

Pidilite Industries (PIDI IN)

Rating: HOLD | CMP: Rs1,880 | TP: Rs1,819

May 13, 2021

Q4FY21 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		HOLD	
Target Price	1,819		1,739	
Sales (Rs. m)	89,964	104,790	88,571	101,196
% Chng.	1.6	3.6		
EBITDA (Rs. m)	16,864	22,505	18,450	23,145
% Chng.	(8.6)	(2.8)		
EPS (Rs.)	22.4	30.8	24.9	31.8
% Chng.	(9.9)	(3.1)		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	72,945	72,927	89,964	104,790
EBITDA (Rs. m)	15,760	16,806	16,864	22,505
Margin (%)	21.6	23.0	18.7	21.5
PAT (Rs. m)	11,772	11,298	11,389	15,658
EPS (Rs.)	23.2	22.2	22.4	30.8
Gr. (%)	24.4	(4.0)	0.8	37.5
DPS (Rs.)	13.5	8.5	8.5	9.0
Yield (%)	0.7	0.5	0.5	0.5
RoE (%)	27.4	22.5	19.9	24.5
RoCE (%)	31.7	28.4	24.9	30.5
EV/Sales (x)	12.9	13.0	10.6	9.0
EV/EBITDA (x)	59.8	56.6	56.5	42.1
PE (x)	81.1	84.5	83.8	61.0
P/BV (x)	21.4	17.1	16.3	13.7

Key Data

PIDI.BO | PIDI IN

52-W High / Low	Rs.1,929 / Rs.1,307
Sensex / Nifty	48,691 / 14,697
Market Cap	Rs.955bn/ \$ 13,010m
Shares Outstanding	508m
3M Avg. Daily Value	Rs.2111.79m

Shareholding Pattern (%)

Promoter's	70.16
Foreign	11.88
Domestic Institution	7.59
Public & Others	10.37
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.7	19.6	38.6
Relative	-	6.5	(10.7)

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Charmi Mehta

charmimehta@plindia.com | 91-22-66322256

Heet Vora

heetvora@plindia.com | 91-22-66322381

Input costs add to covid uncertainty

Quick Pointers:

- Consolidated C&B volumes grew in excess of 45% on broad based growth.
- VAM prices per ton rose to \$1200 in 4Q21 (\$925 in 4Q20) to \$2000 in April. Undertook price increase to cover 75% of inflation.
- PAPL (Huntsman) reported EBIDTA margins of 31.3%.

We are reducing our EPS estimate by 9.9%/3.1% for FY22/23 on the back of inflationary pressure in VAM prices which has increased from USD 1200/ton in 4Q21 to spot levels of USD 2000/ton. We continue to remain positive on long term story of PIDI given its strong presence in water proofing and construction chemicals due to first mover advantage and strong connect with trade. Huntsman acquisition is on track and will strengthen PIDI in Epoxy based adhesives which will lead to higher growth and profitability (~31.3% margins). Lower penetration in waterproofing market provides large headroom for growth and despite pressure from Paint companies PIDI remains confident as market for waterproofing has been expanding due to increased consumer awareness and acceptance. B2B and export are expected to perform better in FY22 despite lockdowns however retail will be impacted in FY22. We revise our DCF based target price to Rs1819 (earlier Rs 1739). Retain Hold.

Consolidated C&B volumes grew 45%: Consolidated Net sales increased 44.7% to Rs 22.36bn (est Rs 21.0bn). Excluding Huntsman sales grew 38%.C&B segment registered volume and value growth in excess of 45% led by continued demand momentum in rural and urban areas. B2B segment posted strong sequential volume and value growth in excess of 26% aided by gradual and consistent pick-up in economic activities. Gross margins at 50.8% (est 51.9%) contracted 460bps YoY. EBITDA increased 53.1% (41% excluding huntsman) to Rs 4.61bn (est Rs 4.39bn). Margins expanded 110bps YoY to 20.6% (est 20.9%). Adj. PAT increased 63.6% to Rs 3.09bn (est Rs 3.15bn).

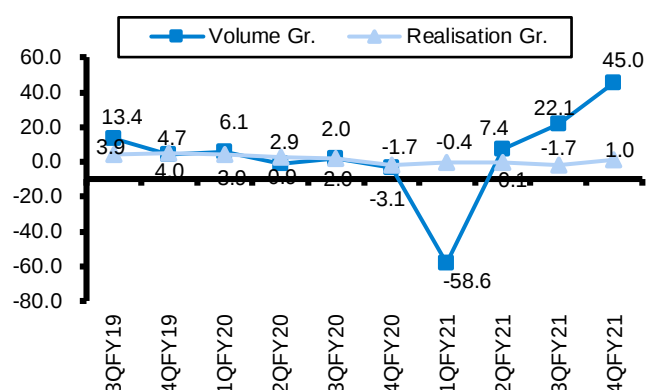
Consumer and Bazaar sales/EBIT increased 54.6%/68.1% to Rs 17.30bn/Rs 4.69bn. Industrial Products sales increased 21.3% to Rs 5.35bn but EBIT decreased 27.9% to Rs 524.1m. **Subsidiaries:** Imputed sales increased 67.4% to Rs3.79bn and EBITDA stood at Rs 531m against Rs 157m in Q4FY20. PAPL (Huntsman) contributed Rs 1.08bn towards revenue and Rs 332.89mn towards EBITDA resulting in margins of 30.9%.

Concall Takeaways: 1) VAM rates increased from \$925/ton in 4Q20 and \$875/ton in 3Q21 to \$1200/ton in 4Q21. Currently prices at \$2000/ton. Management expects prices to cool off by 2H22. 2) Took price increase in March and will take in May, total 4-6% price increase in Fevicol portfolio. Overall price increase to cover 75% inflation. 3) Market share gains from regional and local players in last 4 months and likely to gain market share going forward. 4) E-com Sales grew 4x, MT Sales at 1.3x and Pidilite Ki Duniya (PKD) Sales grew at 1.3x. 5) Currently 75% shops are closed and sales at 20% of normal average. 6) Impact on exports and B2B business likely to be lower than retail business, while international bn likely to show better growth. 7) Annual capex of Rs 3.0-3.5bn.

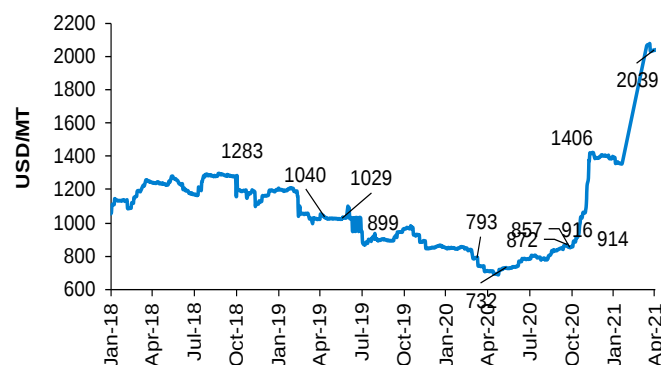
Exhibit 1: Consolidated Revenue up 44.7%, EBITDA margins expand 110bps

Consolidated	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Net Revenue	22,355	15,447	44.7	22,990	72,927	72,945	(0.0)
Gross Profit	11,359	8,552	32.8	12,588	39,160	38,920	0.6
Margin %	50.8	55.4	(4.6)	54.8	53.7	53.4	0.3
Other Expenditure	6,751	5,543	21.8	6,180	22,354	23,160	(3.5)
EBITDA	4,608	3,009	53.1	6,408	16,806	15,760	6.6
Margin %	20.6	19.5	1.1	27.9	23.0	21.6	1.4
Depreciation	572	501	14.2	495	2,007	1,699	18.1
Interest	74	98	(24.0)	121	372	336	10.8
Other Income	173	140	24.1	204	794	1,494	(46.9)
PBT	4,135	2,550	62.2	5,997	15,221	15,219	0.0
Tax	1,038	656	58.2	1,548	3,964	3,477	14.0
Tax rate %	25.1	25.7		25.8	26.0	22.8	
Adj PAT	3,097	1,894	63.6	4,449	11,258	11,742	(4.1)

Source: Company, PL

Exhibit 2: Standalone C&B volumes post strong growth


Source: Company, PL

Exhibit 3: VAM prices up 59.6% YoY 24.7% QoQ


Source: Company, PL

Exhibit 4: C&B grew 54.6% aided by continued demand in rural and urban areas

Segmental	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Consumer and Bazaar									
Sales (Rs m)	11975	15743	15350	14783	11194	7020	15277	18489	17303
Growth (%)	-2.4	-1.2	1.3	-7.5	-6.5	-55.4	-0.5	25.1	54.6
EBIT (Rs m)	2874	4625	3889	4495	2791	1320	5324	6451	4692
EBIT Growth %	1.9	14.8	6.2	25.4	-2.9	-71.5	36.9	43.5	68.1
EBIT margin %	24.0	29.4	25.3	30.4	24.9	18.8	34.8	34.9	27.1
Industrial Products									
Sales (Rs m)	4549	4592	2899	4626	4411	1882	3771	4751	5350
Growth (%)	66.8	78.3	14.2	76.7	-3.0	-59.0	30.1	2.7	21.3
EBIT (Rs m)	565	453	525	681	727	-227	290	558	524
EBIT Growth %	20.3	19.3	24.9	120.2	28.8	-150.1	-44.8	-18.1	-27.9
EBIT margin %	12.4	9.9	18.1	14.7	16.5	-12.0	7.7	11.7	9.8

Source: Company, PL

PAPL (Huntsman) margins at 31.3%, will face RM headwinds in 1H22

- Domestic Subsidiaries in the C&B segment have shown healthy growth.
- Subsidiaries in the B2B segment posted sequential strong volume and value growth in excess of 26% aided by gradual and consistent pick-up in economic activities.
- Robust growth was registered across all major categories like adhesives, construction chemicals and DIY segment driven by continued demand momentum in both rural and urban geographies
- Pidilite Adhesives Pvt Ltd (previously Huntsman) reported strong margins (~31.3%) aided by better mix and lower input cost.

Exhibit 5: Domestic subsidiaries witnessed growth in 4Q

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Sales - (Rs mn)							
NINA Percept	557	787	700	75	359	612	721
ICA-Pidilite	459	473	392	117	464	586	615
CIPY	248	339	309	76	188	302	331
PAPL (Huntsman)						591	1096
Others	137	151	153	27	219	221	253
Total	1401	1750	1554	295	1230	2312	3016
Sales Growth (YoY)							
NINA & Percept	-24.7%	-4.5%	-2.9%	-88.2%	-35.5%	-22.2%	3.0%
ICA-Pidilite	3.6%	8.0%	-9.2%	-78.1%	1.1%	23.9%	56.9%
CIPY	-30.3%	-15.9%	-26.7%	-76.1%	-24.2%	-10.9%	7.1%
PAPL (Huntsman)						NA	NA
Others	-12.2%	7.9%	-16.5%	-83.9%	59.9%	46.4%	65.4%
Total	-17.3%	-3.0%	-11.6%	-82.2%	-12.2%	-32.1%	94.1%
EBITDA (Rs mn)							
NINA & Percept	-16	80	-17	-153	-65	-17	-39
ICA-Pidilite	71	78	40	-57	112	145	63
CIPY	24	68	26	-61	-8	38	48
PAPL (Huntsman)						258	343
Others	12	7	20	-37	30	-12	9
Total	91	233	69	-308	69	412	424
EBITDA margin %							
NINA & Percept	-2.9%	10.2%	-2.4%	-204.0%	-18.1%	-2.8%	-5.4%
ICA-Pidilite	15.5%	16.5%	10.2%	-48.7%	24.1%	24.7%	10.2%
CIPY	9.7%	20.1%	8.4%	-80.3%	-4.3%	12.6%	14.5%
PAPL (Huntsman)						43.7%	31.3%
Others	8.8%	4.6%	13.1%	-137.0%	13.7%	-5.4%	3.6%
Total	6.5%	13.3%	4.4%	-104.4%	5.6%	23.9%	14.1%
EBITDA grth (YoY)							
NINA & Percept	-140.0%	-11.1%	-119.3%	-342.9%	306.3%	-121.3%	129.4%
ICA-Pidilite	-2466.7%	550.0%	-433.3%	-205.6%	57.7%	85.9%	57.5%
CIPY	-48.9%	17.2%	-59.4%	-269.4%	-133.3%	-44.1%	84.6%
PAPL (Huntsman)						NA	NA
Others	33.3%	-30.0%	-20.0%	-260.9%	150.0%	-271.4%	-55.0%
Total	-2.2%	37.1%	-58.2%	-275.0%	-24.2%	76.8%	514.5%

Source: Company, PL

IBD – Americas leads IBD growth

4Q21 International business (IBD) sales reported healthy double-digit constant currency growth led by Americas. EBITDA stood at Rs 126mn on the back of gains in Asia and Americas. Americas EBITDA includes diminution in investments to the tune of Rs 36 mn.

Americas sales grew 45.9%. EBITDA was at Rs 16mn. **Asia:** Sales grew 23.4% with EBITDA of Rs 128mn. **Middle East & Africa** sales grew by 21.1% with EBITDA loss at Rs 18mn.

Exhibit 6: International subsidiaries report healthy growth led by Americas

Subsidiaries	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Sales (Rs. m)	1,341	953	1,765	1,844	1,750
Americas	417	383	812	711	566
Asia	552	303	568	702	696
Middle East & Africa	372	267	385	431	488
Sales growth (YoY)	3.6	(35.9)	19.3	21.4	29.2
Americas	(14.4)	(25.2)	51.8	47.8	45.9
Asia	(4.0)	(48.7)	0.7	10.7	23.4
Middle East & Africa	12.0	(30.3)	1.3	6.7	21.1
EBITDA (Rs m)	(2.0)	(1.0)	366.0	242.0	126.0
Americas	(70.0)	15.0	292.0	103.0	16.0
Asia	72.0	15.0	88.0	141.0	128.0
Middle East & Africa	(4.0)	(31.0)	(14.0)	(2.0)	(18.0)
EBITDA (margin %)	(0.1)	(0.1)	20.7	13.1	7.2
Americas	(16.8)	3.9	36.0	14.5	2.8
Asia	13.0	5.0	15.5	20.1	18.4
Middle East & Africa	(1.1)	(11.6)	(3.6)	(0.5)	(3.7)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	72,945	72,927	89,964	104,790
YoY gr. (%)	3.1	0.0	23.4	16.5
Cost of Goods Sold	34,025	33,767	46,198	51,295
Gross Profit	38,920	39,160	43,767	53,496
Margin (%)	53.4	53.7	48.6	51.1
Employee Cost	9,272	9,809	10,634	12,340
Other Expenses	-	-	-	-
EBITDA	15,760	16,806	16,864	22,505
YoY gr. (%)	15.2	6.6	0.3	33.5
Margin (%)	21.6	23.0	18.7	21.5
Depreciation and Amortization	1,699	2,007	2,160	2,506
EBIT	14,061	14,800	14,704	19,999
Margin (%)	19.3	20.3	16.3	19.1
Net Interest	336	372	503	392
Other Income	1,494	794	1,025	1,340
Profit Before Tax	15,219	15,221	15,226	20,947
Margin (%)	20.9	20.9	16.9	20.0
Total Tax	3,477	3,964	3,883	5,342
Effective tax rate (%)	22.8	26.0	25.5	25.5
Profit after tax	11,742	11,258	11,344	15,606
Minority interest	-	-	-	-
Share Profit from Associate	30	40	46	53
Adjusted PAT	11,772	11,298	11,389	15,658
YoY gr. (%)	24.4	(4.0)	0.8	37.5
Margin (%)	16.1	15.5	12.7	14.9
Extra Ord. Income / (Exp)	(552)	(36)	-	-
Reported PAT	11,221	11,261	11,389	15,658
YoY gr. (%)	20.9	0.4	1.1	37.5
Margin (%)	15.4	15.4	12.7	14.9
Other Comprehensive Income	35	(109)	-	-
Total Comprehensive Income	11,256	11,153	11,389	15,658
Equity Shares O/s (m)	508	508	508	508
EPS (Rs)	23.2	22.2	22.4	30.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	27,483	45,040	50,261	55,626
Tangibles	24,146	28,129	33,150	38,314
Intangibles	3,337	16,911	17,111	17,311
Acc: Dep / Amortization	11,257	13,700	16,432	19,672
Tangibles	11,257	13,700	16,432	19,672
Intangibles	-	-	-	-
Net fixed assets	16,226	31,340	33,829	35,954
Tangibles	12,888	14,429	16,718	18,642
Intangibles	3,337	16,911	17,111	17,311
Capital Work In Progress	2,593	2,939	3,315	3,815
Goodwill	1,840	12,840	14,940	14,940
Non-Current Investments	5,134	3,954	4,053	4,154
Net Deferred tax assets	(693)	(3,814)	(3,004)	(3,351)
Other Non-Current Assets	1,823	1,913	2,339	2,725
Current Assets				
Investments	7,197	1,765	1,620	7,320
Inventories	9,295	12,342	13,290	14,756
Trade receivables	10,885	13,210	14,714	15,713
Cash & Bank Balance	7,034	4,514	2,452	2,925
Other Current Assets	1,994	2,301	2,101	2,443
Total Assets	65,357	88,304	93,791	105,887
Equity				
Equity Share Capital	508	508	508	508
Other Equity	44,048	55,421	57,950	68,980
Total Network	44,556	55,929	58,458	69,488
Non-Current Liabilities				
Long Term borrowings	251	124	228	219
Provisions	520	580	582	678
Other non current liabilities	831	807	1,470	1,866
Current Liabilities				
ST Debt / Current of LT Debt	1,440	2,015	1,440	1,440
Trade payables	6,210	10,067	12,024	11,945
Other current liabilities	8,497	12,265	13,863	14,160
Total Equity & Liabilities	65,357	88,304	93,791	105,887

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	15,219	15,221	15,226	20,947
Add. Depreciation	1,699	2,007	2,160	2,506
Add. Interest	336	372	503	392
Less Financial Other Income	1,494	794	1,025	1,340
Add. Other	(1,459)	(903)	(1,025)	(1,340)
Op. profit before WC changes	15,796	16,698	16,864	22,505
Net Changes-WC	6,365	10,627	875	(7,894)
Direct tax	(3,477)	(3,964)	(3,883)	(5,342)
Net cash from Op. activities	18,683	23,361	13,856	9,270
Capital expenditures	(5,462)	(28,464)	(7,124)	(5,131)
Interest / Dividend Income	1,494	794	1,025	1,340
Others	(671)	1,309	(39)	(34)
Net Cash from Inv. activities	(4,639)	(26,361)	(6,138)	(3,825)
Issue of share cap. / premium	(409)	4,559	(4,486)	-
Debt changes	581	448	(471)	(8)
Dividend paid	(8,268)	(4,318)	(4,318)	(4,572)
Interest paid	(336)	(372)	(503)	(392)
Others	29	188	-	-
Net cash from Fin. activities	(8,403)	504	(9,778)	(4,972)
Net change in cash	5,641	(2,496)	(2,061)	473
Free Cash Flow	13,221	(5,103)	6,731	4,139

Source: Company Data, PL Research

Key Financial Metrics

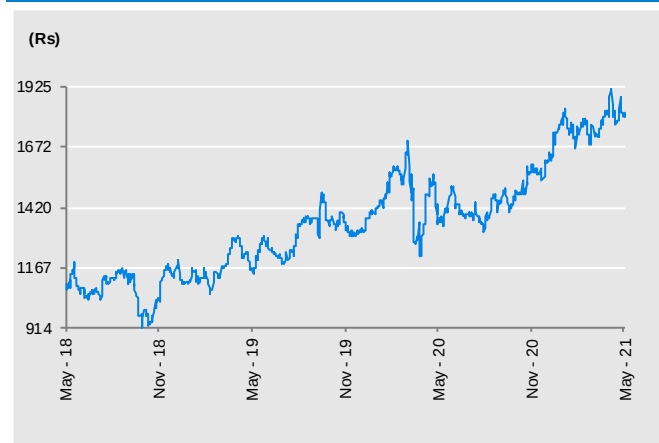
Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	23.2	22.2	22.4	30.8
CEPS	26.5	26.2	26.7	35.8
BVPS	87.7	110.1	115.1	136.8
FCF	26.0	(10.0)	13.3	8.1
DPS	13.5	8.5	8.5	9.0
Return Ratio(%)				
RoCE	31.7	28.4	24.9	30.5
ROIC	27.5	18.0	16.4	20.9
RoE	27.4	22.5	19.9	24.5
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.1)	0.0	(0.1)
Net Working Capital (Days)	70	77	65	65
Valuation(x)				
PER	81.1	84.5	83.8	61.0
P/B	21.4	17.1	16.3	13.7
P/CEPS	70.9	71.8	70.5	52.6
EV/EBITDA	59.8	56.6	56.5	42.1
EV/Sales	12.9	13.0	10.6	9.0
Dividend Yield (%)	0.7	0.5	0.5	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	8,778	18,803	22,990	22,355
YoY gr. (%)	(56.5)	4.1	19.3	44.7
Raw Material Expenses	4,085	8,284	10,402	10,996
Gross Profit	4,694	10,520	12,588	11,359
Margin (%)	53.5	55.9	54.8	50.8
EBITDA	664	5,126	6,408	4,608
YoY gr. (%)	(85.0)	39.2	38.4	53.1
Margin (%)	7.6	27.3	27.9	20.6
Depreciation / Depletion	461	479	495	572
EBIT	203	4,648	5,913	4,036
Margin (%)	2.3	24.7	25.7	18.1
Net Interest	91	87	121	74
Other Income	200	217	204	173
Profit before Tax	312	4,778	5,997	4,135
Margin (%)	3.6	25.4	26.1	18.5
Total Tax	159	1,220	1,548	1,038
Effective tax rate (%)	50.8	25.5	25.8	25.1
Profit after Tax	153	3,558	4,449	3,097
Minority interest	-	-	-	-
Share Profit from Associates	5	6	16	13
Adjusted PAT	158	3,564	4,464	3,111
YoY gr. (%)	(94.6)	3.0	29.6	64.2
Margin (%)	1.8	19.0	19.4	13.9
Extra Ord. Income / (Exp)	-	-	-	36
Reported PAT	158	3,564	4,464	3,147
YoY gr. (%)	(94.6)	9.7	29.5	101.1
Margin (%)	1.8	19.0	19.4	14.1
Other Comprehensive Income	(25)	(38)	29	(74)
Total Comprehensive Income	133	3,527	4,493	3,073
Avg. Shares O/s (m)	508	508	508	508
EPS (Rs)	0.3	7.0	8.8	6.1

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	Hold	1,739	1,886
2	29-Jan-21	Hold	1,739	1,670
3	07-Jan-21	UR	-	1,795
4	06-Nov-20	Hold	1,518	1,595
5	08-Oct-20	Hold	1,415	1,487
6	07-Aug-20	Hold	1,415	1,378
7	08-Jul-20	Hold	1,418	1,399
8	18-Jun-20	Hold	1,317	1,391

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,136	2,556
2	Avenue Supermarts	BUY	3,360	2,896
3	Bajaj Electricals	BUY	1,033	991
4	Britannia Industries	Accumulate	3,755	3,541
5	Burger King India	BUY	221	145
6	Colgate Palmolive	Hold	1,685	1,551
7	Crompton Greaves Consumer Electricals	BUY	447	374
8	Dabur India	Hold	531	535
9	Emami	BUY	568	507
10	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
11	Havells India	Hold	1,128	1,026
12	Hindustan Unilever	BUY	2,562	2,408
13	ITC	BUY	248	214
14	Jubilant FoodWorks	Accumulate	3,279	2,862
15	Kansai Nerolac Paints	Accumulate	620	566
16	Marico	Accumulate	452	410
17	Nestle India	Accumulate	18,450	17,096
18	Pidilite Industries	Hold	1,739	1,886
19	Polycab India	BUY	1,480	1,376
20	Titan Company	Accumulate	1,663	1,507
21	Voltas	Hold	1,000	977
22	Westlife Development	BUY	618	496

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

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