

November 9, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	2,644		2,610	
Sales (Rs.m)	1,25,373	1,39,229	1,25,891	1,39,291
% Chng.	(0.4)	(0.0)		
EBITDA (Rs.m)	27,720	31,696	28,384	32,654
% Chng.	(2.3)	(2.9)		
EPS (Rs.)	37.8	44.0	38.7	45.4
% Chng.	(2.5)	(3.1)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,17,991	1,25,373	1,39,229	1,54,810
EBITDA (Rs. m)	19,844	27,720	31,696	36,578
Margin (%)	16.8	22.1	22.8	23.6
PAT (Rs. m)	12,889	19,199	22,365	26,353
EPS (Rs.)	25.4	37.8	44.0	51.8
Gr. (%)	6.8	49.0	16.5	17.8
DPS (Rs.)	10.0	11.0	14.0	17.0
Yield (%)	0.4	0.4	0.6	0.7
RoE (%)	18.9	24.3	24.0	24.1
RoCE (%)	24.4	30.7	29.9	29.4
EV/Sales (x)	10.5	9.8	8.7	7.7
EV/EBITDA (x)	62.6	44.3	38.3	32.8
PE (x)	96.9	65.1	55.9	47.4
P/BV (x)	17.3	14.6	12.4	10.6

Key Data

PIDI.BO | PIDI IN

52-W High / Low	Rs.2,796 / Rs.2,250
Sensex / Nifty	64,832 / 19,395
Market Cap	Rs.1,250bn/ \$ 15,006m
Shares Outstanding	509m
3M Avg. Daily Value	Rs.1019.39m

Shareholding Pattern (%)

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

Stock Performance (%)

	1M	6M	12M
Absolute	1.3	(0.6)	(7.3)
Relative	2.4	(5.3)	(12.8)

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Vishwa Solanki

vishwasolanki@plindia.com | 91-22-66322244

Strong volume trend, benign RM positive

Quick Pointers:

- VAM prices at USD850-900/ton, 2Q24 usage at USD1000/ton (USD2000/ton in 2Q23), Margins to range between 20-24% in FY24
- PIDI to foray in NBFC for funding channel partners with Rs1bn

We cut our FY24/25 EPS estimates by -2.5%/-3.1% as 8% price cut since March23 (5% in 2Q24) will impact realizations even as demand and margin outlook remains robust. PIDI aims at growing at 1.5xGDP growth in volumes led by 1) rising construction activity & govt capex 2) rising share of growth and pioneer categories to ~40% of sales (25% 2 years back) 3) sustained innovation across segments and 3) gains from deeper distribution reach in rural India and small towns. We believe PIDI foray into NBFC space for funding its channel partners (Dealers/ Contractors) has limited capital commitments (upto Rs1bn/2 years) as of now, however any aggressive plans can be taken negatively by the street. We expect strong profit growth in 2H led by strong volume momentum and benign input costs. We estimate 27% EPS CAGR over FY23-26 and assign DCF based target price of Rs2644 (Rs2610 earlier). We expect moderate returns in near term given premium valuations of 51.1xSep25 EPS. Retain Hold.

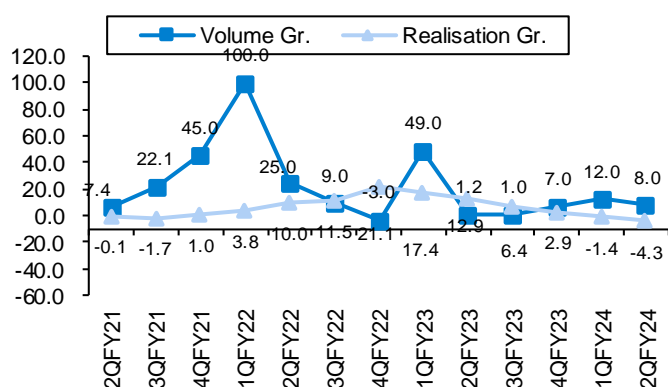
C&B volumes up 8% YoY; GM expands 229bps QoQ; Consolidated Revenues grew 2.2% YoY to Rs30.76bn. Gross margins expanded by 1032bps YoY/229bps QoQ to 51.3%. EBITDA grew by 36% YoY to Rs6.8bn; Margins expanded by 550bps YoY/51bps QoQ to 22.1%. PBT grew by 43% YoY to Rs 6.2bn. Adj. PAT grew by 37.4% YoY to Rs4.6bn. **Standalone** – Sales increased 2.4% to Rs27.8bn, GM improved by 1089bps YoY/229bps QoQ to 51.2%. EBITDA grew by 38.5% to Rs6.4bn; Margins expanded by 602bps YoY/45bps QoQ to 23.1%. PBT grew by 40.8% to Rs6.1bn. Adj. PAT grew by 35% to Rs4.5bn. **Consumer and Bazaar Sales** grew by 3.2% YoY to Rs25bn (volumes up 8%); EBIT grew by 31.7% YoY to 6935mn. **Industrial Products** sales declined by 1.3% YoY (volumes up 20%) to Rs6.15bn; EBIT grew by 38.3% YoY to 684.5mn.

Concall Takeaways: 1) Demand trends remain strong with double digit volume growth; rural/ semi-rural markets continue to grow ahead of urban markets 2) Domestic B2B volume grew by 20% UVG led by robust growth in Industrial & Project verticals 3) International markets like Middle East ,Africa & Asia continue to show strong growth 4) Extreme monsoon conditions led to some disruptions in July however situation improved thereafter 5) GM are expected to remain strong amid stable RM prices 7) VAM prices are near bottom and expect prices to inch up by 50USD/ton to USD1000/ton in the coming quarters 8) PIDI opened 8 manufacturing facilities over the last 6 months with 4 new facilities in 2Q24 9) PIDI to venture into NBFC business as a formalized way of lender financing and will start with test runs in towns in Andhra Pradesh, Telangana & Orissa having population<50k 10) Araldite has grown volumes by 20% CAGR since acquisition led by increased distribution 11) Paints have been launched in tier 3 cities and more clarity will emerge over next couple of quarters

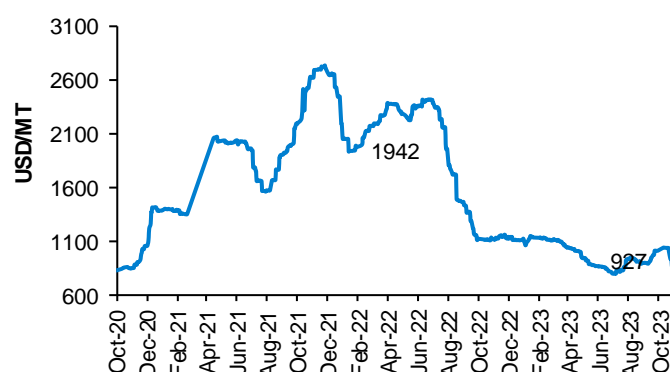
Exhibit 1: Revenues up 2.2%, EBITDA margins improve 549bps YoY & 51bps QoQ

Consolidated	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	H1FY24	H1FY23	YoY gr. (%)
Net Revenue	30,760	30,112	2.2	32,751	63,512	61,123	3.9
Gross Profit	15,783	12,342	27.9	16,054	31,836	25,274	26.0
<i>Margin %</i>	<i>51.3</i>	<i>41.0</i>	<i>10.3</i>	<i>49.0</i>	<i>50.1</i>	<i>41.3</i>	<i>8.8</i>
Other Expenditure	8,985	7,344	22.4	8,984	17,970	14,980	20.0
EBITDA	6,797	4,999	36.0	7,070	13,867	10,294	34.7
<i>Margin %</i>	<i>22.1</i>	<i>16.6</i>	<i>5.5</i>	<i>21.6</i>	<i>21.8</i>	<i>16.8</i>	<i>5.0</i>
Depreciation	752	636	18.2	734	1,486	1,250	19.0
Interest	131	117	12.4	119	250	207	20.8
Other Income	316	110	187.7	234	550	217	154.0
PBT	6,230	4,355	43.0	6,451	12,680	9,053	40.1
Tax	1,631	1,009	61.7	1,704	3,335	2,166	54.0
<i>Tax rate %</i>	<i>26.2</i>	<i>23.2</i>		<i>26.4</i>	<i>26.3</i>	<i>23.9</i>	
Adj PAT	4,599	3,347	37.4	4,746	9,345	6,888	35.7

Source: Company, PL

Exhibit 2: C&B volumes grew 8% YoY


Source: Company, PL

Exhibit 3: VAM prices down 46.3% YoY/0.3% QoQ


Source: Company, PL

Exhibit 4: C&B Sales grew 3.2% while B2B sales decline by 1.3%, B2B margin up by 318bps YoY but declined 239bps QoQ

Segmental	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24
Consumer and Bazaar									
Sales (Rs m)	21304	22645	19132	24358	24315	24216	21128	26609	25083
<i>Growth (%)</i>	<i>39.5</i>	<i>22.5</i>	<i>10.6</i>	<i>63.9</i>	<i>14.1</i>	<i>6.9</i>	<i>10.4</i>	<i>9.2</i>	<i>3.2</i>
EBIT (Rs m)	5827	5629	4177	5352	5265	5372	4560	7078	6935
<i>EBIT Growth %</i>	<i>9.5</i>	<i>-12.7</i>	<i>-11.0</i>	<i>44.5</i>	<i>-9.6</i>	<i>-4.6</i>	<i>9.2</i>	<i>32.3</i>	<i>31.7</i>
<i>EBIT margin %</i>	<i>27.4</i>	<i>24.9</i>	<i>21.8</i>	<i>22.0</i>	<i>21.7</i>	<i>22.2</i>	<i>21.6</i>	<i>26.6</i>	<i>27.6</i>
B2B									
Sales (Rs m)	5324	6186	6453	7220	6237	5999	6340	6780	6153
<i>Growth (%)</i>	<i>41.2</i>	<i>30.2</i>	<i>20.6</i>	<i>49.8</i>	<i>17.2</i>	<i>-3.0</i>	<i>-1.8</i>	<i>-6.1</i>	<i>-1.3</i>
EBIT (Rs m)	263	400	444	748	495	391	707	917	685
<i>EBIT Growth %</i>	<i>-9.4</i>	<i>-28.3</i>	<i>-15.3</i>	<i>78.1</i>	<i>88.4</i>	<i>-2.2</i>	<i>59.3</i>	<i>22.5</i>	<i>38.3</i>
<i>EBIT margin %</i>	<i>4.9</i>	<i>6.5</i>	<i>6.9</i>	<i>10.4</i>	<i>7.9</i>	<i>6.5</i>	<i>11.2</i>	<i>13.5</i>	<i>11.1</i>

Source: Company, PL

Domestic subs – strong performance in B2C business

- Domestic subsidiaries in C&B registered 33% sales growth. Margins improve by 101bps QoQ/404bps YoY. EBITDA grows 39.8% YoY.
- B2B business (NINA Precept) saw sales growth of 9% with EBITDA of Rs9mn as margins improve 220bps YoY but declined 450bps QoQ.

Exhibit 5: Domestic subsidiary margins up 239bps YoY/227bps QoQ

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Consumer & Bazar (C&B)	1,024	957	1,039	1,112	1,363
Business to Business (B2B)	649	786	892	884	707
Total Sales	1673	1743	1931	1996	2070
Sales Growth (YoY)	19	15	10	16	24
<i>Consumer & Bazar (C&B)</i>	25	12	22	25	33
<i>Business to Business (B2B)</i>	12	19	(2)	6	9
EBITDA (Rs mn)	200	181	179	241	297
<i>Consumer & Bazar (C&B)</i>	206	168	133	190	288
<i>Business to Business (B2B)</i>	(6)	13	46	51	9
EBITDA margin %	12.0%	10.4%	9.3%	12.1%	14.3%
<i>Consumer & Bazar (C&B)</i>	20.1%	17.6%	12.8%	17.1%	21.1%
<i>Business to Business (B2B)</i>	-0.9%	1.7%	5.2%	5.8%	1.3%
EBITDA growth (YoY)	300	311.4	49	42	49
<i>Consumer & Bazar (C&B)</i>	45.1	80.6	(1.5)	19.5	39.8
<i>Business to Business (B2B)</i>	NA	NA	NA	363.6	NA

Source: Company, PL

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

IBD – 22.4% EBITDA decline on scale down in America

International business (IBD) reported 8.8% decline in sales and 22.4% EBITDA decline; margins declined 107bps YoY/123bps QoQ.

Americas: Sales declined 39.7%, EBITDA loss is Rs98mn as margins declined 2220bps YoY as well as 1862bps QoQ. **Asia:** Sales remained flat with EBITDA of Rs 144mn, up 9.9% YoY. **Middle East & Africa:** Sales grew by 15.6% with EBITDA of Rs68mn with a margin of 9.9%.

Exhibit 6: EBITDA Margins decline 107bps YoY/123bps QoQ

Subsidiaries	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Sales (Rs. m)	2,055	1,998	2,104	2,009	1,874
Americas	691	611	585	574	417
Asia	768	748	809	808	768
Middle East & Africa	596	639	710	627	689
Sales growth (YoY)	15.2	9.3	13.0	(6.6)	(8.8)
Americas	(0.9)	4.6	(0.3)	(23.7)	(39.7)
Asia	37.1	5.9	12.0	(1.2)	-
Middle East & Africa	13.1	18.8	28.4	8.1	15.6
EBITDA (Rs m)	147.0	96.0	114.0	147.0	114.0
Americas	(9.0)	(22.0)	(42.0)	(28.0)	(98.0)
Asia	131.0	100.0	122.0	129.0	144.0
Middle East & Africa	25.0	18.0	34.0	46.0	68.0
EBITDA (margin %)	7.2	4.8	5.4	7.3	6.1
Americas	(1.3)	(3.6)	(7.2)	(4.9)	(23.5)
Asia	17.1	13.4	15.1	16.0	18.8
Middle East & Africa	4.2	2.8	4.8	7.3	9.9
EBITDA growth (YoY)	1.4	(26.2)	107.3	(30.0)	(22.4)
Americas	(114.1)	(375.0)	68.0	(162.2)	988.9
Asia	63.8	(18.7)	43.5	(17.8)	9.9
Middle East & Africa	2,400.0	(1,900.0)	(780.0)	475.0	172.0

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,17,991	1,25,373	1,39,229	1,54,810
YoY gr. (%)	18.9	6.3	11.1	11.2
Cost of Goods Sold	67,594	62,279	68,996	75,860
Gross Profit	50,397	63,093	70,233	78,950
Margin (%)	42.7	50.3	50.4	51.0
Employee Cost	12,456	14,351	15,717	17,351
Other Expenses	-	-	-	-
EBITDA	19,844	27,720	31,696	36,578
YoY gr. (%)	7.4	39.7	14.3	15.4
Margin (%)	16.8	22.1	22.8	23.6
Depreciation and Amortization	2,697	2,998	3,396	3,875
EBIT	17,146	24,723	28,300	32,703
Margin (%)	14.5	19.7	20.3	21.1
Net Interest	476	460	499	563
Other Income	496	1,405	2,101	3,098
Profit Before Tax	17,166	25,668	29,902	35,238
Margin (%)	14.5	20.5	21.5	22.8
Total Tax	4,344	6,545	7,625	8,986
Effective tax rate (%)	25.3	25.5	25.5	25.5
Profit after tax	12,822	19,123	22,277	26,252
Minority interest	-	-	-	-
Share Profit from Associate	66	76	88	101
Adjusted PAT	12,889	19,199	22,365	26,353
YoY gr. (%)	6.8	49.0	16.5	17.8
Margin (%)	10.9	15.3	16.1	17.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,889	19,199	22,365	26,353
YoY gr. (%)	6.8	49.0	16.5	17.8
Margin (%)	10.9	15.3	16.1	17.0
Other Comprehensive Income	325	-	-	-
Total Comprehensive Income	13,213	19,199	22,365	26,353
Equity Shares O/s (m)	508	508	508	508
EPS (Rs)	25.4	37.8	44.0	51.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	52,372	56,357	60,783	65,796
Tangibles	36,137	40,525	45,355	50,772
Intangibles	16,235	15,832	15,428	15,024
Acc: Dep / Amortization	16,197	18,791	21,784	25,255
Tangibles	16,197	18,791	21,784	25,255
Intangibles	-	-	-	-
Net fixed assets	36,243	37,565	38,999	40,541
Tangibles	20,008	21,734	23,571	25,517
Intangibles	16,235	15,832	15,428	15,024
Capital Work In Progress	4,059	3,710	3,910	4,110
Goodwill	12,898	12,898	12,898	12,898
Non-Current Investments	4,239	4,345	4,454	4,565
Net Deferred tax assets	(3,780)	(4,209)	(4,734)	(5,321)
Other Non-Current Assets	1,994	2,257	2,506	2,787
Current Assets				
Investments	5,312	17,016	31,053	48,413
Inventories	18,171	17,063	18,903	21,199
Trade receivables	15,353	16,079	17,477	19,010
Cash & Bank Balance	3,267	5,386	5,053	3,677
Other Current Assets	2,379	2,515	2,793	3,104
Total Assets	1,05,250	1,20,129	1,39,348	1,61,617
Equity				
Equity Share Capital	508	508	508	508
Other Equity	71,614	85,066	1,00,158	1,17,714
Total Network	72,123	85,574	1,00,667	1,18,223
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	803	812	901	1,002
Other non current liabilities	1,756	2,394	3,137	4,117
Current Liabilities				
ST Debt / Current of LT Debt	1,633	1,633	1,633	1,633
Trade payables	10,636	9,726	10,775	11,847
Other current liabilities	11,838	12,983	14,588	16,449
Total Equity & Liabilities	1,05,250	1,20,130	1,39,347	1,61,617

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	17,166	25,668	29,902	35,238
Add. Depreciation	2,697	2,998	3,396	3,875
Add. Interest	476	460	499	563
Less Financial Other Income	496	1,405	2,101	3,098
Add. Other	(172)	(1,405)	(2,101)	(3,098)
Op. profit before WC changes	20,168	27,720	31,696	36,578
Net Changes-WC	(3,052)	(10,430)	(13,878)	(17,270)
Direct tax	(4,344)	(6,545)	(7,625)	(8,986)
Net cash from Op. activities	12,772	10,745	10,193	10,322
Capital expenditures	(6,611)	(3,970)	(5,030)	(5,617)
Interest / Dividend Income	496	1,405	2,101	3,098
Others	(579)	(11)	(2)	9
Net Cash from Inv. activities	(6,694)	(2,576)	(2,931)	(2,510)
Issue of share cap. / premium	112	-	-	-
Debt changes	(1,241)	-	-	-
Dividend paid	(5,083)	(5,591)	(7,116)	(8,641)
Interest paid	(476)	(460)	(499)	(563)
Others	192	-	-	-
Net cash from Fin. activities	(6,497)	(6,051)	(7,615)	(9,204)
Net change in cash	(419)	2,117	(353)	(1,392)
Free Cash Flow	6,161	6,774	5,163	4,705

Source: Company Data, PL Research

Key Financial Metrics

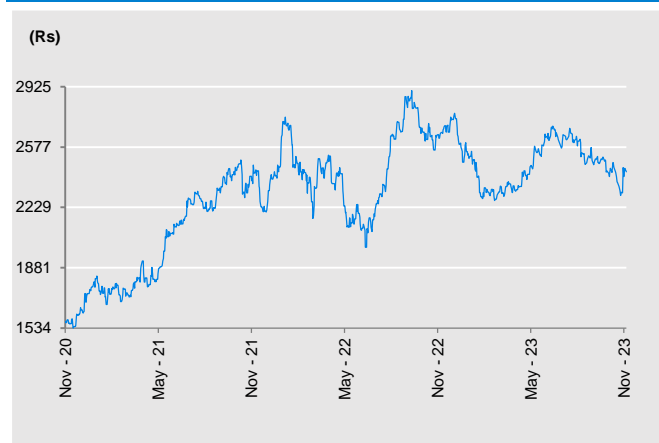
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	25.4	37.8	44.0	51.8
CEPS	30.7	43.7	50.7	59.5
BVPS	141.9	168.4	198.0	232.6
FCF	12.1	13.3	10.2	9.3
DPS	10.0	11.0	14.0	17.0
Return Ratio(%)				
RoCE	24.4	30.7	29.9	29.4
ROIC	17.7	25.3	27.4	29.9
RoE	18.9	24.3	24.0	24.1
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	71	68	67	67
Valuation(x)				
PER	96.9	65.1	55.9	47.4
P/B	17.3	14.6	12.4	10.6
P/CEPS	80.1	56.3	48.5	41.3
EV/EBITDA	62.6	44.3	38.3	32.8
EV/Sales	10.5	9.8	8.7	7.7
Dividend Yield (%)	0.4	0.4	0.6	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	29,976	26,893	32,751	30,760
YoY gr. (%)	5.2	7.3	5.6	2.2
Raw Material Expenses	17,435	14,310	16,697	14,978
Gross Profit	12,541	12,582	16,054	15,783
Margin (%)	41.8	46.8	49.0	51.3
EBITDA	4,959	4,592	7,070	6,797
YoY gr. (%)	(9.7)	14.5	33.5	36.0
Margin (%)	16.5	17.1	21.6	22.1
Depreciation / Depletion	686	762	734	752
EBIT	4,272	3,830	6,335	6,045
Margin (%)	14.3	14.2	19.3	19.7
Net Interest	151	118	119	131
Other Income	51	228	234	316
Profit before Tax	4,173	3,940	6,451	6,230
Margin (%)	13.9	14.7	19.7	20.3
Total Tax	1,111	1,067	1,704	1,631
Effective tax rate (%)	26.6	27.1	26.4	26.2
Profit after Tax	3,061	2,873	4,746	4,599
Minority interest	-	-	-	-
Share Profit from Associates	16	(15)	(10)	(14)
Adjusted PAT	3,077	2,859	4,737	4,585
YoY gr. (%)	(14.3)	12.4	32.5	35.8
Margin (%)	10.3	10.6	14.5	14.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,077	2,859	4,737	4,585
YoY gr. (%)	(14.3)	12.4	32.5	35.8
Margin (%)	10.3	10.6	14.5	14.9
Other Comprehensive Income	36	188	(163)	(128)
Total Comprehensive Income	3,114	3,047	4,574	4,458
Avg. Shares O/s (m)	508	508	508	508
EPS (Rs)	6.1	5.6	9.3	9.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	Hold	2,610	2,454
2	11-Aug-23	Hold	2,610	2,545
3	06-Jul-23	Hold	2,664	2,649
4	09-May-23	Hold	2,589	2,472
5	11-Apr-23	Hold	2,500	2,359
6	25-Jan-23	Hold	2,500	2,315
7	06-Jan-23	Hold	2,679	2,522
8	10-Nov-22	Hold	2,737	2,656

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,387	2,960
2	Avenue Supermarts	BUY	4,724	3,920
3	Britannia Industries	Hold	4,801	4,527
4	Colgate Palmolive	Hold	1,948	2,034
5	Dabur India	Accumulate	597	530
6	Emami	Accumulate	564	519
7	Hindustan Unilever	Hold	2,786	2,548
8	ITC	Accumulate	492	450
9	Jubilant FoodWorks	Hold	505	529
10	Kansai Nerolac Paints	Accumulate	351	306
11	Marico	Hold	556	532
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	918	882
14	Nestle India	Accumulate	25,471	24,245
15	Pidilite Industries	Hold	2,610	2,454
16	Restaurant Brands Asia	Accumulate	145	114
17	Titan Company	Accumulate	3,387	3,275
18	Westlife Foodworld	Hold	844	883

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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