive industrial chemical demand

Though consolidated sales CAGR of ~13% in FY16-19E (in line with historical average) would be largely led by C&B segment, we believe the industrial segment (contributes ~16% to topline) & its overseas subsidiaries performance will be boosted by rising government expenditure in various social & infrastructure schemes, going ahead. We model segment sales CAGR of 8% in FY17-19E led by demand recovery in various industries (e.g. textiles, leather, footwear, ink, packaging, etc).

Strong fundamentals justify higher valuation

We maintain our positive stance on the company as we believe that while the Indian economy is in a revival mode, Pidilite, being a strong brand in adhesive segment, is well positioned to capitalise on growth momentum. We also believe crude oil prices will remain at lower levels in the medium term, which will benefit the market leader as it is least likely to pass on the entire benefit of lower raw material prices. In addition, strong balance (zero debt, RoCE and RoE of 33% and 23%), average dividend payout of 36% and an efficient deployment of cash for inorganic growth would be an added advantage for Pidilite Industries. We have modelled revenue CAGR of ~13% in FY17-19E led by revenue CAGR of 14% from C&B segment. We reiterate our **BUY** recommendation on the stock with revised target price of ₹ 827/share.

Variance analysis

	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Revenue	1404.3	1336.7	1314.8	6.8	1437.2	-2.3	Post demonetisation, the company recorded sales growth of~7% owing to better-than-expected volume growth of 7% YoY. On the segment front, C&B segment recorded volume growth of 8% YoY while industrial segment volume growth were ~5% YoY. Change in product mix coupled with no price hike during Q4FY17 hit the overall realisatiion
Other Income	28.6	25.7	25.7	11.3	27.2	4.9	Sharp growth in other income was led by income from investment
Raw Material Exp	519.6	462.6	475.3	9.3	525.3	-1.1	Decline in gross margin by ~90 bps YoY was mainly due to rise in input prices during the period
Employee Exp	161.3	165.9	146.7	9.9	165.3	-2.4	
Admin & Other exp	269.0	353.7	297.0	-9.4	253.6	6.1	Lower advertisement and promotional cost during Q4, led to decline in admin & other expenses during the period
Purchase of Traded goods	87.7	100.5	77.8	12.7	99.3	-11.7	
Total Expenditure	1146.5	1082.8	1076.7	6.5	1146.3	0.0	
EBITDA	257.9	253.9	238.2	8.3	290.9	-11.4	
EBITDA Margin (%)	18.4	19.0	18.1	25 bps	20.2	-188 bps	Rise in raw material prices was offset by saving in employee cost and other expenses. As a result, the EBITDA margin increased by 25 bps YoY
Depreciation	29.6	37.5	26.7	10.9	29.5	0.3	
Interest	4.8	5.6	3.2	51.7	3.0	62.0	
Exceptional items	0.0	0.0	0.0		4.3		
PBT	252.0	236.4	234.0	7.7	281.4	-10.4	
Total Tax	97.1	70.0	66.5	46.0	79.3	22.5	
PAT	157.2	167.8	169.1	-7.0	202.6	-22.4	Increase in EBITDA margin was offset by higher tax incidences (as some manufacturing units came out from tax benefit criteria)
Key Metrics							
Consumer & Bazaar	1,157.9	1,094.4	1,076.4	7.6	1,218.6	-5.0	Post demonetisation, while realisation growth remained muted the company recorded volume growth of ~8% YoY
Industrial	254.1	242.8	251.0	1.2	218.1	16.5	Industrial segment sales recorded volume growth of 5.2% YoY while realisation remained under pressure
Others	13.6	9.3	9.2	48.9	12.6	8.3	

*Source: Company, ICICIdirect.com Research, * not adjusted with new accounting standard*

Change in estimates

(₹ Crore)	FY18E			FY19E			Comments
	Old	New	% Chg	Old	New	% Chg	
Revenue	6,889.1	6714.2	(2.5)	8,016.2	7774.3	(3.0)	We believe in the short-term implementation of GST would benefit end customers (owing to lower tax incedences) as the company has to pass on the benefits. However, for long term, consolidated revenue is expected to record CAGR of ~13% driven by C&B and industrial segment revenue CAGR of ~14% and ~8% for FY17-19E, respectively
EBITDA	1,372.8	1351.5	(1.6)	1,538.6	1559.8	1.4	
EBITDA Margin (%)	19.80	20.1	33bps	19.1	20.1	96bps	We expect the EBITDA margin to remain higher from FY15 as the company is likely to pass on any price rise (of raw material) to end users. In addition, in the long term, shift in demand from unorganised to organised category would drive profitability of the company
PAT	902.2	933.9	3.5	1027.5	1086.8	5.8	We have modelled PAT CAGR of ~12% for FY17-19E owing to sales growth in expansion in EBITDA margin. However, higher tax outgo (due to end of tax benefits in some of its plants) would restrict a sharp movement in profitability
EPS (₹)	17.6	18.2	3.5	20.0	21.2	5.8	

Source: Company, ICICIdirect.com Research

Assumptions

	Current				Earlier		Comments
	FY16	FY17E	FY18E	FY19E	FY18E	FY19E	
Consumer & Bazaar (%)	19.4	6.8	11.0	17.5	17.3	17.6	We believe the consumer & bazaar segment and industrial segment will record ~14% and 8% sales CAGR in FY17-19E, respectively. Sales growth would largely be driven by volume growth while growth in realisation would largely driven by price hike (to offset the higher raw material prices)
Industrial Growth (%)	8.8	1.8	9.5	6.3	11.6	9.5	
Others Growth (%)	2.9	5.5	10.7	16.3	18.1	16.3	

Source: Company, ICICIdirect.com Research

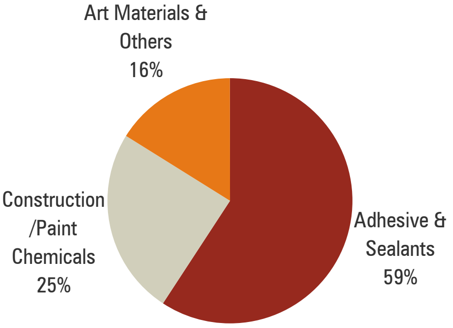
Company Analysis

Market leader in adhesive segment

During Q4FY17, the C&B segment recorded sales growth of 7.6% mainly supported by ~8% YoY volume growth in Q4

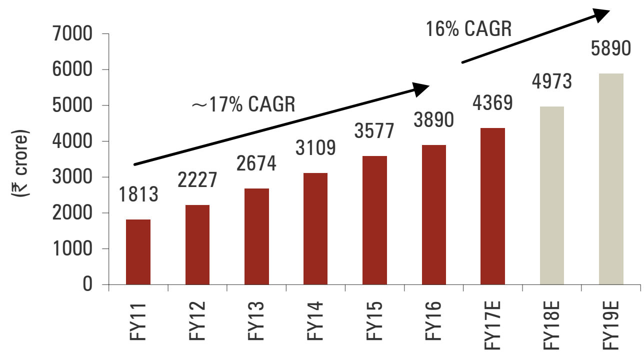
Pidilite Industries (Pidilite) is a dominant play in India's growing adhesive and industrial chemical market with a market share of ~70% in its leading brand categories in the organised segment. The company's two major segments, consumer & bazaar (C&B) and speciality industrial chemical reported growth at a CAGR of ~17% and ~11% (standalone), respectively, in FY10-16. The C&B segment contributes ~82% of Pidilite's standalone revenue. This segment has grown mainly driven by the adhesive and sealants segments, which contributed over 50% to the company's C&B segment revenue. Among other sub-segments, construction & paint chemicals and art material contribute 19% and ~12%, respectively, to the topline. The C&B segment sales growth is largely driven by the company's pricing power in the branded product category (Fevicol, M-Seal, Dr Fixit), resulting in margin expansion. We believe the segment growth is largely driven by construction, repair and maintenance works (Fevicol, M-seal, Dr Fixit are promoted in such a way). Hence, consolidated sales growth in the consumer & bazaar is expected to take place at ~16% CAGR in FY17-19E, on the back of an increase in penetration in smaller towns (population below 50,000). Additionally, per capita consumption of adhesive and sealants in India have remained lower at 0.2 kg vs. 1.5 kg and 9.1 kg in China and US, respectively. We believe higher disposable income (due to implementation of the Seventh Pay Commission) and GST would help boost the volume of adhesives segments in terms of higher expenditure towards house décor and reduction of tax arbitrage for the unorganised segment.

Exhibit 1: C&B segment revenue contribution



Source: Company, ICICIdirect.com Research

Exhibit 2: Standalone C&B segment may see 15% revenue CAGR in FY17-19E



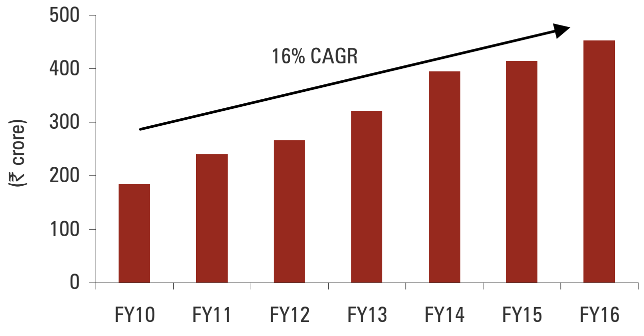
Source: Company, ICICIdirect.com Research

Revival in industrial activity to drive speciality chemical demand

During Q4FY17, muted growth in sales of industrial segment was largely due to lower realisation. However, company recorded volume growth of 5.2% YoY. We have modelled revenue CAGR of ~8% for industrial products considering a further improvement in industrial activity for FY17-19E

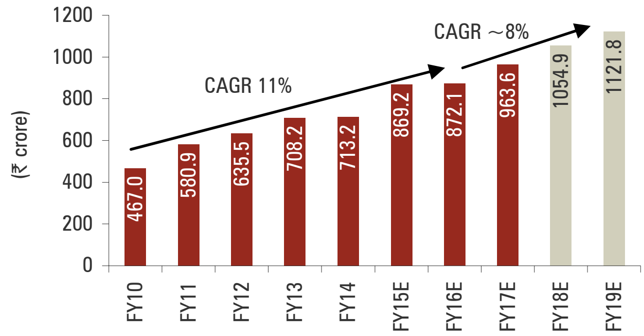
The specialty industrial segment contributes ~18% to standalone revenue. This segment has grown at ~11% CAGR in FY10-16 mainly driven by growth in demand from packaging, cigarettes, stickers, labelling, footwear, etc. The specialty industrial segment has major three sub-segments: industrial adhesive, industrial resins and organic pigments & preparations. The specialty industrial chemical export revenue (contributes ~8% to topline) recording ~16% CAGR in the last five years. This segment caters to various industries (e.g. textiles, leather, footwear, ink, packaging, etc). We have modelled revenue CAGR of ~8% for industrial products (in line with historical growth rate) in FY17-19E, considering a further improvement in industrial activity led by strong growth in industrial adhesives & resins.

Exhibit 3: Export revenues post ~16% CAGR in FY10-16



Source: Company, ICICIdirect.com Research

Exhibit 4: Growth in revenue of specialty industrial chemicals segment



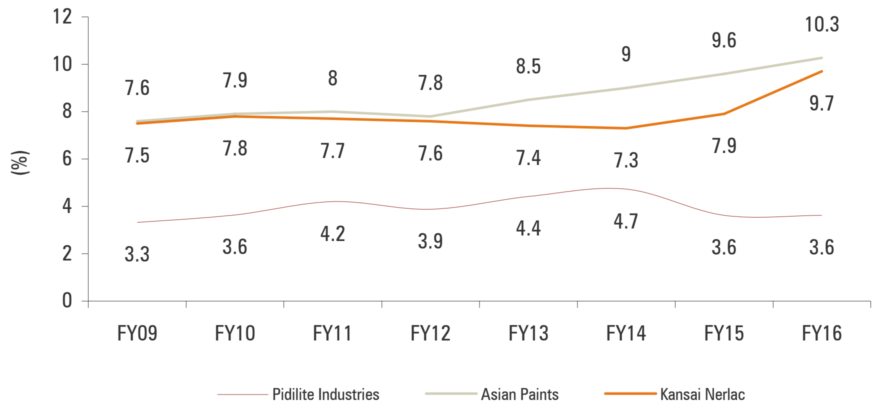
Source: Company, ICICIdirect.com Research

Strong brand: More of consumer pull model

Pidilite Industries is one of the well-known adhesive companies in India for the quality and reach to end-users. Fevicol, the legacy brand of the company, is a generic name in the adhesive category in India. Currently, the flagship brands of the company like Fevicol and M-Seal have a market share of ~70% each in the domestic market. Pidilite's relentless focus on building a strong consumer brand through various ad campaigns differentiates it from its peers. This has helped the company to extend its presence in more consumer centric segments such as automotive and art materials to build a strong relationship with the end user. The company has introduced a direct marketing strategy to reach and educate carpenters about the use of a quality product in their work. Also, Pidilite's simple and creative TV ad campaigns (like "*Fevicol ka mazboot jod hai tutega nahi*") attracted many viewers and, thus, reached the masses. Despite the strong brand, the company has kept its marketing and selling expenses at 4.5% of sales to gain market share.

Pidilite has consistently invested in brand building through advertising campaigns (~4.5% of sales in the last three years). The company has maintained its advertisement expenses at 4% of sales during FY16

Exhibit 5: Keeps marketing & selling expenses at ~4-5% of sales

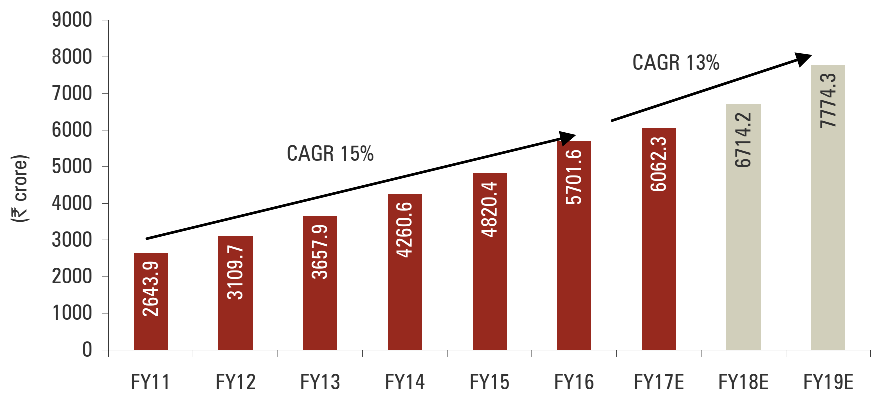


Source: Company, ICICIdirect.com Research

Domestic business to drive consolidated topline

On a consolidated basis, we believe consolidated sales will record CAGR of ~13% YoY in FY17-19E supported by C&B revenue CAGR of 14%. The industrial division is expected to record sales CAGR of ~8% in FY17-19E. We have kept our revenue estimate in line with the historical performance considering the change in product mix while the company is likely to pass on higher raw material prices to customers. We expect the domestic business to continue recording volume growth mainly due to sustained demand from Tier II & Tier III cities and its foreign subsidiaries (due to inorganic growth).

Exhibit 6: Revenue growth led by C&B segment



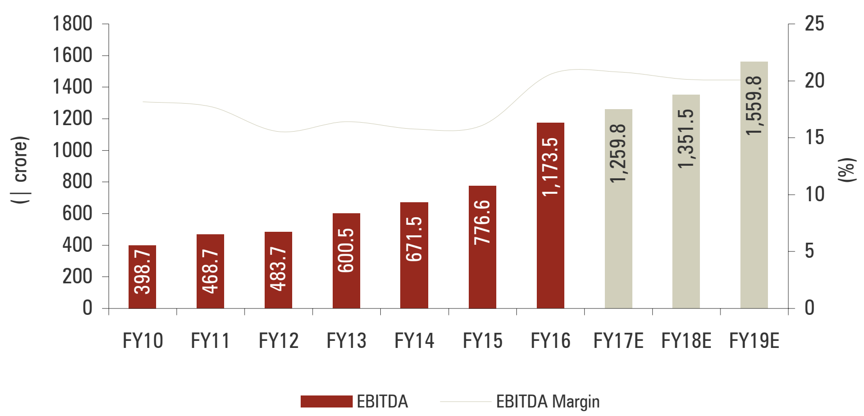
Source: Company, ICICIdirect.com Research

Price hike to offset higher raw material price to drive margin

Despite lower gross margin, the EBITDA margin improved ~25 bps YoY largely on account lower employee cost and other expenditure. In addition, the company guided that VAM prices are stabilising. We believe, company would pass on higher raw material prices (by taking price hike) which would drive the EBITDA margin, going forward

FY16 proved to be a strong year for the company in terms of expansion in EBITDA margin due to benign raw material prices. However, stabilisation in raw material prices (largely VAM prices accounting for ~15% of total raw material cost) would not hurt brand like Pidilite, as the company is likely to pass on the higher raw material cost to customers. As a result, the EBITDA margin is likely to sustain at higher level.

Exhibit 7: Pidilite to pass on higher raw material prices by taking price hike



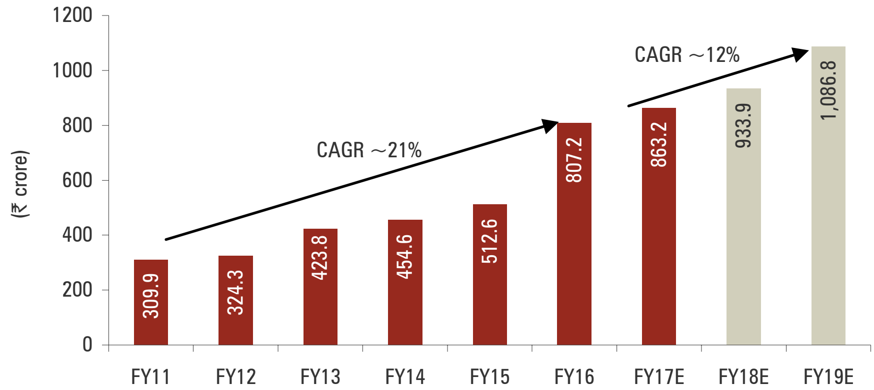
Source: Company, ICICIdirect.com Research

We believe the bottomline of the company will grow at ~12% CAGR in FY17-19E

Higher sales growth to drive PAT at 12% CAGR for FY17-19E

Revenue growth coupled with the company's strategy to pass on higher raw material prices to customers would help sustained EBITDA margin. Despite the higher tax outgo (due to the end of tax holidays of some plants) we believe there will be a PAT CAGR of 12% led by sales CAGR of ~13% in FY17-19E supported by higher other income (due to higher treasury income) and lower interest outgo.

Exhibit 8: Net sales growth to drive PAT growth



Source: Company, ICICIdirect.com Research

Annual report (FY16) key takeaways

- Pidilite spent ₹ 134.4 crore on fixed assets for various manufacturing units, offices, laboratories, warehouses & on IT
- The company has made several attempts in the past few years to find a strategic partner for the Synthetic Elastomer Project. While several parties have shown interest, discussions have not yet progressed sufficiently. The management intends to intensify its efforts in search of a strategic partner in coming years. The company also intends to utilise its Dahej site for manufacturing adhesives and other products for the export market
- As part of greenfield expansion, two new manufacturing facilities at Maharashtra to produce electrical insulation tapes and Fevicol range of products, were commissioned in FY16. The company has also enhanced the manufacturing capacity of its two plants in Himachal Pradesh
- During FY16, it invested ₹ 109 crore in subsidiaries. Of these, ₹ 41 crore was invested in overseas subsidiaries and ₹ 68 crore was invested in domestic subsidiaries
- Investments in domestic subsidiaries were mainly in Nina Waterproofing Systems Pvt Ltd (₹ 61crore) and Building Envelope Systems India Ltd (₹ 6.5 crore)
- The company made an impairment provision of ₹ 27 crore towards its investment in Pulvitec, the Brazilian subsidiary
- On a YoY basis, the performance of overseas subsidiaries has shown an improvement as revenue of overseas subsidiaries grew 22% while EBITDA grew 170% YoY in the same period

Exhibit 9: Historical performance of overseas subsidiaries

Revenue (₹ crore)	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
North America	127.6	155.2	185.4	206.0	253.5
South America	126.1	124.2	123.6	127.5	101.6
SAARC					82.1
South East Asia	42.2	58.3	81.6	93.3	55.2
Middle East & Africa	29.1	29.3	34.6	62.7	104.8
Total Revenue	325.0	367.0	425.1	489.5	597.2
EBITDA (₹ crore)	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
North America	6.2	5.4	9.9	9.9	23.0
South America	-9.3	-15.1	-14.1	-8.6	-1.6
SAARC					16.1
South East Asia	4.5	8.6	13.7	16.3	11.0
Middle East & Africa	-4.9	-2.1	-5.1	-4.9	-13.9
Total EBITDA	-3.6	-3.3	4.4	12.8	34.6
EBITDA Margin (%)	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
North America	4.9	3.5	5.4	4.8	9.1
South America	-7.4	-12.2	-11.4	-6.8	-1.6
SAARC	NA	NA	NA	NA	19.6
South East Asia	10.7	14.7	16.8	17.5	19.9
Middle East & Africa	-17.0	-7.2	-14.9	-7.7	-13.3
Overall EBITDA margin	-1.1	-0.9	1.0	2.6	5.8

Source: Company, ICICIdirect.com Research

- As part of the inorganic expansion, Pidilite Lanka Pvt Ltd acquired the business and brand of Chemifix from CIC Sri Lanka in November 2015. Chemifix is a leader in water based adhesives in Sri Lanka and is widely used in stationary, wood working & industrial application. Pidilite (parent) has invested ₹ 10.5 crore in Pidilite Lanka Pvt Ltd as on March 31, 2016
- Prices of major raw materials and packing material were lower in FY16 primarily due to a sharp decline in crude prices. Going forward, a marginal increase in costs is expected
- Three manufacturing units in Himachal Pradesh and one manufacturing unit in Assam enjoyed exemption from excise duty and income tax. One of these units in Himachal Pradesh will be completing its income tax holiday period in FY17

Outlook and valuation

We believe the company has witnessed sustainable revenue and earnings growth at a CAGR of 15% and 20%, respectively, in FY11-16 on the back of product demand in the fields of art & craft along with interior decoration trends in domestic households. Despite a heavy fall in raw material prices, the company has not taken a price cut (barring few products) and held prices. This clearly indicates the company's strong foothold in the domestic adhesive market. Further, almost zero debt position of the company translates into interest cost saving, which will help drive its bottomline.

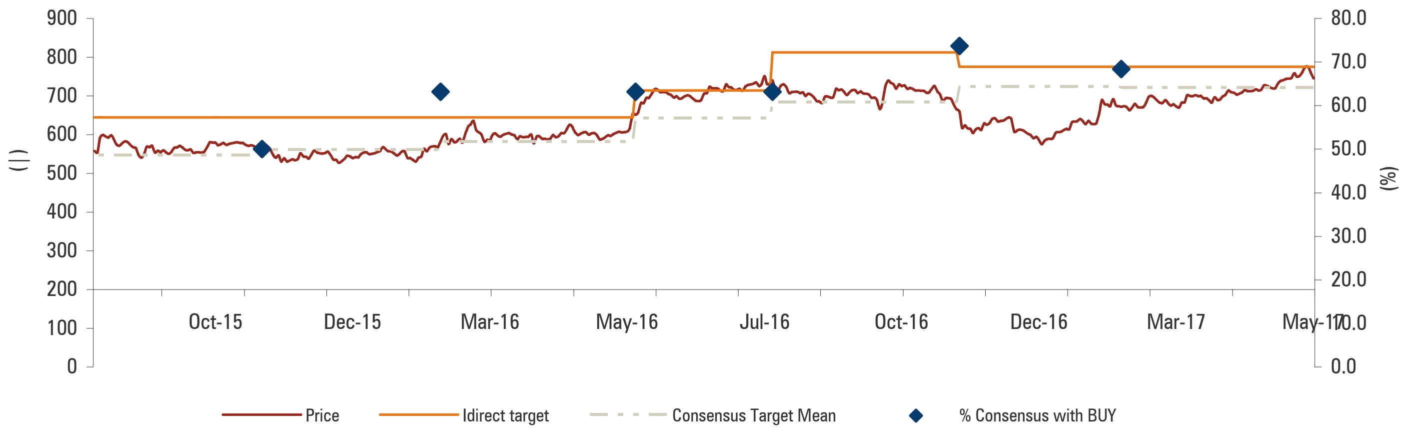
We have modelled revenue CAGR of ~13% in FY17-19E led by revenue CAGR of 14% from C&B segment. We do not see a sharp movement in EBITDA margins due to up tick in raw material prices. However, the company is likely to pass on rising raw material prices to its customers. We maintain our positive stance on the company as we believe that while the Indian economy is in a revival mode, Pidilite, being a strong brand in the adhesive segment, is well positioned to capitalise on growth momentum. We also believe crude oil prices will remain at lower levels in the medium term, which will benefit the market leader as it is least likely to pass on the entire benefit of lower raw material prices. In addition, strong balance (zero debt, RoCE and RoE of 33% and 23%, respectively), average dividend payout of 36% and an efficient deployment of cash for inorganic growth would be an added advantage for Pidilite industries. We reiterate our **BUY** recommendation on the stock with revised target price of ₹ 827/share.

Exhibit 10: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY16	5701.6		15.7		47.5	32.2	30.6	40.4
FY17E	6062.3	6.3	16.8	6.9	44.4	29.3	24.9	33.0
FY18E	6714.2	10.8	18.2	8.2	41.1	27.2	24.6	32.5
FY19E	7774.3	15.8	21.2	16.4	35.3	23.3	24.9	33.0

Source: Company, ICICIdirect.com Research

Recommendation history vs. consensus



Source: Bloomberg, Company, ICICIdirect.com Research

Key events

Date	Event
Apr-09	Repurchase of FCCBs of US$40 million issued in December, 2007
Jan-10	Announcement of bonus issue 1:1
Feb-11	Company records strong earnings growth of 25% YoY in Q3FY11
May-12	Strong Q4FY12 performance, standalone net profit increased 143% YoY led by saving in interest cost
Jul-12	Forms JV agreement with hybrid coatings for manufacture of construction chemicals and to establish a JV company in India for this purpose
Dec-12	Redeems outstanding FCCB of US$28.57 million with the premium of 39.4%
Jan-13	Strong Q3FY13 performance wherein overseas subsidiaries saw a sharp 15% YoY growth in terms of constant currency and saving in interest cost
Aug-13	Acquisition of adhesive business of Suparshva Adhesives
Oct-13	Company records overall volume growth of ~17% YoY in Q2FY14 led by sharp volume rise in industrial segments by ~22% YoY
Dec-13	Redeems outstanding 600 NCDs aggregating to ₹ 60 crore on maturity date
Sep-14	Acquisition of adhesive business of Bluecoat Pvt Ltd
Mar-15	Acquires 70% stake Nina Water proofing System Pvt Ltd

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	n Change (m)
1	Parekh (Madhukar Balvantray)	31-Mar-17	10.4	53.3	-2.9
2	Parekh (Narendrakumar Kalyanji)	31-Mar-17	10.1	51.7	-0.3
3	Parekh (Ajay Balvantray)	31-Mar-17	9.4	47.9	-0.6
4	Parekh (Sushil Kumar Kalyanji)	31-Mar-17	8.3	42.4	0.0
5	Devkalyan Sales Pvt. Ltd.	31-Mar-17	5.1	26.2	0.0
6	Ishijas Chemical Pvt. Ltd.	31-Mar-17	4.8	24.6	0.0
7	Genesis Investment Management, LLP	31-Mar-17	2.9	15.0	-1.0
8	Life Insurance Corporation of India	31-Mar-17	2.9	14.8	1.3
9	Harton Pvt. Ltd.	31-Mar-17	2.4	12.4	0.0
10	Vaccum Forming Company Pvt. Ltd.	31-Mar-17	2.2	11.5	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Mar-17	Jun-17	Sep-17	Dec-17	Mar-17
Promoter	69.6	69.6	69.6	69.6	69.6
FII	13.3	14.0	13.6	12.8	12.1
DII	6.3	6.0	5.9	6.3	6.6
Others	10.8	10.4	11.0	11.3	11.7

Recent Activity

Buys			Sells		
Investor name	Value(m)	Shares(m)	Investor name	Value(m)	Shares(m)
Shah (Prakash)	45.3	4.2	Parekh (Madhukar Balvantray)	-31.3	-2.9
Parekh (Apurva N)	35.2	3.3	Parekh (Mala Madhukar)	-16.6	-1.5
Thakker (Bajaj Viral)	17.4	2.0	Genesis Investment Management, LLP	-11.0	-1.0
Capital World Investors	14.3	1.3	Parekh (Mrudula S)	-8.7	-0.8
Life Insurance Corporation of India	13.9	1.3	Parekh (Ajay Balvantray)	-5.9	-0.6

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement			₹ Crore	
(Year-end March)	FY16	FY17E	FY18E	FY19E
Total Operating Income	5701.6	6062.3	6714.2	7774.3
Growth (%)		6.3	10.8	15.8
Raw Material Expenses	2584.7	2639.6	2994.4	3471.3
Employee Expenses	572.2	645.3	695.4	806.9
Marketing Expenses	193.2	201.7	248.7	286.5
Other Expenses	837.7	870.5	938.8	1085.3
Total Operating Expenditure	4528.1	4802.5	5362.7	6214.5
EBITDA	1,173.5	1,259.8	1,351.5	1,559.8
Growth (%)		7.4	7.3	15.4
Other Income	77.8	112.3	123.2	143.2
Interest	13.3	13.9	18.7	8.1
PBDT	1238.0	1358.1	1456.0	1694.9
Depreciation	100.5	115.1	127.5	147.7
Less: Exceptional Items	0.0	0.0	0.0	0.0
Total Tax	333.5	385.1	399.9	465.7
Minority Interest	0.0	0.0	0.0	0.0
Profit from Associates	3.2	5.3	5.3	5.3
PAT	807.2	863.2	933.9	1086.8
Growth (%)		6.9	8.2	16.4
EPS (₹)	15.7	16.8	18.2	21.2

Source: Company, ICICIdirect.com Research

Cash flow statement				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Profit after Tax	807.2	863.2	933.9	1086.8
Depreciation	100.5	115.1	127.5	147.7
CF bef working cap chan	921	992	1080	1243
Net Inc in Current Assets	-143.9	-194.3	-191.2	-304.1
Net Inc in Current Liab.	-54.2	92.7	103.5	168.3
Net CF from Op activities	722.9	890.7	992.4	1106.9
(Purchase)/Sale of FA	156.2	-242.2	-150.0	-200.0
Increase/decrease in other investmer	233.2	83.4	-50.0	-50.0
Others	-634.0	-737.5	-98.0	-198.0
Net CF from Inv Activities	-244.5	-896.4	-298.0	-448.0
Inc / (Dec) in Equity Capital	0.0	0.0	0.0	0.0
Inc / (Dec) in Loan Funds	21.6	17.5	0.0	0.0
Total Outflow of dividend	-256.1	-293.1	-524.5	-524.5
Others	-197	249	-98	-8
Net CF from Fin. Activities	-431.5	-26.7	-622.4	-532.6
Net Cash flow	46.9	-32.4	72.0	126.3
Cash and Cash Equi beg.	76.0	122.8	90.4	162.5
Cash	122.8	90.4	162.5	288.7

Source: Company, ICICIdirect.com Research

Balance sheet			₹ Crore	
(Year-end March)	FY16	FY17E	FY18E	FY19E
Equity Capital	51.3	51.3	51.3	51.3
Reserve and Surplus	2586.7	3419.6	3749.9	4312.2
Total Shareholders funds	2638.0	3470.9	3801.1	4363.5
Total Debt	80.0	97.5	97.5	97.5
Deferred Tax Liability	80.4	91.5	91.5	91.5
Minority Interest	43.4	127.3	129.3	131.3
Total Liabilities	2849.2	3811.6	4143.9	4708.2
Assets				
Total Gross Block	1937.3	2189.8	2339.8	2539.8
Less acc depreciation	933.3	1048.4	1175.9	1323.6
Net Block	1004.0	1141.4	1163.9	1216.2
Total Fixed Assets	1162.1	1289.1	1311.6	1364.0
Other Investments	136.7	53.3	103.3	153.3
Goodwill on consolidation	133.4	133.83	133.83	133.83
Inventory	627.4	720.9	798.4	937.2
Debtors	701.6	768.5	864.6	1001.1
Loans and Advances	11.8	13.0	14.4	16.7
Other Current Assets	118.6	151.3	167.6	194.0
Cash	122.8	90.4	162.5	288.7
Total Current Assets	1582.2	1744.1	2007.4	2437.7
Total Current Liabilities	869.8	962.5	1066.0	1234.4
Net Current Assets	712.4	781.6	941.4	1203.4
Total Assets	2849.1	3811.6	4143.9	4708.3

Source: Company, ICICIdirect.com Research

** not adjusted with new accounting standard*

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Per Share Data				
EPS	15.7	16.8	18.2	21.2
Cash EPS	17.7	19.1	20.7	24.1
BV	51.5	67.7	74.1	85.1
DPS	5.0	5.7	10.2	10.2
Operating Ratios				
EBITDA Margin	20.6	20.8	20.1	20.1
PAT Margin	14.2	14.2	13.9	14.0
Return Ratios				
RoE	30.6	24.9	24.6	24.9
RoCE	40.4	33.0	32.5	33.0
RoIC	49.1	47.5	46.6	47.7
Valuation Ratios				
EV / EBITDA	32.2	29.3	27.2	23.4
P/E	47.5	44.4	41.1	35.3
EV / Net Sales	6.6	6.1	5.5	4.7
Market Cap / Sales	6.7	6.3	5.7	4.9
Price to Book Value	14.5	11.0	10.1	8.8
Turnover Ratios				
Asset turnover	2.0	1.6	1.6	1.7
Debtor Days	44.9	46.3	47.0	47.0
Creditor Days	23.9	23.5	23.5	23.5
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.5	3.8	3.8	3.8
Quick Ratio	2.0	2.1	2.2	2.2

Source: Company, ICICIdirect.com Research

ICICIdirect.com coverage universe (Consumer Discretionary)

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY17E	EPS (₹) FY18E	EPS (₹) FY19E	P/E (x) FY17E	P/E (x) FY18E	P/E (x) FY19E	EV/EBITDA (x) FY17E	EV/EBITDA (x) FY18E	EV/EBITDA (x) FY19E	RoCE (%) FY17E	RoCE (%) FY18E	RoCE (%) FY19E	RoE (%) FY17E	RoE (%) FY18E	RoE (%) FY19E
Asian Paints (ASIPAI)	1,156	1,204	Hold	110,884	21.0	23.4	27.4	55.0	49.4	42.2	36.2	33.7	28.2	33.2	30.6	31.2	26.5	25.8	26.1
Bajaj Electricals (BAJELE)	353	280	Hold	3,521	10.0	13.6	16.4	35.3	25.9	21.5	15.4	13.4	11.6	24.0	25.1	25.6	12.2	14.8	15.7
Havells India (HAVIND)	510	570	Buy	31,819	8.6	12.1	15.7	59.0	42.1	32.4	36.5	28.2	22.5	23.0	26.5	28.0	17.4	21.2	22.5
Kansai Nerolac (KANNER)	427	445	Buy	23,012	9.4	10.0	11.5	45.5	42.5	37.1	29.4	27.6	23.8	26.2	26.6	27.0	18.0	18.5	18.7
Pidilite Industries (PIDIND)	739	827	Buy	37,884	16.8	18.2	21.2	43.9	40.6	34.9	29.0	26.9	23.1	33.0	32.5	33.0	24.9	24.6	24.9
Essel Propack (ESSPRO)	266	270	Hold	4,178	12.1	14.2	17.4	21.9	18.8	15.3	10.6	8.9	7.5	15.8	18.0	19.7	13.9	15.3	16.4
Supreme Indus (SUPIND)	1,200	1,285	Buy	15,243	33.7	36.6	43.7	35.6	32.8	27.5	20.2	17.9	15.2	30.0	32.6	35.1	25.3	26.5	27.7
Symphony (SYMLIM)	1,453	1,623	Buy	10,165	23.7	33.4	42.1	61.4	43.6	34.5	50.4	34.2	26.7	48.4	50.6	56.2	36.1	38.3	42.3
V-Guard Ind (VGUARD)	216	151	Hold	9,145	3.8	4.2	5.1	57.0	51.6	42.8	40.9	37.0	30.6	34.8	30.7	30.6	26.5	23.6	23.8
Voltas Ltd (VOLTAS)	434	400	Buy	14,354	14.7	16.5	19.0	29.6	26.3	22.8	25.2	22.1	18.5	23.8	23.9	24.5	18.3	18.4	18.9

Source: Company, ICICIdirect.com Research

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