

June 18, 2020

## Q4FY20 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	HOLD		HOLD	
Target Price	1,317		1,327	
Sales (Rs. m)	62,167	73,393	62,167	73,393
% Chng.	-	-	-	-
EBITDA (Rs. m)	15,262	18,343	15,262	18,343
% Chng.	-	-	-	-
EPS (Rs.)	22.8	27.9	23.3	27.9
% Chng.	(2.2)	-	-	-

### Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	60,947	63,326	62,167	73,393
EBITDA (Rs. m)	12,919	14,836	15,262	18,343
Margin (%)	21.2	23.4	24.6	25.0
PAT (Rs. m)	9,794	11,609	11,566	14,197
EPS (Rs.)	19.3	22.9	22.8	27.9
Gr. (%)	2.5	18.5	(0.4)	22.7
DPS (Rs.)	6.0	13.5	7.0	9.0
Yield (%)	0.4	1.0	0.5	0.6
RoE (%)	25.3	26.8	23.0	23.3
RoCE (%)	30.8	31.4	27.3	27.2
EV/Sales (x)	11.4	11.0	11.0	9.3
EV/EBITDA (x)	53.7	46.8	45.0	37.2
PE (x)	72.2	60.9	61.1	49.8
P/BV (x)	16.9	15.8	12.6	10.8

### Key Data

### PIDI.BO | PIDI IN

52-W High / Low	Rs.1,710 / Rs.1,168
Sensex / Nifty	34,208 / 10,092
Market Cap	Rs.707bn/ \$ 9,281m
Shares Outstanding	508m
3M Avg. Daily Value	Rs.2725.37m

### Shareholding Pattern (%)

Promoter's	69.92
Foreign	11.50
Domestic Institution	7.90
Public & Others	10.68
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.6	1.9	12.4
Relative	(9.1)	23.8	28.3

### Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

### Charmi Mehta

charmimehta@plinida.com | 91-22-66322256

### Heet Vora

heetvora@plindia.com | 91-22-66322381

## Demand Tepid, Input costs drive margins

### Quick Pointers:

- 4Q20 Consumer & bazaar volumes declined 3.1% and Industrial Products volumes declined 4.5%, overall volumes and mix decline was 4.2%.
- VAM prices down 19.8% YoY, demand environment uncertain

**We retain our hold rating on the stock despite near term demand pressures due to COVID19 and little construction/wood work activity given strong business moat and sustained investment behind categories of future like 1) waterproofing and construction chemicals 2) Wood coatings 3) Industrial floorings and 4) stake in Tenex India Stone Products. PIDI has also acquired 2.4% stake in Papperfry, which will open new growth opportunities for its products and can have larger implications, in our view. While Benign VAM prices will help prevent sharp margin erosion, expect 1H21 to show steep decline in sales and profitability. We estimate 11.2% PAT CAGR over FY20-22 and value the stock at Rs1317 based on SOTP (45x FY22 to standalone business). Retain HOLD, expect returns to be back ended.**

**Domestic volumes down 4.2%:** Net sales decreased 4.4% to Rs 13.18bn (est Rs 13.13bn), volumes declined 4.2% on account of 3.1% decline in consumer bazaar and 4.5% in industrial volumes. Sales growth reduced from 9.6% as on 21st March 20 to -4.4% on account of nationwide lockdown. Gross margins at 55.9% increased 460bps YoY and 195bps QoQ due to softening in VAM prices. EBITDA increased 8.9% to Rs2.85bn (est Rs2.82bn). Margins expanded 260bps YoY to 21.6% (est 21.5%) on account of expansion in GRM which was partially offset by increased other expenses. Adj. PAT declined 19.1% to Rs1.97bn (est Rs2.16bn) due to decrease in other income by 68.5% and increase in tax rate from 14% to 25%.

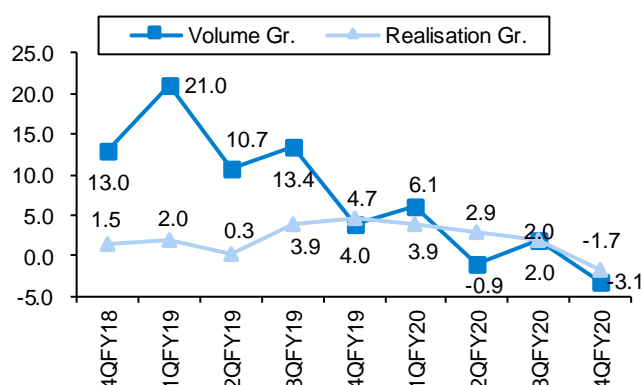
**Consumer and Bazaar** EBIT declined 0.4% to Rs2.83bn and sales decreased by 4.8% on 3.1% decline in Volume and mix. Industrial Products sales decreased 3.7% on a 4.5% decline in volume and mix, however EBIT grew by 44.5% on account of low material cost. Subsidiaries: Imputed sales decreased 13.1% to Rs2.26bn and EBITDA declined 7% to Rs 157mn however margins increased by 50bps.

**Concall Takeaways:** 1) Demand revival will be driven by Rural and Semi urban areas which account for ~30-35% of revenues 2) Feviquik and M-seal are growing faster on account of increased in-home consumption 3) VAM prices have fallen to \$650-\$700/MT on lower demand but are unlikely to sustain 4) Average cost of VAM for the quarter stood at ~\$850, Pidilite maintains three months' inventory 5) Despite large construction slowing down, impact on the business will be lower as majority of the business in construction comes from individual construction/repair, which has resumed. 6) There has been a shortage of Carpenters and Masons due to labor migration but expect labor to return as demand revives. 8) Several cost rationalization measures like lower Ad spends, deferral of salary increments and Capex have been taken to conserve cash 10) Investment in Papperfry (2.4%) is a strategic investment which will help in sale of company's products and allow collaboration to understand the evolution in online furniture business.

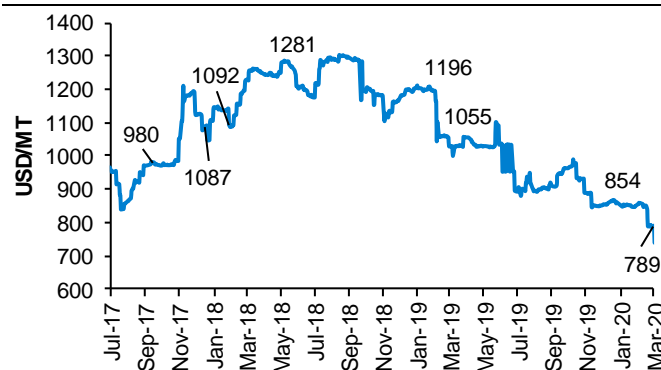
**Exhibit 1: Standalone Revenue down 4.4%, EBITDA margins expand 260 bps; Adj. PAT down 19.1% on higher tax rate**

Standalone	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
<b>Net Revenue</b>	<b>13,186</b>	<b>13,790</b>	<b>(4.4)</b>	<b>16,634</b>	<b>63,328</b>	<b>60,945</b>	<b>3.9</b>
Gross Profit	7,373	7,070	4.3	8,976	33,964	30,301	12.1
<i>Margin (%)</i>	<i>55.9</i>	<i>51.3</i>		<i>54.0</i>	<i>53.6</i>	<i>49.7</i>	
Other Expenditure	4,521	4,451	1.6	4,682	19,128	17,382	10.0
<b>EBITDA</b>	<b>2,852</b>	<b>2,619</b>	<b>8.9</b>	<b>4,294</b>	<b>14,836</b>	<b>12,919</b>	<b>14.8</b>
<i>Margin (%)</i>	<i>21.6</i>	<i>19.0</i>		<i>25.8</i>	<i>23.4</i>	<i>21.2</i>	
Depreciation	357	298	19.6	318	1,258	998	26.0
Interest	37	19	100.0	34	134	71	87.7
Other Income	165	525	(68.5)	391	1,519	1,915	(20.7)
<b>PBT</b>	<b>2,624</b>	<b>2,828</b>	<b>(7.2)</b>	<b>4,334</b>	<b>14,963</b>	<b>13,765</b>	<b>8.7</b>
Tax	657	396	66.0	1,030	3,353	3,970	(15.5)
<i>Tax rate (%)</i>	<i>25.0</i>	<i>14.0</i>		<i>23.8</i>	<i>22.4</i>	<i>28.8</i>	
<b>Adj PAT</b>	<b>1,967</b>	<b>2,432</b>	<b>(19.1)</b>	<b>3,304</b>	<b>11,609</b>	<b>9,794</b>	<b>18.5</b>

Source: Company, PL

**Exhibit 2: C&B volumes and realisations impacted by COVID**


Source: Company, PL

**Exhibit 3: Current VAM prices down 19.8% YoY**


Source: Company, PL

**Exhibit 4: C&B EBIT flat; Industrial products EBIT up 44.5%, margins increased 7.5 percentage points**

Segmental	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
<b>Consumer and Bazaar</b>									
<b>Sales (Rs m)</b>	<b>10050</b>	<b>13628</b>	<b>12751</b>	<b>13312</b>	<b>11042</b>	<b>14987</b>	<b>13001</b>	<b>13841</b>	<b>9939</b>
Growth (%)	14.5	23.9	11.0	17.4	9.9	10.0	2.0	4.0	-4.8
<b>EBIT (Rs m)</b>	<b>2680</b>	<b>4219</b>	<b>3744</b>	<b>3607</b>	<b>2931</b>	<b>4493</b>	<b>3848</b>	<b>4523</b>	<b>2832</b>
EBIT Growth %	2.7	31.0	-4.8	-0.6	9.4	6.5	2.8	25.4	-0.4
EBIT margin %	26.7	31.0	29.4	27.1	26.5	30.0	29.6	32.7	28.5
<b>Industrial Products</b>									
<b>Sales (Rs m)</b>	<b>2440</b>	<b>2576</b>	<b>2539</b>	<b>2592</b>	<b>2923</b>	<b>2935</b>	<b>2899</b>	<b>2865</b>	<b>3332</b>
Growth (%)	15.6	28.6	12.1	17.8	19.8	13.9	14.2	10.5	-3.7
<b>EBIT (Rs m)</b>	<b>470</b>	<b>379</b>	<b>420</b>	<b>309</b>	<b>432</b>	<b>453</b>	<b>525</b>	<b>473</b>	<b>746</b>
EBIT Growth %	14.6	3.4	28.6	-25.8	-8.1	19.3	24.9	52.8	44.5
EBIT margin %	19.3	14.7	16.6	11.9	14.8	15.4	18.1	16.5	22.4

Source: Company, PL

## Nina, Percept and CIPY face near term challenges

Nina percept and CIPY continue to face challenging market conditions in wake of economic slowdown in Real Estate, Auto and Engineering Industry which was further impacted due to COVID 19.

- NINA and Percept sales declined by 2.9% with EBITDA loss of Rs 17 mn. Slowdown in large construction will continue to impact NINA and Percept sales.
- ICA Pidilite sales de-grew 9.2%. EBITDA stood at Rs 40mn as against a loss of Rs 12mn in 4QFY19 mainly due to scaling up of local manufacturing.
- CIPY revenue declined by 26.7% with margins coming at 8.4%.

### New Acquisitions

- Pidilite through its subsidiary Madhumala Ventures Pvt. Ltd has made investment of Rs.715 mn in Trend sutra Platform Services Pvt Ltd (Paperfry) for 2.4% stake
- Pidilite has entered into a definitive agreement with Tenax SPA Italy (Tenax Italy) for acquiring 70% stake of Tenax India Stone Products Pvt. Ltd. (Tenax India) for cash consideration of approximately Rs. 800mn.

### Exhibit 5: Sales have declined across all subsidiaries

		Q2FY19	3QFY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Sales - (Rs mn)	NINA & Percept	740	824	721	634	557	787	700
	ICA-Pidilite	443	438	432	534	459	473	392
	CIPY	356	403	421	318	248	339	309
	Others	156	140	183	168	137	151	153
	<b>Total</b>	<b>1695</b>	<b>1805</b>	<b>1757</b>	<b>1654</b>	<b>1401</b>	<b>1750</b>	<b>1554</b>
Sales Growth (YoY)	NINA & Percept	58.5%	39.2%	-3.9%	-17.1%	-24.7%	-4.5%	-2.9%
	ICA-Pidilite	32.6%	125.8%	81.3%	43.9%	3.6%	8.0%	-9.2%
	CIPY			57.8%	-15.0%	-30.3%	-15.9%	-26.7%
	Others	56.0%	-8.5%	12.4%	5.0%	-12.2%	7.9%	-16.5%
	<b>Total</b>	<b>88.1%</b>	<b>92.2%</b>	<b>23.9%</b>	<b>-1.0%</b>	<b>-17.3%</b>	<b>-3.0%</b>	<b>-11.6%</b>
EBITDA (Rs mn)	NINA & Percept	40	90	88	63	-16	80	-17
	ICA-Pidilite	-3	12	-12	54	71	78	40
	CIPY	47	58	64	36	24	68	26
	Others	9	10	25	23	12	7	20
	<b>Total</b>	<b>93</b>	<b>170</b>	<b>165</b>	<b>176</b>	<b>91</b>	<b>233</b>	<b>69</b>
EBITDA margin %	NINA & Percept	5.4%	10.9%	12.2%	9.9%	-2.9%	10.2%	-2.4%
	ICA-Pidilite	-0.7%	2.7%	-2.8%	10.1%	15.5%	16.5%	10.2%
	CIPY	13.2%	14.4%	15.2%	11.3%	9.7%	20.1%	8.4%
	Others	5.8%	7.1%	13.6%	13.7%	8.8%	4.6%	13.1%
	<b>Total</b>	<b>5.5%</b>	<b>9.4%</b>	<b>9.4%</b>	<b>10.6%</b>	<b>6.5%</b>	<b>13.3%</b>	<b>4.4%</b>
EBITDA growth (YoY)	NINA & Percept	-11.1%	16.9%	-23.5%	-37.6%	-140.0%	-11.1%	-119.3%
	ICA-Pidilite	-108.1%	-233.3%	-53.8%	184.2%	-2466.7%	550.0%	-433.3%
	CIPY			190.9%	-7.7%	-48.9%	17.2%	-59.4%
	Others	12.5%	-47.4%	38.9%	53.3%	33.3%	-30.0%	-20.0%
	<b>Total</b>	<b>3.3%</b>	<b>95.4%</b>	<b>27.9%</b>	<b>1.1%</b>	<b>-2.2%</b>	<b>37.1%</b>	<b>-58.2%</b>

Source: Company, PL

## IBD – COVID impacted sales across major geographies

4Q20 International business (IBD) sales increased by 3.6% to Rs 1.34 bn in constant currency terms. Operations in most geographies was halted in April 20 on account of Lockdown, operations have resumed from May. EBITDA loss stood at Rs 2mn as most geographies except SAARC and South East Asia reported EBITDA loss.

**North America** sales decreased 14.4%. EBITDA loss was at Rs 68mn. **South America:** Sales decreased 4% with EBITDA loss of Rs2mn. **Middle East, Africa & Egypt** sales increased by 12% with EBITDA loss at Rs 4mn. Egypt reported good sales growth. **SAARC** remained robust with 17% sales growth. EBITDA came at Rs58mn and margins increased 260bps YoY. **South East Asia** also declined 3.3%. EBITDA came at Rs14mn.

### Exhibit 6: Sales decline across geographies except SAARC and Middle East, Africa & Egypt

Subsidiaries	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
<b>Sales (Rs. m)</b>	<b>1,290</b>	<b>1,429</b>	<b>1,453</b>	<b>1,506</b>	<b>1,341</b>
North America	261	315	325	260	226
South America	211	210	236	260	191
Middle East, Africa & Egypt	324	343	344	371	372
SAARC	331	406	361	445	385
South East Asia	143	137	165	155	146
<b>Sales growth (YoY)</b>	<b>10.2</b>	<b>11.1</b>	<b>15.0</b>	<b>10.3</b>	<b>3.6</b>
North America	4.4	12.1	18.2	22.6	(14.4)
South America	(0.5)	6.1	9.8	12.1	(4.0)
Middle East, Africa & Egypt	14.9	11.4	7.2	13.1	12.0
SAARC	17.4	18.7	18.8	19.6	17.0
South & South East Asia	25.4	0.7	29.9	(20.5)	(3.3)
<b>EBITDA (Rs m)</b>	<b>33.0</b>	<b>87.0</b>	<b>70.9</b>	<b>94.2</b>	<b>(2.0)</b>
North America	(2.0)	33.0	22.0	8.0	(68.0)
South America	(9.0)	3.0	11.0	10.0	(2.0)
Middle East, Africa & Egypt	(6.0)	(11.0)	(19.1)	(0.8)	(4.0)
SAARC	41.0	55.0	41.0	59.0	58.0
South East Asia	12.0	4.0	17.0	16.0	14.0
<b>EBITDA (margin %)</b>	<b>2.6</b>	<b>6.1</b>	<b>4.9</b>	<b>6.3</b>	<b>(0.1)</b>
North America	(0.8)	10.5	6.8	3.1	(30.1)
South America	(4.3)	1.4	4.7	3.8	(1.0)
Middle East, Africa & Egypt	(1.9)	(3.2)	(5.6)	(0.2)	(1.1)
SAARC	12.4	13.5	11.4	13.3	15.1
South & South East Asia	8.4	2.9	10.3	10.3	9.6

Source: Company, PL

### Exhibit 7: Pidilite: SOTP Valuation Basis FY22

Business	EPS	BV/ Sales	Basis	Multiple (x)	Rs/share (Rs)
Standalone	30.4		P/E	45.0	1,258
International Business		6,659	EV/ Sales	1.5	18
India		8,730	EV/ Sales	3.5	42
<b>Value per share</b>					<b>1,317</b>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Net Revenues</b>	<b>60,947</b>	<b>63,326</b>	<b>62,167</b>	<b>73,393</b>
YoY gr. (%)	13.8	3.9	(1.8)	18.1
Cost of Goods Sold	30,644	29,364	28,802	34,376
Gross Profit	30,302	33,962	33,365	39,017
Margin (%)	49.7	53.6	53.7	53.2
Employee Cost	6,635	7,369	7,154	8,157
Other Expenses	4,804	5,380	4,812	5,453
<b>EBITDA</b>	<b>12,919</b>	<b>14,836</b>	<b>15,262</b>	<b>18,343</b>
YoY gr. (%)	0.0	14.8	2.9	20.2
Margin (%)	21.2	23.4	24.6	25.0
Depreciation and Amortization	998	1,258	1,495	1,759
<b>EBIT</b>	<b>11,921</b>	<b>13,578</b>	<b>13,767</b>	<b>16,584</b>
Margin (%)	19.6	21.4	22.1	22.6
Net Interest	71	134	101	119
Other Income	1,915	1,519	1,785	2,472
<b>Profit Before Tax</b>	<b>13,765</b>	<b>14,962</b>	<b>15,452</b>	<b>18,936</b>
Margin (%)	22.6	23.6	24.9	25.8
Total Tax	3,970	3,353	3,886	4,739
Effective tax rate (%)	28.8	22.4	25.1	25.0
<b>Profit after tax</b>	<b>9,794</b>	<b>11,609</b>	<b>11,566</b>	<b>14,197</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>9,794</b>	<b>11,609</b>	<b>11,566</b>	<b>14,197</b>
YoY gr. (%)	2.5	18.5	(0.4)	22.7
Margin (%)	16.1	18.3	18.6	19.3
Extra Ord. Income / (Exp)	-	(593)	-	-
<b>Reported PAT</b>	<b>9,794</b>	<b>11,016</b>	<b>11,566</b>	<b>14,197</b>
YoY gr. (%)	2.5	12.5	5.0	22.7
Margin (%)	16.1	17.4	18.6	19.3
Other Comprehensive Income	(30)	(112)	-	-
Total Comprehensive Income	9,765	10,904	11,566	14,197
<b>Equity Shares O/s (m)</b>	<b>508</b>	<b>508</b>	<b>508</b>	<b>508</b>
<b>EPS (Rs)</b>	<b>19.3</b>	<b>22.9</b>	<b>22.8</b>	<b>27.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>17,947</b>	<b>21,102</b>	<b>25,602</b>	<b>30,102</b>
Tangibles	15,333	18,403	22,403	26,403
Intangibles	2,614	2,699	3,199	3,699
<b>Acc: Dep / Amortization</b>	<b>9,301</b>	<b>10,559</b>	<b>12,054</b>	<b>13,813</b>
Tangibles	8,656	9,790	11,179	12,816
Intangibles	645	769	874	996
<b>Net fixed assets</b>	<b>8,646</b>	<b>10,543</b>	<b>13,548</b>	<b>16,289</b>
Tangibles	6,676	8,612	11,223	13,586
Intangibles	1,969	1,930	2,325	2,703
Capital Work In Progress	2,291	2,476	2,976	3,476
Goodwill	861	861	861	861
Non-Current Investments	10,599	11,255	10,972	11,201
Net Deferred tax assets	(1,130)	(760)	(1,150)	(1,358)
Other Non-Current Assets	1,810	2,795	2,969	3,308
<b>Current Assets</b>				
Investments	11,514	7,152	16,163	22,018
Inventories	7,343	7,305	7,023	8,476
Trade receivables	7,750	8,066	7,835	9,250
Cash & Bank Balance	1,172	5,688	3,614	2,306
Other Current Assets	1,269	1,713	1,368	1,615
<b>Total Assets</b>	<b>53,500</b>	<b>58,191</b>	<b>67,615</b>	<b>79,137</b>
<b>Equity</b>				
Equity Share Capital	508	508	508	508
Other Equity	41,359	44,140	55,562	65,187
<b>Total Networkth</b>	<b>41,867</b>	<b>44,648</b>	<b>56,070</b>	<b>65,695</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	346	409	342	404
Other non current liabilities	-	513	513	513
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	4,492	4,948	4,024	4,709
Other current liabilities	5,206	6,840	5,442	6,385
<b>Total Equity &amp; Liabilities</b>	<b>53,500</b>	<b>58,190</b>	<b>67,614</b>	<b>79,137</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	13,765	14,369	15,452	18,936
Add. Depreciation	998	1,258	1,495	1,759
Add. Interest	71	134	101	119
Less Financial Other Income	1,915	1,519	1,785	2,472
Add. Other	(30)	(112)	-	-
Op. profit before WC changes	14,804	15,649	17,047	20,814
Net Changes-WC	(1,830)	5,608	(10,331)	(7,499)
Direct tax	(3,970)	(3,353)	(3,886)	(4,739)
<b>Net cash from Op. activities</b>	<b>9,004</b>	<b>17,904</b>	<b>2,830</b>	<b>8,576</b>
Capital expenditures	(1,754)	(4,432)	(5,000)	(5,000)
Interest / Dividend Income	-	-	-	-
Others	(3,248)	(698)	340	(193)
<b>Net Cash from Inv. activities</b>	<b>(5,002)</b>	<b>(5,131)</b>	<b>(4,660)</b>	<b>(5,193)</b>
Issue of share cap. / premium	106	144	(144)	-
Debt changes	-	-	-	-
Dividend paid	(3,643)	(8,267)	-	(4,572)
Interest paid	(71)	(134)	(101)	(119)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(3,608)</b>	<b>(8,257)</b>	<b>(245)</b>	<b>(4,691)</b>
<b>Net change in cash</b>	<b>394</b>	<b>4,516</b>	<b>(2,075)</b>	<b>(1,308)</b>
Free Cash Flow	7,250	13,472	(2,170)	3,576

Source: Company Data, PL Research

**Key Financial Metrics**

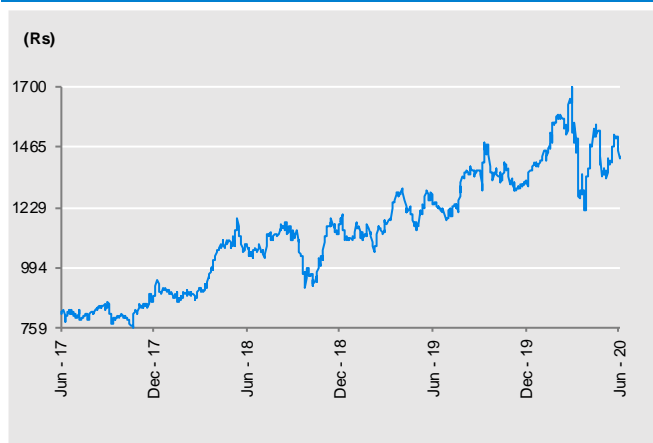
Y/e Mar	FY19	FY20	FY21E	FY22E
<b>Per Share(Rs)</b>				
EPS	19.3	22.9	22.8	27.9
CEPS	21.2	25.3	25.7	31.4
BVPS	82.4	87.9	110.4	129.3
FCF	14.3	26.5	(4.3)	7.0
DPS	6.0	13.5	7.0	9.0
<b>Return Ratio(%)</b>				
RoCE	30.8	31.4	27.3	27.2
ROIC	29.2	29.9	28.8	30.3
RoE	25.3	26.8	23.0	23.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
Net Working Capital (Days)	63	60	64	65
<b>Valuation(x)</b>				
PER	72.2	60.9	61.1	49.8
P/B	16.9	15.8	12.6	10.8
P/CEPS	65.5	54.9	54.1	44.3
EV/EBITDA	53.7	46.8	45.0	37.2
EV/Sales	11.4	11.0	11.0	9.3
Dividend Yield (%)	0.4	1.0	0.5	0.6

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
<b>Net Revenue</b>	<b>17,791</b>	<b>15,717</b>	<b>16,634</b>	<b>13,186</b>
YoY gr. (%)	10.6	3.5	4.6	(4.4)
Raw Material Expenses	8,616	7,277	7,658	5,813
Gross Profit	9,174	8,441	8,976	7,373
Margin (%)	51.6	53.7	54.0	55.9
<b>EBITDA</b>	<b>4,180</b>	<b>3,510</b>	<b>4,294</b>	<b>2,852</b>
YoY gr. (%)	16.9	1.3	31.8	8.9
Margin (%)	23.5	22.3	25.8	21.6
Depreciation / Depletion	281	303	318	357
<b>EBIT</b>	<b>3,899</b>	<b>3,207</b>	<b>3,977</b>	<b>2,495</b>
Margin (%)	21.9	20.4	23.9	18.9
Net Interest	27	36	34	37
Other Income	390	572	391	165
<b>Profit before Tax</b>	<b>4,262</b>	<b>3,743</b>	<b>4,334</b>	<b>2,624</b>
Margin (%)	24.0	23.8	26.1	19.9
Total Tax	1,387	280	1,030	657
Effective tax rate (%)	32.5	7.5	23.8	25.0
<b>Profit after Tax</b>	<b>2,876</b>	<b>3,463</b>	<b>3,304</b>	<b>1,967</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>2,876</b>	<b>3,463</b>	<b>3,304</b>	<b>1,967</b>
YoY gr. (%)	7.7	41.6	47.0	3.3
Margin (%)	16.2	22.0	19.9	14.9
Extra Ord. Income / (Exp)	-	(222)	-	(370)
<b>Reported PAT</b>	<b>2,876</b>	<b>3,241</b>	<b>3,304</b>	<b>1,596</b>
YoY gr. (%)	(0.5)	32.5	47.0	(34.4)
Margin (%)	16.2	20.6	19.9	12.1
Other Comprehensive Income	(8)	-	(9)	(38)
<b>Total Comprehensive Income</b>	<b>2,868</b>	<b>3,241</b>	<b>3,295</b>	<b>1,559</b>
Avg. Shares O/s (m)	508	508	508	508
<b>EPS (Rs)</b>	<b>5.7</b>	<b>6.8</b>	<b>6.5</b>	<b>3.9</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	13-Apr-20	Hold	1,327	1,349
2	30-Jan-20	Hold	1,447	1,522
3	03-Jan-20	Hold	1,311	1,398
4	14-Nov-19	Hold	1,365	1,344
5	03-Oct-19	Accumulate	1,429	1,393
6	07-Aug-19	Accumulate	1,301	1,290
7	04-Jul-19	Accumulate	1,184	1,227

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,687	1,651
2	Avenue Supermarts	Reduce	1,658	2,398
3	Britannia Industries	BUY	3,744	3,510
4	Colgate Palmolive	Reduce	1,224	1,313
5	Crompton Greaves Consumer Electricals	BUY	267	199
6	Dabur India	Hold	422	431
7	Emami	Hold	285	227
8	Future Retail	Under Review	-	332
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Reduce	485	511
11	Hindustan Unilever	Hold	2,017	2,195
12	ITC	BUY	250	189
13	Jubilant FoodWorks	Hold	1,392	1,530
14	Kansai Nerolac Paints	BUY	486	360
15	Marico	Hold	318	284
16	Nestle India	Reduce	13,127	17,462
17	Pidilite Industries	Hold	1,327	1,349
18	Titan Company	Hold	936	997
19	Voltas	Accumulate	564	539

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## ANALYST CERTIFICATION

### (Indian Clients)

We/I, Mr. Amnish Aggarwal- MBA, CFA, Ms. Charmi Mehta- CA, Mr. Heet Vora- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

### (US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

## DISCLAIMER

### Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com).

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Amnish Aggarwal- MBA, CFA, Ms. Charmi Mehta- CA, Mr. Heet Vora- CA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

---

### **Prabhudas Lilladher Pvt. Ltd.**

**3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209**

[www.plindia.com](http://www.plindia.com)